Propell Corporation.
Form 10-Q/A
March 07, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2 to

FORM 10 - Q/A

[mark one]

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

For the quarterly period ended: June 30, 2010

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

For the transition period from _____ to _____

Commission File Number 333-139354

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)**

336 Bon Air Center, No. 352, Greenbrae, CA 94904

(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 o 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: 20,846,132 shares of common stock, $.001 par value per share, as of August 12, 2010.

Transitional Small Business Disclosure Format (Check one): Yes o No ý

EXPLANATORY NOTE

This Amendment No. 2 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 is being filed to revise the Section 302 and 906 Certifications, Controls and Procedures and to revise the Statement of Cash Flows and Footnotes.

PROPELL CORPORATION

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Propell Corporation and Subsidiaries

Consolidated Balance Sheets
Unaudited

		June 30, 2010	December 31, 2009
	Assets		
Current Assets			
	Cash	$ 103,737	$ 121,689
	Accounts receivable	14,053	4,176
	Prepaid expenses	1,786	4,587
	Inventory	-	95,144
	Deposits - current	1,499	1,499
	Assets from Discontinued Operations	8,314	-
	Total Current Assets	129,389	227,095
Property and Equipment, net		7,818	3,821
Other Assets			
	Intangible assets, net	-	9,314
	Website URL, net	-	5,600
	Website assets, net	501,201	501,201
	Deposits - long term	-	7,401
Total Other Assets		501,201	523,516
Total Assets		$ **638,408**	**754,432**
	Liabilities and Stockholders' Deficit		
Current Liabilities:			
	Accounts payable	133,033	511,167
	Accrued liabilities	75,882	6,648
	Customer deposits	-	-
	Deferred revenue	661	-
	Due to related parties	-	51,714
	Convertible notes payable	982,500	420,462
	Notes payable - current portion	-	104,400
	Liabilities from Discontinued Operations	1,228,120	-
	Total Current Liabilities	2,420,196	1,094,391

Long Term Liabilities			
	Notes payable	-	734,542
	Total Long Term Liabilities	-	734,542
Total Liabilities		2,420,196	1,828,933
Stockholders' Deficit			
	Common stock, $0.001 par value; 100,000,000 shares authorized, 22,732,575 issued and 20,846,132 outstanding and 22,482,575 issued and outstanding	20,846	22,482
	Additional paid-in capital	1,693,518	1,694,614
	Accumulated deficit	(3,496,152)	(2,791,597)
	Total Stockholders' Deficit	(1,781,788)	(1,074,501)
Total Liabilities and Stockholders' Deficit		**$ 638,408**	**754,432**

See accompanying notes to unaudited consolidated financial statements

Propell Corporation and Subsidiaries

Consolidated Statements of Operations

(unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2010	**2009**	**2010**	**2009**
Net Revenues:	$ 35,719	$ 308,525	$ 46,936	$ 364,449
Cost of Goods Sold:	28,117	48,489	36,235	112,733
Gross Profit:	7,602	260,036	10,701	251,716
Operating Expenses:	369,122	600,394	622,146	858,491
Loss from Operations	(361,520)	(340,358)	(611,445)	(606,775)
Other Income (Expense):	-	65,312	-	95,401
Loss from Continuing Operations	(361,520)	(275,046)	(611,445)	(511,374)
Loss from Discontinued Operations	(103,282)	-	(93,110)	-
Net Loss	**$ (464,802)**	**$ (275,046)**	**$ (704,555)**	**$ (511,374)**
Net Loss Per Share - Basic and Diluted	$ (0.02)	$ (0.01)	$ (0.03)	$ (0.03)
Weighted average number of shares outstanding during the period				
basic and diluted	21,889,140	20,978,653	22,184,218	17,180,814

See accompanying notes to unaudited consolidated financial statements

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Propell Corporation and Subsidiaries

Consolidated Statements of Stockholders' Deficit

As of June 30, 2010

(unaudited)

