Propell Corporation.
Form 10-Q/A
September 06, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 – Q/A

Amendment No. 1

[mark one]

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

For the quarterly period ended: June 30, 2012

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

For the transition period from _________ to ___________

Commission File Number 000-53488

PROPELL CORPORATION

(Exact name of registrant as specified in its charter)

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

305 San Anselmo Avenue, Suite 300, San Anselmo, CA 94960

(Address of principal executive offices including zip code)

(415) 747-8775

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

Number of shares outstanding of the issuer's common stock as of the latest practicable date: 37,890,409 shares of common stock, $.001 par value per share, as of August 8, 2012.

Propell Corporation (the “Company”) is filing this Amendment No. 1 on Form 10-Q/A (the “Amendment”) to the Company’s quarterly report on Form 10-Q for the period ended June 30, 2012 (the “Form 10-Q”), filed with the Securities and Exchange Commission on August 14, 2012 (the “Original Filing Date”), for the sole purpose of changing the amount of shares authorized on the consolidated balance sheet to 75,000,000 and furnishing Exhibit 101 to the Form 10-Q in accordance with Rule 405 of Regulation S-T. Exhibit 101 consists of the following materials from the Company’s Form 10-Q, formatted in XBRL (eXtensible Business Reporting Language):

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

No other changes have been made to the Form 10-Q. This Amendment speaks as of the Original Filing Date, does not reflect events that may have occurred subsequent to the Original Filing Date, and does not modify or update in any way disclosures made in the Form 10-Q.

Pursuant to Rule 406T of Regulation S-T, the interactive data files attached as Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

PROPELL CORPORATION

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PART I.—FINANCIAL INFORMATION

Propell Corporation and Subsidiaries

Consolidated Balance Sheets (Unaudited)

As of June 30, 2012 and December 31, 2011

Assets	June 30, 2012	December 31, 2011
Current Assets		
Cash	$1,935	$5,242
Accounts receivable (net of allowances)	781	718
Prepaid expenses	651	27,266
Due from others	1,575	591
Deposits - current	0	1,849
Total Current Assets	4,942	35,666
Property and Equipment, net	2,500	3,582
Other Assets		
Website URL, net	1,600	2,400
Total Assets	$9,042	$41,648
Liabilities and Stockholders' Deficit		
Current Liabilities		
Accounts payable	$187,362	$290,678
Accrued liabilities	168,782	80,191
Accrued interest	456,444	340,760
Notes payable and advances – related parties	440,188	415,188
Convertible notes payable – related party	1,409,291	1,384,948
Derivative liability	104,783	57,925
Liabilities from discontinued operations	1,221,008	1,221,008
Total Liabilities	3,987,858	3,790,698
Stockholders' Deficit		
Common stock, $0.001 par value; 75,000,000 shares authorized, 37,890,409 issued and outstanding; (25,911,539 issued and outstanding – 2011)	37,890	25,911
Additional paid-in capital	2,282,041	2,158,737
Accumulated deficit	(6,298,747)	(5,933,698)
Total Stockholders' Deficit	(3,978,816)	(3,749,050)

Total Liabilities and Stockholders' Deficit	$9,042	$41,648

The accompanying notes are an integral part of the financial statements.

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Propell Corporation and Subsidiaries

Consolidated Statements of Operations (Unaudited)

For the Three and Six Months Ended June 30, 2012 and 2011

	For the three months ended		For the six months ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
NET REVENUES	$11,809	$35,977	$31,024	$59,693
COST OF GOODS SOLD	8,420	24,864	25,828	41,976
GROSS PROFIT	3,389	11,113	5,196	17,717
OPERATING EXPENSES	192,269	313,552	469,536	571,530
LOSS FROM OPERATIONS	(188,880)	(302,439)	(464,340)	(553,813)
OTHER INCOME – DEBT FORGIVENESS	99,291	0	99,291	0
LOSS FROM CONTINUING OPERATIONS	(89,589)	(302,439)	(365,049)	(553,813)
LOSS FROM DISCONTINUED OPERATIONS	0	0	0	0
NET LOSS	$(89,589)	$(302,439)	$(365,049)	$(553,813)
NET LOSS PER SHARE: BASIC AND DILUTED	$(0.00)	$(0.01)	$(0.01)	$(0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING: BASIC AND DILUTED	31,487,499	23,089,993	29,199,808	22,924,704

The accompanying notes are an integral part of the financial statements.

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Propell Corporation and Subsidiaries

Consolidated Statements of Changes in Stockholders' Deficit (Unaudited)

As of June 30, 2012

	Common Stock		Additional paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Deficit
Balance, December 31, 2009	22,482,575	$22,482	$1,694,614	$(2,889,202)	$(1,172,106)
Shares issued in connection with services rendered	275,000	275	43,725	-	44,000
Recognition of stock based compensation in connection with stock option grants	-	-	23,720	-	23,720
Net loss for the year ended December 31, 2010	-	-	-	(1,670,449)	(1,670,449)
Balance, December 31, 2010	22,757,575	22,757	1,762,059	(4,559,651)	(2,774,835)
Shares issued in connection with services rendered	1,715,000	1,715	204,785	-	206,500
Shares issued in connection with conversion from debt to equity	1,438,964	1,439	99,115	-	100,554
Recognition of stock based compensation in connection with stock option grants	-	-	92,778	-	92,778
Net loss for the year ended December 31, 2011	-	-	-	(1,374,047)	(1,374,047)
Balance, December 31, 2011	25,911,539	25,911	2,158,737	(5,933,698)	(3,749,050)
Recognition of stock based compensation in connection with stock option grants	-	-	21,183	-	21,183
Shares issued in connection with the conversion of debt and accrued interest to equity	11,159,931	11,160	45,106	-	56,266
Debt forgiveness by shareholders	-	-	51,557	-	51,557

Shares issued to employees in settlement of wages	416,000	416	2,912	-	3,328
Shares issued as an inducement to assign convertible debt	402,939	403	2,546	-	2,949
Net loss for the six months ended June 30, 2012	-	-	-	(365,049)	(365,049)
Balance, June 30, 2012	37,890,409	$37,890	$2,282,041	$(6,298,747)	$(3,978,816)

The accompanying notes are an integral part of the financial statements.

