UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 - Q

[mark one]

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

For the quarterly period ended: June 30, 2009

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

For the transition period from _________ to ___________

Commission File Number 333-139354

PROPELL CORPORATION

(Exact name of registrant as specified in its charter)

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

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

(Address of principal executive offices including zip code)

(415) 747-8775

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

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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 ¨ 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: 21,740,908 shares of common stock, $.001 par value per share, as of August 14, 2009.

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

PROPELL CORPORATION

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PART II. OTHER INFORMATION

PROPELL CORPORATION

CONSOLIDATED BALANCE SHEETS

AS OF JUNE 30, 2009 (UNAUDITED) AND DECEMBER 31, 2008 (AUDITED)

ASSETS		**June 30, 2009 (Unaudited)**		**December 31, 2008 (Audited)**
Current Assets				
Cash and cash equivalents	$	211,580	$	136,659
Accounts receivable, net		29,536		18,751
Prepaid expenses		2,454		4,202
Inventory		298,499		179,230
Deferred charges		1,473		5,233
Deposits-current		22,991		1,499
Total Current Assets		566,533		345,574
Property and Equipment, Net		166,059		33,555
Other Assets				
Website URL, net		6,400		7,200
Website asset, net		498,702		26,405
Deposits-long term		57,073		62,314
Total Other Assets		562,175		95,919
TOTAL ASSETS	$	1,294,767	$	475,048
LIABILITIES AND STOCKHOLDERS DEFICIT				
Current Liabilities				
Accounts payable	$	439,146	$	177,150
Accrued expenses and taxes		156,472		114,016
Customer deposits		0		322
Deferred revenue		12,370		29,832
Due to related party		53,270		2,017
Convertible notes payable		0		1,730,000
Notes payable - current portion		177,121		0
Total Current Liabilities		838,379		2,053,337
Long - Term Liabilities				
Notes payable		661,613		0

TOTAL LIABILITIES		1,499,992		2,053,337
STOCKHOLDERS DEFICIT				
Common stock		21,740		9,909
Paid in capital		1,391,666		457,723
Distributions to affiliate		0		(938,664)
Accumulated deficit		(1,618,631)		(1,107,257)
TOTAL STOCKHOLDERS DEFICIT		(205,225)		(1,578,289)
TOTAL LIABILITIES AND STOCKHOLDERS DEFICIT	$	1,294,767	$	475,048

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

PROPELL CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008

		June 30, 2009		June 30, 2008
GROSS REVENUES	$	364,449	$	102,380
COST OF GOODS SOLD		112,733		76,290
GROSS PROFIT		251,716		26,090
OPERATING EXPENSES		858,491		509,425
OPERATING LOSS		(606,775)		(483,335)
OTHER INCOME (EXPENSE)		95,401		(6,986)
NET LOSS BEFORE PROVISION FOR INCOME TAXES		(511,374)		(490,321)
PROVISION FOR INCOME TAXES				
NET LOSS	$	(511,374)	$	(490,321)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		17,180,814		3,765,892
NET LOSS PER SHARE	$	(0.03)	$	(0.13)

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

PROPELL CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

FOR THE THREE MONTHS ENDED JUNE 30, 2009 AND 2008

	June 30, 2009	June 30, 2008
GROSS REVENUES	$ 308,525	$ 102,380
COSTS OF GOODS SOLD	48,489	76,290
GROSS PROFIT	260,036	26,090
OPERATING EXPENSES	600,394	389,665
OPERATING LOSS	(340,358)	(363,575)
OTHER INCOME (EXPENSE)	65,312	(6,986)
NET LOSS BEFORE PROVISION FOR INCOME TAXES	(275,046)	(370,561)
PROVISION FOR INCOME TAXES	0	0
NET LOSS	$ (275,046)	$ (370,561)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	20,978,653	7,531,784
NET LOSS PER SHARE	$ (0.01)	$ (0.05)

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

PROPELL CORPORATION

CONSOLIDATED STATEMENT OF STOCKHOLDERS DEFICIT (UNAUDITED)

