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

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 – Q

x 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	**26-1856569**
(State or other jurisdiction of incorporation or organization)	**(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

Item 1.

PROPELL TECHNOLOGIES GROUP, INC.

TABLE OF CONTENTS

September 30, 2016

PROPELL TECHNOLOGIES GOUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2016 Unaudited	December 31, 2015
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

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)

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 GOUP, 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:		

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.

In October 2016, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. (“ASU”) 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory." ASU 2016-16 requires immediate recognition of income tax consequences of intercompany asset transfers, other than inventory transfers. Existing GAAP prohibits recognition of income tax consequences of intercompany asset transfers whereby the seller defers any net tax effect and the buyer is prohibited from recognizing a deferred tax asset on the difference between the newly created tax basis of the asset in its tax jurisdiction and its financial statement carrying amount as reported in the consolidated financial statements. ASU 2016-16 specifically excludes from its scope intercompany inventory transfers whereby the recognition of tax consequences will take place when the inventory is sold to third parties. ASU 2016-16 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted as of the beginning of an annual reporting period for which financial statements have not been issued or made available for issuance. We are currently evaluating the effect ASU 2016-16 will have on our consolidated financial statements.

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

d) 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 September 30, 2016 and December 31, 2015, 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 September 30, 2016, the Company had cash balances of $9,519,445, which exceeded the federally insured limits by $9,211,049. At December 31, 2015, the Company had cash balances of $11,700,143, which exceeded the federally insured limits by $10,877,045.

PROPELL TECHNOLOGIES GROUP, INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

e) Related parties

Parties are considered to be related to the Company if the parties that, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company, or own in aggregate, on a fully diluted basis 5% or more of the Company's stock. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. The Company discloses all related party transactions. All transactions are recorded at fair value of the goods or services exchanged. Property purchased from a related party is recorded at the cost to the related party and any payment to or on behalf of the related party in excess of the cost is reflected as a distribution to related party.

f) Prior period comparatives

The prior period comparative amounts have been restated to give effect to the discontinued operation disclosed in note 2 below.

PROPELL TECHNOLOGIES GROUP, INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2 DISCONTINUED OPERATIONS

On October 4, 2016, Novas Energy USA, Inc. ("Novas USA"), a wholly owned subsidiary of the Company, delivered a notice to Technovita Technologies USA, Inc. ("Technovita") electing to dissolve its joint venture with Technovita (the "Joint Venture"), effective November 1, 2016, pursuant to Section 11.1(b) of the Operating Agreement of Novas Energy North America, LLC ("NENA"), dated October 22, 2015 (the "Operating Agreement"), by and among Novas USA and Technovita.

Section 11.1(b) of the Operating Agreement provides that the Joint Venture may be dissolved upon the election of Novas USA in the event the Joint Venture fails to satisfy any Year 1 Key Performance Indicator by an amount greater than five percent (5%) of the applicable metric (the "Year 1 Milestone"). The Joint Venture has not achieved the Year 1 Milestone. For the purposes of the Operating Agreement, the Year 1 Key Performance Indicators are defined as: during a continuous twelve (12) month period commencing upon September 1, 2015 each of: (1) sales from activities in the United States of greater than or equal to $2,829,000; (2) sales from activities in Canada of greater than or equal to $2,829,000; (3) EBITDA from activities in the United States of greater than or equal to $524,000; and (4) EBITDA from activities in Canada of greater than or equal to $524,000. Upon a dissolution, all intellectual property assets of the Joint Venture, including any improvements to Technology (as defined in the Operating Agreement) is to be distributed to Technovita solely for use in Canada, its territories and its possessions and Novas USA solely for use in the United States and its territories.

Pursuant to the Operating Agreement, Novas USA had entered into a sublicense agreement (the "Novas Sublicense Agreement") with NENA and Novas Energy Group Limited for NENA to be the exclusive provider of Plasma Pulse Technology for treatment of vertical wells to third parties in the United States. The Sublicense Agreement was terminated upon termination of the Joint Venture. The Operating Agreement also provided, among other things, that Novas USA would contribute an aggregate of $1,200,000 to the capital of the Joint Venture for its 60% interest in the Joint Venture. Novas USA has contributed $900,000 to the Joint Venture to date and believes that it has valid defenses to any claim that may be made that it contribute additional funds.

The Company intends to work with Technovita to dissolve the operations of the Joint Venture in a business-like manner and to continue to re-focus its business efforts on becoming an oil exploitation and production ("E&P") company through the acquisition and growth of a base of producing assets by leveraging M&A and operational expertise, and by using advanced technology to increase their production.

F-8

PROPELL TECHNOLOGIES GROUP, INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2 DISCONTINUED OPERATIONS (continued)

The assets and liabilities of discontinued operations, net of cash balances of $2,758 and $469,007 as of September 30, 2016 and December 31, 2015, respectively, consisted of the following:

	September 30, 2016 Unaudited	December 31, 2015
Current Assets		
Accounts receivable, net	$ 104,719	$ -
Prepaid expenses	5,373	178,441
Total Current Assets	110,092	178,441
Non-Current Assets		
Plant and equipment, net	6,678	3,176
Total Assets	$ 116,770	$ 181,617
Current Liabilities		
Accounts payable	$ 81,247	$ 15,091
Related party payables	825,319	3,282
Accrued liabilities and other payables	8,397	8,902
Total Current Liabilities	914,963	27,275
Discontinued operations, net	$ (798,193)	$ 154,342

Loss from discontinued operations consisted of the following:

	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	$ 48,560	$ -	$ 196,328	$ -
Cost of Goods Sold	13,017	-	139,950	-

Gross Profit	$ 35,543	$ -	$ 56,378	$ -
Sales and Marketing	848	47	11,729	47
Professional fees	20,573	1,622	57,496	1,622
Business development	-	6,468	145,319	6,468
Consulting fees	230,268	121,221	802,460	121,221
General and administrative	137,340	92,053	457,876	92,053
Depreciation and amortization	477	12	1,280	12
Total Expense	389,506	221,423	1,476,160	221,423
Loss from Operations	(353,963)	(221,423)	(1,419,782)	(221,423)
Other income	-	-	10	-
Loss on discontinuance of subsidiary	(9,377)		(9,377)	
Foreign currency (losses) gains	(81)	-	992	-
Loss from discontinued operations	(363,421)	(221,423)	(1,428,157)	(221,423)

F-9

PROPELL TECHNOLOGIES GROUP, INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3PREPAID EXPENSES

Prepaid expenses consisted of the following:

	September 30, 2016	December 31, 2015
Prepaid insurance	$ 13,467	$ 24,259
Prepaid professional fees	5,834	23,500
Other	49	832
	$ 19,350	$ 48,591

4PLANT AND EQUIPMENT

Plant and Equipment consisted of the following:

	September 30, 2016	December 31, 2015
Capital work in progress	$ -	$ 453,228
Plasma pulse tool	945,423	310,374
Furniture and equipment	6,700	26,643
Field equipment	19,627	19,627
Computer equipment	5,176	1,500
Computer software	5,954	-
Total cost	982,880	811,372
Less: accumulated depreciation	(177,919)	(124,010)
Plant and equipment, net	$ 804,961	$ 687,362

Depreciation expense was $82,053 and $50,636 for the nine months ended September 30, 2016 and 2015, respectively.

5 INTANGIBLES

Intangibles consisted of the following:

	September 30, 2016	December 31, 2015
License agreements	$ 350,000	$ 350,000
Website development	8,000	8,000
Total cost	358,000	358,000
Less: accumulated amortization	(183,000)	(130,500)
Intangibles, net	$ 175,000	$ 227,500

Amortization expense was $52,500 for the nine months ended September 30, 2016 and 2015.

PROPELL TECHNOLOGIES GROUP, INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 INTANGIBLES (continued)

The minimum commitments due under the license agreement for the next five years are summarized as follows:

	Amount
2016	$500,000
2017	500,000
2018	500,000
2019	500,000
2020	500,000
	$2,500,000

6 ACCRUED LIABILITIES AND OTHER PAYABLES

Accrued liabilities consisted of the following:

	September 30, 2016	December 31, 2015
Payroll liabilities	$ 34,000	$ 34,000
Severance accrual	-	31,109
Accrued Royalties	14,653	14,653
License fees payable	-	200,000
	$ 48,653	$ 279,762

The license fee payable to Novas BVI for the rights to use the Licensed Plasma Pulse Technology (defined below) in Mexico was waived on March 29, 2016.

PROPELL TECHNOLOGIES GROUP, INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7 STOCKHOLDERS' EQUITY

a) Preferred Stock

i) **Series B Convertible Preferred Stock**

We have undeclared dividends on the Series B Preferred stock amounting to $118,553 as of September 30, 2016. If the dividends are paid in stock, the beneficial conversion feature of these undeclared dividends will be recorded upon the declaration of these dividends. The computation of loss per common share for the three and nine months ended September 30, 2016 takes into account these undeclared dividends.

ii) **Series C Convertible Preferred Stock**

The Company has undeclared dividends on the Series C Preferred stock amounting to $812,110 as of September 30, 2016. The computation of loss per common share for the three and nine months ended September 30, 2016 takes into account these undeclared dividends.

b) Stock Options

i) Plan options

At September 30, 2016 and December 31, 2015, there were 380,950 Plan options issued and outstanding, under the Stock Option Plan.

No plan options were issued during the nine months ended September 30, 2016.