Propell Corporation and Subsidiaries

Consolidated Statements of Cash Flows (Unaudited)

For the Six Months Ended June 30, 2012 and 2011

Cash Flows From Operating Activities:	2012	2011
Net loss for the period	$(365,049)	$(553,813)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation expense	1,082	1,140
Amortization expense	800	800
Gain on restructuring of liabilities	(99,291)	-
Stock issued as inducement to convert debt	2,949	
Amortization of debt discount	(4,529)	-
Issuance of stock options in connection with employment services	21,183	34,997
Stock issued for services rendered	-	20,000
Changes in Assets and Liabilities		
Accounts receivable	(63)	(2,203)
Due from others	(984)	(1,149)
Deposits	350	(349)
Prepaid expenses	26,615	(1,088)
Inventory	-	(412)
Accounts payable	38,980	48,547
Accrued liabilities	101,970	3,702
Derivative liability	46,858	-
Accrued interest	118,322	91,729
Cash Used In Operating Activities from Continuing Operations	(110,807)	(358,099)
Cash Provided by (Used In) Operating Activities from Discontinued Operations	-	-
NET CASH USED IN OPERATING ACTIVITIES	(110,807)	(358,099)
Cash Flows From Financing Activities:		
Proceeds from notes and loans payable	75,000	140,000
Proceeds from convertible note	32,500	165,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	107,500	305,000
Net decrease in cash and cash equivalents	(3,307)	(53,099)
Cash and cash equivalents at beginning of period	5,242	56,639
Cash and cash equivalents at end of period	$1,935	$3,540
Supplemental Cash Flow Information:		
Cash paid for interest	$-	$-
Cash paid for income taxes	$800	$1,600
Supplemental Non-Cash Investing and Financing Activities:		
Convertible notes and interest converted into common stock	$45,006	$9,375
Shares issued for services		$60,000

The accompanying notes are an integral part of the financial statements.

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Propell Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012

(Unaudited)

Note 1 Organization and Summary of Significant Accounting Policies

(A) Description of the Business

Propell Corporation, a Delaware corporation ("Propell" or the "Company") is an e-commerce and fulfillment provider of image-based personalized products and services.

(B) Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission ("SEC"), and should be read in conjunction with the audited financial statements and notes thereto contained in the Company's Form 10-K filed with the SEC as of and for the year ended December 31, 2011. In the opinion of management, all adjustments necessary for the financial statements to be not misleading for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

(C) Accounting Basis

The Company uses the accrual basis of accounting and accounting principles generally accepted in the United States of America ("GAAP" accounting). The Company has adopted a December 31 fiscal year end.

(D) Principles of Consolidation

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

(E) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Such estimates and assumptions impact, among others, the following: the amount allocated to goodwill and other intangible assets, the estimated useful lives for amortizable intangible assets and property, 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.

(F) Revenue Recognition

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

(G) 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 six months ended June 30, 2012. Bad debt expense was $0 and $0 for the six months ended June 30, 2012 and 2011.

Propell Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012

(Unaudited)

Note 1 Organization and Summary of Significant Accounting Policies (continued)

(H) 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 our access to capital, but also make it difficult for our customers, our vendors and us to accurately forecast and plan future business activities.

(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 June 30, 2012 and December 31, 2011, respectively, the Company had no cash equivalents.

The Company minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. At June 30, 2012 and December 31, 2011, the balance did not exceed the federally insured limit.

(J) Property and Equipment

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

Description	Estimated Useful Life

Office equipment and furniture	2 to 5 years
Leasehold improvements and fixtures	Lesser of estimated useful life or life of lease

(K) Inventory

Inventory is stated at cost using the FIFO (first in, first out) method.

(L) Fixed and intangible Assets

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

(M) Net Loss per Share

Basic earnings (loss) per share is computed by dividing the net income (loss) for the period by the weighted average number of common shares outstanding. Diluted earnings (loss) per share is computed by dividing net income (loss) less preferred dividends by the weighted average number of common shares outstanding including the effect of share equivalents. The Company's share equivalents consist of 2,764,000 stock options and 200,000 warrants. Since the Company reported a net loss for the three and six months ended June 30, 2012 and 2011 respectively, all common stock equivalents would be anti-dilutive; as such there is no separate computation for diluted earnings per share.

Propell Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012

(Unaudited)

(N) Fair Value of Financial Instruments

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

(O) Share-Based Payment Arrangements

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

(P) Income Taxes

Income taxes are computed using the asset and liability method. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not expected to be realized. It is the Company's policy to classify interest and penalties on income taxes as interest expense or penalties expense. As of June 30, 2012, there have been no interest or penalties incurred on income taxes.