AS OF JUNE 30, 2009

	Common Stock		Additional Paid	Distributions	Accumulated	
	Shares	Amount	in Capital	to Affiliate	Deficit	Total
Balance, January 29, 2008 (Inception)	0	$0	$0	$0	$0	$0
Issuance of common stock to acquire Crystal Magic, Inc.	5,400,000	5,400	(5,400)	-	-	0
Issuance of common stock to acquire Auleron 2005, LLC	136,088	136	(136)	-	-	0
Issuance of common stock to acquire Mountain Capital, LLC	2,094,864	2,095	381,709	-	-	383,804
Conversion of convertible notes to common stock	2,278,000	2,278	20,502	-	-	22,780
Reclassification of intercompany payable	-	-	61,048	-	-	61,048
Distributions to affiliate	-	-	-	(938,664)	-	(938,664)
Net loss for the period ended December 31, 2008	-	-	-	-	(1,107,257)	(1,107,257)
Balance, December 31, 2008	9,908,952	9,909	457,723	(938,664)	(1,107,257)	(1,578,289)
Issuance of common stock to The Guild for services	60,000	60	(60)	-	-	0
Conversion of convertible notes to	8,650,000	8,650	1,721,350	-	-	1,730,000

common stock						
Issuance of common stock in rights offering	1,585,474	1,585	426,493	-	-	428,078
Reverse accrued interest on convertible notes			41,664	-	-	41,664
Distributions to affiliate	-	-	-	(122,542)	-	(122,542)
Issuance of common stock in rights offering	1,481,482	1,481	398,519			400,000
Issuance of common stock to The Ardmore Tree for services	55,000	55	26,345			26,400
Reclassification of affiliate distributions as a result of change in control				1,061,206		1,061,206
Reclassification of affiliate equity and payables due to change in control			(1,680,368)			(1,680,368)
Net loss for the six months ended June 30, 2009	-	-	-	-	(511,374)	(511,374)
Balance, June 30, 2009	21,740,908	$21,740	$1,391,666	$0	($1,618,631)	($205,225)

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

PROPELL CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2009 & 2008

	June 30, 2009	June 30, 2008
Cash Flows from Operating Activities:		
Net loss for the period	$ (511,374)	$ (490,321)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Depreciation and amortization expense	12,599	1,117
Elimination of debt repayment to Loco Lobo, LLC	(75,000)	-
Accrued interest classified as equity	41,664	
Issuance of common stock for services	26,400	
Changes in Assets and Liabilities		
Decrease in accounts receivable	258	64,161
(Increase) Decrease in prepaid expenses	5,015	(99,917)
(Increase) Decrease in inventory	74,113	(50,264)
(Increase) Decrease in deferred charges	3,759	(1,645)
(Increase) Decrease in deposits	4,384	(139,799)
Increase (Decrease) in accounts payable	(87,963)	9,193
Increase (Decrease) in accrued expenses and taxes	(2,164)	219,024
Increase (Decrease) in deferred revenue	(17,462)	21,991
Net Cash Used in Operating Activities	(525,771)	(466,460)
Cash Flows from Investing Activities:		
Development of website asset	(98,817)	-
Purchase of assets	(5,519)	(8,000)
Net Cash Used in Investing Activities	(104,336)	(8,000)
Cash Flows from Financing Activities:		
Proceeds from issuance of convertible notes	-	1,730,000
Distributions to affiliate Crystal Magic	(122,542)	(355,851)
Proceeds from rights offering	828,078	-
(Decrease) in intercompany payable to Auleron 2005 LLC	(7,778)	-
Issuance of common stock for CMI & AMS	-	9,909
Increase in stockholders' equity	-	13,238
Payments on Long term debt	(2,420)	-
Net Cash Provided by Financing Activities	695,338	1,397,296

Net Increase in Cash and Cash Equivalents		65,231		922,836
Cash and Cash Equivalents Beginning		146,349		32,680
Cash and Cash Equivalents Ending	$	211,580	$	955,516
SUPPLEMENTAL NON-CASH TRANSACTIONS:				
Assets of Crystal Magic merged in due to change of control	$	(747,106)		
Liabilities of Crystal Magic merged in due to change of control		2,366,426		
Equity of Crystal Magic merged in due to change of control		(1,619,320)		
Reclassification of intercompany payable due to change in control		1,061,206		
Reclassification of affiliate distribution to intercompany due to change in control		(1,061,206)		
Conversion of convertible notes payable to stock		(1,730,000)		
Conversion of convertible notes payable to stock		1,730,000		

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

PROPELL CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Propell Corporation (the Company) is a fully integrated provider of personalized products and services, delivered through multiple channels, including online stores, its own proprietary photo kiosks, photo imaging locations, and independent and company-owned retail stores.

Propell Corporation is a Delaware corporation that was formed on January 29, 2008. Propell acquired 100% of the outstanding common stock of Crystal Magic, Inc. on April 10, 2008. Propell acquired 100% of the membership interests, and voting control, of Mountain Capital, LLC d/b/a Arrow Media Solutions and Auleron 2005, LLC on May 5, 2008.