	Common Stock $0.001 Par Value		Additional Paid-in	Distributions to		Total Stockholders'
	Shares	Amount	Capital	Affiliates	Accumulated Deficit	Deficit
Balance, January 29, 2008 (Inception)		$	$	$	$	$
Issuance of common stock to acquire Crystal Magic, Inc.	5,400,000	5,400	(5,400)			
Issuance of common stock to acquire Auleron 2005, LLC	136,088	136	(136)			
Issuance of common stock to acquire Mountain Capital, LLC	2,094,864	2,095	381,709			383,804
Conversion of convertible notes to common stock	2,278,000	2,278	20,502			22,780
Reclassification of intercompany payable			61,048			61,048
Distributions to affiliate				(938,664)		(938,664)
Net loss for the period ended December 31, 2008					(1,107,257)	(1,107,257)
Balance, December 31, 2008	9,908,952	9,909	457,723	(938,664)	(1,107,257)	(1,578,289)
Recognition of stock based compensation in connection with stock option grants			43,440			43,440
Recognition of shares issued in connection with services rendered	856,667	857	285,793			286,650
Conversion of convertible notes into	8,650,000	8,650	1,763,014			1,771,664

common stock						
Issuance of common stock in rights offering	3,066,956	3,066	825,012			828,078
Distributions to affiliate				(122,542)		(122,542)
Reclassification of affiliate distributions as a result of change in control				1,061,206		1,061,206
Reclassification of affiliate equity and payables due to change in control			(1,680,368)			(1,680,368)
Net loss for the year ended December 31, 2009					(1,684,340)	(1,684,340)
Balance, December 31, 2009	22,482,575	22,482	1,694,614	-	(2,791,597)	(1,074,501)
Net loss for the six months ended June 30, 2010					(704,555)	(704,555)
Recognition of stock repurchases	(1,886,443)	(1,886)	(43,114)			(45,000)
Recognition of stock based consulting in connection with stock option grants		0	4,429			4,429
Recognition of stock based compensation in connection with stock option grants			339			339
Recognition of stock based compensation	250,000	250	37,250			37,500
Balance, June 30, 2010	20,846,132	$ 20,846	$ 1,693,518	$	$ (3,496,152)	$ (1,781,788)

See accompanying notes to unaudited consolidated financial statements

Propell Corporation and Subsidiaries

Consolidated Statements of Cash Flows

(unaudited)

	For the six months ended June 30, 2010	2009
Cash Flows From Operating Activities:		
Net loss	$ (704,555)	$ (511,374)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	6,175	12,599
Elimination of debt repayment to Loco Lobo, LLC	-	(75,000)
Accrued interest classified as equity	-	41,664
Issuance of common stock for services	37,500	26,400
Issuance of stock options in connection with consulting services	4,429	-
Issuance of stock options in connection with employment services	339	-
Changes in Assets and Liabilities		
Increase (decrease) in accounts receivable	(9,877)	258
Decrease in prepaid expenses	2,801	5,015
Decrease in inventory	95,144	74,113
Decrease in deferred charges	-	3,759
Decrease in deposits	7,400	4,384
Decrease in accounts payable	(7,245)	(87,963)
Increase (decrease) in accrued expenses and taxes	69,235	(2,164)
Increase (decrease) in deferred revenue	661	(17,462)
Decrease in due to related parties	(51,714)	-
Net Cash Provided By (Used In) Operating Activities	(549,707)	(525,771)
Cash Flows From Investing Activities:		
Acquisitions of property and equipment	(4,572)	(5,519)
Development of website asset	9,315	(98,817)
Net Cash Provided By (Used In) Investing Activities	4,743	(104,336)
Cash Flows From Financing Activities:		
Distributions to affiliate - Crystal Magic	-	(122,542)
Proceeds from rights offering	-	828,078
Increase (decrease) in intercompany payable to Auleron 2005	-	(7,778)
Proceeds from convertible notes payable	562,038	-
Interest on notes payable	9,974	
Payments on long term debt	-	(2,420)
Repurchase of common stock	(45,000)	
Net Cash Provided (Used in) provided by Financing Activities	527,012	695,338

