

Propell Technologies Group, Inc.
Form 10-Q
November 14, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 – Q

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

For the quarterly period ended: September 30, 2016

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

For the transition period from to

Commission File Number 000-53488

PROPELL TECHNOLOGIES GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

26-1856569

(IRS Employer Identification Number)

10655 Bammel North Houston Road

Suite 100, Houston, Texas 77086

(Address of principal executive offices including zip code)

(713) 227 - 0480

(Registrant's telephone number, including area code)

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

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

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

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

Large Accelerated Filer " Accelerated Filer " Non-Accelerated Filer " Smaller Reporting Company x

Number of shares outstanding of the issuer's common stock as of the latest practicable date: 268,558,931 shares of common stock, \$.001 par value per share, as of November 14, 2016.

PROPELL TECHNOLOGIES GROUP, INC

Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). In particular, statements contained in this Quarterly Report Form 10-Q, including but not limited to, statements regarding our intention to be an oil exploration and production acquisition company, the commercialization of our technology; the sufficiency of our cash, our ability to finance our operations and business initiatives and obtain funding for such activities; our future results of operations and financial position, business strategy and plan prospects, or costs and objectives of management for future acquisitions, are forward-looking statements. These forward-looking statements relate to our future plans, objectives, expectations and intentions and may be identified by words such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “intends,” “targets,” “projects,” “contemplates,” “believes,” “seeks,” “goals,” “estimates,” “predicts,” “potential” and “continue” or similar words. Readers are cautioned that these forward-looking statements are based on our current beliefs, expectations and assumptions and are subject to risks, uncertainties, and assumptions that are difficult to predict, including those identified below, under Part II, Item 1A. “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q, and those identified under Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC on March 30, 2016. Therefore, actual results may differ materially and adversely from those expressed, projected or implied in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

NOTE REGARDING COMPANY REFERENCES

Throughout this Quarterly Report on Form 10-Q, “Propell,” the “Company,” “we,” “us” and “our” refer to Propell Technologies Group, Inc.

PROPELL TECHNOLOGIES GROUP, INC.

Index

	Page
PART I. FINANCIAL INFORMATION	
Item 1. <u>Condensed Consolidated Financial Statements</u>	F-1
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	1
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risks</u>	6
Item 4. <u>Controls and Procedures</u>	6
PART II. OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	7
Item 1A. <u>Risk factors</u>	7
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	18
Item 3. <u>Defaults Upon Senior Securities</u>	18
Item 4. <u>Mine Safety Disclosures</u>	18
Item 5. <u>Other Information</u>	18
Item 6. <u>Exhibits</u>	18

Item 1.

PROPELL TECHNOLOGIES GROUP, INC.

TABLE OF CONTENTS

September 30, 2016

<u>Condensed Consolidated Balance Sheets as of September 30, 2016 (unaudited) and December 31, 2015</u>	F-2
<u>Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2016 and 2015. (Unaudited)</u>	F-3
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2016 and 2015. (Unaudited)</u>	F-4
<u>Notes to the unaudited Condensed Consolidated Financial Statements</u>	F-5–F-17

F-1

PROPELL TECHNOLOGIES GOUP, INC.**CONDENSED CONSOLIDATED BALANCE SHEETS**

	September 30, 2016	December 31, 2015
	Unaudited	
Assets		
Current Assets		
Cash	\$ 9,519,445	\$ 11,700,143
Accounts receivable, net	4,292	890
Prepaid expenses	19,350	48,591
Net assets from Discontinued Operations	-	154,342
Total Current Assets	9,543,087	11,903,966
Non-Current Assets		
Plant and equipment, net	804,961	687,362
Intangibles, net	175,000	227,500
Deposits	9,168	2,200
Total Non-Current Assets	989,129	917,062
Total Assets	\$ 10,532,216	\$ 12,821,028
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 93,279	\$ 134,980
Accrued expenses and other payables	48,653	279,762
Net liabilities of Discontinued Operations	798,193	-
Notes payable	3,000	3,000
Total Current Liabilities	943,125	417,742
Stockholders' Equity		
Series A-1 Convertible Preferred stock, \$0.01 par value; 5,000,000 shares designated, 3,137,500 shares issued and outstanding. (liquidation preference \$251,000)	3,138	3,138
Series B Convertible, Redeemable Preferred Stock, \$0.001 par value; 500,000 shares designated; 40,000 issued and outstanding. (liquidation preference \$480,000)	40	40
Series C Convertible, Preferred Stock, \$0.001 par value, 4,500,000 shares designated, 4,500,000 issued and outstanding (liquidation preference \$14,750,000)	4,500	4,500
Common stock, \$0.001 par value; 500,000,000 shares authorized, 268,558,931 shares issued and outstanding.	268,559	268,559
Additional paid-in-capital	26,337,219	26,271,184