Crystal Magic, Inc. (*Crystal*) was formed as a Florida corporation on April 10, 1998, is headquartered in Orlando, Florida and its primary business is to provide subsurface etched photo crystal and personalized subsurface etched promotional products. Crystal Magic owns and operates retail kiosks and displays in theme parks (Disneyworld (2) and Universal Orlando (2)). Crystal Magic utilizes the distribution channels of more than 20,000 distributors that are members of the Advertising Specialty Institute and/or the Promotional Products Association International organizations for its custom awards and gift products.

Mountain Capital, LLC d/b/a Arrow Media Solutions is a New York State Limited Liability Company which assembles and distributes free standing kiosks which produce pictures and related products and services using various input media such as camera digital memory cards, CD s etc. Mountain Capital s management, administrative, and service personnel are currently headquartered in Orlando, Florida with its assembly, warehouse and marketing operations in Brea, California.

Auleron 2005, LLC is a New York State Limited Liability Company which performs a variety of technology services for customers throughout North America using independent subcontractors who are coordinated and directed through its Project Management Organization in its sole office in Orlando, Florida.

Propell obtained voting control of Crystal Magic, Inc. on April 8, 2009.   Auleron 2005 LLC   s operations have been temporarily discontinued. See Note 6   *Investments in Affiliated Entities*   for additional information as to how the investments in these two companies are accounted for in the attached financial statements.

The accompanying unaudited interim consolidated financial statements of Propell Corporation have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission (SEC), and should be read in conjunction with the audited financial statements and notes thereto contained in the Company   s annual report on Form 10-K. In the opinion of management, all adjustments necessary in order for the financial statements to be not misleading have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Some notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for the most recent fiscal year 2008 as reported in Form 10-K have been omitted.

Cash and Cash Equivalents

Propell considers all highly liquid investments with maturities of three months or less to be cash equivalents. At June 30, 2009 the Company had $211,580 of unrestricted cash to be used for future business operations.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentration of credit risk, consist primarily of cash deposits and trade receivables. In the normal course of business, the Company provides on-going credit evaluations of its customers and maintains allowances for possible losses. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At June 30, 2009, the Company did not have any deposits in excess of FDIC limits.

PROPELL CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

The carrying amounts of our financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, approximate fair value because of their generally short maturities. The fair value of long-term debt, which approximates its carrying value, is based on current rates at which we could borrow funds with similar remaining maturities.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation and amortization on property and equipment are determined using the straight-line method over the estimated useful lives of the assets.

Inventory

Inventory consists of kiosks and components and is stated at the lower of cost or market using the FIFO (first in, first out) method.

Income Taxes

Income taxes are computed using the asset and liability method. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not expected to be realized.

Compensated Absences

Employees of the Company are entitled to paid vacation depending upon length of service and other factors. The amount of compensation for future vacations cannot be reasonably estimated. The Company s policy is to recognize compensated vacations when actually paid to employees. Accordingly, no liability has been recorded in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

Propell does not expect the adoption of recently issued accounting pronouncements to have a significant impact on the Company s results of operations, financial position or cash flows.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment when events or changes in circumstances indicated that the book value of an asset may not be recoverable. The Company evaluates, at each balance sheet date, whether events and circumstances have occurred which indicate possible impairment. The Company uses an estimate of future undiscounted net cash flows of the related asset or group of assets over the estimated remaining life in measuring whether the assets are recoverable. If it is determined that an impairment loss has occurred based on expected cash flows, such loss is recognized in the statement of operations.

Revenue Recognition

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

Principles of Consolidation

The consolidated financial statements include the accounts of Propell Corporation, Crystal Magic, Inc. as of April 9, 2009 and Mountain Capital, LLC after elimination of intercompany accounts and transactions.

PROPELL CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in Affiliates and Unconsolidated Entities

Propell uses the cost method to account for our investments in companies that are not controlled and for which there is no ability to exercise significant influence over operating and financial policies. In accordance with the cost method, these investments are recorded at cost or fair value, as appropriate.

Investments in affiliates in which the Company does not exercise control and has a 20% or more voting interest are accounted for using the equity method of accounting. If the fair value of an investment in an affiliate is below its carrying value and the difference is deemed to be other than temporary, the difference between the fair value and the carrying cost is charged to earnings. See Notes 6.

NOTE 2 LEASES

On March 1, 2007 Mountain Capital, LLC entered into a lease agreement to rent office and warehouse space in Brea, California. The term is three years without any renewal options. The total lease expense for period ending June 30, 2009 was $18,227. The remaining commitment requires annual lease payments of $24,560 and expires on February 28, 2010.

On May 5, 2008 Propel Corporation entered into a lease agreement to rent office space in San Anselmo, California. The term was through April 30, 2009 and we continue to rent on a month to month basis. The lease expense for the period ending June 30, 2009 was $8,991. The remaining commitment requires month to month lease payments of $1,498.