(Q) Recent Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board ("FASB") issued updated guidance to amend the disclosure requirements related to recurring and nonrecurring fair value measurements. This update requires new disclosures on significant transfers of assets and liabilities between Level 1 and Level 2 of the fair value hierarchy (including the reasons for these transfers) and the reasons for any transfers in or out of Level 3. This update also

requires a reconciliation of recurring Level 3 measurements about purchases, sales, issuances and settlements on a gross basis. In addition to these new disclosure requirements, this update clarifies certain existing disclosure requirements. For example, this update clarifies that reporting entities are required to provide fair value measurement disclosures for each class of assets and liabilities rather than each major category of assets and liabilities. This update also clarifies the requirement for entities to disclose information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. This update became effective for the interim and annual reporting period beginning January 1, 2010, except for the requirement to provide the Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which became effective for the interim and annual reporting period beginning January 1, 2011. We were not required to provide the amended disclosures for any previous periods presented for comparative purposes. Other than requiring additional disclosures, adoption of this update did not have a material effect on our consolidated financial statements.

Propell Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012

(Unaudited)

Note 1 Organization and Summary of Significant Accounting Policies (continued)

(Q) Recent Accounting Pronouncements (continued)

In December 2010, the FASB issued ASU No. 2010-28, Intangibles - Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts (ASU 2010-28). ASU 2010-28 modifies Step 1 of the goodwill impairment test so that for those reporting units with zero or negative carrying amounts, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not based on an assessment of qualitative indicators that a goodwill impairment exists. In determining whether it is more likely than not that goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. ASU 2010-28 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. Early adoption is not permitted. We do not expect the adoption of this guidance to have a material impact on our financial position, results of operations or cash flows.

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income. ASU No. 2011-05 requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements, eliminating the option to present other comprehensive income in the statement of changes in equity. Under either choice, items that are reclassified from other comprehensive income to net income are required to be presented on the face of the financial statements where the components of net income and the components of other comprehensive income are presented. ASU 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance did not have a material impact on our financial position, results of operations or cash flows.

In September 2011, the FASB issued an amendment to Topic 350, Intangibles—Goodwill and Other, which simplifies how entities test goodwill for impairment. Previous guidance under Topic 350 required an entity to test goodwill for impairment using a two-step process on at least an annual basis. First, the fair value of a reporting unit was calculated and compared to its carrying amount, including goodwill. Second, if the fair value of a reporting unit was less than its carrying amount, the amount of impairment loss, if any, was required to be measured. Under the amendments in this update, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads the entity to determine that it is more likely than not that its fair value is less than its carrying amount. If after assessing the totality of events or circumstances, an entity determines that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then the two-step impairment test is

unnecessary. If the entity concludes otherwise, then it is required to test goodwill for impairment under the two-step process as described under paragraphs 350-20-35-4 and 350-20-35-9 under Topic 350. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 and early adoption is permitted. The adoption of this guidance did not have a material impact on our financial position, results of operations or cash flows.

Propell Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012

(Unaudited)

Note 2 - Prepaid Expenses

Prepaid expenses consisted of the following at June 30, 2012 and December 31, 2011.

	June 30, 2012	December 31, 2011
Prepaid insurance	$ 651	$ 1,627
Prepaid investor relations	-	25,639
Prepaid expenses	$ 651	$ 27,266

Note 3 - Property and Equipment

Property and Equipment consisted of the following at June 30, 2012 and December 31, 2011.

	June 30, 2012	December 31, 2011
Furniture and fixtures	$ 500	$ 500
Computer and equipment	8,324	8,324
Total	8,824	8,824
Less accumulated depreciation/amortization	(6,324)	(5,242)
Property and equipment, net	$ 2,500	$ 3,582

Note 4 – Accrued Liabilities

At June 30, 2012 and December 31, 2011 accrued liabilities consisted of the following:

	June 30, 2012	December 31, 2011
Wages	$161,334	$ 70,782
Taxes	99	165
Other	7,349	9,244
Total	$168,782	$ 80,191

Note 5 Notes and Convertible Notes Payable

Convertible notes payable to Starline Capital Limited	Principal amount
15% convertible notes payable, due August 31, 2012	$1,167,500
6% convertible note due October 7, 2012	50,000
6% convertible note due June 7, 2012	38,100
8% convertible note due May 7, 2012	15,300
8% convertible note due June 12, 2012	32,500
6% convertible note due August 24, 2012	43,698
6% convertible note due October 23, 2012	50,000
8% convertible note September 5, 2012	32,500
8% convertible note December 12, 2012	32,500
Convertible debt discount	(52,807)
Total convertible notes payable	$1,409,291

Propell Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012

(Unaudited)

Note 5 Notes and Convertible Notes Payable (continued)

In 2009 and 2010 the Company borrowed $1,067,500 under the terms of a convertible note payable with Remington Partners. During the twelve months ended December 31, 2011 the Company borrowed an additional $100,000 under the same note. Initially this note was convertible into shares of the Company's common stock at the lenders option at the lower of $0.27 per share or a twenty-five percent (25%) discount from the next issuance of common stock by the Company. The original note was due on February 28, 2010. In March 2010, the note was amended to change the due date to June 30, 2010 and the maximum amount of the Note was increased to $1 Million. In July, 2010, the Note-holder notified the Company of its intention to convert the Note, upon the Company completing a financing of at least $1.5 million. In February 2011, the Note was amended to increase the maximum amount to $2.0 million, to change the due date to August 31, 2011 and to allow the Company the option to convert the Note once it has raised $500,000 in new equity. In October 2011, the note was again amended to change the due date to August 31, 2012. All other terms remained the same. In June 2012, Starline Capital purchased the entire amount due from Remington Partners (See Subsequent Events, page F-12).

