Propell Technologies Group, Inc.
Form 10-K
April 07, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Fiscal Year Ended December 31, 2013

000-53488

Commission file number

PROPELL TECHNOLOGIES GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**26-1856569**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1701 Commerce Street, Houston, Texas 77002

(Address of principal executive offices)

(713) 227- 0480

(Registrant’s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock	**None**
(Title of Class)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12 (g) of the Act: Common Stock, $0.001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 of Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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 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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No x

The aggregate market value of the voting and non-voting stock of the Company held by non-affiliates as of June 30, 2013 was approximately $112,166,977 based on the price at which the common stock was last sold on June 30, 2013.

The Registrant has 208,035,472 shares of common stock outstanding as of March 30, 2014.

Documents incorporated by reference: None

PROPELL TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES

FORM 10-K

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

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PART I

CAUTIONARY STATEMENT RELATING TO THE SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This Annual Report on Form 10-K and the information incorporated by reference includes “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. We intend those forward looking-statements to be covered by the safe harbor provisions for forward-looking statements. All statements regarding our expected financial position and operating results, our business strategy, our financing plans and the outcome of any contingencies are forward-looking statements. Any such forward-looking statements are based on current expectations, estimates, and projections about our industry and our business. Words such as “anticipates,” “expects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” or variations of those words and similar expressions are intende identify such forward-looking statements. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those stated in or implied by any forward-looking statements.

Item 1. Business

Overview

Our Company

Through our wholly owned subsidiary, Novas Energy USA, Inc. (“Novas”), we are engaged in the commercial application of a proprietary “Plasma-Pulse Technology” to enhance the recovery of oil for which we have a perpetual exclusive license to utilize in the United States and Mexico. We began introducing the technology in the United States on a limited basis in March 2013. Prior to March 2013, all of our revenue had been derived from our e-commerce and other lines of business.

Since February 4, 2013, following the closing of the Share Exchange Agreement with the shareholders of Novas Energy (USA), Inc. (“Novas”), under which we acquired all of the outstanding equity securities of Novas in exchange for 100,000,000 shares of our Common Stock, our primary focus has shifted to the further development of our licensed oil recovery technology. The oil recovery technology used by Novas is based on an exclusive, perpetual royalty-bearing license to engage in the commercial application of the proprietary “Plasma-Pulse Technology” (the “Technology”) entered into on January 30, 2013, with Novas Energy Group Limited (“Licensor”) which granted Novas the right to use the technology in the United States to enhance oil production. The license agreement provides Novas with the right to practice the licensed process and to utilize the Technology to provide services to third parties and for 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 include Mexico. Although new to the United States and Mexico, the "Plasma Pulse Technology" has been successfully utilized outside of the United States and Mexico 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 twenty seven oil wells located in five states; Louisiana, Oklahoma, Kansas, Texas and Wyoming. The Technology has been shown to increase oil production in the vast 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 four tools that we use to perform the treatments. Our current technology and tools only work in vertical wells with a minimum of 5 ½-inch casings and not in horizontal wells. We are currently in the process of developing a tool to treat 4 ½-inch cased wells. We anticipate the smaller diameter tool to be available in the second quarter of 2014.

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 twenty seven oil wells mentioned above. 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 have received some revenue and expect to receive additional revenue to at least recover some of our expenses incurred on the treatment of these wells. We have also agreed to treat four wells in Oklahoma for a service fee of which we have completed three of those treatments and have been paid on two of them.

We expect to continue to offer our services to independent 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 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.

In order to allow us to fully focus on our oil recovery business, in October 2013, we entered into a management agreement with a third party for the operation of our e-commerce business. The terms of the management agreement provided that the third party would manage the operation of our e-commerce line of business and that the third party would be entitled to a fee equal to the revenue derived from the operations less a royalty of 10% of the net profit, if any that would be paid to us. Inasmuch as the e-commerce line of business was not profitable after taking into account general and administrative expenses and other expenses and we believed that we did not have the finances or personnel available to us to promote such business line or increase sales, in December 2013, we disposed of this business for a consideration of 10% of the net profits of the business, up to a maximum of $100,000 earned over the next three years ending December 31, 2014, 2015 and 2016. In addition, effective December 31, 2013, in order to improve our balance sheet, we disposed of our wholly owned subsidiary, Crystal Magic, Inc., which had been inactive since June 2010 and sold the stock of Crystal Magic, Inc. to a third party for nominal consideration.

To date we have derived $68,077 in revenue from our oil enhancement business. We have financed our operations primarily from sales of our securities, both debt and equity, and to a lesser extent revenue from operations and we expect to continue to obtain required capital in a similar manner. Novas has financed its operations from loans it has received, which the majority of these loans were recently converted into shares of our common stock. We have incurred an accumulated deficit of $5,393,672 through December 31, 2013 and there can be no assurance that we will be able to achieve profitability.

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

Strengths and Competitive Advantages

We believe that the following are key attributes of our company:

- The Plasma Pulse Technology treatment is fast and is typically completed in a matter of hours.

- After treatment with our licensed technology, the well goes back into production immediately.

- To date, our licensed technology has been safe with in excess of 200 wells treated with the technology with no know material damage.

- Our licensed technology does not use any chemicals or water.

- Our licensed technology has been shown to increase production as far as one mile from the treatment site.

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, 2013, 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 preferred 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 disposed of 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 preferred shares as Series B Convertible Preferred Stock

NOVAS OIL RECOVERY ENHANCEMENT

On January 30, 2013, Novas entered into an exclusive, perpetual royalty bearing license agreement with Novas Energy Group Limited ("Licensor") which was amended in March 2014 and 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 amended 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 and Mexico. 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 Plasma Pulse 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 Plasma Pulse Technology. Although new to the United States and Mexico, the process has been successfully utilized outside of the United States and Mexico for several years. The Licensor has filed for patent protection of its technology in the United States and Mexico. 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. Our current technology and tools only work in vertical wells with a minimum of 5 ½-inch casings and not in horizontal wells. We are currently in the process of developing a tool to treat 4 ½-inch cased wells and also horizontal wells. We anticipate the smaller diameter tool to be available in the second quarter of 2014.

To date, we have used the Technology to treat twenty seven wells in the United States in five states; Kansas, Louisiana, Oklahoma, Wyoming and Texas. Seventeen of the wells experienced an increase in oil production after being treated with the Technology. The average initial increase in oil production for the twenty seven wells was 295% and the average increase 60 days after treatment was 88%. Set forth below are more specific details of the initial results of the oil wells that we treated in the United States with the Plasma Pulse Technology.

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Numerous companies have utilized the Plasma Pulse Technology that Novas has licensed in the treatment and stimulation of oil wells throughout the Russian Federation, China, Kazakhstan, Uzbekistan and Czech Republic. The tool and subsequent well treatment have been credited with increasing oil production and injector well fluid flow in over 150 wells outside of the United States in Russia and China. It does so without any chemicals associated with hydraulic fracturing and therefore is deemed to be environmentally friendly. The treatment was created to clear the well drainage area of sedimentation clogging at the perforation zone and increase the permeability of the reservoir at the same time.