Crystal Magic, Inc. commenced leasing its corporate facility on January 1, 2005 for three years providing for two additional three year options. This lease was amended in May 2009 and converted to a month to month tenancy that will expire on December 31, 2009. The remaining commitment requires lease payments of $12,000 through December 31, 2009. The total lease expense for the period of April 9, - June 30, 2009 was $5,467.

Minimum annual rents for all leases for the remaining lease terms are as follows:

Period Through		Amount
December 31, 2009 - CMI	$	12,000
February 28, 2010 - AMS	$	24,560
Total	$	36,560

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2009:

Property and equipment - Crystal Magic, Inc.	$	978,679
Property and equipment - Mountain Capital, LLC		52,176
Property and equipment - Propell Corporation		5,519
Less: accumulated depreciation and amortization - Crystal Magic, Inc.		(849,275)
Less: accumulated depreciation and amortization - Mountain Capital, LLC		(20,975)
Less: accumulated depreciation and amortization - Propell Corporation		(66)
Net Property and equipment	$	166,059

Depreciation expense was $11,799 for the period ended June 30, 2009.

PROPELL CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 4 PREPAID EXPENSES

Prepaid expenses consisted of the following at June 30, 2009:

Prepaid insurance		2,454
	$	2,454

NOTE 5 DISTRIBUTIONS TO AFFILIATE

Propell made short-term advances to its wholly owned subsidiary, Crystal Magic, Inc., to be used as working capital, primarily to develop and expand its Web Stores on Demand program, in the amount of $1,061,206. A total of $122,542 was advanced during the period of January 1, 2009 April 8, 2009.These advances are due upon demand and bear no interest. Management of Propell believes that Crystal may eventually be able to repay these advances to Propell; however, due to Propell s lack of control over Crystal Magic through April 8, 2009, the advances had been recorded as distributions to affiliate and were reflected as a reduction of stockholders equity.

NOTE 6 INVESTMENTS IN UNCONSOLIDATED ENTITIES

In April 2008, Propell acquired 100% of the outstanding common shares of Crystal Magic, Inc. in exchange for Propell common shares. The former majority shareholder of Crystal was issued a preferred stock option, which effectively prevented Propell from having control of Crystal while this option was in place. On April 8, 2009, this option was eliminated and we now have control of Crystal Magic, Inc. Due to Crystal Magic, Inc. s history of operating losses and its negative working capital position, it was determined that its fair value as of the date of control, April 8 2009, is $-0-. Beginning April 9, 2009, Crystal Magic s financial statements are being consolidated into Propell.

In May 2008, Propell acquired 100% of the ownership interests of Auleron 2005, LLC. This investment is accounted for as an asset purchase. The operations of Auleron 2005, LLC have been temporarily discontinued. The fair value of the net assets of Auleron 2005, LLC as of the date of acquisition have been determined to be immaterial to the financial statements and at June 30, 2009 were determine to have $-0- value.

See Notes 1.

NOTE 7 ACCRUED EXPENSES AND TAXES

Accrued expenses and taxes consisted of the following at June 30, 2009:

Payroll	$	62,848
Taxes		11,316
Marketing		60,699
Professional Fees		21,609
Total accrued expenses & taxes	$	156,472

NOTE 8 OTHER EXPENSE

Other income and expense consisted of the following for the period ended June 30, 2009:

Interest income	$	743
Vendor invoice adjustments		23,420
Insurance claim/damaged kiosk		6,487
Debt forgiveness		76,875
Interest expense		(12,123)
Total other expense (income)	$	95,401

PROPELL CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 9 NOTES PAYABLE

On March 2, 2009, the Company converted $1,730,000 in convertible notes payable to 8,650,000 shares of its common stock. On April 8, 2009 Propell obtained control of Crystal Magic, Inc. and also agreed to pay the interest and the monthly payments on the notes issued to Crystal Magic listed in the table below:

	Current	Long Term
SBA - Orlando National Bank Note 94-1-S279 This note is secured by all inventories, accounts receivable, equipment. This note requires monthly interest and principal payments with an interest rate of 6.75%. The note matures November 1, 2012	$ 56,597	$ 194,650
SBA - Orlando National Bank Note 94-1-S308 This note is secured by all inventories, accounts receivable, equipment. This note requires monthly interest and principal payments with an interest rate of 6.25%. The note matures May 1, 2010	$ 68,740	$ 36,063
SBA - Orlando National Bank Note 94-1-S309 This note is secured by all inventories, accounts receivable, equipment. This note requires monthly interest and principal payments with an interest rate of 6.25%. The note matures January 1, 2011	$ 40,695	$ 50,838
SBA Disaster Loan 5114784007 This note is secured by all inventories, accounts receivable, equipment. This note requires monthly interest and principal payments with an interest rate of 4.09%. The note matures May 1, 2032	$ 11,089	$ 380,062
Total	$177,121	$ 661,613