In June 2011, a lender sold $50,000 of a $100,000 unsecured note to Tripod Group, LLC (see notes payable, below). The Company subsequently renegotiated the terms of this note by reducing the interest rate to 6% per annum payable in Company Stock; extending the due date to June 23, 2012; and adding a conversion feature whereby the holder may convert the note to shares in the Company at a price equal to 65% of the lowest closing bid price for any of the five trading days before the date of conversion. By June 30, 2012, the Holder had exercised his right to convert the entire Note and interest into 1,084,346 shares of common stock.

In August 2011, a lender sold $50,000 of a $100,000 unsecured note to Tripod Group, LLC (see notes payable, below). The Company subsequently renegotiated the terms of this note by reducing the interest rate to 6% per annum payable in Company stock; changing the due date to August 24, 2012; and adding a conversion feature whereby after December 7, 2011 the holder may convert the note to shares in the Company at a price equal to 65% of the lowest closing bid price for any of the five trading days before the date of conversion. Through June 30, 2012, the Holder had exercised $6,302 of the debt into 3,110,985 shares of common stock. In June 2012, Starline Capital purchased the entire amount due from Tripod Group, LLC (See Subsequent Events, page F-12).

In June 2011, the Company borrowed $40,000 under a one year unsecured note with Prolific Group, LLC. Interest accrues on the note at the rate of 6% per annum payable in common stock of the Company. This note is convertible by the holder into common stock of the Company any time after December 7, 2011 at a price equal to 65% of the lowest closing bid price for any of the five trading days before the date of conversion. Through June 30, 2012, the Holder had exercised $1,900 of the debt into 447,061 shares of common stock. In June 2012, Starline Capital purchased the entire amount due from Prolific Group, LLC (See Subsequent Events, page F-12). As an inducement for Prolific to sell their debt, the Company paid Prolific 302,939 shares of common stock.

In August, September and December 2011 and in March 2012, the Company borrowed $53,000, $32,500, $32,500 and $32,500 respectively, from Asher Enterprises, Inc. All four notes accrue interest at the rate of 8% per annum. They are due on May 12, 2012, June 12, 2012, September 5, 2012 and December 12, 2012, respectively. These notes are convertible by the holder after 180 days at 65% of the average of the lowest five closing bid prices in the ten trading day period before the conversion. The notes have no financial covenants. Through June 30, 2012, the Holder had exercised its right to convert $37,700 of the $53,000 Note for 6,373,340 shares of common stock. In June 2012, Starline Capital purchased the entire amount due from Asher Enterprises, Inc. (See Subsequent Events, page F-12).

Propell Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012

Note 5 Notes and Convertible Notes Payable – Related Parties (continued)

In October 2011, a lender sold $50,000 of a $100,000 unsecured note to Tripod Group, LLC (see notes payable, below). The Company subsequently renegotiated the terms of this note by reducing the interest rate to 6% per annum payable in Company stock; extending the due date to October 7, 2012; and adding a conversion feature whereby the holder may convert the note to shares in the Company at a price equal to 65% of the lowest closing bid price for any of the five trading days before the date of conversion. Through June 30, 2012, the Holder had not exercised his right to convert Note and interest. In June 2012, Starline Capital purchased the entire amount due from Remington Partners (See Subsequent Events, page F-12).

On October 23, 2011, the Company, issued to Tripod Group, LLC ("Tripod") convertible redeemable promissory notes in the principal amounts of: (i) $150,000 (the "$150,000 Note") and (ii) $50,000 (the "$50,000 Note"); the $150,000 Note and the $50,000 Note being collectively referred to as the "Notes". The $150,000 Note and the $50,000 Note, together with all accrued interest, are due and payable on October 23, 2013 and October 23, 2012, respectively, and bear interest at a rate of 6% per annum, payable in shares of the Company's common stock. The principal amount of the Notes is convertible at any time after April 23, 2012, at the option of Tripod, at a conversion price), subject to adjustment as set forth in the Notes, equal to 65% of the lowest closing bid price of the Company's common stock on the five trading days preceding the notice of conversion (including the day upon which a notice of conversion is received by the Company. The conversion price may also be adjusted downward if, within three business days of receipt of a notice of conversion the common stock has a closing bid price which is five percent (5%) or lower than the price set forth in the notice of conversion. The Company shall have the right, at any time, to redeem the Notes in whole and pay to Tripod 125% of the then unpaid principal amount of the Notes. In June 2012, Starline Capital purchased the entire amount due from Tripod Group, LLC (See Subsequent Events, page F-12).

In connection with the issuance of the $150,000 Note, the Company issued to Tripod a note in the principal amount of $150,000 (the "Tripod Note") that bears interest at a rate of 6% per annum and matures: (i) $50,000 on the earlier of: (x) August 23, 2012 or (y) the date that the first $50,000 is converted under the $150,000 Note, unless we do not meet the current information requirements under Rule 144 of the Securities Act of 1933, as amended, in which case the $50,000 shall be due on October 23, 2012 instead; (ii) $50,000 on the earlier of: (x) September 23, 2012 or (y) the date that the second $50,000 is converted under the $150,000 Note, unless we do not meet the current information requirements under Rule 144 in which case the $50,000 shall be due on October 23, 2012 instead; and $50,000 on the earlier of: (x) October 23, 2012 or (y) the date that the second $50,000 is converted under the $150,000 Note. The note is secured by four promissory notes of a third party issued to Tripod with a value of $10,000 left unconverted and promissory notes of such third party issued to Tripod in the aggregate principal amounts of $190,000.