A summary of all our option activity during the period January 1, 2015 to September 30, 2016 is as follows:

	Shares Underlying Options	Exercise price per share	Weighted average exercise price
Outstanding January 1, 2015	380,950	**$0.51 to 13.50**	**$ 0.90**
Granted – plan options	-	-	-
Granted – non-plan options	-	-	-
Forfeited/Cancelled	-	-	-
Exercised	-	-	-
Outstanding December 31, 2015	380,950	**$ 0.51 to 13.50**	**$ 0.90**
Granted – plan options	-	-	-
Granted – non-plan options	4,000,000	$ 0.08 to 0.09	0.09
Forfeited/Cancelled	-	-	-
Exercised	-	-	-
Outstanding September 30, 2016	4,380,950	**0.08 to 13.50**	0.16

Stock options outstanding as of September 30, 2016 and December 31, 2015 as disclosed in the above table, have an intrinsic value of $0 and $0, respectively.

PROPELL TECHNOLOGIES GROUP, INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7 STOCKHOLDERS' EQUITY (continued)

b) Stock Options (continued)

The options outstanding and exercisable at September 30, 2016 are as follows:

	Options Outstanding			Options Exercisable		
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual life in years	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual life in years
$ 13.50	3,480	2.71	$	3,480	$	2.71
$ 12.50	2,000	4.03	$	2,000	$	4.03
$ 8.50	500	4.75	$	500	$	4.75
$ 5.00	14,800	5.04	$	14,800	$	5.04
$ 0.65	36,924	6.50	$	36,924	$	6.50
$ 0.63	38,096	1.75	$	38,096	$	1.75
$ 0.51	285,150	3.54	$	285,150	$	3.54
$ 0.09	3,000,000	4.25	$	-	$	-
$ 0.08	1,000,000	4.42	$	-	$	-
	4,380,950	4.24	$ 0.16	380,950	$ 0.90	3.70

The weighted-average grant-date fair values of options granted during the nine months ended September 30, 2016 was $277,674 ($0.07 per option). As of September 30, 2016, there were unvested options to purchase 4,000,000 shares of common stock. Total expected unrecognized compensation cost related to such unvested options is $211,638 which is expected to be recognized over a period of 29 months.

The Company has recorded an expense of $66,035 and $0 for the nine months ended September 30, 2016 and 2015 relating to options issued.

c) Warrants

The warrants outstanding and exercisable at September 30, 2016 are as follows:

	Warrants Outstanding			Warrants Exercisable		
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual life in years	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual life in years
$ 0.30	375,000	2.08	$	375,000	$	2.08
$ 0.25	1,751,667	2.74	$	1,751,667	$	2.74
$ 0.15	525,500	2.74	$	525,500	$	2.74
$ 0.25	1,508,333	2.84	$	1,508,333	$	2.84
$ 0.15	577,499	2.85	$	577,499	$	2.85
$ 0.25	968,166	2.85	$	968,166	$	2.85
$ 0.25	633,333	2.90	$	633,333	$	2.90
	6,339,498	2.77	$ 0.24	6,339,498	$ 0.24	2.77

The warrants outstanding have an intrinsic value of $0 as of September 30, 2016 and 2015.

PROPELL TECHNOLOGIES GROUP, INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8 EQUITY BASED COMPENSATION

Equity based compensation is made up of the following:

	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Stock option compensation charge	$ 66,035	$ -
Stock issued for services rendered	-	70,000
Restricted stock award compensation charge	-	723,856
	$ 66,035	$ 793,856

9 OTHER INCOME

Other income includes the $200,000 forgiveness of the license fee payable to Novas Energy Group Limited, our technology licensor.

10 NET LOSS PER SHARE

Basic loss per share is based on the weighted-average number of common shares outstanding during each period. Diluted loss per share is based on basic shares as determined above plus common stock equivalents, including convertible preferred shares and convertible notes as well as the incremental shares that would be issued upon the assumed exercise of in-the-money stock options using the treasury stock method. The computation of diluted net loss per share does not assume the issuance of common shares that have an anti-dilutive effect on net loss per share. For the nine months ended September 30, 2016 and 2015, all stock options, unvested restricted stock awards, warrants, convertible preferred stock and convertible notes were excluded from the computation of diluted net loss per share. Dilutive shares which could exist pursuant to the exercise of outstanding stock instruments and which were not included in the calculation because their affect would have been anti-dilutive are as follows:

	Nine months ended September 30, 2016 (Shares)	Nine months ended September 30, 2015 (Shares)
Options to purchase shares of common stock	4,380,950	380.950
Restricted stock awards – unvested	-	8,750,000
Warrants to purchase shares of common stock	6,339,498	6,339,498
Series A-1 convertible preferred shares	31,375,000	31,375,000
Series B convertible preferred shares	4,000,000	4,000,000
Series C convertible preferred shares	120,000,000	120,000,000
	166,095,448	170,845,448

PROPELL TECHNOLOGIES GROUP, INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11 RELATED PARTY TRANSACTIONS

On January 1, 2016, the "Company entered into a three-year Employment Agreement with C. Brian Boutte (the "Boutte Employment Agreement") to serve as the Company's Chief Executive Officer. Mr. Boutte will also serve as the Company's interim Chief Financial Officer. Under the Boutte Employment Agreement, for his service as the Chief Executive Officer of the Company, Mr. Boutte receives an annual base salary of $265,000 and an annual performance bonus of up to 55% of his base salary, such bonus payable in cash or equity upon attainment of certain performance indicators established by the Company's Board of Directors and Mr. Boutte. In connection with the entry into the Boutte Employment Agreement, Mr. Boutte received a sign on bonus of $60,000 and was granted an option award exercisable for 3,000,000 shares of the Company's common stock, which will vest as to 1,000,000 shares on each of the one, two and three-year anniversary of the commencement of his employment with the Company. In the event of the sale of all of the Company's assets or any field acquired by the Company during the employment period which sale occurs after the six-month anniversary of his employment and before the two-year anniversary of his termination of employment, the Employment Agreement provides that Mr. Boutte will receive a bonus equal to 3% of net cash proceeds received by the Company from such sale after payment of certain costs and expenses. In the event that Mr. Boutte's employment is terminated Without Cause (as defined in the Boutte Employment Agreement), by Mr. Boutte for Good Reason (as defined below), Disability (as defined in the Boutte Employment Agreement) or upon his death, if any occur after the one-year anniversary of his employment, Mr. Boutte is entitled to receive a severance payment equal to one year's base salary, any bonus earned which remains unpaid at such time and reimbursement of expenses. In the event of a Change of Control (as defined in the Boutte Employment Agreement), Mr. Boutte will receive a severance payment equal to one year's base salary, any bonus earned which remains unpaid at such time and reimbursement of expenses. In addition, if a Change of Control occurs after the one-year anniversary of the commencement of his employment with the Company, all of Mr. Boutte's options shall immediately vest. The Boutte Employment Agreement also includes customary confidentiality obligations and inventions assignments by Mr. Boutte as well as a non-compete and non-solicitation provision. If his employment is terminated for Cause (as defined below) or by him Without Good Reason (as defined in the Boutte Employment Agreement), Mr. Boutte is entitled to receive his annual base salary through the date of termination and any bonus earned but unpaid. For purpose of the Boutte Employment Agreement, "Good Reason" is defined as (i) any material and substantial breach of the Boutte Employment Agreement by the Company; (ii) a Change in Control (as defined in the Boutte Employment Agreement) occurs and Mr. Boutte's employment is terminated at any time within the six (6) month period on or immediately following the Change in Control; (iii) a reduction in Mr. Boutte's Annual Base Salary as in effect at the time in question, or any other failure by the Company to comply with the compensation terms of the Boutte Employment Agreement; or (iv) the Boutte Employment Agreement is not assumed by a successor to the Company. For purposes of the Boutte Employment Agreement, "Cause" is defined as (i) acts of embezzlement or misappropriation of funds or fraud; (ii) conviction of a felony or other crime involving moral turpitude, dishonesty or theft; (iii) a material violation by Mr. Boutte of any provision of the Boutte Employment Agreement, including willful failure to perform assigned tasks, willful and unauthorized disclosure of Company material confidential information; (iv) being under the influence of drugs (other than prescription medicine or other medically related drugs to the extent that they are taken in accordance with their directions) during the performance of Mr. Boutte's duties and that performance of his duties is affected; (v) engaging in behavior that would constitute grounds for liability for harassment (as proscribed by the U.S.

Equal Employment Opportunity Commission Guidelines or any other applicable state or local regulatory body) or other egregious conduct that violates laws governing the workplace; or (vi) willful failure to perform his assigned tasks, where such failure is attributable to the fault of Mr. Boutte, gross insubordination or dereliction of fiduciary obligations which, to the extent it is curable by Mr. Boutte, is not cured by Mr. Boutte within thirty (30) days of receiving written notice of such violation by the Company.