Future principal payments under notes payable obligations as of June 30, 2009 and for each of the remaining years and in aggregate are as follows:

Year ended	Amount
June 30, 2010	$ 177,121
June 30, 2011	151,491
June 30, 2012	84,236

June 30, 2013	81,842
June 30, 2014	12,983
Thereafter	331,061
Total	$ 838,734

NOTE 10 CONVERTIBLE NOTES PAYABLE

In March 2008, the Company issued $22,780 of convertible notes payable. These notes converted to stock upon the successful merger of Crystal Magic, Inc., Mountain Capital, LLC and Auleron 2005, LLC with the Company. These mergers took place on April 10, 2008 and May 5, 2008, respectively and 2,278,000 shares of common stock were issued in exchange for the convertible notes.

On May 12, 2008, the Company issued an additional $1,730,000 of convertible notes payable. These notes converted into 8,650,000 shares of our common stock on March 2, 2009.

PROPELL CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 11 INCOME TAXES

For the period ended June 30, 2009, Propell has incurred net losses and, therefore, has no tax liability. The net deferred tax asset generated by the loss carry-forward has been fully reserved. The cumulative net operating loss carry-forward is approximately $1,618,631 at June 30, 2009, and will expire in the year 2028.

The cumulative tax effect at the expected rate of 34% of significant items comprising our net deferred tax amount is as follows:

		2009
Deferred tax asset attributable to:		
Net operating loss carryover	$	550,335
Valuation allowance		(550,335)
Net deferred tax asset	$	-0-

NOTE 12 STOCKHOLDERS EQUITY

Propell Corporation has 21,740,908 shares of common stock, $.001 par value, issued and outstanding as of June 30, 2009. The total number of shares of stock which Propell Corporation shall have authority to issue is seventy five million (75,000,000) shares of Common Stock, par value $.001 per share and ten million (10,000,000) shares of Preferred Stock, par value $.001 per share.

In April 2008, Propell announced the successful merger of Crystal Magic, Inc. based in Orlando, Florida in exchange for 5,400,000 restricted shares of common stock valued at $5,400. In May 2008, we announced the successful acquisition of Mountain Capital, LLC and Auleron 2005, LLC based in New York in exchange for 2,094,864 and 136,088 restricted shares of common stock, respectively valued at $2,231. The investment in Crystal Magic was being accounted for using the cost method for accounting purposes through April 8, 2009 until which time Propell obtained control of Crystal Magic. See Note 6.

In May 2008, convertible notes payable totaling $22,780 was converted into 2,278,000 shares of common stock, per the terms of the convertible notes. See Notes 9 and 10.

In March 2009, convertible notes payable totaling $1,730,000 was converted into 8,650,000 shares of common stock, per the terms of the convertible notes. See Notes 9 and 10.

In March 2009, 60,000 shares of common stock were issued to The Guild, a marketing agency, in exchange for services rendered.

In March 2009, 1,585,474 shares of common stock were issued in a Rights Offering that raised $428,078.

In May 2009, 1,481,482 shares of common stock were issued in a Rights Offering that raised $400,000.

In June 2009, 55,000 shares of common stock were issued to The Ardmore Tree, a sub contractor, in exchange for services rendered.

Propell made short-term advances to its wholly owned subsidiary, Crystal Magic, Inc., to be used as working capital, primarily to develop and expand its Web Stores on Demand program, in the amount of $1,061,206. The advances are due upon demand and bear no interest. Management of Propell believes that Crystal may eventually be able to repay these advances to Propell; however, due to Propell's lack of control over Crystal Magic through April 8, 2009, the advances had been recorded as distributions to affiliate and are reflected as a reduction of stockholders' equity.

PROPELL CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 13 SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash Financing Transactions

In May 2008, convertible notes payable totaling $22,780 was converted into 2,278,000 shares of common stock, per the terms of the convertible notes. See Notes 10 and 12.

In March 2009, 60,000 shares of common stock were issued to The Guild, a marketing agency, in exchange for services rendered.

In June 2009, 55,000 shares of common stock were issued to The Ardmore Tree, a sub contractor, in exchange for services rendered.

NOTE 14 GOING CONCERN

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

Management continues to seek funding to pursue its business plans.