Net increase (decrease) in cash and cash equivalents		(17,952)		65,231
Cash and cash equivalents at beginning of period		121,689		146,349
Cash and cash equivalents at end of period	**$**	**103,737**	**$**	**211,580**
Supplemental Cash Flow Information:				
Cash paid for interest		-		-
Cash paid for income taxes		-		-
Supplemental Non-Cash Investing and Financing Information:	**$**		$	
Assets of Crystal Magic merged in due to change of control		-		(747,106)
Liabilities of Crystal Magic merged in due to change of control		-		2,366,426
Equity of Crystal Magic merged in due to change of control		-		(1,619,320)
Reclassification of intercompany payable due to change in control		-		1,061,206
Reclassification of affiliate distribution to intercompany due to change in control		-		(1,061,206)
Conversion of convertible notes payable to stock		-		(1,730,000)
Conversion of convertible notes payable to stock		-		1,730,000

See accompanying notes to unaudited consolidated financial statements

Propell Corporation and Subsidiaries

Notes to Consolidated Financial Statements

(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 & Principles of Consolidation

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the United States Securities and Exchange Commission for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes necessary for a comprehensive presentation of financial position, results of operations, or cash flows. It is management's opinion, however, that all material adjustments (consisting of normal recurring adjustments) have been made which are necessary for a fair financial statement presentation. The results for the interim period are not necessarily indicative of the results to be expected for the full year.

The unaudited interim financial statements should be read in conjunction with the Company s Annual Report on Form 10-K for the year ended December 31, 2009, which contains the audited financial statements and notes thereto, together with the Management s Discussion and Analysis of Financial Condition and Results of Operation, for the period ended December 31, 2009. The interim results for the period ended June 30, 2010 are not necessarily indicative of results for the full fiscal year.

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

(C) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Such estimates and assumptions impact, among others, the following: the 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, respectively, 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.

(D) 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 allowances 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 three months ended June 30, 2010.

(E) 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.

The Company primarily recognizes revenue for services rendered upon completion of the order.

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

(G) 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, 2010 and December 31, 2009, 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, 2010 and December 31, 2009, the balance exceeded the federally insured limit by $0 and $0, respectively.

(H) 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

(I) Inventory

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

(J) Long Lived Assets

Long-lived 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. In connection with its CMI subsidiary, the Company took an impairment charge of $85,527 during the year ended December 31, 2009.

(K) Net Loss per Share

Basic earnings (loss) per share is computed by dividing the net income (loss) less preferred dividends 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 1, 649,000 stock options and 4,600,434 warrants. Since the Company reported a net loss for the six months ended June 30, 2010 and the year ended December 31, 2009, all common stock equivalents would be anti-dilutive; as such there is no separate computation for diluted earnings per share.

(L) Fair Value of Financial Instruments

The carrying amounts of the Company s short-term financial instruments, (including accounts receivable, accounts payable and accrued liabilities) approximate fair value due to the relatively short period to maturity for these instruments.

(M) 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 are recorded in cost of goods sold or general and administrative expense in the consolidated statement of operations, depending on the nature of the services provided.

(N) Recent Accounting Pronouncements

In April 2009, the FASB issued guidance now codified as FASB ASC Topic 820, *Fair Value Measurements and Disclosures,* which amends previous guidance to require disclosures about fair value of financial instruments in interim as well as annual financial statements in the current economic environment. This pronouncement was effective for periods ending after June 15, 2009. The adoption of this pronouncement did not have a material impact on our business, financial condition or results of operations; however, these provisions of FASB ASC Topic 820 resulted in additional disclosures with respect to the fair value of our financial instruments.