The process once applied should be effective for approximately nine months to one year and thereafter can be reapplied as needed. The success of our application of our enhanced oil technology largely depends upon the correct selection of candidate wells. The candidate well requirements are: no behind the casing flow; well bore inclination does not exceed 50 degrees; reservoir temperature is less than 110 degrees Celsius, porosity is no more than 30 degrees; permeability is at least 2-4mD; reservoir pressure is below 500 atm; presence of a drilling sump; fluid in the hole above the perforations, the number of perforation holes is greater than 10 per meter and the reservoir pressure is greater than the saturation pressure. Additionally when selecting a target well or oil field we look at the various formations such as limestone, sandstone, tight sand, dolomite, shale or clay. We look at well logs and do analysis on the reservoir drive system (water, gas, gravity) and water cuts. Depending upon our analysis of a candidate well we develop a unique treatment plan. As an example a "softer" rock such as sandstone may receive 20 plasma pulses in each 12 - 18 inch perforation station compared to a limestone where we may release 50 or more plasma pulses. We may also vary the time in between pulses and the frequency and size of the pulses.

Our Industry

United States crude-oil production grew by more than one million barrels a day in 2012, the largest increase in the world and the largest in United States history, jumping 14% last year to 8.9 million barrels a day, according to the Statistical Review of World Energy, an annual compilation of industry trends published by BP BP.LN -0.19% PLC for more than six decades. In volume terms, 2012 United States production gain of 1.04 million barrels a day surpassed the earlier biggest annual increase of 640,000 barrels per day, recorded in 1967.

According to The Wall Street Journal, most of this new production is coming from dense shale-rock formations, such as the Bakken Shale in North Dakota and the Eagle Ford Shale in Texas as a result of techniques developed in recent years to hydraulically fracture, or frack, these shale's, freeing up previously trapped oils.

Hydraulic fracturing is the fracturing of various rock layers by a pressurized liquid. Some hydraulic fractures form naturally—certain veins or dikes are examples—and can create conduits along which gas and petroleum from source rocks may migrate to reservoir rocks. Induced hydraulic fracturing , commonly known as fracking, is a technique in which usually a large amount of water is mixed with sand and/or chemicals (a different technique where only chemicals are used is referred to as acidizing). This mixture is injected at high pressure into faults to release petroleum, natural gas (including shale gas, tight gas, and coal seam gas), or other substances for extraction. This type of fracturing creates fractures from a wellbore drilled into reservoir rock formations.

We intend to compete with other secondary fracking methods by providing to target customers the Plasma Pulse Technology for increasing oil production developed by Novas Energy Group Limited described above. Our initial target customers have been several smaller marginal or "stripper "oil wells that have experienced reduced oil production. We believe that the United States and Mexican target market is indeed large. Generally, these wells started their productive life producing much greater volumes using natural pressure. Over time, the pressure decreases and production drops even if the reservoirs, which feed the wells, are not yet depleted. We also intend to target newer wells that were drilled in the last 10 years that have experienced declined production.

Of the approximately 45,000 total wells drilled in the United States during 2012 we estimated that 31,500 or 70.0% were oil wells and the remainder were gas wells that are not our target. Of the 31,500 oil wells drilled approximately 15,750 or 50% were vertical wells. We believe that the size of the market will continue to grow for our technology as we already have the ability to treat certain existing wells, and we estimate that approximately 43 new wells are being drilled every day.

Our Plan

Initially, we have derived revenue from customers based upon our joint venture model in which we receive a percent of their increased oil production revenue. We typically provide customers with a free demonstration of our technology at one of their sites with an agreement that if successful and there is an oil recovery gain that we will share in the increased revenue derived from such gain. In May 2013, we entered into our first revenue share agreement with an owner of certain oil wells located in Creek County, Oklahoma, which agreement thereupon will be terminated when we receive reimbursement of our expenses. In August 2013, we signed one Oil Services Revenue Sharing Agreement to treat up to 10 wells in Creek County Oklahoma. 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. We have also agreed to treat four wells in Oklahoma for a service fee of which we have completed three of those treatments and have been paid on two of them. Alternatively, we also intend to perform enhancement services for customers based upon our fee based model pursuant to which we will charge a fixed fee per well or to sublicense the technology to others who will perform the services that we would otherwise perform and pay us a fee for such sublicense. In addition, we may seek to acquire underperforming wells and use the technology on the wells we acquire to produce revenue.

Intellectual Property

We license the “Plasma-Pulse Technology” from the Licensor, pursuant to the terms of an exclusive perpetual royalty bearing license we entered into in January 2013, which was amended in 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 related services to third parties 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. All royalty payments made by us as well as sublicensing revenue paid by us to Licensor are credited towards the minimum royalty payment. Royalties based on revenue derived from operations in one territory can be used to satisfy obligations for minimum royalty payments in the other territory. If the minimum royalty is not timely paid with respect to one of the two territories, the Licensor has the right to terminate the license with respect to that particular territory and if the minimum royalty payment for both territories is not paid, to terminate the license agreement. We are obligated to pay a license fee of $150,000 on or prior to June 30, 2014 and an additional amount of $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. The 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.

On August 20, 2012, the Licensor filed a Provisional Patent Application (No. 61/684,988 entitled Process and Apparatus For The Production Enhancement of Hydrocarbon Deposits Using Metallic Plasma-Generated, Directed, Non-linear, Wide-Band and Elastic Oscillations at Resonance Frequencies) with the US Patent and Trademark Office.

Marketing

To date, we have presented our technology at several conferences focused on worldwide energy concerns. We have presented at Energy Prospectus Group, the Winter North American Prospect Expo (NAPE), HIS CERA Week 2013 and the Total Energy USA Conference.

Regulation

Exploration and production operations are subject to various types of regulation at the federal, state and local levels. This regulation includes requiring permits to drill wells, maintaining bonding requirements to drill or operate wells, and regulating the location of wells, the method of drilling and casing wells, the surface use and restoration of properties on which wells are drilled, and the plugging and abandoning of wells. Our operations are also subject to various conservation laws and regulations.

Typically oil enhancements such as hydraulic fracturing operations have historically been overseen by state regulators as part of their oil and gas regulatory programs; however, the EPA has asserted federal regulatory authority over certain hydraulic fracturing activities involving diesel under the Safe Drinking Water Act and has released draft permitting guidance for hydraulic fracturing activities that use diesel in fracturing fluids in those states where EPA is the permitting authority. As a result, we may be subject to additional permitting requirements for our operations. These permitting requirements and restrictions could result in delays in operations at well sites as well as increased costs to make wells productive. In addition, legislation introduced in Congress provides for federal regulation of hydraulic fracturing under the Safe Drinking Water Act and require the public disclosure of certain information regarding the chemical makeup of hydraulic fracturing fluids. Moreover, on November 23, 2011, the EPA announced that it was granting in part a petition to initiate a rulemaking under the Toxic Substances Control Act, relating to chemical substances and mixtures used in oil and gas exploration and production. Further, on May 4, 2012, the Department of the Interior's Bureau of Land Management ("BLM") issued a proposed rule to regulate hydraulic fracturing on public and Indian land.