On October 23, 2011, the Company entered into a Share Issuance Agreement with Tripod (the "Share Issuance Agreement") pursuant to which the Company issued 100,000 shares of common stock (the "Shares") to Tripod to be held in escrow and released as follows: (i) 33,333 of the Shares will be released to Tripod if the Company elects to disallow the conversion of $50,000 in principal of the $150,000 Note; (ii) 33,333 of the Shares will be released to Tripod if the Company elects to disallow the conversion of the second $50,000 in principal of the $150,000 Note; and (iii) the final 33,334 of the Shares will be released to Tripod if the Company elects to disallow the conversion of the final $50,000 of the $150,000 Note, in each case such $50,000 in principal of the $150,000 Note to be cancelled along with an offsetting $50,000 of the Tripod Note.

Propell Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012

Note 5 Notes and Convertible Notes Payable – Related Parties (continued)

The Company accounts for the fair value of the conversion features in accordance with ASC Topic No. 815-15 “Derivatives and Hedging; Embedded Derivatives” (“Topic No. 815-15”). Topic No. 815-15 requires the Company to bifurcate and separately account for the conversion features as an embedded derivative contained in the Company’s convertible debt. The Company is required to carry the embedded derivative on its balance sheet at fair value and account for any unrealized change in fair value as a component of results of operations. The Company valued the embedded derivative using the Black-Scholes pricing model. The fair values upon issuance of these notes were recorded as a derivative liability and a discount to the convertible debt. Amortization of debt discount amounted to $94,353 and $148,493 for the three and six months ended June 30, 2012, respectively. The derivative liability is revalued each reporting period using the Black-Scholes model. For the three and six months ended June 30, 2012, the Company recorded an unrealized gain from the change in the fair value of the derivative liability of $4,530 and $7,281, respectively.

The Black-Scholes model was valued with the following inputs:

Stock Price – The Stock Price was based on the average closing price of the Company’s stock as of the Valuation Date. Stock Prices ranged from $0.004 to $0.05 in the period January 1, 2012 through June 30, 2012.

Time to Maturity – The time to maturity was determined based on the length of time between the Valuation Date and the maturity of the debt. Time to maturity ranged from 12 months to 0 months in the period January 1, 2012 through June 30, 2012.

Risk Free Rate – The risk free rate was based on the Treasury Note rates as of the Valuation Dates with term commensurate with the remaining term of the debt. The risk free rate ranged from 0.11% to .4% in the period January 1, 2012 through June 30, 2012.

Volatility – The volatility was based on the historical volatility of the Company. The average volatility for the Company ranged from 74% to 154% in the period from January 1, 2012 through June 30, 2012.

Propell Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012

Note 5 Notes and Convertible Notes Payable (continued)

Notes payable	Principal amount
10 % note to Joseph Abrams due December 15, 2011	$50,000
12 % note to Joseph Abrams due February 10, 2012	50,000
10% note to Joseph Abrams due May 20, 2012	25,000
10% note to Joseph Abrams due June 13, 2012	40,000
10% note to Joseph Abrams due July 7, 2012	35,000
10% note to Joseph Abrams due July 27, 2012	20,000
10% note to Joseph Abrams due August 31, 2012	30,000
Advances from third parties	55,000
Advances from Joseph Abrams – non-interest bearing	132,188
Loan from shareholder – non-interest bearing	3,000
Total notes payable and accrued interest	$440,188

In June 2010, the Company borrowed $100,000 under a one year unsecured note from a shareholder. Interest accrued on the note at the rate of 8% per annum. In June 2011, the shareholder sold his interest in $50,000 of this note to Tripod Group LLC. On August 8, 2011, Mr. Abrams agreed to convert the remaining $50,000 on the June 2010 Note and the accrued interest of $8,279.45 into 728,493 shares of the Company's common stock ($0.08 per share).

In December 2010, Mr. Abrams loaned the Company an additional $100,000 under similar terms, except that the interest rate on this note is 12% per annum, with a due date of December 15, 2011. On February 10, 2011, the shareholder lent us an additional $100,000 which is due February 10, 2012. This loan accrues interest at the rate of 12% per annum and has no financial covenants. In August and October 2011, the shareholder sold his interest in $100,000 of these notes to Tripod Group LLC.

During the period May 2011 through August 2011, Mr. Abrams loaned the Company an additional $150,000 in a series of unsecured one year notes all with the same terms. In addition to terms described in the table above, these notes have no financial covenants. In October 2011 through March 2012, Mr. Abrams advanced the Company $132,188 on which the Company is accruing interest at the rate of 10% per annum.

In April through June 2012, several individuals advanced the Company at total of $55,000, in anticipation of a new round of equity financing. (See Subsequent Events, page F-12).

Note 6 Notes Payable – Discontinued Operations

The Company's discontinued Crystal Magic subsidiary has four (4) notes all of which were either guaranteed or funded by the United States Small Business Administration (SBA) and were guaranteed by the Company. At March 31, 2012, the notes total an aggregate of approximately $838,542. Crystal Magic is in default on all of these notes. In September 2010, the bank managing the loans for the SBA seized substantially all of the assets of CMI and subsequently sold these assets.

Propell Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012

(Unaudited)

Note 7 - Stockholders' Deficit

(A) Common Stock Issuances of Issuer

For the six months ended June 30, 2012

The Company issued 11,259,931 shares in connection with the conversion of $53,628 of convertible debt and related accrued interest. In addition, it issued 416,000 common shares to two former employees as a partial settlement of wages due them and 302,939 shares as an inducement for a convertible lender to sell his debt to a third party.