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

On April 10, 2008, Propell Corporation (*Propell*) completed its acquisition of Crystal Magic, Inc., (*CM*). On May 6, 2008, Propell completed its acquisition of Auleron 2005 LLC (*Auleron*) and Mountain Capital LLC (*Mountain*). For accounting purposes, the business combination of Propell and Mountain has been treated as a business combination with Propell as the acquirer. For accounting purposes, the business combination of Propell and Crystal Magic had been treated as an investment in our balance sheet and is accounted for under the cost method of accounting through April 8, 2009, the date that we obtained control of Crystal Magic, Inc.. At the time of the merger, Crystal Magic had a stockholders deficit and thus we determined the carrying value of this investment in our financial statements to be zero. Up until April 8, 2009 Crystal Magic s financial statements were not consolidated with ours for accounting purposes based on the fact that the major shareholder, Mr. Rhodes could exert substantial influence over our board of directors due to our lack of independent directors and Mr. Rhodes had an option to acquire shares of Crystal Magic that if exercised could have resulted in him, and not us, being deemed to have control over Crystal Magic. On April 8, 2009 Mr. Rhodes entered into an agreement with us which, among other things, terminated the option. In addition, Mr. Rhodes no longer serves on our board of directors. Crystal Magic engaged in the initial merger with Propell for the purpose of consolidating revenue, expenses and resources. The following unaudited pro forma income statements are based on historical financial statements of Propell, Crystal Magic and Mountain. The acquisition of AUL is accounted for as an asset purchase. AUL is not a part of these pro forma financial statements. The unaudited pro forma combined financial statements are provided for information purposes only. The pro forma financial statements are not necessarily indicative of what the financial position or results of operations actually would have been had the acquisition been completed at the dates indicated below. In addition, the unaudited pro forma combined financial statements do not purport to project the future financial position or operating results of the combined company. The unaudited pro forma combined financial information has been prepared in accordance with the rules and regulations of the Securities and Exchange Commission. For pro forma purposes:

The Unaudited Pro Forma Combined Income Statement for the period ended December 31, 2008 combines the historical income statements of Propell, Crystal Magic and Mountain for the indicated periods, giving effect to the acquisitions/mergers as if they had occurred on January 1, 2008.

The Unaudited Pro Forma Combined Income Statement for the six months ended June 30, 2009 combines the historical income statements of Propell, Crystal Magic and Mountain for the indicated periods, giving effect to the acquisitions/mergers as if they had occurred on January 1, 2009.

These unaudited pro forma combined financial statements and accompanying notes should be read in conjunction with the separate historical financial statements of Propell Corporation, Crystal Magic and Mountain Capital as of and for the years ended December 31, 2008 and 2007.

PROPELL CORPORATION

PRO FORMA COMBINED STATEMENT OF OPERATIONS (unaudited)

FOR THE PERIOD ENDED DECEMBER 31, 2008

	Propell	Crystal Magic	Mountain Capital	Eliminations	Consolidated
Gross Revenues	$ 674	$ 2,681,616	$ 1,466,821		$ 4,149,111
Cost of Goods Sold	1,809	451,490	957,424		1,410,723
Gross Profit	(1,135)	2,230,126	509,397	-	2,738,388
Operating Expenses	720,776	2,871,995	1,069,006		4,661,777
Operating Loss	(721,911)	(641,869)	(559,609)	-	(1,923,389)
Other (Expense) Income	(32,870)	55,732	0		22,862
Net Loss before Provision for Income Taxes	(754,781)	(586,137)	(559,609)	-	(1,900,527)
Provision for Income Taxes	0	0	0		0
Net Loss	$ (754,781)	$ (586,137)	$ (559,609)		$ (1,900,527)
Weighted Average Number of Shares Outstanding	-	-	-		6,881,280
Net Loss per Share	-	-	-		$ (0.28)

PROPELL CORPORATION

PRO FORMA COMBINED STATEMENT OF OPERATIONS (unaudited)

FOR THE SIX MONTHS ENDED JUNE 30, 2009

	Propell	Crystal Magic	Mountain Capital	Eliminations	Consolidated
Gross Revenues	$ 3,340	$ 627,398	$ 64,553		$ 695,291
Cost of Goods Sold	5,197	75,918	69,606		150,721
Gross Profit	(1,857)	551,480	(5,053)	-	544,570
Operating Expenses	335,698	795,423	212,471		1,343,592
Operating Loss	(337,555)	(243,943)	(217,524)	-	(799,022)
Other (Expense) Income	24,163	66,428	6,487		97,078
Net Loss before Provision for Income Taxes	(313,392)	(177,515)	(211,037)	-	(701,944)
Provision for Income Taxes	0	0	0		0
Net Loss	$ (313,392)	$ (177,515)	$ (211,037)		$ (701,944)
Weighted Average Number of Shares Outstanding	-	-	-		17,180,814
Net Loss per Share	-	-	-		$ (0.04)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors

Crystal Magic, Inc.