On August 16, 2012, the EPA published final rules that establish new air emission control requirements for natural gas and NGL production, processing and transportation activities, including New Source Performance Standards to address emissions of sulfur dioxide and volatile organic compounds, and National Emission Standards for Hazardous Air Pollutants (NESHAPS) to address hazardous air pollutants frequently associated with gas production and processing activities. Among other things, these final rules require the reduction of volatile organic compound emissions from natural gas wells through the use of reduced emission completions or "green completions" on all hydraulically fractured wells constructed or refractured after January 1, 2015. In addition, gas wells are required to use completion combustion device equipment (i.e., flaring) by October 15, 2012 if emissions cannot be directed to a gathering line. Further, the final rules under NESHAPS include maximum achievable control technology (MACT) standards for "small" glycol dehydrators that are located at major sources of hazardous air pollutants and modifications to the leak detection standards for valves. We are currently reviewing this new rule and assessing its potential impacts. Compliance with these requirements, especially the imposition of these green completion requirements, may require modifications to certain of our operations, including the installation of new equipment to control emissions at the well site that could result in significant costs, including increased capital expenditures and operating costs, and could adversely impact our business.

In addition to these federal legislative and regulatory proposals, some states in which we operate, such as Pennsylvania, West Virginia, Texas, Kansas, Louisiana and Montana, and certain local governments have adopted, and others are considering adopting, regulations that could restrict hydraulic fracturing in certain circumstances, including requirements regarding chemical disclosure, casing and cementing of wells, withdrawal of water for use in high-volume hydraulic fracturing of horizontal wells, baseline testing of nearby water wells, and restrictions on the type of additives that may be used in hydraulic fracturing operations. For example, the Railroad Commission of Texas adopted rules in December 2011 requiring disclosure of certain information regarding the components used in the hydraulic fracturing process. In addition, Pennsylvania's Act 13 of 2012 became law on February 14, 2012 and amended the state's Oil and Gas Act to impose an impact fee for drilling, increase setbacks from certain water sources, require water management plans, increase civil penalties, strengthen the Pennsylvania Department of Environmental Protection's (PaDEP) authority over the issuance of drilling permits, and require the disclosure of chemical information regarding the components in hydraulic fracturing fluids.

OSHA and Other Laws and Regulations. We are subject to the requirements of the federal Occupational Safety and Health Act (OSHA), and comparable state laws. The OSHA hazard communication standard, the EPA community right-to-know regulations under the Title III of CERCLA and similar state laws require that we organize and/or disclose information about hazardous materials used or produced in our operations. Also, pursuant to OSHA, the Occupational Safety and Health Administration has established a variety of standards related to workplace exposure to hazardous substances and employee health and safety.

Oil Pollution Act. The Federal Oil Pollution Act of 1990 (OPA) and resulting regulations impose a variety of obligations on responsible parties related to the prevention of oil spills and liability for damages resulting from such spills in waters of the United States. The term "waters of the United States" has been broadly defined to include inland water bodies, including wetlands and intermittent streams. The OPA assigns joint and several strict liability to each responsible party for oil removal costs and a variety of public and private damages. We believe that we substantially comply with the Oil Pollution Act and related federal regulations.

Clean Water Act. The Federal Water Pollution Control Act (Clean Water Act) and resulting regulations, which are primarily implemented through a system of permits, also govern the discharge of certain contaminants into waters of the United States. Sanctions for failure to comply strictly with the Clean Water Act are generally resolved by payment of fines and correction of any identified deficiencies. However, regulatory agencies could require us to cease construction or operation of certain facilities or to cease hauling wastewaters to facilities owned by others that are the source of water discharges. We believe that we substantially comply with the Clean Water Act and related federal and state regulations.

Competition

Competition in the oil industry is intense. We will compete with other technologies such as gas injection, polymer flooding, microbial injection and thermal methods, As a new technology, we will compete with many of the other technologies that have been proven to be economically successful in enhancing oil production in the United States. We also actively compete against other companies with substantial financial and other resources.

Item 1A. Risk factors

As a smaller reporting company we are not required to provide risk factors

Risks Related to the Company

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 twenty seven 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 consolidated audited financial statements, report a 2013 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 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 $(3,816,651). 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 year end we raised an additional $750,000 in equity securities and a further $95,000 in convertible 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 four 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. If the tools should require repair we may be unable to service customers. In addition, with only four down-hole tools, we can only treat a limited number of wells at a time and are unable to treat wells on days when the down-hole tools are in transit from one customer's well to another well.

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

Our current technology and tools only work in vertical wells with a minimum of 5 ½-inch casings and not in horizontal wells. We are currently in the process of developing a tool to treat 4 ½-inch cased wells and also horizontal wells. We anticipate the smaller diameter tool to be available in the second quarter of 2014. However, there can be no assurance that such tool will be able to be developed or if developed 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 twenty seven wells, which treatments were performed fairly recently, and we do not have long terms results on the wells that were treated. Of such wells, only seventeen had improved results. 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.

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 $150,000 to the Licensor on or prior to June 30, 2014 and 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 March 31, 2014, the Company had notes outstanding in the aggregate principal amount of $767,525, of which $270,650 are either due on demand or by December 18, 2014. Each loan bears interest at rates ranging from 6%to 12% 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.

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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 19,443,750 common shares; and holders of our short-term convertible notes have the option to convert into common shares at variable prices at discounts ranging from 50% to 65% of average trading prices immediately prior to conversion, which will result in substantial dilution to our stockholders.

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 Statement No. 123, “Share Based Payment,” (FASB ASC Topic 718-10). 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 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.

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.

Available information

We file annual, quarterly, and current reports, proxy statements, and other information with the U.S. Securities and Exchange Commission. You may read and copy any document we file at the SEC's public reference room at 100 F Street, NE, Washington, D.C. 20549.

You may call the SEC at 1-800-SEC-0330 for information on the public reference room. The SEC maintains a website that contains annual, quarterly, and current reports, proxy statements, and other information that issuers (including Propell) file electronically with the SEC. The SEC's website is www.sec.gov.

Our website is www.propell.com. It provides a link to the SEC's website at www.sec.gov that provides, free of charge, our annual reports on Form 10-K; quarterly reports on Form 10-Q; current reports on Form 8-K; and any amendments to those reports and forms. We will voluntarily provide electronic or paper copies of our filings free of charge upon request. Information on our website is not deemed to be incorporated by reference into this Annual Report on Form 10-K.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We currently lease offices in Houston, Texas. Our office is in Houston and consists of approximately 2,300 square feet for which we pay $2,200 per month. Our landlord, also one of our shareholders, currently provides the space on a rent deferred basis. We believe if we lost our lease at these premises, we could promptly relocate within 30 days.

We sub-leases approximately 748 square feet of loft space in Houston, Texas from a related party for a one year lease which started January 24, 2013 and expires September 30, 2014 for $1,675 per month.

Item 3. Legal Proceedings.

There are no material legal proceedings that are pending or have been threatened against us of which management is aware.

Item 4. Mine Safety Disclosure

Not Applicable

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Price Range of Common Stock

Our common stock trades on the OTC Bulletin board since April 23, 2010 under the symbol PROP. Prior to that date, there was no active market for our common stock. The following table sets forth the high and low sale prices for our common stock for the periods indicated.