(B) Stock Option Plan

In 2008 the Company's Board of Directors approved the Company's 2008 Stock Option Plan (the "Stock Plan") for the issuance of up to five (5) million shares of common stock to be granted through incentive stock options, nonqualified stock options, stock appreciation rights, dividend equivalent rights, restricted stock, restricted stock units and other stock-based awards to officers, other employees, directors and consultants of the Company and its subsidiaries. The exercise price of stock options under the Stock Plan is determined by the compensation committee of the Board of Directors, and may be equal to or greater than the fair market value of the Company's common stock on the date the option is granted. Options become exercisable over various periods from the date of grant, and generally expire ten years after the grant date. At June 30, 2012 and December 31, 2011, there were 2,764,000 and 4,844,000, respectively options issued and outstanding under the Stock Plan.

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

The Company has applied fair value accounting for all share based payment awards since inception. The fair value of each option or warrant granted is estimated on the date of grant using the Black-Scholes option-pricing model. No shares were issued during the six months ended June 30, 2012 to employees and consultants.

The Company records stock based compensation based upon the stated vested provisions in the related agreements, with recognition of expense recorded on the straight line basis over the term of the related agreement. The vesting provisions for these agreements have various terms as follows:

- Annually over one, two or three years
- Monthly over one year
- Immediately upon grant

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Balance, December 31, 2010	1,974,000	0.37	8.03	
Granted	4,640,000	0.12		
Exercised	0	0		
Forfeited	(1,770,000)	0.33		
Balance, December 31, 2011 - Outstanding	4,844,000	0.15	9.12	
Granted	0			
Exercised	0			
Forfeited	(2,080,000)	0.10		
Balance, June 30, 2012 - Outstanding	2,764,000	0.15	7.82	$ 0
Balance, June 30, 2012 - Exercisable	1,660,667	0.20	6.97	$ 0

Propell Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012

(Unaudited)

Note 8 - Going Concern

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

Management continues to seek funding to pursue its business plans.

Note 9 Subsequent Event

The Company has evaluated for subsequent events from June 30, 2012 to the date the financial statements were issued.

On July 9, 2012, the Company sold 1,875,000 shares of series A-1 Preferred Stock to one entity for $150,000. Each share of Series A-1 Preferred stock is convertible into ten shares of common stock of the Company and each holder of such shares is entitled to vote on all matters that the common stock votes on an as-converted basis.

On July 30, 2012 the Board of Directors voted to:

1. implement a 1 for 50 reverse stock split
2. to increase the number of authorized common shares to five hundred million, and
3. Change the name of the Company to Propell Technologies, Group, Inc.

On August 3, 2012, a majority of the shareholders of the Company approved these changes. On August 9, 2012, the Company filed a definitive proxy statement on Schedule 14C with the Securities and Exchange Commission regarding these changes and expects to implement the changes by the end of August.

On July 20, 2012, certain debt holders agreed to exchange $169,000 in notes, accrued interest and accounts payable to 3,875,000 Preferred shares.

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

The following discussion of our financial condition and results of operations should be read in conjunction with the notes hereto and our audited financial statements and notes thereto for the fiscal year ended December 31, 2011. In addition to historical information, the following discussion contains forward-looking statements that involve risks, uncertainties and assumptions. Where possible, we have tried to identify these forward looking statements by using words such as “anticipate,” “believe,” “intends,” or similar expressions. Our actual results could differ materially from those anticipated by the forward-looking statements due to important factors and risks including, but not limited to, those set forth under “Risk Factors” in Part I, Item 1A of our financial statements and notes for the fiscal year ended December 31, 2011.

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is intended to help the reader understand our results of operations and financial condition.

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statement as of June 30, 2012 and June 30, 2011, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. On an on-going basis we review our estimates and assumptions. Our estimates are based on our historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results are likely to differ from those estimates under different assumptions or conditions. Our critical accounting policies, the policies we believe are most important to the presentation of our financial statements and require the most difficult, subjective and complex judgments are outlined below in “Critical Accounting Policies.”

FORWARD LOOKING STATEMENTS

Certain statements made in this report may constitute “forward-looking statements *on our current expectations and projections about future events*.” These forward-looking statements involve known or unknown risks, uncertainties and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. *In some cases you can identify forward-looking statements by terminology such as “may,” “should,” “potential,” “continue,” “expects,” “anticipates,” “intends,” “plans,” “believes,” “estimates,”* and similar expressions. These statements are based on our curren beliefs, expectations, and assumptions and are subject to a number of risks and uncertainties. Although we believe that

the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. These forward-looking statements are made as of the date of this report, and we assume no obligation to update these forward-looking statements whether as a result of new information, future events, or otherwise, other than as required by law. In light of these assumptions, risks, and uncertainties, the forward-looking events discussed in this report might not occur and actual results and events may vary significantly from those discussed in the forward-looking statements.

Company Overview

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, which was formed solely for the purpose of the merger of CMI with and into Propell. As part of this transaction, the Company issued an aggregate of 5,400,000 shares to the former shareholders of CMI.

On May 6, 2008, the Company acquired both Mountain Capital, LLC (d/b/a Arrow Media Solutions) (“AMS”) and Auleron 2005, LLC (d/b/a Auleron Technologies) (“AUL”) and made each a wholly owned subsidiary. A total of 2,094,864 shares of the Company’s common stock were issued to the members of Mountain Capital, LLC and a total of 136,088 shares of the Company’s common stock were issued to the members of AUL.

