

Propell Corporation.  
Form 10-Q  
May 14, 2012

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10 – Q**

[mark one]

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

**For the quarterly period ended: March 31,  
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  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  No

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

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

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

Number of shares outstanding of the issuer's common stock as of the latest practicable date: 28,042,906 shares of common stock, \$.001 par value per share, as of May 8, 2012.

**PROPELL CORPORATION**

**Index**

|  | <b>Page</b> |
|--|-------------|
| <b><u>PART I. FINANCIAL INFORMATION</u></b>  |             |
| Item 1. Consolidated Financial Statements  |             |
| Balance Sheets as of March 31, 2012 and December 31, 2011 (unaudited)                          | F-1         |
| Statements of Operations for the three months ended March 31, 2012 and 2011 (unaudited)        | F-2         |
| Statement of Stockholders' Deficit as of March 31, 2012 (unaudited)                            | F-3         |
| Statements of Cash Flows for the three months ended March 31, 2012 and 2011 (unaudited)        | F-4         |
| Notes to Consolidated Financial Statements   | F-5-F-14    |
| Item 2. Management's Discussion and Analysis of Financial Conditions and Results of Operations | 15          |
| Item 4. Controls and Procedures  | 18          |
| <b>PART II. OTHER INFORMATION</b>  |             |
| Item 1. Legal Proceedings  | 19          |
| Item 2. Unregistered Sales of Equity Securities and Use of Proceeds                            | 19          |
| Item 3. Defaults Upon Senior Securities  | 19          |
| Item 4. Mine Safety Disclosures  | 19          |
| Item 5. Other Information  | 19          |
| Item 6. Exhibits   | 20          |

**PART I.—FINANCIAL INFORMATION****Propell Corporation and Subsidiaries****Consolidated Balance Sheets (Unaudited)****As of March 31, 2012 and December 31, 2011**

|   | March 31,<br>2012 | December<br>31,<br>2011 |
|---|-------------------|-------------------------|
| <b><u>Assets</u></b>  |                   |                         |
| Current Assets  |                   |                         |
| Cash  | \$3,770           | \$5,242                 |
| Accounts receivable (net of allowances)   | 742               | 718                     |
| Prepaid expenses  | 1,139             | 27,266                  |
| Due from others   | 1,196             | 591                     |
| Deposits - current  | 1,499             | 1,849                   |
| Total Current Assets  | 8,346             | 35,666                  |
| Property and Equipment, net   | 3,029             | 3,582                   |
| Other Assets  |                   |                         |
| Website URL, net  | 2,000             | 2,400                   |
| Total Assets  | \$13,375          | \$41,648                |
| Liabilities and Stockholders' Deficit   |                   |                         |
| Current Liabilities   |                   |                         |
| Accounts payable  | \$301,859         | \$290,678               |
| Accrued liabilities   | 145,626           | 80,191                  |
| Accrued interest  | 397,177           | 340,760                 |
| Notes payable and advances – related parties  | 435,188           | 415,188                 |
| Convertible notes payable – related party   | 1,394,158         | 1,384,948               |
| Derivative liability  | 109,314           | 57,925                  |
| Liabilities from discontinued operations  | 1,221,008         | 1,221,008               |
| Total Liabilities   | 4,004,330         | 3,790,698               |
| Stockholders' Deficit   |                   |                         |
| Common stock, \$0.001 par value; 100,000,000 shares authorized, 28,042,906 issued and outstanding; (25,911,539 issued and outstanding – 2011) | 28,042            | 25,911                  |
| Additional paid-in capital  | 2,190,161         | 2,158,737               |
| Accumulated deficit   | (6,209,158)       | (5,933,698)             |
| Total Stockholders' Deficit   | (3,990,955)       | (3,749,050)             |

|   |          |          |
|---|----------|----------|
| Total Liabilities and Stockholders' Deficit | \$13,375 | \$41,648 |
|---|----------|----------|