	High	Low
Fiscal Year 2013		
First Quarter	$1.05	0.300
Second Quarter	$1.12	0.41
Third Quarter	$0.73	0.26
Fourth Quarter	$0.57	0.18
Fiscal Year 2012		
First Quarter	$2.25	$.70
Second Quarter	$.825	$.15
Third Quarter	$1.25	$.10
Fourth Quarter	$.71	$.36

The last reported sale price of our common stock on the OTC Bulletin board on March 28, 2014, was $0.27 per share. As of March 30, 2014, there were approximately 110 holders of record of our common stock.

We have not paid any cash dividends on our common stock to date, and we have no intention of paying cash dividends in the foreseeable future. Whether we declare and pay dividends is determined by our board of directors at their discretion, subject to certain limitations imposed under Delaware corporate law. The timing, amount and form of dividends, if any, will depend on, among other things, our results of operations, financial condition, cash requirements and other factors deemed relevant by our board of directors.

Recent Sales of Unregistered Securities; Uses of Proceeds from Registered Securities

During the first fiscal quarter, the following securities were issued:

i. On February 1, 2013 we issued an aggregate of 25,000,000 shares of our Common Stock to 17 note holders upon conversion of an aggregate of $500,000 principal amount of notes held by such note Holders. The exchange of the common shares for debt is exempt from registration requirements under Section 3(a) (9) of the Securities Act of 1933.

ii. We issued 600,000 shares of Common Stock to individuals as compensation for consulting services rendered;

iii. An additional 6,875,000 shares of Common Stock were issued upon the conversion of 687,500 Series A-1 Convertible Preferred shares. These conversions were done on a ten for one basis. The exchange of the common shares for preferred shares is exempt from registration requirements under Section 3(a) (9) of the Securities Act of 1933.

iv. In March 2013, we granted to our directors options (that are covered by our Stock Option Plan) to purchase 55,386 shares of our common stock with an exercise price equal to $0.65 per share. Vesting was immediate.

During the second fiscal quarter, the following securities were issued:

i. We issued an aggregate of 487,500 shares of our Common Stock to one note holder upon conversion of an aggregate of $9,750 principal amount of notes held by such note holder, at a conversion price of $0.02 per share. The exchange of the common shares for debt is exempt from registration requirements under Section 3(a) (9) of the Securities Act of 1933.

ii. In June 2013, we granted to our directors options (that are covered by our Stock Option Plan) to purchase 57,144 shares of our common stock with an exercise price equal to $0.63 per share. Vesting was immediate.

During the third fiscal quarter, the following securities were issued:

i. We issued 4,250,000 shares of our common stock upon conversion of 425,000 Series A-1 Convertible Preferred shares. These conversions were done on a ten for one basis. The exchange of the common shares for preferred shares is exempt from registration requirements under Section 3(a) (9) of the Securities Act of 1933.

ii. We issued convertible notes in the principal amount of $337,948, including original issue discounts, fees and capitalized interest thereon for net proceeds of $299,500. These notes are convertible into common stock at any time, at the holder's option, in whole or in part, at conversion prices ranging from 58% to 65% of the lowest trading prices in periods ranging from 10 to 25 days prior to conversion. The proceeds of which were used for working capital purposes.

iii. We issued 12,500 shares of common stock to a note holder as compensation for a call option granted to that note holder whereby further funding of $100,000 would be provided to us in the form of back-end notes.

iv. We issued an aggregate of 487,500 shares of our Common Stock to one note holder upon conversion of an aggregate of $9,750 principal amount of notes held by such note holder, at a conversion price of $0.02 per share. The exchange of the common shares for debt is exempt from registration requirements under Section 3(a) (9) of the Securities Act of 1933.

v. We issued 200,000 shares of Common Stock to an individual as compensation for consulting services rendered;

vi. In September 2013, we granted to our directors options (that are covered by the Company's Stock Option Plan) to purchase 285,150 shares of our common stock with an exercise price equal to $0.63 per share. Vesting is equally over a twelve month period.

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During the fourth fiscal quarter, the following securities were issued:

i. We issued an aggregate of 55,076,910 shares of its Common Stock to eleven note holders upon conversion of an aggregate of $1,091,375 principal amount of notes, together with interest thereon of $10,163, held by such note holders, at a conversion price of $0.02 per share. The exchange of the Shares for debt is exempt from registration requirements under Section 3(a) (9) of the Securities Act of 1933.

ii. We issued an aggregate of 9,717,223 shares of our Common Stock to note holders of Novas, our wholly owned subsidiary, in terms of assignment agreements and conversion of an aggregate principal amount of $911,500 together with interest thereon of $60,222, held by such note holders at a conversion price of $0.10 per share.

iii. We entered into Securities Purchase Agreements with two individuals, pursuant to which the individuals agreed to purchase and we agreed to sell 375,000 units consisting of one share issued at a market price of $0.20 and one five year warrant to acquire a share at an exercise price of $0.30 per share for a net consideration of $75,000, the proceeds of which were used for working capital purposes..

iv. On October 31, 2013, we entered into a Securities Purchase Agreement, with Seaside 88, L.P. (“Seaside”), and we sold to Seaside an aggregate of 245,710 shares of common stock for gross proceeds to us of $46,930.61, the proceeds of which were used for working capital purposes.

v. We issued convertible notes in the principal amount of $340,330, including original issue discounts, fees and capitalized interest thereon, for net proceeds of $265,000. These notes are convertible into common stock at any time, at the holder’s option, in whole or in part, at conversion prices ranging from 58% to 65% of the lowest trading prices in periods ranging from 10 to 25 days prior to conversion, the proceeds of which were used for working capital purposes.

Subsequent to year-end, we issued the following securities:

i. We exercised our call right on the Gel Properties “back end” notes issued on July 30, 2013, each note having a face value of $50,000 (the “Convertible Notes”) in exchange for two $50,000 “back end” notes (the “Back End Notes”), for net proceeds of $95,000, which was used for working capital purposes.

Subsequent to year end, 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.

On January 7 and 21, February 10 and 27 and March 26, 2014, funds of $125,000, borrowed from JMJ Financial under an unsecured promissory note for $275,000, including interest, original issue discount and fees, amounting to a total of $162,400 was converted into a total of 1,766,957 shares of our common stock. The exchange of the Shares for debt is exempt from registration requirements under Section 3(a) (9) of the Securities Act of 1933.

On January 22, 2014, we entered into a consultancy agreement with a consultant whereby the consultant agreed to provide us business consulting services for a period of one year. The consultant will be issued 500,000 shares of our Common Stock as the total compensation due under this consulting agreement.

On March 12 and 17, 2014, funds of $50,000 borrowed from Vista Capital under an unsecured promissory note for $250,000, including interest, original issue discount and fees, amounting to a total of $61,600, was converted into 720,690 shares of our common stock. The exchange of the Shares for debt is exempt from registration requirements under Section 3(a) (9) of the Securities Act of 1933.

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 there under), or Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed upon the stock certificates issued in these transactions.

Securities Authorized For Issuance under Equity Compensation Plans

PROPELL CORPORATION 2008 STOCK OPTION PLAN

Our board of directors adopted the Propell Corporation 2008 Stock Option Plan (the “Plan”) in April 2008 to promote our long-term growth and profitability by (i) providing our key directors, officers and employees with incentives to improve stockholder value and contribute to our growth and financial success and (ii) enable us to attract, retain and reward the best available persons for positions of substantial responsibility. A total of 2,100,000 shares of the Company’s Common Stock have been reserved for issuance upon exercise of options granted pursuant to the Plan. The Plan allows the Company to grant options to employees, officers and directors of the Company and its subsidiaries; provided that only employees of the Company and its subsidiaries may receive incentive stock options under the Plan. The Company has granted a total of 452,960 options as of March 30, 2014 under the Plan. In addition, the Company has granted options exercisable for 11,000,000 shares of Common Stock that were not issued pursuant to the Plan. Set forth below is detail with respect to issuances under the Plan.