Orlando, Florida

We have audited the accompanying balance sheets of Crystal Magic, Inc., a Florida Corporation, as of December 31, 2008 and 2007, and the related statements of operations, stockholders deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crystal Magic, Inc., as of December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 9 to the financial statements, the Company has incurred losses from operations and is in need of additional capital to grow its operations so that it can become profitable. These factors raise substantial doubt about the Company s ability to continue as a going concern. Management s plans with regard to these matters are described in Note 9. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Maddox Ungar Silberstein, PLLC

Maddox Ungar Silberstein, PLLC

Bingham Farms, Michigan

February 28, 2009

CRYSTAL MAGIC, INC.

BALANCE SHEETS

AS OF DECEMBER 31, 2008 AND 2007

		2008		2007
ASSETS				
Current Assets				
Cash	$	3,953	$	10,850
Accounts receivable, net		128,316		117,764
Prepaid expenses		29,814		8,542
Inventory		193,829		183,418
Deposits current		5,904		6,105
Due from Mountain Capital LLC		2,017		-
Total Current Assets		363,833		326,679
Property and equipment, net		149,994		157,614
Other Assets				
Website asset		358,613		-
Patents, net		15,196		21,078
Deposits long-term		7,401		7,401
Total Other Assets		381,210		28,479
TOTAL ASSETS	$	895,037	$	512,772
LIABILITIES AND STOCKHOLDERS DEFICIT				
Current Liabilities				
Accounts payable	$	384,929		525,263
Accrued expenses and taxes		63,667		56,791
Due to Propell Corporation		938,664		-
Customer deposits		21,023		19,920
Notes payable related parties		278,180		16,000
Notes payable current portion		177,121		162,104
Total Current Liabilities		1,863,584		780,078
Long Term Liabilities				
Notes payable		666,947		782,797

TOTAL LIABILITIES		2,530,531		1,562,875
STOCKHOLDERS DEFICIT				
Capital stock		10,000		10,000
Paid in capital		132,576		132,576
Accumulated deficit		(1,778,070)		(1,192,679)
TOTAL STOCKHOLDERS DEFICIT		(1,635,494)		(1,050,103)
TOTAL LIABILITIES AND STOCKHOLDERS DEFICIT	$	895,037	$	512,772

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

CRYSTAL MAGIC, INC.

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

		2008		2007
GROSS REVENUES	$	2,681,616	$	4,129,130
COST OF GOODS SOLD		451,490		761,432
GROSS PROFIT		2,230,126		3,367,698
OPERATING EXPENSES		2,871,249		3,623,611
OPERATING LOSS		(641,123)		(255,913)
OTHER INCOME (EXPENSES)		55,732		(46,883)
NET LOSS	$	(585,391)	$	(302,796)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		45,713		45,713
NET LOSS PER SHARE	$	(12.82)	$	(6.62)

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

CRYSTAL MAGIC, INC.

STATEMENT OF STOCKHOLDERS DEFICIT

AS OF DECEMBER 31, 2008

	Common Stock		Additional	Accumulated	
	Shares	**Amount**	**Paid in Capital**	**Deficit**	**Total**
Balance, January 1, 2006	45,713	$10,000	$132,576	($669,988)	($527,412)
Net loss for the year ended December 31, 2006	-	0	0	(219,895)	(219,895)
Balance, December 31, 2006	45,713	10,000	132,576	(889,883)	(747,307)
Net loss for the year ended December 31, 2007	-	0	0	(302,796)	(302,796)
Balance, December 31, 2007	45,713	10,000	132,576	(1,192,679)	(1,050,103)
Net loss for the year ended December 31, 2008	-	0	0	(585,391)	(585,391)
Balance, December 31, 2008	45,713	$10,000	$132,576	($1,778,070)	($1,635,494)