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

F-1

**Propell Corporation and Subsidiaries**

**Consolidated Statements of Operations (Unaudited)**

**For the Three Months Ended March 31, 2012 and 2011**

|   | Three months<br>ended March<br>31, 2012 | Three months<br>ended March<br>31, 2011 |
|---|---|---|
| Net Revenues  | \$ 19,215                               | \$ 23,715                               |
| Cost of Goods Sold  | 17,409                                  | 17,111                                  |
| Gross Profit (Loss)   | 1,806                                   | 6,604                                   |
| Operating Expenses  | 280,017                                 | 257,977                                 |
| Loss from Operations  | (278,211 )                              | (251,373 )                              |
| Other Income  | (2,751 )                                | -                                       |
| Net Loss  | \$(275,460 )                            | \$(251,373 )                            |
| Net Loss Per Share - Basic and Diluted                            | \$(0.01 )                               | \$(0.01 )                               |
| Weighted Average Number of Shares Outstanding - Basic and Diluted | 26,910,400                              | 22,757,575                              |

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

**Propell Corporation and Subsidiaries****Consolidated Statements of Changes in Stockholders' Deficit (Unaudited)****As of March 31, 2012**

|  | Common Stock |          | Additional         | Accumulated    | Total                    |
|--|--------------|----------|--------------------|----------------|--------------------------|
|  | Shares       | Amount   | Paid-in<br>Capital | Deficit        | Stockholders'<br>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         |              |          | 11,170             |                |                          |
| Shares issued in connection with the conversion of debt and accrued interest to equity | 2,131,367    | 2,131    | 20,254             |                | 22,385                   |
| Net loss for the three months ended March 31, 2012                                     |              |          |                    | (275,460 )     | (275,460 )               |
| Balance, March 31, 2012  | 28,042,906   | \$28,042 | \$2,190,161        | \$(6,209,158 ) | \$(3,990,955 )           |

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

F-3



**Propell Corporation and Subsidiaries****Consolidated Statements of Cash Flows (Unaudited)****For the Three Months Ended March 31, 2012 and 2011**

|  | Three<br>months<br>ended<br>March 31,<br>2012 | Three<br>months<br>ended<br>March 31,<br>2011 |
|--|---|---|
| <b>Cash Flows From Operating Activities:</b>                                 |   |   |
| Net loss for the period  | \$(275,460 )                                  | \$(251,373 )                                  |
| Adjustments to reconcile net loss to net cash used in operating activities   |   |   |
| Depreciation expense   | 553   | 623   |
| Amortization expense   | 400   | 400   |
| Amortization of debt discount  | (905 )  | -   |
| Issuance of stock options in connection with employment services             | 11,170  | 2,521   |
| Changes in Assets and Liabilities  |   |   |
| Accounts receivable  | (24 )   | 210   |
| Due from others  | (605 )  | (577 )  |
| Deposits   | 350   | (349 )  |
| Prepaid expenses   | 26,127  | 780   |
| Inventory  | -   | (403 )  |
| Accounts payable   | 11,181  | 48,384  |
| Accrued liabilities  | 65,436 )                                      | 310 )   |
| Derivative liability   | 51,389  | -   |
| Accrued interest   | 56,416  | 39,740  |
| Cash Used In Operating Activities from Continuing Operations                 | (53,972 )                                     | (159,734 )                                    |
| Cash Provided by (Used In) Operating Activities from Discontinued Operations | -   | -   |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>                                 | <b>(53,972 )</b>                              | <b>(159,734 )</b>                             |
| <b>Cash Flows From Financing Activities:</b>                                 |   |   |
| Proceeds from notes payable – related party                                  | 20,000  | 100,000                                       |
| Proceeds from convertible note   | 32,500  | 25,000  |
| <b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>                             | <b>52,500</b>                                 | <b>125,000</b>                                |
| Net decrease in cash and cash equivalents                                    | (1,472 )                                      | (34,734 )                                     |
| Cash and cash equivalents at beginning of period                             | 5,242   | 56,639  |
| Cash and cash equivalents at end of period                                   | \$3,770                                       | \$21,905                                      |
| <b>Supplemental Cash Flow Information:</b>                                   |   |   |
| Cash paid for interest   | \$-   | \$-   |
| Cash paid for income taxes   | \$800   | \$1,600                                       |
| <b>Supplemental Non-Cash Investing and Financing Activities:</b>             |   |   |
| Convertible notes and interest converted into common stock                   | \$22,385                                      | \$-   |

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

F-4

**Propell Corporation and Subsidiaries**

**Notes to Consolidated Financial Statements**

**March 31, 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) Principles of Consolidation**

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, 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 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 three months ended March 31, 2012. Bad debt expense was \$0 and \$0 for the three months ended March 31, 2012 and 2011.