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Accumulated deficit	(17,024,365)	(14,393,474)
Total stockholder's equity - controlling interest	9,589,091	12,153,947
Non-controlling interest	-	249,339
Total Stockholders' Equity	9,589,091	12,403,286
Total Liabilities and Stockholders' Equity	\$ 10,532,216	\$ 12,821,028

See notes to unaudited condensed consolidated financial statements

F-2

PROPELL TECHNOLOGIES GOUP, INC.**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Net Revenue	\$-	\$-	\$-	\$91,000
Cost of Goods Sold	-	40,275	-	140,245
Gross Loss	\$-	\$(40,275)	\$-	\$(49,245)
Sales and Marketing	(196)	2,494	6,569	5,185
Professional fees	140,616	242,013	310,173	624,077
Business development	3,079	-	22,181	-
Consulting fees	43,986	40,500	287,086	260,168
General and administrative	258,952	450,832	894,807	1,224,400
Depreciation and amortization	66,271	33,821	134,553	103,136
Total Expense	512,708	769,660	1,655,369	2,216,966
Loss from Operations	(512,708)	(809,935)	(1,655,369)	(2,266,211)
Other income	4,059	-	203,296	-
Amortization of debt discount and finance costs	-	(54)	-	(53,154)
Change in fair value of derivative liabilities	-	-	-	18,455
Loss before Provision for Income Taxes	(508,649)	(809,989)	(1,452,073)	(2,300,910)
Provision for Income Taxes	-	-	-	-
Net Loss from continuing operations	(508,649)	(809,989)	(1,452,073)	(2,300,910)
Loss for discontinued operations, net of tax	(363,421)	(221,423)	(1,428,157)	(221,423)
Net loss attributable to non-controlling interest of discontinued operation	-	88,569	249,339	88,569
Loss from discontinued operations, net of non-controlling interest	(363,421)	(132,854)	(1,178,818)	(132,854)
Net Los Attributable to Controlling Interest	(872,070)	(942,843)	(2,630,891)	(2,433,764)
Deemed preferred stock dividend	-	-	-	(2,456,781)
	(157,786)	(157,786)	(469,928)	(302,948)

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Undeclared Series B and Series C Preferred stock dividends

Net loss available to common stock holders	\$(1,029,856)	\$(1,100,629)	\$(3,100,819)	\$(5,193,493)
Net Loss Per Share from continuing operations - Basic and Diluted	\$(0.00)	\$(0.00)	\$(0.01)	\$(0.02)
Net Loss Per Share from discontinued operations - Basic and Diluted	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)
Net Loss Per Share - Basic and Diluted	\$(0.00)	\$(0.00)	\$(0.01)	\$(0.02)
Weighted Average Number of Shares Outstanding				
-				
Basic and Diluted	268,558,931	261,037,172	268,558,931	257,867,561