In May 2009, the FASB issued guidance now codified as FASB ASC Topic 855, *Subsequent Events*, which establishes general standards of accounting for, and disclosures of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This pronouncement was effective for interim or fiscal periods ending after June 15, 2009. The adoption of this pronouncement did not have a material impact on our business, results of operations or financial position; however, the provisions of FASB ASC Topic 855 resulted in additional disclosures with respect to subsequent events.

In June 2009, the Financial Accounting Standards Board (FASB) issued guidance now codified as FASB Accounting Standards Codification (ASC) Topic 105, *Generally Accepted Accounting Principles*, as the single source of authoritative non-governmental U.S. GAAP. FASB ASC Topic 105 does not change current U.S. GAAP, but is intended to simplify user access to all authoritative U.S. GAAP by providing all authoritative literature related to a particular topic in one place. All existing accounting standard documents will be superseded and all other accounting literature not included in the FASB Codification will be considered non-authoritative. These provisions of FASB ASC Topic 105 were effective for interim and annual periods ending after September 15, 2009 and, accordingly, were effective for the current fiscal reporting period. The adoption of this pronouncement did not have an impact on our business, financial condition or results of operations, but will impact our financial reporting process by eliminating all references to pre-codification standards. On the effective date of FASB ASC Topic 105, the Codification superseded all then-existing non-SEC accounting and reporting standards, and all other non-grandfathered non-SEC accounting literature not included in the Codification became non-authoritative.

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 will become effective for the interim and annual reporting period beginning January 1, 2011. We will not be required to provide the amended disclosures for any previous periods presented for comparative purposes. Other than requiring additional disclosures, adoption of this update does not have a material effect on our consolidated financial statements.

Note 2 - Property and Equipment

Property and Equipment consisted of the following at June 30, 2010 and December 31, 2009.

	6/30/2010	12/31/2009
Leasehold improvements	$ 0	$ 6,825
Furniture and fixtures	500	37,971
Computer and equipment	12,486	11,782
Total	12,986	56,578
Less accumulated depreciation/amortization	(5,168)	(52,757)
Property and equipment, net	$ 7,818	$ 3,821

Note 3 - Prepaid Expenses

At June 30, 2010 prepaid expenses consisted solely of prepaid insurance in the amount of $1,786. At December 31, 2009 prepaid expenses consisted solely of prepaid insurance in the amount of $4,587.

Note 4 - Inventory

At June 30, 2010 all inventory was written off as it was wholly owned by our CMI subsidiary which has ceased operations. At December 31, 2009 inventory was valued at $95,114.

Note 5 Website Assets

In 2009, the company developed its primary website and capitalized the expenses incurred from programming in the amount of $501,201. As of June 30, 2010 this amount remained unchanged.

Note 6 Accrued Expenses and Taxes

At June 30, 2010 and December 31, 2009 accrued expenses and taxes consisted of the following:

	6/30/2010	12/31/2009
Payroll	$ 11,750	$ 5,756
Taxes	609	652
Interest on Convertible Notes	62,283	0
Other	240	240
Total	$ 75,882	$ 6,648

Note 7 - Notes and Convertible Notes Payable

In 2009 the Company borrowed $407,500 under the terms of a convertible note payable. During the six months ended June 30, 2010 the Company borrowed an additional $475,000 on the same note. This note is convertible to 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, of which the Company has borrowed $882,500 as of June 30, 2010. Subsequent to June 30, 2010 the holder of the convertible note has agreed to convert the notes to shares immediately preceeding the closure of the DBH deal (See Note 10 Subsequent Events.)

In June 2010 the Company borrowed $100,000 under the terms of a note payable. This note is due on December 31, 2010 or upon the closing of the DBH deal, whichever occurs first. The note also carries an interest rate of 8%.