**(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.

**Propell Corporation and Subsidiaries**

**Notes to Consolidated Financial Statements**

**March 31, 2012**

**(Unaudited)**

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

**(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 March 31, 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 March 31, 2012 and December 31, 2011, the balance did not exceed the federally insured limit.

**(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) 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.

**(K) 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 4,844,000 stock options and 4,600,434 warrants. Since the Company reported a net loss for the three months ended March 31, 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**

**March 31, 2012**

**(Unaudited)**

#### **(L) 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.

#### **(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 is recorded in operating expenses in the consolidated statement of operations.

#### **(N) 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 March 31, 2012, there have been no interest or penalties incurred on income taxes.

#### **(O) 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.

F-7



**Propell Corporation and Subsidiaries**

**Notes to Consolidated Financial Statements**

**March 31, 2012**

**(Unaudited)**

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

**(O) 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. 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 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. We do not expect the adoption of this guidance to have a material impact on our financial position, results of operations or cash flows.

F-8

**Propell Corporation and Subsidiaries**

**Notes to Consolidated Financial Statements**

**March 31, 2012**

**(Unaudited)**

**Note 2 - Prepaid Expenses**

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

|                            | March 31,<br>2012 | December<br>31, 2011 |
|----------------------------|-------------------|----------------------|
| Prepaid insurance          | \$ 1,139          | \$ 1,627             |
| Prepaid investor relations | -                 | 25,639               |
| Prepaid expenses           | \$ 1,139          | \$ 27,266            |

**Note 3 - Property and Equipment**

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

|  | March 31,<br>2012 | December<br>31, 2011 |
|--|-------------------|----------------------|
| Furniture and fixtures                     | \$ 500            | \$ 500               |
| Computer and equipment                     | 8,324             | 7,744                |
| Total                                      | 8,824             | 8,824                |
| Less accumulated depreciation/amortization | (5,795 )          | (5,242 )             |
| Property and equipment, net                | \$ 3,029          | \$ 3,582             |

**Note 4 – Accrued Liabilities**

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

|         | March 31,<br>2012 | December 31,<br>2011 |
|---------|-------------------|----------------------|
| Payroll | \$ 134,532        | \$ 70,782            |
| Taxes   | 81                | 165                  |
| Other   | 11,013            | 9,244                |
| Total   | \$ 145,626        | \$ 80,191            |

**Note 5 Notes and Convertible Notes Payable – Related Parties**

| Convertible notes payable  | Principal<br>amount |
|--|---------------------|
| 15% convertible notes payable to Remington Partners, due August 31, 2012 | \$ 1,167,500        |
| 6% convertible note to Tripod Group, LLC, due June 23, 2012              | 7,340               |
| 6% convertible note to Prolific Group LLC, due June 7, 2012              | 40,000              |
| 8% convertible note to Asher Enterprises, Inc., due May 7, 2012          | 31,000              |
| 8% convertible note to Asher Enterprises, Inc., due June 12, 2012        | 32,500              |
| 6% convertible note to Tripod Group, LLC, due August 24, 2012            | 50,000              |
| 6% convertible note to Tripod Group, LLC, due October 23, 2012           | 50,000              |
| 8% convertible note to Asher Enterprises, Inc., due September 5, 2012    | 32,500              |
| 8% convertible note to Asher Enterprises, Inc., due, December 12, 2012   | 32,500              |
| Convertible debt discount  | (49,182 )           |
| Total convertible notes payable  | \$ 1,394,158        |

**Propell Corporation and Subsidiaries**

**Notes to Consolidated Financial Statements**

**March 31, 2012**

**(Unaudited)**

**Note 5 Notes and Convertible Notes Payable – Related Parties (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 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. Through March 31, 2012, the Holder had exercised his right to convert \$42,660 of the Note for 749,820 shares.

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 March 31, 2012, the Holder had not exercised his right to convert any of the Note.

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 March 31, 2012, the Holder had not exercised his right to convert any of the Note.