PROPELL TECHNOLOGIES GROUP, INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11 RELATED PARTY TRANSACTIONS (continued)

On March 1, 2016, the Company entered into a three-year Employment Agreement with David S. Ramsey (the "Ramsey Employment Agreement") to serve as the Company's Chief Operating Officer. Under the Ramsey Employment Agreement, for his service as the Chief Operating Officer of the Company, Mr. Ramsey receives an annual base salary of $220,000, and an annual performance bonus of up to 40% of his base salary, such bonus payable in cash or equity upon attainment of certain performance indicators established by the Company's Board of Directors. In connection with the entry into the Ramsey Employment Agreement, Mr. Ramsey was granted an option award exercisable for 1,000,000 shares of the Company's common stock, which will vest as to 333,334 shares on the one-year anniversary and 333,333 shares on each of the two and three-year anniversary of the commencement of his employment with the Company. In the event of the sale of all of the Company's assets or any field acquired by the Company during the employment period which sale occurs after the six-month anniversary of his employment and before the two-year anniversary of his termination of employment, the Ramsey Employment Agreement provides that Mr. Ramsey will receive a bonus equal to 2% of net cash proceeds received by the Company from such sale after payment of certain costs and expenses. In the event that Mr. Ramsey's employment is terminated Without Cause (as defined in the Ramsey Employment Agreement), by Mr. Ramsey for Good Reason (as defined below), Disability (as defined in the Ramsey Employment Agreement) or upon his death, if any occur after the one-year anniversary of his employment, Mr. Ramsey is entitled to receive a severance payment equal to one year's base salary, any bonus earned which remains unpaid at such time and reimbursement of expenses. In the event of a Change of Control (as defined in the Ramsey Employment Agreement), Mr. Ramsey will receive a severance payment equal to one year's base salary, any bonus earned which remains unpaid at such time and reimbursement of expenses. In addition, if a Change of Control occurs after the one-year anniversary of the commencement of his employment with the Company, all of Mr. Ramsey's options shall immediately vest. The Ramsey Employment Agreement also includes customary confidentiality obligations and inventions assignments by Mr. Ramsey as well as a non-compete and non-solicitation provision. If his employment is terminated for Cause (as defined below) or by him Without Good Reason (as defined in the Ramsey Employment Agreement), Mr. Ramsey is entitled to receive his annual base salary through the date of termination and any bonus earned but unpaid. For purposes of the Ramsey Employment Agreement, "Good Reason" is defined as (i) any material and substantial breach of the Ramsey Employment Agreement by the Company; (ii) a Change in Control (as defined in the Ramsey Employment Agreement) occurs and Mr. Ramsey's employment is terminated at any time within the six (6) month period on or immediately following the Change in Control; (iii) a reduction in Mr. Ramsey's Annual Base Salary as in effect at the time in question, or any other failure by the Company to comply with the compensation terms of the Employment Agreement; or (iv) the Ramsey Employment Agreement is not assumed by a successor to the Company. For purposes of the Employment Agreement, "Cause" is defined as (i) acts of embezzlement or misappropriation of funds or fraud; (ii) conviction of a felony or other crime involving moral turpitude, dishonesty or theft; (iii) a material violation by Mr. Ramsey of any provision of the Ramsey Employment Agreement, including willful failure to perform assigned tasks, willful and unauthorized disclosure of Company material confidential information; (iv) being under the influence of drugs (other than prescription medicine or other medically related drugs to the extent that they are taken in accordance with their directions) during the performance of Mr. Ramsey's duties and that performance of his duties is affected; (v) engaging in behavior that would constitute grounds for liability for harassment (as proscribed by the U.S. Equal Employment Opportunity Commission Guidelines or any other applicable state or local regulatory body) or other egregious conduct that violates laws governing the workplace; or (vi) willful failure to perform his assigned tasks, where such failure is attributable to the fault of Mr. Ramsey, gross insubordination or dereliction of fiduciary obligations which, to the extent it is curable by Mr. Ramsey, is not cured by Mr. Ramsey within thirty (30) days of receiving written notice of such violation by the Company.

PROPELL TECHNOLOGIES GROUP, INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12 COMMITMENTS AND CONTINGENCIES

The Company disposed of its Crystal Magic, Inc. subsidiary effective December 31, 2013. In terms of the sale agreement entered into by the Company, the purchaser has been indemnified against all liabilities whether contingent or otherwise, claimed by third parties, this includes claims by creditors of the Company amounting to $372,090 and claims against long-term liabilities of $848,916. Management does not consider it likely that these claims will materialize and accordingly no provision has been made for these contingent liabilities.

The Company leased a loft space in Houston, Texas from a related party in terms of a lease agreement entered into on September 1, 2015 that expired on May 31, 2016. The lease provided for automatic renewal on a month to month basis unless 60 days' written notice is given to terminate the lease, the requisite notice had been given and the lease terminated on May 31, 2016. The monthly rental was $3,260 per month.

The Company was committed to investing a further $300,000 in NENA, over and above the $900,000 already invested as of September 30, 2016. The operations of NENA have been dissolved with effect from November 1, 2016, and it is unlikely that the additional $300,000 will be invested in the Joint Venture, refer note 2 above.

The Company entered into lease agreement for approximately 3,733 square feet of office and warehouse space in Houston, the term of the lease is for 39 months and eighteen days commencing on March 14, 2016 and terminating June 30, 2019. The lease provides for the first full month (April 2016) to be rent free, the fourteenth month to be rent free and the twenty-seventh month to be rent free. Monthly rentals, including estimated operating costs, for the first 12 months, excluding the free rental month amount to approximately $3,410 per month, escalating at a rate of 1.7% per annum, after excluding the free rental months.

The future minimum lease installments under this agreement as of September 30, 2016 to June 30, 2019 is approximately $107,023.

The future minimum operating lease commitments are as follows:

	Amount
2016	$9,442
2017	37,916
2018	38,503
2019	21,162
	$107,023

In terms of the license agreement commitments disclosed in note 5 above, the minimum commitments due under the amended license agreement entered into on January 30, 2013, for the next five years, are summarized as follows:

	Amount
2016	$500,000
2017	500,000
2018	500,000
2019	500,000
2020	500,000
	$2,500,000

13 SUBSEQUENT EVENTS

In accordance with ASC 855-10, the Company has analyzed its operations subsequent to September 30, 2016 to the date these financial statements were issued, and has determined that it does not have any material subsequent events to disclose in these financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis is intended as a review of significant factors affecting our financial condition and results of operations for the periods indicated. The discussion should be read in conjunction with our unaudited consolidated financial statements and the notes thereto presented herein and our audited consolidated financial statements and notes thereto for the year ended December 31, 2015 and the other information set forth in our Annual Report on Form 10-K for the year ended December 31, 2015. In addition to historical information, the following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results could differ significantly from those anticipated in these forward-looking statements as a result of many factors including those discussed herein below, under Part II, Item 1A, "Risk Factors" and elsewhere herein, 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.

Overview and Financial Condition

Our Company

We intend to be an oil exploitation and production ("E&P") company through the acquisition and growth of a base of producing assets by leveraging M&A and operational expertise, and by using advanced technology to increase their production. On July 6, 2015, we closed the final tranche of our private placement of the sale of our Series C Preferred Stock and raised an additional $9,750,000, the use of proceeds of which was specified to be for the acquisition, enhancement and maintenance of an oil field for the deployment of our technology. To date we have not acquired any oil fields. Upon the closing of the private placement, we shifted our operational focus from being a direct provider of well services based upon plasma pulse technology to actively seeking to acquire producing oil fields to generate revenues and the development of untapped hydrocarbon reserves through resource conversion once oil supply/demand rebalances and prices rebound. As a result, in August 2015, our board of directors and shareholders approved the exclusive sublicense to our majority owned subsidiary Novas Energy North America, LLC ("NENA") of our rights to use certain plasma pulse technology that we had licensed from Novas Energy Group Limited (the "Licensor") pursuant to the terms of an exclusive license agreement (the "License Agreement"), for treatment of vertical wells in the United States (hereafter, the "Licensed Plasma Pulse Technology"). We retained the right to use the Licensed Plasma Pulse Technology for treatment of our own assets located in the United States as well as treatment of assets outside of the United States. The Licensed Plasma Pulse Technology refers to the process and apparatus of Licensor for its plasma pulse technology as covered by Licensor's patent rights. Although we were indirectly engaged in the oil recovery business through NENA and are directly through our treatment of oil wells in Mexico, it is not now our foundational business strategy.

On October 4, 2016, Novas Energy USA, Inc. (“Novas USA”), a wholly owned subsidiary of the Company, delivered a notice to Technovita Technologies USA, Inc. (“Technovita”) electing to dissolve its joint venture with Technovita (the “Joint Venture”), effective November 1, 2016, pursuant to Section 11.1(b) of the Operating Agreement of Novas Energy North America, LLC (“NENA”), dated October 22, 2015 (the “Operating Agreement”), by and among Novas USA and Technovita.

Section 11.1(b) of the Operating Agreement provides that the Joint Venture may be dissolved upon the election of Novas USA in the event the Joint Venture fails to satisfy any Year 1 Key Performance Indicator by an amount greater than five percent (5%) of the applicable metric (the “Year 1 Milestone”). The Joint Venture has not achieved the Year 1 Milestone. For the purposes of the Operating Agreement, the Year 1 Key Performance Indicators are defined as: during a continuous twelve (12) month period commencing upon September 1, 2015 each of: (1) sales from activities in the United States of greater than or equal to $2,829,000; (2) sales from activities in Canada of greater than or equal to $2,829,000; (3) EBITDA from activities in the United States of greater than or equal to $524,000; and (4) EBITDA from activities in Canada of greater than or equal to $524,000. Upon a dissolution, all intellectual property assets of the Joint Venture, including any improvements to Technology (as defined in the Operating Agreement) is to be distributed to Technovita solely for use in Canada, its territories and its possessions and Novas USA solely for use in the United States and its territories.

Pursuant to the Operating Agreement, Novas USA had entered into a sublicense agreement (the “Novas Sublicense Agreement”) with NENA and Novas Energy Group Limited for NENA to be the exclusive provider of Plasma Pulse Technology for treatment of vertical wells to third parties in the United States. The Sublicense Agreement was terminated upon termination of the Joint Venture. The Operating Agreement also provided, among other things, that Novas USA would contribute an aggregate of $1,200,000 to the capital of the Joint Venture for its 60% interest in the Joint Venture. Novas USA has contributed $900,000 to the Joint Venture to date and believes that it has valid defenses to any claim that may be made that it contribute additional funds.