The mergers were completed in order to form a consolidated enterprise with subsidiaries that each have experience in complementary parts of the imaging and personalized products industries, and to expand their capabilities both online and at retail.

In mid-2009, Management decided to concentrate its efforts and assets on its e-commerce business. Shortly thereafter, AUL and AMS began to wind down operations. In January 2010, AUL was dissolved. In late 2009, AMS assigned its warranty responsibilities and its inventory to a third party and ceased operations. We dissolved AMS in late 2010. In furthering this decision to concentrate on e-commerce, we closed CMI's operations in July 2010. In September 2010, CMI's assets were foreclosed upon by its largest creditor and these assets were liquidated.

In December 2011, the Company laid off most of its employees and substantially reduced the working hours of the remaining employees. It also ceased virtually all marketing and out bound sales activities. The Company continues to fulfill new orders.

OUR PLAN OF OPERATIONS

Our Company

We are a Delaware corporation providing e-commerce and fulfillment for image-based personalized products and services via custom websites for schools, nonprofits, media companies and other organizations. Through our proprietary online system, we allow partners to create "instant" e-commerce web sites (marketed as PropellShops®). This system provides a special web site at which a customer — whether a business, group, or individual — can design and set up a web store featuring their own logos, photos or other artwork. That web store can then be embedded into, or linked from, the customer's own web site. We then operate that store for the customer, taking orders, manufacturing and shipping product and paying a share of our revenue to the customer.

All of our current operations are conducted through Propell. We ceased operations of CMI in 2010 due to poor performance and insufficient capital. In 2009 we also ceased doing business through our AMS subsidiary. We assigned inventory and our warranty responsibilities and interaction with customers to a third party. We dissolved AMS in late 2010. Our third subsidiary, Auleron 2005, LLC, discontinued its operations in 2008; in November 2009, the decision was made to liquidate Auleron since it had no operations and management determined its resources were better focused on its Internet business. Auleron was formally liquidated in January 2010. Prior to our formation in January 2008, each subsidiary was independently owned.

Our principal offices are located at 305 San Anselmo Avenue, Suite 300, San Anselmo, CA 94960. Our telephone number is (415) 747-8775. Our fiscal year end is December 31.

Critical Accounting Policies

Management believes that the critical accounting policies and estimates discussed below involve the most complex management judgments due to the sensitivity of the methods and assumptions necessary in determining the related asset, liability, revenue and expense amounts. Specific risks associated with these critical accounting policies are discussed throughout this MD&A, where such policies have a material effect on reported and expected financial results. For a detailed discussion of the application of these and other accounting policies, refer to the individual Notes to the Financial Statements for the three and six months ended June 30, 2012.

Revenue Recognition

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

Use of estimates

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

Fair Values of Financial Instruments

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

Concentration of Credit Risk

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

Recently Issued Accounting Standards

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

Consolidated Results of Operations for the three months ended June 30, 2012 and June 30, 2011

For the three months ended June 30, 2012 as compared to the three months ended June 30, 2011, net revenues decreased $24,168 or 67% as a result of our ceasing marketing due to lack of funds.

For the three months ended June 30, 2012 as compared to the three months ended June 30, 2011 cost of goods decreased $16,444 or 66%, and our gross margins decreased from 31% to 29% the same as the comparable quarter last year. This decrease in gross margin was a direct result of lower sales and our inability to increase prices to match the increased cost of materials. Operating expenses during these periods decreased $121,283 or 39%. This decrease was

the direct result of recording a gain of $102,508 related to the accounting for the derivative value of the debt which became convertible since March 31, 2012 and lower operating costs due to laying off all full-time staff except the CEO. The company also recorded other income of $99,291 from extinguishing debt to a number of creditors.

Consolidated Results of Operations for the six months ended June 30, 2012 and June 30, 2011

For the six months ended June 30, 2012 as compared to the six months ended June 30, 2011, net revenues decreased $28,669 or 48% as a result of our ceasing marketing due to lack of funds.

For the six months ended June 30, 2012 as compared to the six months ended June 30, 2011 cost of goods decreased $16,147 or 38%, and our gross margins decreased from 30% to 17% the same as the comparable six months last year. This decrease in gross margin was a direct result of lower sales and our inability to increase prices to match the increased cost of materials. Operating expenses during these periods decreased $101,994 or 18%. This decrease was the direct result of recording a gain of $105,259 related to the accounting for the derivative value of the debt which became convertible since March 31, 2012 and lower operating costs due to laying off all full-time staff except the CEO. The company also recorded other income of $99,291 from extinguishing debt to a number of creditor.

Propell's primary use of cash for the six months ended June 30, 2012, was to fund our losses from continuing operations, offset by an influx of $107,500 in cash from notes and loans payable and convertible notes payable. Net cash used in operating activities from continuing operations was $110,807 for the six months ended June 30, 2012 down from $358,099 for the comparable quarter last year.

Our ability to continue to execute on our plan of operations is contingent on our ability to raise additional capital to further develop our Internet initiatives and expand our marketing of our existing product line.

Liquidity and Capital Resources.

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

We have incurred an accumulated deficit of $6,298,747 through June 30, 2012. We have incurred negative cash flow from operations since we started our business. We have spent, and need to continue to spend, substantial amounts in connection with implementing our business strategy, including our planned product development effort.