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 March 31, 2012, the Holder had exercised its right to convert \$20,000 of the \$53,000 Note for 2,091,837 shares.

F-10

## **Propell Corporation and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **December 31, 2011 and 2010**

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

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 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.

F-11



**Propell Corporation and Subsidiaries****Notes to Consolidated Financial Statements****March 31, 2012****Note 5 Notes and Convertible Notes Payable – Related Parties (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   | 100,000          |
| 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 Joseph Abrams – non-interest bearing | 132,188          |
| Loan from shareholder – non-interest bearing       | 3,000            |
| Total notes payable and accrued interest           | \$435,188        |

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 2011, the shareholder sold his interest in \$50,000 of this note 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.

**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.

**Note 7 - Stockholders' Deficit**

**(A) Common Stock Issuances of Issuer**

**For the three months ended March 31, 2012**

The Company issued 2,131,367 shares in connection with the conversion of \$22,385 of convertible debt and related accrued interest.

**Propell Corporation and Subsidiaries**

**Notes to Consolidated Financial Statements**

**March 31, 2012**

**(Unaudited)**

**Note 7 - Stockholders' Deficit (continued)**

**(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 both March 31, 2012 and December 31, 2011, there were 4,844,000 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 quarter ended March 31, 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

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Immediately upon grant

|  | Options     | Weighted<br>Average<br>Exercise Price | Weighted Average<br>Remaining<br>Contractual Life | Aggregate<br>Intrinsic<br>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                                | 0           |                                       |   |                                 |
| Balance, March 31, 2012 - Outstanding    | 4,844,000   | 0.15                                  | 8.87  | \$ 0                            |
| Balance, March 31, 2012 - Exercisable    | 1,839,417   | 0.19                                  | 8.63  | \$ 0                            |

F-13

**Propell Corporation and Subsidiaries**

**Notes to Consolidated Financial Statements**

**March 31, 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 March 31, 2012 to the date the financial statements were issued.

In the period from April 2, 2011 through May 8, 2012, the Company has received \$40,000 in advances from a third party. The terms of repayment or conversion have yet to be finalized.

F-14

## 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 March 31, 2012 and March 31, 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 current 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 current customers include eChalk, the Los Angeles Times, the Navy Exchange Command, 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 months ended March 31, 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 March 31, 2012 and March 31, 2011**

For the three months ended March 31, 2012 as compared to the three months ended March 31, 2011, net revenues decreased \$4,500 or 19% as a result of our ceasing marketing due to lack of funds.

For the three months ended March 31, 2012 as compared to the three months ended March 31, 2011 cost of goods increased \$298 or 2%, and our gross margins decreased from 28% to 9% 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 increased \$22,040 or 9%. This increase was the direct result of increased interest costs of \$53,235 related to the accounting for the derivative value of the debt which became convertible since March 31, 2011. This increase was partially offset by lower operating costs due to laying off all full-time staff except the CEO.

Propell’s primary use of cash for the three months ended March 31, 2012, was to fund our losses from continuing operations, offset by an influx of \$52,500 in cash from notes payable and convertible notes payable. Net cash used in operating activities from continuing operations was \$53,972 for the three months ended March 31, 2012 down from \$159,734 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 \$6,209,158 through March 31, 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 reduced 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 retain employees.

As of April 1, 2012, we have notes, net of debt discount, in the aggregate principal amount of \$1,829,346 outstanding. Of such amount, notes in the principal amount of \$150,000 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.

## **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 March 31, 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 March 31, 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**

In March 2012, the Company borrowed \$32,500 under a nine month unsecured convertible note from a shareholder. The note accrues interest at the rate of 8% per annum. It is due on December 12, 2012, respectively. This note is 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. The note has no financial covenants. 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 February 2012, the Company issued 2,131,367 shares of the Company's common stock in connection with the conversion of \$22,385 of 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.

### **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.

19

**Item 6. Exhibits**

**Regulation**

**Exhibit**

**Number**

- |      |   |
|------|---|
| 31.1 | Certification of the Chief Executive Officer and Chief Financial 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 |

20



**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: May 14 , 2012

(Registrant)

By: */s/Edward L. Bernstein*

Edward L. Bernstein President and Chief Executive Officer

(Principal Executive Officer and Principal Financial Officer)