Plan category	Number of securities issued under equity compensation plan	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	452,960	$ 1.57	1,647,040

Item 6. Selected Financial Data

This item is omitted as not required for smaller reporting companies.

Item 7. 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,” “ “continue,” “sustain”, “on track”, “believe,” “seek,” “estimate,” “anticipate,” “may,” “assume,” and variations of such words ar 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 twenty seven oil wells located in five states; Louisiana, Oklahoma, Kansas, Texas and Wyoming. The Technology has been shown to increase oil production in the vast 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 four tools that we use to perform the treatments. Our current technology and tools only work in vertical wells with a minimum of 5 ½-inch casings and not in horizontal wells. We are currently in the process of developing a tool to treat 4 ½-inch cased wells. We anticipate the smaller diameter tool to be available in the second quarter of 2014.

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 twenty seven oil wells mentioned above. 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. We have also agreed to treat four wells in Oklahoma for a service fee of which we have completed three of those treatments and have been paid on two of them.

We expect to continue to offer our services to independent 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.

We expect to continue to offer our services to independent oil wells for a percentage of the revenue that our customers derive from the additional production resulting from the use of our technology. We may also charge a service fee for use of the technology as opposed to a percentage of revenue. In addition, we may acquire wells and use the technology on our acquired wells to increase their production. Our anticipated customers are the owners of independent oil wells.

To date we have financed our operations, from sales of our securities, both debt and equity, and revenue from operations and we expect to continue to obtain required capital in a similar manner. Novas has financed its operations from loans it has received. We have incurred an accumulated deficit of $5,393,672 through December 31, 2013 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

During the year ended December 31, 2013, we have raised $1,599,500 through various short-term and long-term notes issued to third parties:

- We raised $500,000 through the issuance of long-term notes consisting of funds advanced by Anuta Limited to Novas Energy USA, Inc. (“Novas”), our wholly owned subsidiary. This note bears interest at 8% per annum and matures on February 1, 2016.

- We raised an additional $105,000 from JAZ-CEH Holdings, LLC through the issuance of long term notes advanced to Novas. The note bears interest at 7.5% per annum and matures on October 31, 2015.

- We raised $994,500 through the issuance of short-term notes with a principal balance outstanding of $1,114,290 including debt issue discounts, fees and capitalized interest thereon, Notes with a principal value of $702,790 have conversion options into common stock, and the remaining $411,500 was raised by Novas.

The $702,790 convertible notes were issued to various parties in amounts ranging from $20,000 to $155,650. These notes are convertible into common stock at the option of the holder at prices ranging from 50% to 65% of closing prices ranging from 3 to 25 trading days prior to conversion, Notes with a face value of $65,000 have a floor conversion price of $0.05 and notes with a face value of $346,640 have a capped conversion price of $0.65 per share, whilst notes with a face value of $61,600 have a capped conversion price of $0.33 per share. The notes bear interest at rates ranging from 6% to 12%, with some interest earned on a periodic basis with other notes earning interest as a once off interest charge after 90 days.

The following notes were converted into equity during the current year:

· **Notes Payable**

In terms of assignment agreements entered into between us, Novas and the note holders, notes originally recorded as owing by Novas were assigned to us and were made convertible into our common shares at a conversion price of $0.10 per share. Notes payable amounting to $911,500, including accrued interest thereon of $60,222 were converted into 9,717,223 shares of our common stock at a conversion price of $0.10 per share, effective December 31, 2013. This was done primarily to improve our balance sheet.

· **Long-term notes payable**

During the year, prior to December 31, 2013, holders of long-term notes payable converted $29,750 of the principal balance outstanding into 1,487,500 of our common shares at a conversion price of $0.02 per share.

Effective December 31, 2013, holders of long-term notes payable converted $1,081,375 of the principal, including accrued interest thereon of $10,163 into 54,576,910 of our common shares at a conversion price of $0.02 per share. This was done primarily to improve our balance sheet.

On October 31, 2013, we entered into the Securities Purchase Agreement with Seaside, pursuant to which Seaside has agreed to purchase and we have agreed to sell to Seaside up to an aggregate of 10,000,000 shares of common stock. On November 5, 2013, we held the first closing under the Securities Purchase Agreement and we sold to Seaside an aggregate of 245,710 shares of common stock, $.001 par value per share (which represented 10% of the total number of shares traded during normal hours during the twenty (20) trading days immediately preceding such closing), for gross proceeds to us of $46,931. This agreement was terminated on December 9, 2013 and no further shares were sold to Seaside 88, L.P.

Subsequent to year end, we raised the following funding:

- On January 16, 2014, we raised net proceeds of $95,000 by exercising our call right on the Gel Properties “back end” notes issued on July 30, 2013, each note having a face value of $50,000 (the “Convertible Notes”) in exchange for two $50,000 “back end” notes (the “Back End Notes”). The Back End Notes are due and payable on June 1, 2014 and August 1, 2014 respectively. The Convertible Notes are convertible into shares of our common stock and each bear interest at the rate of 6% per annum, which interest is payable in common stock. The conversion price, as well as the formula for determining the number of shares needed to pay the interest on the note, is 65% of the lowest closing price for any five trading days prior to conversion or payment of interest.

- Subsequent to year end, 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 shares of our newly created Series B Preferred Stock 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 were primarily used to retire notes with a face value of $358,908 together with interest and early settlement penalties thereon, for a net amount of $466,317.

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statement as of December 31, 2013 and December 31, 2012, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. On an on-going basis we review our estimates and assumptions. Our estimates are based on our historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results are likely to differ from those estimates under different assumptions or conditions.

Results of Operations for the year ended December 31, 2013 and December 31, 2012

As a result of reverse merger accounting following the share exchange transaction with Novas, our results prior to the date of the merger reflect the results of Novas as the deemed acquirer. As a result of the fact that the inception date of Novas is June 19, 2012 Novas had no activity in the period ending December 31, 2012 other than $925 of general and administrative expenses. As such, we have no material financial data to present for the period ended December 31, 2012 for comparison against the year ended December 31, 2013.

Net revenues

Net revenues were $94,362 for the year ended December 31, 2013. Net Revenue is broken down into revenue from our oil recovery business of $68,077 and revenue generated from our e-commerce shops of $26,285. Revenue from our oil recovery business represents flat fees charged to customers for initial well treatments and cost recovery of expenses incurred to treat wells. The revenue from our e-commerce business remained low due to low sales volume due to the lack of adequate working capital. The e-commerce business was sold effective December 31, 2013.

Cost of goods sold

Cost of goods sold was $357,860 for the year ended December 31, 2013. Cost of sales from our oil recovery business amounted to $336,018; this included up-front costs incurred in the treatment of wells, engineering costs and equipment rental necessary to conduct our oil recovery business. These amounts were expensed as we are uncertain as to the amount of revenue we will generate from the wells we have treated. Cost of sales from our e-commerce business amounted to $21,842 and consisted primarily of purchase from outside vendors to fulfill our e-commerce orders. The e-commerce business was sold effective December 31, 2013.