The Company intends to work with Technovita to dissolve the operations of the Joint Venture in a business-like manner and to continue to re-focus its business efforts on becoming an oil exploitation and production (“E&P”) company through the acquisition and growth of a base of producing assets by leveraging M&A and operational expertise, and by using advanced technology to increase their production.

1

On July 19, 2016, we received a notice from Licensor purporting to effectively terminate the License Agreement for non-payment of required royalties, asserting, among other things, that as of June 30, 2016, Novas owed Licensor a ***pro rata*** amount of $1,458,333 for the Licensed Plasma Pulse Technology for the United States and Mexico, of which $1,000,000 was alleged to be in arrears. Licensor has since reiterated its demands, particularly as to its demands related to Mexico. We and Novas believe that there is no legal basis for Licensor to terminate the License Agreement and intend to vigorously defend against any attempt by Licensor to enforce a termination of the License Agreement. Further, we believe that Licensor has failed to materially perform its obligations under the License Agreement, and we believe that such failures on Licensor's part may impact what, if any, payments are due under the License Agreement by Novas to Licensor.

We believe that it is evident from the plain language of the Sublicense Agreement, and the fact that we transferred to NENA substantially all of its rights for the use of Licensed Plasma Pulse Technology in the United States of America, that the Sublicense Agreement replaced and superseded the royalty fees due under the License Agreement for the use of the Licensed Plasma Pulse Technology in the Licensed Territory. We also believe that we have developed our own plasma-pulse technology not based on or otherwise an infringement to, the Licensed Plasma Pulse Technology, although the Licensor has not accepted our claim. Going forward, our intent is to deploy our own plasma-pulse technology in lieu of the Licensed Plasma Pulse Technology, however, if we were to seek to continue to use the Licensed Plasma Pulse Technology, by reason of the termination of the Sublicense Agreement, effective November 1, 2016, we would be required to pay royalties to Licensor.

In 2013, we closed a Share Exchange Agreement with the shareholders of Novas, under which we acquired all of the outstanding equity securities of Novas in exchange for 100,000,000 shares of our common stock. Novas had entered into a license for use of the Licensed Plasma Pulse Technology licensed from Licensor for use in the United States and Mexico. Prior to the closing of the second tranche of the Series C Preferred Stock private placement and the sublicense with NENA, our focus had been on the provision of production enhancement services. We have not concluded any further agreements under this joint venture model other than in Mexico where we have begun a program to treat 15 wells for Pemex, Mexico's state-owned petroleum company (Petróleos Mexicanos), utilizing a plasma pulse technology, through our partner in Mexico, Pozotech/Grupo Industrial RJP. We anticipate deriving approximately $375,000 in revenue from the treatment of the 15 wells.

To date, we derived $545,522 in revenue from our oil enhancement business. We have financed our operations primarily from sales of our securities, both debt and equity, and to a lesser extent revenue from operations and we expect to continue to obtain required capital in a similar manner. We have incurred an accumulated deficit of $17,024,365 through September 30, 2016 and there can be no assurance that we will be able to achieve profitability.

Management Discussion and Analysis of financial condition

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statement as of September 30, 2016 and 2015, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. On an on-going basis, we review our estimates and assumptions. Our estimates are based on our historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results are likely to differ from those estimates under different assumptions or conditions.

Results of Operations for the three months ended September 30, 2016 and September 30, 2015

Net revenues

Net revenues were $Nil for the three months ended September 30, 2016 and 2015. All of the revenue during the quarter is reported under discontinued operations. Effective November 1,2016 we discontinued our NENA joint venture, in which we have a 60% share. We have not received any revenue from our current operations in Mexico.

Cost of goods sold

Cost of goods sold was $Nil and $40,275 for the three months ended September 30, 2016 and 2015, respectively, a decrease of $40,275 or 100.0%. In the prior period the cost of sales consisted primarily of engineering services provided by third party contractors.

Gross loss

Gross loss was $Nil and $(40,275) for the three months ended September 30, 2016 and 2015, respectively, a decrease of $40,275, primarily due to engineering costs incurred in the prior period on wells treated for no revenues.

Total expenses

Total expenses were $512,708 and $769,660 for the three months ended September 30, 2016 and 2015, respectively, a decrease of $256,952 or 33.4%. Total expenses consisted primarily of the following:

- Professional fees were $140,616 and $242,013 for the three months ended September 30, 2016 and 2015, respectively, a decrease of $101,397 or 41.9%. The decrease is primarily due to a decrease in; i) legal fees of $30,347 due to non-recurring work performed on the joint venture agreements by our legal counsel; ii) a decrease in once-off recruiting fees of $110,253 to recruit our CEO and other personnel; offset by slight increases in other professional fees over the prior period.

- Consulting fees totaled $43,986 and $40,500 for the three months ended September 30, 2016 and 2015, respectively, an increase of $3,486 or 8.6%. The increase is primarily due to a slight increase in technical consulting fees.

- General and administrative expenditure was $258,952 and $450,832 for the three months ended September 30, 2016 and 2015, respectively, a decrease of $191,880 or 42.6%. This decrease is primarily due to the following; i) a decrease in stock based compensation expense of $288,145 primarily due to a prior charge for restricted stock awarded to our former Chief Executive Officer, John Huemoeller and one of our directors, John Zotos, which was fully amortized as of December 31, 2015; offset by ii) an increase in payroll expenses of $97,508 including benefits expenditure, due to the employment of our new CEO in January 2016 and a COO in March 2016, previously we did not have a COO function.

- Depreciation and amortization expense was $66,271 and $33,821 for the three months ended September 30, 2016 and 2015, respectively, an increase of $32,450 or 95.9%, primarily due to the capitalization of the plasma pulse tools which are being depreciated over their expected useful life.

Other income

Other income was $4,059 and $Nil for the three months ended September 30, 2016 and 2015, the other income during the current period represents a reimbursement for travel expenditure incurred on our Mexican project.

Net loss from continuing operations

We incurred a net loss from continuing operations of $508,649 and $809,989, for the three months ended September 30, 2016 and 2015, respectively, a decrease of $301,340 or 37.2%, which consists primarily of the reduction in cost of sales and total expenses discussed above.

Loss from discontinued operations, net of tax

The increase in the loss from discontinued operations of $363,421 and $221,423 for the three months ended September 30, 2016 and 2015, respectively, an increase of $141,998 or 64.1% is primarily due to the joint venture only operating for one month in the prior period as opposed to three months in the current period. Due to the inability of the Joint Venture to meet its operating milestones, the joint Venture is being dissolved in terms of the operating agreement.

Net loss attributable to non-controlling interest of discontinued operations

The net loss attributable to non-controlling interest of discontinued operations of $nil and $88,569 for the three months ended September 30, 2016 and 2015, respectively, a decrease of $88,569 or 100.0% is due to the non-controlling interest equity being fully depleted during the first quarter of the current period.

Net loss attributable to controlling interest

The decrease in net loss attributable to controlling interest of $872,070 and $942,843 for the three months ended September 30, 2016 and 2015, respectively, is primarily due to the reduction in cost of sales and total expenses, discussed above, offset by increased discontinued operations losses incurred during the three months, discussed above.

Undeclared Series B and Series C preferred stock dividends

A deemed preferred stock dividend of $157,786 has been disclosed for the three months ended September 30, 2016 and 2015. This amount represents the dividends that are due, but remain undeclared, to Series B and Series C preferred stock holders for the three months ended September 30, 2016 and 2015.

Results of Operations for the nine months ended September 30, 2016 and September 30, 2015

Net revenues

Net revenues were $Nil and $91,000 for the nine months ended September 30, 2016 and 2015 respectively, a decrease of $91,000 or 100.0%. All of the revenue during the nine months is reported under discontinued operations. We discontinued our NENA joint venture, in which we have a 60% share, with effect from November 1, 2016. In the prior period, we had derived revenue from the treatment of well by Novas, our wholly owned subsidiary. Due to the current market conditions in the oil industry, our ability to generate significant revenues remains very limited and we have not acquired any oil producing assets in terms of our business strategy.

Cost of goods sold

Cost of goods sold was $Nil and $140,245 for the nine months ended September 30, 2016 and 2015, respectively, a decrease of $140,245 or 100.0%. Cost of goods sold during the current period is reported under discontinued operations. We discontinued our NENA joint venture, in which we have a 60% share, with effect from November 1, 2016. In the prior period the cost of sales consisted primarily of engineering services provided by third party contractors.

Gross loss

Gross loss was $Nil and $(49,245) for the nine months ended September 30, 2016 and 2015, respectively, a decrease of $49,245, primarily due to the lack of revenues in the current period as all revenue generating activities are reported under discontinued operations.

Total expenses

Total expenses were $1,655,369 and $2,216,966 for the nine months ended September 30, 2016 and 2015, respectively, a decrease of $561,597 or 25.3%. Total expenses consisted primarily of the following:

- Professional fees were $310,173 and $624,077 for the nine months ended September 30, 2016 and 2015, respectively, a decrease of $313,904 or 50.3%. The decrease is primarily due to a decrease in; i) legal fees of $221,065 due to non-recurring work performed on the joint venture agreements by our legal counsel; ii) a decrease in once-off recruitment agency fees of $110,253 to recruit our CEO and other personnel; offset by slight increases in other professional fees over the prior period.

- Consulting fees totaled $287,086 and $260,168 for the nine months ended September 30, 2016 and 2015, respectively, an increase of $26,918 or 10.3%. The increase is primarily due to an increase in technical consulting fees.