Note 8 Other Income

At June 30, 2010 and June 30, 2009 other income (expense) consisted of the following:

	6/30/2010	6/30/2009
Interest income	$ -	$ 743
Vendor invoice adjustments	-	23,420
Insurance claim/damaged kiosk	-	6,487
Debt forgiveness	-	76,875
Interest Expense	-	(12,123)
Net other income	$ -	$ 95,401

Note 9 - Stockholders Deficit

(A) Common Stock Issuances of Issuer

For the six months ended June 30, 2010

During the six months ended June 30, 2010, the Company issued 250,000 shares of common stock for services rendered having a fair value of $37,500.

For the Year ended December 31, 2009

During the year ended December 31, 2009, the Company issued 856,667 shares of common stock for services rendered, having a fair value of $286,650. Of this, 741,667 shares were issued in connection with severance agreements.

During the year ended December 31, 2009, the Company issued 8,650,000 shares of common stock in connection with the conversion of convertible notes in the principal amount of $1,730,000 ($0.20 per share).

During the year ended December 31, 2009, the Company issued 3,066,956 shares of common stock in two rights offerings for proceeds of $828,078 ($0.27 per share).

(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, 2010 and December 31, 2009, there were 1, 649,000 and 1,499,000 options issued and outstanding under the Stock Plan, respectively.

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.. The Black-Scholes assumptions used in the six months ended June 30, 2010 are as follows:

	Six Months ended 6/30/210
Exercise price	$0.15 - $.027
Expected dividends	0%
Expected volatility	150%
Risk fee interest rate	2-02% to 3.59%
Expected life of option	5-10 years
Expected forfeitures	0%

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

During the six months ended June 30, 2010, the Company granted 150,000 options to employees and consultants having a fair market value of $4,768.

		Options		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Balance	December 31, 2008	1,075,000		0.50		
Granted		749,000	$	0.27		
Exercised		0		-		
Forfeited		325,000		0.43		
Balance	December 31, 2009	1,499,000	$	0.40		
Granted		150,000	$	0.23		
Exercised		0		-		
Forfeited		0	$	-		
Balance	June 30, 2010 - outstanding	1,649,000		0.43	8.42 years	0
Balance	June 30, 2010 exercisable	634,583	$	0.48	7.91 years	0

Note 10 - Subsequent Events

The Company has evaluated for subsequent events between the balance sheet date of June 30, 2010 and August 16, 2010, the date the financial statements were issued.

On June 21, 2010 the Company announced that on June 14, 2010 it entered into a merger agreement (the Merger Agreement) by and among the Company, Designbyhumans.com, a California corporation (DBH) and DBH Acquisition Corporation, a Delaware corporation and wholly owned subsidiary of the Registrant (Acquisition Sub). Acquisition Sub was formed on June 10, 2010 for the purpose of pursuing the merger transaction contemplated by the Merger Agreement (the Merger). Upon closing of the Merger Agreement, DBH will merge with and into the Acquisition Sub with DBH being the surviving entity. The Merger Agreement was duly considered and approved by the board of directors of the Company as well as the board of directors and all of the stockholders of DBH.

As a result of the Merger, DBH will become a wholly-owned subsidiary of the Company and the shareholders of DBH shall have acquired approximately 45% of the Company s issued and outstanding stock. DBH s obligation to

consummate the Merger is conditioned upon the Company receiving a commitment for financing of at least $1,500,000 and the conversion by all current note holders, other than note holders of Crystal Magic, Inc., of their debt to equity. The Company s obligation to consummate the Merger is conditioned upon DBH having reduced certain of its debt to certain of its stockholders and the conversion by certain stockholders of their debt to equity.

Note 11 - 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 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 12 - Corrections of Errors, Restatements and Discontinued Operations

The consolidated statement of cash flows is corrected and expanded to reflect properly several adjustments related to non-cash operating, investing and financing activities related to a change in discontinued operations.

	Before	After
Net Cash Provided By (Used in) Operating Activities	$ (549,707)	$ 299,209
Net Cash Provided (Used in) Financing Activities	$ 527,012	$ (321,904)

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, 2009. 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, 2009t.