See notes to unaudited condensed consolidated financial statements

F-3

PROPELL TECHNOLOGIES GOU, INC.**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Nine months ended September 30, 2016	Nine months ended September 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	(2,630,891)	\$ (2,433,764)
Net loss from discontinued operations	1,428,157	\$ 221,423
Less: loss attributable to non-controlling interest	(249,339)	(88,569)
Net loss from continuing operations	(1,452,073)	(2,300,910)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation expense	82,053	50,637
Amortization expense	52,500	52,500
Loss on scraping of fixed assets	1,248	-
Amortization of debt discount	-	16,233
Equity based compensation charge	66,035	723,856
Stock issued for services rendered	-	70,000
Derivative financial liability	-	(18,455)
Gain on debt forgiven	(200,000)	-
Changes in Assets and Liabilities		
Accounts receivable	(3,400)	(3,500)
Prepaid expenses and other current assets	29,241	(43,178)
Accounts payable	(41,702)	(278,883)
Accounts payable - related party	-	16,302
Accrued liabilities	(31,109)	159,676
Accrued interest	-	(11,261)
Cash Used in Operating Activities - continuing operations	(1,497,207)	(1,566,983)
Cash Used in Operating Activities - discontinued operations	(470,842)	(111,885)
	(1,968,049)	(1,678,868)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(200,899)	(429,186)
Investment in deposit	(6,968)	-
NET CASH USED IN INVESTING ACTIVITIES - CONTINUING OPERATIONS	(207,867)	(429,186)
NET CASH USED IN INVESTING ACTIVITIES - DISCONTINUED OPERATIONS	(4,782)	(2,979)
	(212,649)	(432,165)
CASH FLOWS FROM FINANCING ACTIVITIES:		

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Proceeds on issuance of Series C Preferred stock	-	14,750,000
Proceeds from notes payable and advances	-	125,000
Repayment of notes payable and advances	-	(421,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES - CONTINUING OPERATIONS	-	14,454,000
NET CASH PROVIDED BY FINANCING ACTIVITIES - DISCONTINUED OPERATIONS	-	185,028
	-	14,639,028
NET (DECREASE) INCREASE IN CASH	(2,180,698)	12,527,995
CASH AT BEGINNING OF PERIOD	\$ 11,700,143	\$ 40,844
CASH AT END OF PERIOD	\$ 9,519,445	\$ 12,568,839
CASH PAID FOR INTEREST AND TAXES:		
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ 48,130	\$ 48,130
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Conversion of debt to equity	\$ -	\$ 12,789

See notes to unaudited condensed consolidated financial statements

PROPELL TECHNOLOGIES GROUP, INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES AND ESTIMATES

a) Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, these unaudited condensed financial statements do not include all of the information and disclosures required by U.S. GAAP for complete financial statements. In the opinion of management, the accompanying unaudited condensed financial statements include all adjustments (consisting only of normal recurring adjustments), which we consider necessary, for a fair presentation of those financial statements. The results of operations and cash flows for the three and nine months ended September 30, 2016 may not necessarily be indicative of results that may be expected for any succeeding quarter or for the entire fiscal year. The information contained in this quarterly report on Form 10-Q should be read in conjunction with our audited financial statements included in our annual report on Form 10-K as of and for the year ended December 31, 2015 as filed with the Securities and Exchange Commission (the “SEC”).

Significant accounting policies are described in Note 2 to the consolidated financial statements included in Item 8 of our annual report on Form 10-K as of December 31, 2015.

The preparation of unaudited consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions, which are evaluated on an ongoing basis, that affect the amounts reported in the unaudited consolidated financial statements and accompanying notes. Management bases its estimates on historical experience and on various other assumptions that it believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the amounts of revenues and expenses that are not readily apparent from other sources. Actual results could differ from those estimates and judgments. In particular, significant estimates and judgments include those related to: the estimated useful lives for plant and equipment, the fair value of warrants and stock options granted for services or compensation, estimates of the probability and potential magnitude of contingent liabilities, derivative liabilities, the valuation allowance for deferred tax assets due to continuing operating losses, those related to revenue recognition and the allowance for doubtful accounts.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the unaudited

consolidated financial statements, which management considered in formulating its estimate could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ significantly from our estimates.

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

b) Principles of Consolidation

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

Propell Technologies Group, Inc. – Parent Company

Novas Energy USA Inc. (wholly owned)

Novas Energy North America, LLC (60% owned) – Discontinued effective November 1, 2016.

PROPELL TECHNOLOGIES GROUP, INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES AND ESTIMATES (continued)

c) Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments." ASU 2016-13 will replace the current incurred loss approach with an expected loss model for instruments measured at amortized cost and require entities to record allowances for available-for-sale debt securities rather than reduce the carrying amount under the current other-than-temporary impairment model. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted for all entities for annual periods beginning after December 15, 2018, and interim periods therein. We are currently evaluating the effect ASU 2016-13 will have on our consolidated financial statements.

In August 2016, FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments." ASU 2016-15 is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. We are currently evaluating the effect ASU 2016-15 will have on our consolidated statements of cash flows.