- General and administrative expenditure was $894,807 and $1,224,400 for the nine months ended September 30, 2016 and 2015, respectively, a decrease of $329,593 or 26.9%. This decrease is primarily due to the following; i) a decrease in stock based compensation expense of $727,821 primarily due to a prior charge for restricted stock awarded to our former Chief Executive Officer, John Huemoeller and one of our directors, John Zotos, which was fully amortized as of December 31, 2015; offset by ii) an increase in payroll expenses of $316,621, including benefits expenditure, due to the employment of our new CEO in January 2016 and a COO in March 2016, previously we did not have a COO function; iii) a decrease in travel expenditure of $50,182 due to lower business activity; and iv) a decrease in rental expenditure of $33,021 primarily due to relocating the business to cheaper premises and the cancellation of an apartment lease which was occupied by our former CEO.

.

Depreciation and amortization expense was $134,553 and $103,136 for the nine months ended September 30, 2016 and 2015, respectively, an increase of $31,417 or 30.5%, primarily due to the capitalization of the plasma pulse tools which are being depreciated over their expected useful life.

Other income

Other income was $203,296 and $Nil for the nine months ended September 30, 2016 and 2015, respectively, an increase of $203,296 was primarily due to the forgiveness of the once off license fee for the Mexican market of $200,000, which was due in June 2015.

Amortization of debt discount and finance costs

Amortization of debt discount and finance costs was $Nil and $53,154 for the nine months ended September 30, 2016 and 2015, respectively. All debt was repaid during the first quarter of the prior period, all interest due was repaid and the remaining debt discount was fully amortized.

Change in fair value of derivatives

The change in fair value of derivative liabilities was $Nil and $18,455 for the nine months ended September 30, 2016 and 2015 respectively, a decrease of $18,455. In the prior period the derivative liability movement reflected the mark-to-market of equities issued to short-term note holders who converted their debt to equity at deeply discounted prices based on variable priced conversion rates which was offset by a mark-to-market credits on the remaining short-term convertible notes.

Net loss from continuing operations

We incurred a net loss from continuing operations of $1,452,073 and $2,300,910, for the nine months ended September 30, 2016 and 2015, respectively, a decrease of $848,837 or 36.9%, which consists primarily of the reduction in total expenses and the forgiveness of the license fee discussed above.

Loss from discontinued operations, net of tax

The increase in loss from discontinued operations of $1,428,157 and $221,423 for the nine months ended September 30, 2016 and 2015, respectively, an increase of $1,206,734 or 545.0% is primarily due to the joint venture only operating for one month in the prior period as opposed to nine months in the current period. Due to the inability of the Joint Venture to meet its operating milestones, the Joint Venture is being dissolved in terms of the operating agreement.

Net loss attributable to non-controlling interest of discontinued operations

The net loss attributable to non-controlling interest of discontinued operations of $249,339 and $88,569 for the nine months ended September 30, 2016 and 2015, respectively, an increase of $160,770 or 181.5% is due to the losses in the Joint Venture being shares as to 40% by the non-controlling party until the full value of their investment was depleted.

Net loss attributable to controlling interest

The increase in net loss attributable to controlling interest of $2,630,891 and $2,433,764 for the nine months ended September 30, 2016 and 2015, respectively, is primarily due to the reduction in total expenses, the forgiveness of the license fees due, offset by the operating losses incurred by the Joint Venture, as discussed above.

Deemed preferred stock dividend

A deemed preferred stock dividend of $Nil and $2,456,781 has been disclosed in the statement of operations for the nine months ended September 30, 2016 and 2015, respectively. This amount represents the in-the-money value of the conversion feature of the Series C Preferred Stock as of the date of issue. These shares of Series C Preferred Stock are convertible into common stock at an exercise price of $0.12291665 per share.

Undeclared Series B and Series C preferred stock dividends

A deemed preferred stock dividend of $469,928 and $302,948 has been disclosed for the nine months ended September 30, 2016 and 2015. This amount represents the dividends that are due, but remain undeclared, to Series B and Series C preferred stock holders for the nine months ended September 30, 2016 and 2015.

Net loss available to common stockholders

We incurred a net loss of $3,100,819 and $5,193,493 for the nine months ended September 30, 2016 and 2015, a decrease of $2,092,674 or 40.2%, respectively and which consists of the various items discussed above.

Liquidity and Capital Resources.

To date, our primary sources of cash have been funds raised from the sale of our securities and the issuance of convertible and non-convertible debt. No additional funds were raised during the current financial period.

We have spent $200,899 on plant and equipment for continuing operations for the nine months ended September 30, 2016, primarily on new down hole tools acquired.

We have incurred an accumulated deficit of $17,024,365 through September 30, 2016 and incurred negative cash flow from operations of $1,497,207 on continuing operations for the nine months ended September 30, 2016. We have spent, and need to continue to spend, substantial amounts in connection with implementing our new business strategy.

Our primary commitments include the minimum commitments under the license agreements. We do not anticipate investing the additional $300,000 into the joint venture which we had originally committed. Based upon our current plans, we believe that our cash will be sufficient to enable us to meet our anticipated operating needs for at least the next twelve months, subject to any property acquisition.

Our minimum commitments under the License Agreement for the next five years (assuming the License Agreement and the Novas Sublicense Agreement remain in effect and the $500,000 annual royalty payment with respect to the United States territory is not required to be paid), is summarized as follows:

	Amount
2016	$500,000
2017	500,000
2018	500,000
2019	500,000
2020	500,000
	$2,500,000

Off Balance Sheet Arrangements

There are no off balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risks

None.

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 who also serves as our principal financial and accounting officer concluded that due to a lack of segregation of duties and insufficient controls over review and accounting for certain complex transactions, that the Company’s disclosure controls and procedures as of September 30, 2016 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 intends to retain additional individuals to remedy the ineffective controls. We have begun to take actions that we believe will substantially remediate the material weaknesses identified. In response to the identification of our material weaknesses, we are in the process of expanding our finance and accounting staff. However, we cannot assure you that our internal control over financial reporting, as modified, will enable us to identify or avoid material weaknesses in the future.

(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 September 30, 2016 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 1A. Risk Factors

The following discussion should be read in conjunction with our unaudited consolidated financial statements and notes thereto included in this Quarterly Report on Form 10-Q, and our audited consolidated financial statements and notes thereto for the year ended December 31, 2015, included in our Annual Report on Form 10-K filed with the SEC on March 30, 2016. This discussion contains forward-looking statements reflecting our current expectations that involve risks and uncertainties. See "Note Regarding Forward-Looking Statements" for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results and the timing of events could differ materially from those discussed in our forward-looking statements as a result of many factors, including those set forth below, under Part II, Item 1A. "Risk Factors" and elsewhere herein, 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.

Risks Relating to Our Company

We intend to become an exploitation and production stage company.

We intend to use the proceeds from the sale of our Series C Preferred Stock to acquire oil fields and intend to become an exploitation and production stage company which will face a high risk of business failure because of the unique difficulties and uncertainties inherent in oil and gas exploitation ventures. Potential investors should be aware of the risks and uncertainties normally encountered by oil and gas companies and the high rate of failure of such companies. The likelihood of our success must be considered in light of the problems, expenses, difficulties, complications and delays that could be encountered in connection with our planned exploitation and followed drilling. These potential problems include, but are not limited to, possible problems relating to exploitation and additional costs and expenses that may reduce our current forecast of income and asset value. Additional expenditures related to exploitation may not result in the confirmation of anticipated oil and gas reserves. Problems such as unusual or unexpected formations and other conditions are involved in mineral development and often result in unsuccessful efforts. The acquisition of additional fields will be dependent upon us possessing capital resources at that time in order to purchase and/or maintain such concessions. If no funding is available, we may be forced to cease our exploitation activities.

To date, we have not successfully acquired any fields and have limited funding from which to do so. Our acquisition of a field is dependent upon market conditions and pricing. The competition for the acquisition of fields is intense. There can be no assurance that we will be able to acquire a suitable field with our existing resources.

Our business is difficult to evaluate because we are currently focused on a new line of business and a new business strategy and have very limited operating history and limited information.

In 2015, we switched our business model with our entry into a Joint Venture Agreement with Technovita and announced that we were seeking to acquire oil wells and use a plasma pulse technology on our acquired oil wells. To date we have not acquired any wells and all of our revenue, although minimal, has been derived from operations under the Joint Venture Agreement. Effective November 1, 2016, we terminated the Joint Venture Agreement. To date, the joint venture has generated minimal revenue. We are currently servicing customers in Mexico with a plasma pulse technology and intend to continue to utilize plasma pulse technology on our own assets as well as third party assets. Our revenue and income potential is unproven and our business model is continually evolving. We are subject to the risks inherent to the operation of a new business enterprise, and cannot assure you that we will be able to successfully address these risks.

7

We currently have limited revenues and may not generate any revenue in the near future, if at all, from the use of our technology.

We currently have not acquired any wells and therefore we have generated no revenue from the operation of oil wells and we have generated limited revenues from the use of the Licensed Plasma Pulse Technology. To date, we have derived limited revenue from the joint venture and we have not derived any revenue from the provision of our services in Mexico . During the first nine months of 2016, the joint venture has treated four wells using our down-hole tools. The majority of the wells that were treated were treated as sample wells to demonstrate the ability of plasma pulse technology at no cost to the well owner. Therefore, there can be no assurance that there will be any revenue form the operation of wells or from future customers of our services that utilize a plasma pulse technology.

We may not be profitable.