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

CRYSTAL MAGIC, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

		2008		2007
Cash Flows from Operating Activities:				
Net loss for the period	$	(585,391)	$	(302,796)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:				
Depreciation and amortization expense		49,676		36,375
Changes in Assets and Liabilities				
(Increase) decrease in accounts receivable		(10,552)		273,907
(Increase) decrease in prepaid expenses		(21,272)		6,472
(Increase) in inventory		(10,411)		(11,698)
(Increase) decrease in deposits current		201		(11,225)
(Increase) in due from Mountain Capital LLC		(2,017)		-
Increase (decrease) in accounts payable		(140,334)		104,616
Increase (decrease) in accrued expenses and taxes		6,876		(6,320)
Increase (decrease) in customer deposits		1,103		(190,553)
Net Cash Used in Operating Activities		(712,121)		(101,222)
Cash Flows from Investing Activities:				
Acquisitions of property and equipment		(36,174)		(122,553)
Development of website asset		(358,613)		-
Cash received from investments		-		119,823
Net Cash Used in Investing Activities		(394,787)		(2,730)
Cash Flows from Financing Activities:				
Payments on Liberty National and 9/11 disaster loans		(100,833)		(20,022)
Proceeds from Propell Corporation related party		938,664		-
Proceeds from notes payable related parties		262,180		16,000
Net Cash Provided by (Used in) Financing Activities		1,100,011		(4,022)
Net Decrease in Cash and Cash Equivalents		(6,897)		(107,974)
Cash and Cash Equivalents Beginning		10,850		118,824

Cash and Cash Equivalents	**Ending**	$	3,953	$	10,850

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

CRYSTAL MAGIC, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Crystal Magic, Inc. (the Company) was formed as a Florida Corporation on April 10, 1998. The Company is headquartered in Orlando, Florida and its primary business is to provide personalized subsurface etched photo crystal and subsurface etched promotional products. The Company is one of the largest subsurface etching companies in North America and owns and operates retail kiosks and displays in theme parks (Disneyworld (3), Disneyland (3), and Universal Orlando (2)). The Company utilizes the distribution channel of more than 20,000 distributors that are members of the Advertising Specialty Institute and or the Promotional Products Association International organizations for its custom awards and gift products.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and cash in banks.

Accounts Receivable

The Company considers accounts receivable at December 31, 2008 to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, the uncollectible amounts will be charged against operations when that determination is made. For the years ended December 31, 2008 and 2007 the Company recognized bad debt expense of $5,707 and $540 respectively.

Property & Equipment

Property and equipment are stated at cost less accumulated depreciation or amortization. Depreciation of property and equipment are computed principally by the straight-line method based upon estimated lives of assets ranging between five to seven years. Depreciation for the years ended December 31, 2008 and 2007 was $43,794 and $36,375, respectively.

Upon retirement, sale, or other disposition of property and equipment, the costs and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in results from operations.

Financial Instruments

Financial instruments consist primarily of accounts receivable and obligations under accounts payable and accrued expenses. The carrying amounts of accounts receivable, accounts payable, and accrued expenses approximate fair value because of the short maturity of those instruments.

The Company has applied certain assumptions in estimating these fair values. The use of different assumptions or methodologies may have a material effect on the estimates of fair values.

Basis of Presentation

The financial statements include the accounts of the Company. Certain prior year amounts in the financial statements have been reclassified to conform to the fiscal 2008 presentation.

Revenue and Cost Recognition

The Company recognizes revenues when products are delivered or shipped to customers.

Compensated Absences

Employees of the Company are entitled to paid vacation depending upon lengths of service and other factors. The amount of compensation for future vacations cannot be reasonably estimated. Accordingly, no liability has been recorded in the accompanying financial statements. The Company s policy is to recognize compensated vacations when actually paid to employees.

CRYSTAL MAGIC, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Company is an S Corporation for income tax purposes. Consequently, Federal income taxes are not payable by, or provided for, the Company. Stockholders are taxed individually on their shares of the Company's earnings. Accordingly, the financial statements do not reflect a provision for income taxes.

Loss Per Share

During the years ended December 31, 2008 and 2007, the Company had no stock options or securities convertible into any form of equity outstanding. Therefore, the calculation of Loss Per Share is equal to the number of common shares outstanding during the respective fiscal years.

Also, during the years ended December 31, 2008 and 2007 there were no transactions that either reduced or increased the total number of outstanding shares. Therefore, the weighted average number of shares used to calculate Loss per Share equals the number of shares outstanding for the fiscal years presented.

Recently Issued Accounting Standards

The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on its results of operations, financial position or cash flow.

NOTE 2 - PROPERTY & EQUIPMENT

Property and equipment are summarized as follows at December 31:

	2008	2007
Office equipment	$ 184,500	$ 167,844
Laser equipment	724,528	709,693
3D scanning equipment	42,820	42,820
Retail fixtures	26,831	22,147
Less: Accumulated depreciation	(828,685)	(784,890)
Property & equipment, net	$ 149,994	$ 157,614

NOTE 3 PREPAID EXPENSES

Prepaid expenses are summarized as follows at December 31:

	2008	2007
Prepaid insurance	$ 8,091	$ 0
Prepaid trade show expenses	17,113	8,542
Prepaid advertising	476	0
Prepaid software maintenance	4,134	0
Total prepaid expenses	$ 29,814	$ 8,542

CRYSTAL MAGIC, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007