Gross profit

Gross loss of $263,498 for the year ended December 31, 2013 consisted of a gross loss from our oil recovery business of $267,941, offset by a gross profit of $4,443 from our e-commerce business. The gross loss on the oil recovery business is primarily due to the up-front costs incurred on wells prior to the generation of revenue. The gross margin earned on our e-commerce business was 16.9%, which is in line with expectations due to the lack of working capital and consequently the lack of focus on this line of business. The e-commerce business was sold effective December 31, 2013.

Total expenses

Total expenses of $3,230,339 consisted primarily of the following:

- Stock based compensation expense of $1,657,273, made up primarily of the charge of $1,657,273 on non-plan options issued to officers of the Company;
-

Business development expenditure of $535,175, business development expenditure was incurred whilst conducting the reverse merger with Propell Corporation;

- Consulting fees of $353,673 consist primarily of management services provided by our CEO prior to his appointment as CEO, financial assistance services provided by third party contractors and general management services provided by third parties;
- General and administrative expenses of $346,573 consisted primarily of travel costs of $112,667, salaries of $48,034, rental expenses of $40,867, research and development expenditure of $38,145, Investor relations expenses of $37,918, insurance expenses of $26,158 and directors fees of $26,000; and
- Professional fees of $224,801, which consist primarily of legal fees of $142,501 incurred primarily on general corporate matters and financings, and $79,063 for accounting services provided to the Company.

Other income

Other income consists primarily of a gain of $44,125 realized on the release of an accrual for unpaid payroll liabilities which is not due and is longer required.

Profit on disposal of investments and assets

The profit on the disposal of the investment and assets is made up of the following:

- A profit of $34,421 resulting from the de-consolidation of Mountain Capital, LLC which was wound up several years ago;

- The disposal of the entire shareholding in Crystal Magic, Inc to a third party for $1. This resulted in a gain of $1,186,686 consisting primarily of liabilities which are no longer reflected on the balance sheet of the Company; and

- Profit realized on the disposal of Propell Shops, an operating division within the Company, consisting primarily of the disposal of the intellectual Property, the trademarks and trade names and the website domain names of Propell Shops, less accrued liabilities of $4,586, for a consideration of $nil plus 10% of the net profit of Propell Shops, up to a maximum of $100,000, earned over the three years ended December 31, 2014, 2015 and 2016, respectively. The likelihood of receiving any significant further proceeds is considered remote and no provision has been made for any future profit on disposal.

Amortization of debt discount

Amortization of debt discount of $1,178,495 represents the annual amortization of debt discount raised on convertible notes of $311,152 and the accelerated amortization of debt discount amounting to $867,343 on notes payable which were converted into common stock during the year. The debt discount is amortized over a five year period, the term of the convertible notes, any conversion of these notes or redemption of these notes results in an immediate amortization of the remaining debt discount associated with the note concerned.

Change in fair value of derivatives

Certain of the short-term notes with a face value of $678,278 issued during the year have variable priced conversion options, gave rise to a derivative liability of $201,382 on inception of these notes. This liability was reassessed at December 31, 2013, further increasing the liability by $36,417, amounting to a total liability of $237,799.

Interest expense

Interest expense of $176,099 includes interest on both long-term and short-term notes as well as the amortization of Original Issue Discounts and related fees on various short-term notes issued by the Company.

Net loss

The Company incurred a net loss of $3,816,851 for the year ended December 31, 2013 which consists primarily of the various revenue and expense categories discussed above.

Results of Operations Cumulative from Inception at June 19, 2012 to December 31, 2012

As a result of reverse merger accounting following the share exchange transaction with Novas, our results prior to the date of the merger reflect the results of Novas as the deemed acquirer. As a result of the fact that the inception date of Novas is June 19, 2012 Novas had no activity in the period ended December 31, 2012 other than $925 of general and administrative expenses. As such, we have no material financial data to present for the period ended December 31, 2012 for comparison against the same period ended December 31, 2013.

The results from inception are fully discussed under the results of operations for the year ended December 31, 2013.

Prior to the year ended December 31, 2013, we incurred administrative expenses of $925 on company formation.

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 a license fee of $150,000 on or prior to June 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
2014	$150,000
2015	700,000
2016	1,000,000
2017	1,000,000
2018	1,000,000
	$3,850,000

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 $5,393,672 through December 31, 2013 and incurred negative cash flow from operations since we started our business of $1,582,784. 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 December 31, 2013 we had notes, in the principal amount outstanding of $1,250,433. Subsequent to year end until March 31, 2013, we had converted notes in the principal amount of $224,000 into equity and had repaid notes in the principal amount of $358,908, offset by additional notes raised in the principal amount of $100,000. The Company does not currently have the resources to repay these loans as they become due. The Notes outstanding include convertible notes outstanding in the principal amount of $659,525. The convertible Notes are convertible into common stock at varying discounts to closing trading prices prior to conversion (see notes 8 and 10 to the Notes to Financial Statements).

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

Description		Maturity	Principal outstanding at December 31, 2013	Converted to March 31, 2014	Raised/ (Repaid) to March 31, 2014	Principal outstanding at March 31, 2014
Non-Convertible notes						
Short-term						
Owl Holdings	-	On demand	$ 3,000	$ -	$ -	$ 3,000
Long-term						
JAZ-CEH Holdings, LLC	7.5%	October 31,2015	105,000	-	-	105,000
Convertible notes						
Short-term						
Dart Union	6 %	On demand	$ 20,000	-	-	20,000
Dart Union	6 %	On demand	25,000	-	-	25,000
Dart Union	6 %	January 7, 2014	20,000	-	-	20,000
JMJ Financial	12 %	July 1, 2014	97,440	(97,440)	-	-
JMJ Financial		September 25, 2014	64,960	(64,960)	-	-
JMJ Financial	12 %	December 8, 2014	64,960	-	(64,960)	-
Asher Enterprises	8 %	May 1, 2014	53,000	-	(53,000)	-
Asher Enterprises	8 %	June 6, 2014	42,500	-	(42,500)	-
Asher Enterprises	8 %	July 7, 2014	32,500	-	(32,500)	-

Gel Properties	6 %	August 1, 2014	52,500	-	(52,500)	-
Gel Properties (1)	6 %	August 1, 2014	-	-	50,000	50,000
Vista Capital Investments	12 %	September 4, 2014	30,800	(30,800)	-	-
Vista Capital Investments	12 %	December 18, 2014	30,800	(30,800)	-	-
LG Capital Funding, LLC	12 %	June 20, 2014	63,448	-	(63,448)	-
Tonaquint, Inc.	10 %	October 11, 2014	155,650	-	-	155,650
Long -Term	6 %					
Various principals	6 %	November 19, 2017	388,875	-	-	388,875
Total			$ 1,250,433	$ (224,000)	$ (258,908)	$ 767,525

(1) A total principal amount of $100,000 was raised under two Gel Properties “back end” notes, of which one note with a principal amount of $50,000 was repaid on March 11, 2014.