We expect to incur operating losses for the foreseeable future. For the nine months ended September 30, 2016 and for the twelve months ended December 31, 2015, respectively, we had net revenues of $Nil and $91,000 from our plasma pulse oil recovery business. For the nine months ended September 30, 2016 we have sustained a net loss of $3,100,819 and for the years ended December 31, 2015 and 2014, we sustained a net loss of $4,331,980 and $5,018,483, respectively. To date, we have not acquired any oil wells, we have not generated significant revenue from the Licensed Plasma Pulse Technology and NENA has not generated any significant revenues from the Licensed Plasma Pulse Technology and we have not generated revenue from our operations in Mexico. Our ability to become profitable depends on our ability to find acquisition candidates, to have successful operations and generate and sustain sales, while maintaining reasonable expense levels, all of which are uncertain in light of our limited operating history in our current line of business and our recent changes in business strategy.

Our anticipated future oil drilling and producing operations will involve various risks.

Once we acquire wells and commence oil exploitation activities, we will be subject to all the risks normally incident to the operation and development of oil and natural gas properties, including:

- well blowouts, cratering, explosions and human related accidents

- mechanical, equipment and pipe failures

- adverse weather conditions and natural disasters
- civil disturbances and terrorist activities
- oil and natural gas price reductions
- environmental risks stemming from the use, production, handling and disposal of water, waste materials, hydrocarbons and other substances into the air, soil or water title problems
- limited availability of financing
- marketing related infrastructure, transportation and processing limitations
- regulatory compliance issues

We intend to maintain insurance against many potential losses or liabilities arising from well operations in accordance with customary industry practices and in amounts believed by management to be prudent. However, insurance will not protect us against all risks.

Uncertainty of economic conditions, worldwide and in the United States may have a significant negative effect on operating results, liquidity and financial condition.

Effects of change in domestic and international economic conditions could include a decline in demand for oil and natural gas resulting in decreased oil, and natural gas reserves due to curtailed drilling activity; A decline in reserves would lead to a decline in production, and either a production decline, or a decrease in oil, and natural gas prices, would have a negative impact on our cash flow, profitability and value.

There is competition in the oil and gas industry for acquisition of oil wells and we have limited financial and personnel resources with which to compete.

Competition in the oil and gas industry is extremely intense in all aspects, including but not limited to raising investment capital and obtaining qualified managerial and technical employees. We are an insignificant participant in the oil and gas industry due to our limited financial and personnel resources. Our competition includes large established oil and gas companies, with substantial capabilities and with greater financial and technical resources than we have, as well as the myriad of other small stage companies. These companies are able to pay more for development prospects and productive oil and natural gas properties and are able to define, evaluate, bid for, purchase and subsequently drill a greater number of properties and prospects than our financial or human resources permit. As a result of this competition, we may be unable to attract the necessary funding or qualified personnel. If we are unable to successfully compete for funding or for qualified personnel, our activities may be slowed, suspended or terminated, any of which would have a material adverse effect on our ability to continue operations.

Shortages of oil field equipment, services, qualified personnel and resulting cost increases could adversely affect results of operations.

The demand for qualified and experienced field personnel, geologists, geophysicists, engineers and other professionals in the oil and natural gas industry can fluctuate significantly, often in correlation with oil and natural gas prices, resulting in periodic shortages. When demand for rigs and equipment increases due to an increase in the number of wells being drilled, there have been shortages of drilling rigs, hydraulic fracturing equipment and personnel and other oilfield equipment. Higher oil and natural gas prices generally stimulate increased demand for, and result in increased prices of, drilling rigs, crews and associated supplies, equipment and services. These shortages or price increases could negatively affect the ability to drill wells and conduct ordinary operations by the operators of the Company’s wells, resulting in an adverse effect on the Company’s financial condition, cash flow and operating results.

Our operations will be subject to permitting requirements.

Oil drilling operations will be subject to permitting requirements, which could require us to delay, suspend or terminate our operations. Our operations, including but not limited to any exploitation program, require permits from the U.S. government. We may be unable to obtain these permits in a timely manner, on reasonable terms, or at all. If we cannot obtain or maintain the necessary permits, or if there is a delay in receiving these permits, our timetable and business plan for exploration and/or exploitation, may be materially and adversely affected.

International expansion of our business exposes us to business, regulatory, political, operational, financial and economic risks associated with doing business outside of the United States.

We are currently treating oil wells in Mexico with a plasma pulse technology. Doing business internationally involves a number of risks, including:

- multiple, conflicting and changing laws and regulations such as tax laws, export and import restrictions, employment laws, regulatory requirements and other governmental approvals, permits and licenses;
- failure by us or NENA to obtain regulatory approvals for the sale or use of our technology in various countries;
- difficulties in managing foreign operations;
- financial risks, such as longer payment cycles, difficulty enforcing contracts and collecting accounts receivable and exposure to foreign currency exchange rate fluctuations;
- reduced protection for intellectual property rights;
- natural disasters, political and economic instability, including wars, terrorism and political unrest, outbreak of disease, boycotts, curtailment of trade and other business restrictions; and
- failure to comply with the Foreign Corrupt Practices Act, including its books and records provisions and its anti-bribery provisions, by maintaining accurate information and control over activities.

Any of these risks, if encountered, could significantly harm our future international expansion and operations and, consequently, have a material adverse effect on our financial condition, results of operations and cash flows.

We will have limited control over the activities on properties for which we own an interest but we do not operate.

We may acquire interests in oil wells that will be operated by other companies. We will have limited ability to influence or control the operation or future development of these non-operated properties or the amount of capital expenditures that we are required to fund with respect to them. Our dependence on the operator and other working interest owners for these projects and our limited ability to influence or control the operation and future development of these properties could materially adversely affect the realization of our targeted returns on capital and lead to unexpected future costs.

The loss of key personnel and an inability to attract and retain additional personnel could affect our ability to successfully grow our business.

We are highly dependent upon the continued service and performance of our senior management. The loss of any key employees may significantly delay or prevent the achievement of our business objectives. We believe that our future success will also depend in part on our and their continued ability to identify, hire, train and motivate qualified personnel. We face intense competition for qualified individuals. We may not be able to attract and retain suitably qualified individuals who are capable of meeting our growing operational and managerial requirements, or we may be required to pay increased compensation in order to do so. Our failure to attract and retain qualified personnel could impair our ability to implement our business plan.

We may be adversely affected by actions of our competitors.

The market in the oil and gas recovery industry is highly competitive. Many of our competitors have substantially greater financial, technical and other resources than we have. We face competition from owners of oil wells as well as large oil and gas companies. Our ability to compete effectively depends in part on market acceptance of our technology, the environmental impact of our technology and our ability to service customers in a timely manner. There can be no assurance that we will be able to compete effectively or that we will respond appropriately to industry trends or to activities of competitors.

Although we believe the Licensor does not have the right to terminate the License Agreement, if the Licensor is successful in its claims, the result could have material adverse outcomes.

On July 19, 2016, we received a notice from Licensor purporting to effectively terminate the License Agreement for non-payment of required royalties, asserting, among other things, that as of June 30, 2016, Novas owed Licensor a ***pro rata*** amount of $1,458,333 for the Licensed Plasma Pulse Technology for the United States and Mexico, of which $1,000,000 was alleged to be in arrears. Licensor has since reiterated its demands, particularly as to its demands related to Mexico. We and Novas believe that there is no legal basis for Licensor to terminate the License Agreement and intend to vigorously defend against any attempt by Licensor to enforce a termination of the License Agreement. Further, we believe that Licensor has failed to materially perform its obligations under the License Agreement, and that such failures on Licensor's part may impact what, if any, payments are due under the License Agreement by Novas to Licensor.

Although we and Novas believe that it is evident from the plain language of the Sublicense Agreement, and the fact that we transferred to NENA substantially all of its rights for the use of the Licensed Plasma Pulse Technology in the United States of America, that the Sublicense Agreement replaced and superseded the royalty fees due under the License Agreement for the use of the Licensed Plasma Pulse Technology in the Licensed Territory, our termination of the Sublicense Agreement, effective November 1, 2016, will impact our ability to maintain this license from and thereafter, If minimum royalties are found to be due and not otherwise waived or deferred, any failure to make the required payments would permit the Licensor to terminate the license. Although we believe that no payment is due with respect to the territory of the United States and that other payments have been waived or excused, there can be no assurance that a court would agree with our position. If we were to lose or otherwise be unable to maintain this license, it would halt our ability to market the Licensed Plasma Pulse Technology, which could have an immediate material adverse effect on our business, operating results and financial condition. In this regard, although we believe that we have developed our own plasma-pulse technology not based on or otherwise an infringement to, the Licensed Plasma Pulse Technology, the Licensor has not accepted our claim and no assurance can be given that we will be successful in deploying our own plasma-pulse technology in lieu of the Licensed Plasma Pulse Technology.

As our sole source of income at this time during the prior year has been through NENA, and the majority of NENA's revenue has been derived from the Sublicense Agreement with Novas, the termination of the License Agreement or loss of the United States as a Licensed Territory could have a material adverse effect on our business.

We rely on a license to use the Licensed Plasma Pulse Technology that during the prior year has been the sole source of our revenue and if the agreement were to be terminated, it could have an immediate material adverse effect on our business, operating results and financial condition.

We have a License Agreement with the Licensor granting us the right to use certain critical intellectual property, which we had sub-licensed to NENA, pursuant to the terms of the Sublicense Agreement that we terminated effective November 1, 2016. If we breach the terms of this agreement, including any failure to make minimum royalty payments required thereunder, the Licensor has the right to terminate the license. If we were to lose or otherwise be unable to maintain this license on acceptable terms, or find that it is necessary or appropriate to secure new licenses from other third parties, it would halt our ability to market the Licensed Plasma Pulse Technology, which could have an immediate material adverse effect on our business, operating results and financial condition.

We may be unable to generate sufficient revenues to meet the minimum royalties under our license agreement.