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, 2010 and June 30, 2009, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. On an on-going basis we review our estimates and assumptions. Our estimates are based on our historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results are likely to differ from those estimates under different assumptions or conditions. Our critical accounting policies, the policies we believe are most important to the presentation of our financial statements and require the most difficult, subjective and complex judgments are outlined below in Critical Accounting Policies.

FORWARD LOOKING STATEMENTS

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

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. The Company is in the process of settling with creditors and expects to dissolve AMS by the end of 2010.

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. Because of actions taken by the U.S. Small Business Administration (SBA) to secure all of the assets of CMI, management was recently forced to cease CMI s operations. In 2009 we also ceased doing business through our Mountain Capital subsidiary. We assigned inventory and our warranty responsibilities and interaction with customers to a third party. We are in the process of liquidating Mountain Capital. Our third subsidiary, Auleron 2005, LLC, temporarily 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 current customers include eChalk, the Los Angeles Times, the US military, and numerous K-12 schools and universities, through
e-commerce web sites. In addition, our management has a long track record of delivering a variety of consumer and photo products, services and logistics to partners, including Wal-Mart, Walgreens, CVS and Rite-Aid.

Our 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, 2010.

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, Reorganization and Summary of Significant Accounting Policies, in the Notes to Financial Statements.

Consolidated Results of Operations for the three months ended June 30, 2010 and June 30, 2009

For the three months ended June 30, 2010 as compared to the three months ended June 30, 2009, net revenues were $35,719 and $308,525, respectively; cost of goods sold were $28,117 and $48,489, respectively; operating expenses were $369,122 and $600,394, respectively, and other income was $0 and $65,312, respectively. Results from the three months ended June 30, 2009 include results from our Auleron and CMI operations, which were discontinued in late 2009 and June 2010, respectively. For the three months ended June 30, 2009, our e-commerce business generated $2,747 in revenue with a minimal gross profit. Year-over-year growth in revenue for our e-commerce business was 1,200%. In addition, net loss from discontinued operations was $103,282 and $0, respectively. All totaled, the Company posted a net loss of $464,802 and $275,046, respectively.

For the three months ended June 30, 2010 as compared to the three months ended June 30, 2009 revenue decrease 88% or $272,806; however since for the period ended June 30, 2010 both AMS and CMI were not consolidated into the financial statements, any comparison between the two periods would not be indicative of overall company performance.

Consolidated Results of Operations for the six months ended June 30, 2010 and June 30, 2009

For the six months ended June 30, 2010 as compared to the six months ended June 30, 2009, net revenues were $46,936 and $364,449, respectively; cost of goods sold were $36,235 and $112,733, respectively; operating expenses were $622,146 and $858,491, respectively, and other income was $0 and $95,401, respectively. Results from the six months ended June 30, 2009 include results from our Auleron and CMI operations, which were discontinued in late 2009 and June 2010, respectively. For the six months ended June 30, 2009, our e-commerce business generated $3,325 in revenue with a minimal gross profit. Year-over-year growth in revenue for our e-commerce business was 1,089%. In addition, net loss from discontinued operations was $93,110 and $0, respectively. All totaled, the Company posted a net loss of $704,555 and $511,374, respectively.

For the six months ended June 30, 2010 as compared to the six months ended June 30, 2009 revenue decrease 87% or $317,513; however since for the period ended June 30, 2010 both AMS and CMI were not consolidated into the financial statements, any comparison between the two periods would not be indicative of overall company performance.

Six Months Ended June 30, 2010 - Cash Flow Activity

Propell s primary sources and uses of cash for the six months ended June 30, 2010, included losses from continuing operations, adjusted for non-cash items of income and expense and working capital needs, offset by an influx of $562,038 in cash from notes payable. Net cash used in operating activities from continuing operations was $549,707 for the six months ended June 30, 2010. Propell s primary sources and uses of cash from operating activities for the period were losses from operations, as adjusted for non-cash items of income and expense which included:

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A decrease in accounts receivables of $9,877 brought about by more stringent credit policies.