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

As of June 30, 2012, we have notes, net of debt discount, in the aggregate principal amount of $1,933,286 outstanding. Of such amount, notes in the principal amount of $283,400 are past due, and the balance of the notes are due in 2012. We do not have the funds to repay these loans. We will need to raise additional funds in order to repay these loans. We cannot assure you that additional financing will be available if needed on terms favorable to us. During the three months ended June 30, 2012, the convertible debt holders exchanged $31,242.48 in debt and accrued interest for 9,431,503 shares of common stock. Subsequent to the end of the quarter, we exchanged seven notes in the aggregate principal amount of $150,000 for 1, 875,000 shares of our Series A preferred stock (1.25 shares for each $1 of principal debt).

In July 2012, we raised $150,000 from the sale of 1,875,000 shares of Series A-1 Preferred Stock to one investor. Each share of Series A-1 Preferred stock is convertible into ten shares of common stock of the Company and each holder of such shares is entitled to vote on all matters that the common stock votes on an as-converted basis. However, we still require additional financing to continue operations and repay our outstanding debt.

Off Balance Sheet Arrangements

There are no off balance sheet arrangements.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (“Exchange Act”), the Company carried out an evaluation, with the participation of the Company’s management, including the Company’s Chief Executive Officer (“CEO”), who also serves as our principal financial and accounting officer, of the effectiveness of the Company’s disclosure controls and procedures (as defined under Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Company’s CEO concluded that the Company’s disclosure controls and procedures as of June 30, 2012 were effective to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, was recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to the Company’s management, including the Company’s CEO, as appropriate, to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during our fiscal quarter ended June 30, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds update issuances for the quarter

During the quarter ended June 30, 2012, we issued 11,259,931 shares of common stock in connection with the conversion of an aggregate of $53,628 of convertible debt and related accrued interest. The shares were exchanged with existing security holders and no remuneration or commission was paid in reliance on Section 3(a)(9) of the Securities Act of 1933.

During the quarter ended June 30, 2012 we issued 302,939 shares of common stock as an inducement for a convertible lender to sell his debt to a third party. The issuance of the securities qualified for exemption under Section 4(2) of the Securities Act of 1933 (the "Act") since the issuance by us did not involve a public offering. The offering was not a public offering as defined in Section 4(2) because the offer and sale was made to an insubstantial number of persons and because of the manner of the offering. In addition, the investors had the necessary investment intent as required by Section 4(2) since they agreed to, and received, securities bearing a legend stating that such securities are restricted. This restriction ensured that these securities will not be immediately redistributed into the market and therefore be part of a public offering. Based on an analysis of the above factors, we have met the requirements to qualify for exemption under Section 4(2) of the Act for this transaction.

During the quarter ended June 30, 2012, we issued 416,000 shares of common stock to two former employees as a partial settlement of wages due them. The issuance of the securities qualified for exemption under Section 4(2) of the Securities Act of 1933 (the "Act") since the issuance by us did not involve a public offering. The offering was not a public offering as defined in Section 4(2) because the offer and sale was made to an insubstantial number of persons and because of the manner of the offering. In addition, the investors had the necessary investment intent as required by Section 4(2) since they agreed to, and received, securities bearing a legend stating that such securities are restricted. This restriction ensured that these securities will not be immediately redistributed into the market and therefore be part of a public offering.. Based on an analysis of the above factors, we have met the requirements to qualify for exemption under Section 4(2) of the Act for this transaction.

On July 9, 2012, the Company sold 1,875,000 shares of Series A-1 Preferred Stock to one entity for $150,000. Each share of Series A-1 Preferred stock is convertible into ten shares of common stock of the Company and each holder of such shares is entitled to vote on all matters that the common stock votes on an as-converted basis. The issuance of the securities qualified for exemption under Section 4(2) of the Securities Act of 1933 (the "Act") since the issuance by us did not involve a public offering. The offering was not a public offering as defined in Section 4(2) because the offer and sale was made to an insubstantial number of persons and because of the manner of the offering. In addition, the investors had the necessary investment intent as required by Section 4(2) since they agreed to, and received, securities bearing a legend stating that such securities are restricted. This restriction ensured that these securities will not be immediately redistributed into the market and therefore be part of a public offering.. Based on an analysis of the above factors, we have met the requirements to qualify for exemption under Section 4(2) of the Act for this transaction

In July 2012, we issued 1,500,000 shares of Series A-1 Preferred Stock in exchange for seven notes in the aggregate principal amount of $150,000. The shares were exchanged with existing security holders and no remuneration or commission was paid in reliance on Section 3(a)(9) of the Securities Act of 1933.

Item 3. Defaults upon senior Securities

Our CMI subsidiary is in default on four separate loans which in the aggregate is approximately $848,916, and which are either made or guaranteed by the U.S. Small Business Administration (SBA). As a result, the SBA has informed CMI of their plans to seize CMI's assets which were pledged to secure the loans.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	**Exhibit Title**
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS **	XBRL Instance Document
101.SCH **	XBRL Taxonomy Schema
101.CAL **	XBRL Taxonomy Calculation Linkbase
101.DEF **	XBRL Taxonomy Definition Linkbase
101.LAB **	XBRL Taxonomy Label Linkbase
101.PRE **	XBRL Taxonomy Presentation Linkbase

* Filed herewith.

** Furnished herewith. XBRL (eXtensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

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

PROPELL CORPORATION
DATE: September 6 , 2012
(Registrant)

By: */s/Edward L. Bernstein*
Edward L. Bernstein President and Chief Executive Officer

(Principal Executive Officer and Principal Financial Officer)