Subsequent to year end, on January 16, 2014, the Company raised net proceeds of $95,000 by exercising its call right on the Gel Properties “back end” notes issued on July 30, 2013, each note having a face value of $50,000 (the “Convertible Notes”) in exchange for two $50,000 “back end” notes (the “Back End Notes”). The Back End Notes are due and payable on June 1, 2014 and August 1, 2014 respectively. The Convertible Notes are convertible into common stock of the Company and each bear interest at the rate of 6% per annum, which interest is payable in common stock. The conversion price, as well as the formula for determining the number of shares needed to pay the interest on the note, is 65% of the lowest closing price for any five trading days prior to conversion or payment of interest. On March 11, 2014, one of these $50,000 notes together with interest thereon and early settlement penalty was repaid for a net amount of $62,950.

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Subsequent to year end, 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.

The proceeds were primarily used to retire short-term convertible notes with a face value of $358,908 together with interest and early settlement penalties thereon, for a net amount of $466,317.

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 to fulfill customer orders 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. We disposed of our e-commerce business effective December 31, 2013, the disposal of this business is expected to have a positive impact on our results and will enable management to focus fully on the oil recovery business.

Off Balance Sheet Arrangements

There are no off balance sheet arrangements.

Critical Accounting Policies

Management believes that the critical accounting policies and estimates discussed below involve the most complex management judgments due to the sensitivity of the methods and assumptions necessary in determining the related asset, liability, revenue and expense amounts. Specific risks associated with these critical accounting policies are discussed throughout this MD&A, where such policies have a material effect on reported and expected financial results. For a detailed discussion of the application of these and other accounting policies, refer to the individual Notes to the Financial Statements for the year ended December 31, 2013

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.

Use of Estimates

The preparation of 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 consolidated financial statements and accompanying notes. Such estimates and assumptions impact, among others, the following: the estimated useful lives for plant and equipment, the fair value of warrants and stock options granted for services or compensation, estimates of the probability and potential magnitude of contingent liabilities and the valuation allowance for deferred tax assets due to continuing operating losses.

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

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.

Contingencies

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

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

Recently Issued Accounting Standards

For a discussion of the adoption and potential impacts of recently issued accounting standards, refer to the "Recent Accounting Pronouncements" section of Note2, "Accounting policies and estimates," in the Notes to Financial Statements.

Item 8. Financial statements and Supplementary data

PROPELL TECHNOLOGIES GROUP, INC.

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Report of the Independent Registered Public Accounting Firm

To the Board of Directors and shareholders

Propell Technologies Group Inc. (A development stage enterprise)

We have audited the accompanying consolidated balance sheets of Propell Technologies Group, Inc. (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of operations, stockholders' deficit and cash flows for the year ended December 31, 2013, the period June 19, 2012 (Inception) to December 31, 2012 and for the period June 19, 2012 (Inception) to December 31, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the year ended December 31, 2013, the period June 19, 2012 (Inception) to December 31, 2012 and for the period June 19, 2012 (Inception) to December 31, 2013, in conformity with generally accepted accounting principles in the United States.

The accompanying consolidated financial statements have been prepared assuming that the Propell Technologies Group, Inc., will continue as a going concern. As more fully described in Note 3 to the consolidated financial statements, the Company has incurred recurring operating losses and will have to obtain additional capital to sustain operations; these conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 3. The consolidated financial statements do not include any adjustments to reflect the possible effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

/s/Liggett, Vogt & Webb, P.A.

Liggett, Vogt & Webb, P.A.

Certified Public Accountants

New York, New York

March 31, 2014

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PROPELL TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(A Development Stage Enterprise)

	December 31, 2013	December 31, 2012
Assets		
Current Assets		
Cash	$ 28,423	$ 70
Accounts receivable	-	-
Prepaid expenses	17,104	-
Total Current Assets	45,527	70
Non-Current assets		
Plant and Equipment, net	122,381	-
Deposits	2,200	-
Total non-current assets	124,581	-
Total Assets	$ 170,108	$ 70
Liabilities and Stockholders' Deficit		
Current Liabilities		
Accounts payable	$ 186,576	$ -
Accrued liabilities	60,093	100
Notes payable	3,000	-
Convertible notes payable, net	668,887	-
Derivative financial liabilities	237,799	-
Total Current Liabilities	1,156,355	100
Long Term Liabilities		
Notes Payable	106,532	-
Convertible notes payable, net	181,519	-
Total Long Term Liabilities	288,051	-
Total Liabilities	1,444,406	100
Stockholders' Deficit		
Preferred stock, $0.001 par value, 10,000,000 authorized shares, 5,000,000 shares undesignated and unissued.	-	-
Series A-1 Convertible Preferred stock, $0.001 par value; 5,000,000 shares designated, 3,887,500 and 0 shares issued and outstanding, respectively. (liquidation preference $311,000 and $0, respectively)	3,888	-
	205,298	100,000

Common stock, $0.001 par value; 500,000,000 shares authorized, 205,297,714 and 100,000,000 shares issued and outstanding, respectively		
Additional paid-in capital	3,910,188	-
Accumulated deficit	(5,393,672)	(100,030)
Total Stockholders' Deficit	(1,274,298)	(30)
Total Liabilities and Stockholders' Deficit	$ 170,108	$ 70

See notes to consolidated financial statements

PROPELL TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(A Development Stage Enterprise)

	Year ended, December 31, 2013	June 19, 2012 (inception) to December 31, 2012	Cumulative from inception (June 19, 2012 to December 31, 2013)
Net Revenues	$94,362	$-	$ 94,362
Cost of Goods Sold	357,860	-	357,860
Gross Loss	(263,498)	-	(263,498)
Research & development	38,145	-	38,145
Equity based compensation	1,657,273	-	1,657,273
Sales and Marketing	45,476	-	45,476
Professional Fees	224,801	-	224,801
Business development	535,175	-	535,175
Consulting fees	353,673	-	353,673
General and administrative	346,573	925	347,498
Depreciation and amortization	29,223	-	29,223
Total Expense	3,230,339	925	3,231,264
Loss from Operations	(3,493,837)	(925)	(3,494,762)
Other Income	49,287	-	49,287
Profit on disposal of investments and assets	1,225,592	-	1,225,592
Amortization of debt discount	(1,178,495)	-	(1,178,495)
Call option expense	(5,500)	-	(5,500)
Change in fair value of derivative liabilities	(237,799)	-	(237,799)
Interest Expense	(176,099)	-	(176,099)
	(323,014)		(323,014)
Loss before Provision for Income Taxes	(3,816,851)	(925)	(3,817,776)
Provision for Income Taxes	-	-	-
Net Loss	$(3,816,851)	$(925)	(3,817,776)
Net Loss Per Share – Basic and Diluted	$(0.03)	$(0.00)	
Weighted Average Number of Shares Outstanding – Basic and Diluted	116,849,416	100,000,000	

See notes to consolidated financial statements

PROPELL TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT

(A Development Stage Enterprise)