.

The write off of all inventory and deposits of $102,544 related to our CMI subsidiary

.

A decrease of $58,949 in accounts payable and due to related parties

.

An increase in accrued expenses, taxes and deferred revenue of $69,896 manly consisting of $63,284 in interest due on convertible notes

Net cash provided by investing activities for the six months ended June 30, 2010, was $4,743 attributable to PropellStores web development offset by the acquisition of property and equipment.

Net cash provided by financing activities was $517,012 which included $562,038 from our notes offering that convert into common stock, $45,000 used to reacquire common stock.

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, including convertible debt offerings, notes and revenue derived from our CMI subsidiary; however as a result of the cessation of our CMI operations we will no longer receive revenues from CMI, and therefore will have to rely on outside funding until such time as our PropellShops product derives enough revenue to sustain business operations. Although we anticipate that our Internet business will eventually provide the needed revenue, it is difficult for us to assess exactly when this will occur.

In an effort to improve our operating results and increase our revenues we will continue to seek strategic partners such as DBH. On June 14, 2010 we and our wholly owned subsidiary entered into a merger agreement with Designbyhumans.com. Upon closing of the Merger Agreement, DBH will merge with and into the Acquisition Sub with DBH being the surviving entity. DBH s obligation to consummate the Merger is conditioned upon us receiving a commitment for financing of at least $1,500,000 and the conversion by all current note holders, other than note holders of Crystal Magic, Inc., of their debt to equity. There can be no assurance that such financing will be available or if available that it will be on favorable terms.

We have incurred negative cash flow from operations since we started our business. We have spent, and expect 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 12 months.

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). In September 2010, the bank managing the loans for the SBA seized substantially all of the assets of CMI and subsequently sold these assets.

However, the actual amount of funds we will need to operate is subject to many factors, some of which are beyond our control. We have based our estimate on assumptions that may prove to be wrong. We may need to obtain additional funds sooner or in greater amounts than we currently anticipate. Potential sources of financing include strategic relationships, public or private sales of our shares or debt and other sources. We may seek to access the public or private equity markets when conditions are favorable due to our long-term capital requirements. We do not have any committed sources of financing at this time, and it is uncertain whether additional funding will be available when we need it on terms that will be acceptable to us, or at all. If we raise funds by selling additional shares of common stock or other securities convertible into common stock, the ownership interest of our existing stockholders will be diluted. If we are not able to obtain financing when needed, our partnership with DBH may be at risk and we may be unable to carry out the rest of our business plan. As a result, we may have to significantly limit our operations and our business, financial condition and results of operations would be materially harmed.

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, 2010 were not effective to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, was recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to the Company s management, including the Company s CEO, as appropriate, to allow timely decisions regarding required disclosure. The Company s CEO has concluded, that as of the date of the filing of this Amendment, the Company s disclosure controls and procedures are effective and that all material weaknesses and significant deficiencies have been completely remediated due to the retention of an additional bookkeeper and a consultant who are integrally involved in the preparation of the financial statements and all 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, 2010 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 six months ended June 30, 2010, the Company issued 250,000 shares of common stock to an individual for services rendered having a fair value of $37,500. The securities were issued in reliance on Section 4(2) of the Securities Act of 1933, as amended (the Act), since the issuance by us did not involve a public offering. In addition, the shares were clearly marked as restricted. This restriction ensures that these shares will not be immediately redistributed into the market.

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. Removed and Reserved

None.

Item 5. Other Information

None.

Item 6. Exhibits

Number	Exhibit
31.1	Certification of the Chief Executive Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act

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.

DATE: March 7, 2011

PROPELL CORPORATION

(Registrant)

By: */s/Edward L. Bernstein*

Edward L. Bernstein Chief Executive Officer and Chief Financial Officer

(Principal Executive Officer and Principal Financial Officer)