The License Agreement with the Licensor requires us to pay aggregate minimum royalty payments of $1,000,000 per year. To date, we have not generated enough revenue to pay minimum royalty payments and the Licensor has threatened to terminate the License Agreement for our failure to pay the royalty that the Licensor claims is due. No assurance can be given that we will generate sufficient revenue to make these minimum royalty payments.

Our future plans and operations may require that we raise additional capital.

To date, we have not generated enough revenue from operations to pay all of our expenses. During the year ended December 31, 2015 and the year ended December 31, 2014 we raised a total of $14,750,000 from our private placement of Series C Preferred stock to Ervington consummated during February and June 2015. We have used the funds raised in our financings for working capital purposes and intend to acquire an oil well with the funds that were recently raised. However, there can be no assurance that we will be able to achieve our goals with the cash on hand or the cash generated from operations.

We may not be able to service customers with the tools that are available to us.

Although not our primary focus, we are continuing to treat oil wells with our seven down-hole tools If the tools should require repair we may be unable to service customers. In addition, with only seven tools, we can only treat a limited number of wells at a time and are unable to treat wells on days when the tools are in transit from one customer's well to another well.

There is uncertainty as to market acceptance of the plasma pulse technology and products.

Plasma pulse technology has been utilized in the United States on a limited basis. Neither us nor NENA was able to generate any significant revenue from the application of plasma pulse technology and there can be no assurance that any plasma pulse technology will be accepted in the market or that our commercialization efforts will be successful.

The results of the application of the Licensed Plasma Pulse Technology for initial well treatments may not support future well treatments and are not necessarily predictive of future long-term results on the wells for which the initial data is favorable.

To date, we have applied the Licensed Plasma Pulse Technology to treat over forty wells in the USA and an additional twelve wells in Canada, and we do not have long terms results on the wells that were treated. Of such wells, we have seen improvement results in many wells. Favorable results in our early treatments may not last and may not be repeated in later treatments of other wells. Success in early treatments does not ensure that wells treated at a later date will be successful. Additionally, collecting treatment data results is not always possible as operators that pay for the service are not required to deliver data or we are required to work under non-disclosure agreements.

The beneficial ownership of a significant percentage of our common stock gives Ervington effective control of us, and limits the influence of other shareholders on important policy and management issues.

Ervington currently beneficially owns approximately 50.9% of our voting shares on a fully diluted basis (including outstanding options, warrants and convertible instruments). In addition, Ervington currently has the right to three votes on our board of directors and has appointed two members with an aggregate of three votes, which constitutes a majority of the votes on our board of directors. As a result of these appointment rights and its voting control of our company, Ervington has the power to control the outcome of all matters submitted to our shareholders for approval, including the election of our directors, our business strategy, our day-to-day operations and any proposed merger, consolidation or sale of all or substantially all of our assets. Ervington's control of our company could discourage the acquisition of our common stock by potential investors and could have an anti-takeover effect, preventing a change in control of our company that might be otherwise beneficial to our shareholders, and possibly depress the trading price of our common stock. There can be no assurance that conflicts of interest will not arise with respect to Ervington's ownership and control of our company or that any conflicts will be resolved in a manner favorable to the other shareholders of our company.

Trends in oil and natural gas prices affect the level of exploration, development, and production activity of our customers and the demand for our services and products, which could have a material adverse effect on our business, consolidated results of operations, and consolidated financial condition.

Demand for our services and products or oil derived from wells we acquire is particularly sensitive to the level of exploration, development, and production activity of, and the corresponding capital spending by, oil and natural gas companies, including national oil companies. The level of exploration, development, and production activity is directly affected by trends in oil and natural gas prices, which historically have been volatile and are likely to continue to be volatile.

Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty, and a variety of other economic factors that are beyond our control. The recent decline in oil prices from $80 per barrel in December 2014 to $40 per barrel in December 2015 has resulted in a decline in oil drilling which has depressed the immediate level of exploration, development, and production activity, which could have a material adverse effect on our business, consolidated results of operations, and consolidated financial condition. Even the perception of longer-term lower oil and natural gas prices by oil and natural gas companies can similarly reduce or defer major expenditures given the long-term nature of many large-scale development projects. Factors affecting the prices of oil and natural gas include:

- the level of supply and demand for oil and natural gas, especially demand for natural gas in the United States;
- governmental regulations, including the policies of governments regarding the exploration for and production and development of their oil and natural gas reserves;
- weather conditions and natural disasters;
- worldwide political, military, and economic conditions;
- the level of oil production by non-OPEC countries and the available excess production capacity within OPEC;
- oil refining capacity and shifts in end-customer preferences toward fuel efficiency and the use of natural gas;
- the cost of producing and delivering oil and natural gas; and
- potential acceleration of development of alternative fuels.

Legislative and regulatory changes affecting the environment and the oil industry could adversely affect our business

Political, economic and regulatory influences are subjecting oil recovery efforts to potential fundamental changes that could substantially affect our results of operations. State and local governments, for example, continue to propose and pass legislation designed to reduce the impact of oil recovery efforts on the environment. We cannot predict the effect any legislation may have on our business and we can offer no assurances they will not have a material adverse effect on our business.

Various federal legislative and regulatory initiatives have been undertaken which could result in additional requirements or restrictions being imposed on hydraulic fracturing operations and possibly our operations. For example, the Department of Interior has issued proposed regulations that would apply to hydraulic fracturing operations on wells that are subject to federal oil and gas leases and that would impose requirements regarding the disclosure of chemicals used in the hydraulic fracturing process as well as requirements to obtain certain federal approvals before proceeding with hydraulic fracturing at a well site. These regulations, if adopted, could also be applicable to our operations and would establish additional levels of regulation at the federal level that could lead to operational delays and increased operating costs. At the same time, legislation and/or regulations have been adopted in several states that require additional disclosure regarding chemicals used in the hydraulic fracturing process but that include protections for proprietary information. Legislation and/or regulations are being considered at the state and local level that could impose further chemical disclosure or other regulatory requirements (such as restrictions on the use of certain types of chemicals or prohibitions on hydraulic fracturing operations and competitive operations in certain areas) that could affect our operations.

The adoption of any future federal, state, local, or foreign laws or implementing regulations imposing reporting obligations on, or limiting or banning, the hydraulic fracturing process if applicable to competitive processes such as ours, could make it more difficult to complete natural gas and oil wells and could have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition.

Liability for cleanup costs, natural resource damages, and other damages arising as a result of environmental laws could be substantial and could have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition.

We will be exposed to claims under environmental requirements for wells we acquire and treat and the joint venture will be exposed to claims under environmental requirements for wells it treats. In the United States, environmental requirements and regulations typically impose strict liability. Strict liability means that in some situations we or the joint venture could be exposed to liability for cleanup costs, natural resource damages, and other damages as a result of our or the joint ventures conduct that was lawful at the time it occurred or the conduct of prior operators or other third parties. Liability for damages arising as a result of environmental laws could be substantial and could have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition.

Existing or future laws, regulations, related to greenhouse gases and climate change could have a negative impact on our business and may result in additional compliance obligations with respect to the release, capture, and use of carbon dioxide that could have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition.

Changes in environmental requirements related to greenhouse gases and climate change may negatively impact demand for our services. For example, oil and natural gas exploration and production may decline as a result of environmental requirements (including land use policies responsive to environmental concerns). State, national, and international governments and agencies have been evaluating climate-related legislation and other regulatory initiatives that would restrict emissions of greenhouse gases in areas in which we conduct business. Because our business depends on the level of activity in the oil and natural gas industry, existing or future laws, regulations, treaties, or international agreements related to greenhouse gases and climate change, including incentives to conserve energy or use alternative energy sources, could have a negative impact on our business if such laws, regulations, treaties, or international agreements reduce the worldwide demand for oil and natural gas. Likewise, such restrictions may result in additional compliance obligations with respect to the release, capture, sequestration, and use of carbon dioxide that could have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition.

Our failure to protect our proprietary information and any successful intellectual property challenges or infringement proceedings against us could materially and adversely affect our competitive position.

We rely on a variety of intellectual property rights that we use in our services and products. We may not be able to successfully preserve these intellectual property rights in the future, and these rights could be invalidated, circumvented, or challenged. In this regard, while we believe that we have developed our own plasma-pulse technology not based on or otherwise an infringement to, the Licensed Plasma Pulse Technology, the Licensor has not accepted our claim. If our claim were to be invalidated or challenged, we will not be able to deploy our own plasma-pulse technology in lieu of the Licensed Plasma Pulse Technology. In addition, the laws of some foreign countries in which our services and products may be sold do not protect intellectual property rights to the same extent as the laws of the United States. Our failure to protect our proprietary information and any successful intellectual property challenges or infringement proceedings against us could materially and adversely affect our competitive position.

Any future recompletion activities engaged upon by us on wells that we acquire may not be productive.

We may acquire properties upon which we believe recompletion activity will be successful. Recompletion or workovers on oil and natural gas wells involves numerous risks, including the risk that we will not encounter commercially productive oil or natural-gas reservoirs. The costs of recompleting, and operating wells are often uncertain, and operations may be curtailed, delayed, or canceled as a result of a variety of factors, including the following unexpected drilling conditions:

- pressure or irregularities in formations;
- equipment failures or accidents;
- fires, explosions, blowouts, and surface cratering;
- difficulty identifying and retaining qualified personnel;
- title problems;
- other adverse weather conditions; and
- shortages or delays in the delivery of equipment

Certain of our future activities may not be successful and, if unsuccessful, this failure could have an adverse effect on our future results of operations and financial condition.

We have no separate independent audit committee. Our full Board of Directors functions as our audit committee and is composed of four directors, none of whom are considered to be independent. This may hinder our Board of Directors' effectiveness in fulfilling the functions of the audit committee.