FOR THE PERIOD JUNE 19, 2012 (INCEPTION) TO DECEMBER 31, 2013

	Preferred Stock Shares	Amount	Common Stock Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
Balance, Inception June 19, 2012	-	$ -	-	$ -	$ -	$ -	$ -
Stock Issued ($0.001 per share)	-	-	100,000,000	100,000	-	-	100,000
Contributed Capital	-	-	-	-	895	- -	895
Dividends	-	-	-	-	(895)	(99,105)	(100,000)
Net loss for year ended December 31, 2012	-	-	-	-	-	(925)	(925)
Balance as of December 31, 2012	-	-	100,000,000	100,000	-	(100,030)	(30)
Contributed Capital	-	-	-	-	37,301	-	37,301
Recapitalization as a result of the reverse merger on February 4, 2013 with Novas Energy	5,000,000	5,000	27,357,871	27,358	-	(1,476,791)	(1,444,433)
Equity based compensation	-	-	-	-	1,657,273	-	1,657,273
Conversion of preferred stock	(1,112,500)	(1,112)	11,125,000	11,125	(10,013)	-	-
Conversion of notes to common stock	-	-	65,781,633	65,782	2,027,229	-	2,093,011
Issuance of shares for services	-	-	400,000	400	71,600		72,000

Issuance of shares for call option	-	-	12,500	12	5,488	-	5,500
Issuance of common stock	-	-	620,710	621	121,310	-	121,931
Net loss for year ended December 31, 2013	-	-	-	-	-	(3,816,851)	(3,816,851)
Balance as of December 31, 2013	3,887,500	$3,888	205,297,714	$205,298	$3,910,188	$(5,393,672)	$(1,274,298)

See notes to consolidated financial statements

PROPELL TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(A Development Stage Enterprise)

	Year ended, December 31, 2013	June 19, 2012 (inception) to December 31, 2012	Cumulative from inception (June 19, 2012 to December 31, 2013)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss for the period	$ (3,816,851)	$ (925)	$ (3,817,776)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation expense	28,423	-	28,423
Amortization expense	800	-	800
Amortization of debt discount	1,178,495	-	1,178,495
Equity based compensation charge	1,657,273	-	1,657,273
Stock issued for services rendered	72,000	-	72,000
Stock based call option	5,500	-	5,500
Derivative financial liability	237,799	-	237,799
Gain on disposal of assets and subsidiaries	(1,225,592)	-	(1,225,592)
Changes in Assets and Liabilities			
Accounts receivable	32	-	32
Prepaid expenses	(10,040)	-	(10,040)
Accounts payable	134,701	100	134,801
Accrued liabilities	(20,598)	-	(20,598)
Accrued interest	176,099	-	176,099
Cash Used in Operating Activities	(1,581,959)	(825)	(1,582,784)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds on disposal of assets and subsidiaries	1	-	1
Purchase of property and equipment	(111,120)	-	(111,120)
NET CASH USED IN INVESTING ACTIVITIES	(111,119)	-	(111,119)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributed Capital	-	895	895
Proceeds on issuance of shares	121,931	-	121,931
Proceeds from notes payable and advances	1,599,500	-	1,599,500
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,721,431	895	1,722,326
NET INCREASE IN CASH	28,353	70	28,423
CASH AT BEGINNING OF PERIOD	70	-	-

CASH AT END OF PERIOD	$ 28,423	$ 70	$ 28,423
CASH PAID FOR INTEREST AND TAXES:			
Cash paid for income taxes	$ 1579	$ -	$ 1,579
Cash paid for interest	$ -	$ -	$ -
NON-CASH INVESTING AND FINANCING ACTIVITIES			
Assets acquired in reverse merger	$ 2,658	$ -	$ 2,658
Liabilities acquired in reverse merger	$ 1,447,091	$ -	$ 1,447,091
Contributed assets	$ 37,301	$ -	$ 37,301
Conversion of debt to equity	$ 2,093,011	$ -	$ 2,093,011

See notes to consolidated financial statements

PROPELL TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(A Development Stage Enterprise)

1 ORGANIZATION AND DESCRIPTION OF BUSINESS

a) Organization

Propell Technologies Group, Inc. (formerly known as Propell Corporation) (the "Company"), is a Delaware corporation originally formed on January 29, 2008 as CA Photo Acquisition Corp. On April 10, 2008 Crystal Magic, Inc. ("CMI"), a Florida Corporation, merged with an acquisition subsidiary of Propell's, and the Company issued an aggregate of 180,000 shares to the former shareholders of CMI. On May 6, 2008, the Company acquired both Mountain Capital, LLC (doing business as Arrow Media Solutions) ("AMS") and Auleron 2005, LLC (doing business as Auleron Technologies) ("AUL") and made each a wholly owned subsidiary and issued a total of 41,897 shares of the Company's common stock to the members of Mountain Capital, LLC and a total of 2,722 shares of the Company's common stock to the members of AUL. In 2010 AUL and AMS were dissolved and the operations of CMI were discontinued. On February 4, 2013, the Company entered into a Share Exchange Agreement with Novas Energy (USA), Inc. ("Novas") whereby the Company exchanged 100,000,000 shares of its common stock for 100,000,000 shares of common stock in Novas. After the consummation of the share exchange, Novas became a wholly owned subsidiary of the Company. As a result of the share exchange the shareholders of Novas obtained the majority of the outstanding shares of the Company. As such, the exchange is accounted for as a reverse merger or recapitalization of the Company and Novas was considered the acquirer for accounting purposes. The Company previously operated an on-demand e-commerce line of business which was disposed of effective December 31, 2013 to allow the Company to focus on its oil recovery technology business.

b) Description of the business

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

2 ACCOUNTING POLICIES AND ESTIMATES

a) Basis of Presentation

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

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

b) Principles of Consolidation

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

Propell Technologies Group, Inc. – Parent Company

Nova Energy USA Inc.

c) Use of Estimates

The preparation of 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 consolidated financial statements and accompanying notes. Such estimates and assumptions impact, among others, the following: the estimated useful lives for plant and equipment, the fair value of warrants and stock options granted for services or compensation, estimates of the probability and potential magnitude of contingent liabilities, derivative liabilities and the valuation allowance for deferred tax assets due to continuing operating losses.

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

PROPELL TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(A Development Stage Enterprise)

2 ACCOUNTING POLICIES AND ESTIMATES (continued)

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

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

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

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

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

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

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

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

f) Risks and Uncertainties

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

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

g) Recent Accounting Pronouncements

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

PROPELL TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(A Development Stage Enterprise)

2 ACCOUNTING POLICIES AND ESTIMATES (continued)

h) Reporting by Segment
No segmental information is presented as the Company has 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.

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

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

j) Accounts Receivable and Allowance for Doubtful Accounts
Accounts receivable are reported at realizable value, net of allowances for doubtful accounts, which is estimated and recorded in the period the related revenue is recorded. The Company has a standardized approach to estimate and review the collectability of its receivables based on a number of factors, including the period they have been outstanding. Historical collection and payer reimbursement experience is an integral part of the estimation process related to allowances for doubtful accounts. In addition, the Company regularly assesses the state of its billing operations in order to identify issues, which may impact the collectability of these receivables or reserve estimates. Revisions to the allowance for doubtful accounts estimates are recorded as an adjustment to bad debt expense. Receivables deemed uncollectible are charged against the allowance for doubtful accounts at the time such receivables are written-off. Recoveries of receivables previously written-off are recorded as credits to the allowance for doubtful accounts. There were no recoveries during the period ended December 31, 2013.