Currently, we have no separate audit committee. Our full Board of Directors functions as our audit committee and is comprised of four directors, one of whom has two votes and none of whom are considered to be "independent" in accordance with the requirements of Rule 10A-3 under the Exchange Act. An independent audit committee plays a crucial role in the corporate governance process, assessing the Company's processes relating to its risks and control environment, overseeing financial reporting, and evaluating internal and independent audit processes. The lack of an independent audit committee may prevent the Board of Directors from being independent from management in its judgments and decisions and its ability to pursue the committee's responsibilities without undue influence. We may have difficulty attracting and retaining directors with the requisite qualifications. If we are unable to attract and retain qualified, independent directors, the management of our business could be compromised.

Our Board of Directors, which does not have a majority of independent directors, acts as our compensation committee, which presents the risk that compensation and benefits paid to these executive officers that are board members and other officers may not be commensurate with our financial performance.

A compensation committee consisting of independent directors is a safeguard against self-dealing by company executives. Our Board of Directors acts as the compensation committee and determines the compensation and benefits of our executive officers, administers our employee stock and benefit plans, and reviews policies relating to the compensation and benefits of our employees. Although all board members have fiduciary obligations in connection with compensation matters, our lack of an independent compensation committee presents the risk that our executive officers on the board may have influence over their personal compensation and benefits levels that may not be commensurate with our financial performance.

Trading on the OTCQB may be sporadic because it is not a stock exchange, and stockholders may have difficulty reselling their shares.

Trading in stock quoted on the OTCQB is often thin and characterized by wide fluctuations in trading prices, due to many factors that may have little to do with our operations or business prospects. Moreover, the OTCQB is not a stock exchange, and trading of securities on the OTCQB is often more sporadic than the trading of securities listed on a quotation system like NASDAQ or a stock exchange like NYSE. Accordingly, you may have difficulty reselling any of the shares you purchase from the selling stockholders.

We cannot guarantee that an active trading market will develop for our common stock.

There currently is not an active public market for our common stock and there can be no assurance that a regular trading market for our common stock will ever develop or that, if developed, it will be sustained. Therefore, purchasers of our common stock should have long-term investment intent and should recognize that it may be difficult to sell the shares, notwithstanding the fact that they are not restricted securities. We cannot predict the extent to which a trading market will develop or how liquid a market might become.

There may be future dilution of our common stock.

If we sell additional equity or convertible debt securities, those sales could result in additional dilution to our stockholders. Holders of our Series A-1 Preferred Stock have the right to convert their shares into 31,375,000 shares of common stock and; the holder of the Series B Preferred Stock has the right to convert his shares into 4,000,000 common shares and Ervington, the sole holder of the Series C Preferred Stock has the right to convert its shares of Series C Preferred Stock into 120,000,000 shares of common stock. We also have warrants outstanding that are convertible into 6,339,498 shares of our common stock.

Recent accounting changes may make it more difficult for us to sustain profitability.

We are a publicly traded company, and are therefore subject to the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), which requires that our internal controls and procedures comply with Section 404 of the Sarbanes-Oxley Act. We expect compliance to be costly and it could impact our results of operations in future periods. In addition, the Financial Accounting Standards Board now requires us to follow the accounting standards on share based payments. Under this rule, companies must calculate and record in their statement of operations the cost of equity instruments, such as stock options or restricted stock, awarded to employees for services. We expect that we will use stock options to attract, incentivize and retain our employees and will therefore incur the resulting stock-based compensation expense. This will continue to adversely affect our operating results in future periods.

Maintaining and improving our financial controls and the requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act and the rules and regulations of an exchange or the OTCQB. The requirements of these rules and regulations will likely continue to increase our legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on our personnel, systems and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and effective internal control over financial reporting. Significant resources and management oversight are required to design, document, test, implement and monitor internal control over relevant processes and to, remediate any deficiencies. As a result, management's attention may be diverted from other business concerns, which could harm our business, financial condition and results of operations. These efforts also involve substantial accounting related costs.

We have identified material weaknesses in our internal controls, and we cannot provide assurances that these weaknesses will be effectively remediated or that additional material weaknesses will not occur in the future. If our internal control over financial reporting or our disclosure controls and procedures are not effective, we may not be able to accurately report our financial results, prevent fraud, or file our periodic reports in a timely manner, which may cause investors to lose confidence in our reported financial information and may lead to a decline in our stock price.

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. We have identified material weaknesses in our internal controls with respect to our financial statement for the year ended December 31, 2014. Our management discovered insufficient controls over review and accounting for certain complex transactions and a lack of segregation of duties.

The design of monitoring controls used to assess the design and operating effectiveness of our internal controls is inadequate.

We have begun to take actions that we believe will substantially remediate the material weaknesses identified. In response to the identification of our material weaknesses, we are in the process of expanding our finance and accounting staff. However, we cannot assure you that our internal control over financial reporting, as modified, will enable us to identify or avoid material weaknesses in the future.

We have never paid dividends and have no plans to pay dividends on our common stock in the future.

Holders of shares of our common stock are entitled to receive such dividends as may be declared by our Board of Directors. To date, we have paid no cash dividends on our shares of our preferred or common stock and we do not expect to pay cash dividends in the foreseeable future on our common stock. Our Series C Preferred Stock accrues dividends at the rate of 4% per annum of the stated price, which initially is $3.277777778 payable annually in arrears on December 31 of each year. In addition, our Series B Preferred Stock accrues dividends at the rate of 8% per annum of the stated price, which initially is $10.00 payable annually in arrears on December 31 of each year. Other than dividend payments on the preferred stock we intend to retain future earnings, if any, to provide funds for operations of our business. Therefore, any return investors in our preferred or common stock may have will be in the form of appreciation, if any, in the market value of their shares of common stock.

Our stock price may be volatile or may decline regardless of our operating performance.

The market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- price and volume fluctuations in the overall stock market;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- the public's response to our press releases or other public announcements, including our filings with the SEC;
- announcements by us or our competitors of significant technical innovations, acquisitions, strategic partnerships, joint ventures or capital commitments;
- introduction of technologies or product enhancements that reduce the need for our products;
- market conditions or trends in our industry or the economy as a whole;
- the loss of key personnel;
- lawsuits threatened or filed against us;
- future sales of our common stock by our executive officers, directors and significant stockholders; and
- other events or factors, including those resulting from war, incidents of terrorism or responses to these events.

We may issue preferred stock with greater rights than our common stock.

Our Certificate of Incorporation authorizes the Board of Directors to issue up to 10 million shares of preferred stock, par value $.001 per share. The preferred stock may be issued in one or more series, the terms of which may be determined by the Board of Directors at the time of issuance without further action by stockholders, and may include voting rights (including the right to vote as a series on particular matters), preferences as to dividends and liquidation, conversion and redemption rights and sinking fund provisions. Any preferred stock that is issued may rank ahead of our common stock, in terms of dividends, liquidation rights and voting rights that could adversely affect the voting power or other rights of the holders of our common stock. In the event of such an issuance, the Preferred Stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change of control of our company. Any delay or prevention of a change of control transaction or changes in our Board of Directors or management could deter potential acquirers or prevent the completion of a transaction in which our stockholders could require substantial premium over the then current market price per share. We currently have 3,137,500 Series A-1 Preferred Stock outstanding, 40,000 Series B Preferred Stock outstanding and have 4,500,000 Series C Preferred Stock outstanding. The Series C Preferred Stock has the right to annual dividends in preference to all other preferred stock and the common stock and the Series B Preferred Stock is also entitled to an annual dividend. The Series A-1, B and C Preferred Stock all have liquidation preferences over the common stock. In addition the vote of a majority of the Series C Preferred Stock will be required for the (i) merger, sale of substantially all of our assets or our recapitalization, reorganization, liquidation, dissolution or winding up, (ii) redemption or acquisition of shares of our common stock other than in limited circumstances, (iii) declaration or payment of a dividend or distribution with respect to our capital stock, (iv) making any loan or advance, (v) amending our Certificate of Incorporation or Bylaws, (vi) authorizing or creating any new class or series of equity security, (vii) increasing the number of authorized shares for issuance under any existing stock or option plan, (viii) materially changing the nature of the business, (ix) incurring any indebtedness, (x) engaging in or making investments not authorized by the Board of Directors, (xi) acquiring or divesting a material amount of assets (xii) selling, assigning, licensing, pledging or encumbering our material technology or intellectual property, and (xiii) entering into any corporate strategic relationship involving payment, contribution or assignment by us or to us of any assets. The vote of two-thirds of the Series A-1 Preferred Stock is also required to take certain actions similar to those set forth above.

If we fail to meet the new eligibility requirements of the OTC Market Group, we will no longer be eligible to have our common stock quoted on the OTCQB.

If we fail to maintain a minimum bid price of $.01 per share one day per each thirty consecutive days, our stock will no longer be eligible to be traded on the OTCQB and will be traded on the pink sheets. Effective May 1, 2014, the OTC Market Group implemented new eligibility standards for companies traded on the OTCQB that include enhanced disclosure requirements. Investors of companies that do not meet the eligibility requirements will not have the benefit of the additional disclosure

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds for the nine months ended September 30, 2016

None.

Item 3. Defaults upon senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Regulation Number	Exhibit
31.1	Certification of the Chief Executive Officer and Chief Financial Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the 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
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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: November 14, 2016

PROPELL TECHNOLOGIES GROUP, INC.
(Registrant)
By: */s/C Brian Boutte*
C Brian Boutte, President and Chief Executive Officer
(Principal Executive Officer and Principal Financial Officer)