

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarter ended March 31, 2008

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

For the transition period from _____ to _____

Commission File Number: 000-51249

ENERGTEK INC.

(Exact name of registrant as specified in its charter)

Nevada

42-1708652

(State or other jurisdiction of incorporation)

(IRS Employer Identification No.)

c/o David Lubin & Associates, PLLC
26 East Hawthorne Avenue
Valley Stream, NY 11580

(Address of Principal Executive Offices, Zip Code)

(516) 887-8200

(Registrant's Telephone Number, Including Area Code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant 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):

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of the issuer's common stock as of May 11, 2008 was 71,861,259 shares of common stock.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The accompanying financial statements have been prepared by Energtek Inc. ("Energtek" or "the Company") without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at March 31, 2008 and 2007 and for the periods then ended have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 2007 audited financial statements. The results of operations for the periods ended March 31, 2008 and 2007 are not necessarily indicative of the operating results for the full year.

ENERGTEK INC.
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED CONDENSED BALANCE SHEET

Note	As of 31/03/2008 (Unaudited) \$	As of 31/12/2007 (Audited) \$
ASSETS		
Current Assets		
	1,956,200	2,527,681
	364,188	274,150
	106,763	127,296
	9,651	9,397
	13,836	-
Total current assets	2,450,638	2,938,524
	45,622	33,337
ADVANCES&DEPOSITS	45,622	33,337
FIXED ASSETS, NET	207,783	185,577
INVESTMENTS:		
	24,500	24,500
	40,736	41,920
	65,236	66,420
TOTAL ASSETS	2,769,279	3,223,858
LIABILITIES AND SHAREHOLDER EQUITY		
	481,997	468,965
	228,954	239,448
TOTAL CURRENT LIABILITIES	710,951	708,413
SHAREHOLDER EQUITY		
Preferred Stock: \$0.001 par value; 5,000,000 authorized, none issued and outstanding		
Common Stock: \$0.001 par value; 750,000,000 authorized, 71,111,259 issued and outstanding		
	71,111	70,754
	7,568,444	7,251,051
	(5,581,227)	(4,806,360)
TOTAL SHAREHOLDER EQUITY	2,058,328	2,515,445
Total Liabilities and Stockholders' Equity	2,769,279	3,223,858

ENERGTEK INC.
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

	Note	Three Months Ended		Since the
		March-31	March-31	beginning of the development stage entity until March 31, 2008
		2008	2007	2008
Revenues		-	-	-
Operating Expenses:				
Consulting		98,256	201,799	1,335,617
Consulting-Related parties		-	-	122,900
Research and Development expenses		166,390	-	1,497,225
Market Research- Related parties		-	-	120,020
General and administrative expenses		503,920	388,104	2,034,745
Total Operating Expenses		768,566	589,903	5,110,506
Net loss from operations		(768,566)	(589,903)	(5,110,506)
Other Income				
Interest Income (losses), net		(6,300)	4,681	(35,397)
Investments impairment		-	-	(50,000)
Patent impairment		-	-	(100,000)
Total other income(expenses)		(6,300)	4,681	(185,397)
Net Loss		(774,866)	(585,222)	(5,295,903)
Weighted Average Shares				
Common Stock Outstanding		71,009,490	50,208,512	
Net Loss Per Common Share (Basic and Fully Diluted)		(0.01)	(0.01)	

ENERGTEK INC.
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

	Three Months Ended		Since the beginning of the development stage entity until March 31, 2008
	March-31	March-31	
	2008	2007	
Cash Flows from Operating Activities:			
Net Loss	(774,866)	(585,222)	(5,295,903)
Adjustments to reconcile net loss to net cash			
Provided by operating activities:			
Depreciation and Amortization	11,056	39,358	1,130,764
Foreign exchange difference on loans	13,032		54,908
Impairment and Adjustments of Patent	-	-	102,147
Impairment of Option Investment	-	-	50,000
Non-employees' share compensation	62,750	181,268	759,293
Severance pay liability	-	-	(11,295)
Decrease (Increase) in accounts receivable	5,240	370	(121,565)
Increase in Inventory	(13,836)	-	(13,836)
Accounts payable and accrued liabilities	(10,494)	68,191	(2,532)
Net cash used in Operating Activities	(707,118)	(296,035)	(3,348,019)
Cash Flows to Investing Activities:			
Investment in new-consolidated subsidiaries and purchase of new-activity	-	(10,327)	(160,688)
Investment in shares	-	(30,000)	(24,500)
Investment in Option	-	-	(50,000)
Deposit	(12,285)	(4,755)	(41,931)
Advances paid to suppliers of fixed assets	(75,000)	-	(334,340)
Purchase of fixed assets	(32,078)	(303)	(151,346)
Net cash used in Investing Activities	(119,363)	(45,385)	(762,805)
Cash Flows from Financing Activities:			
Issuance of common stock	255,000	1,122,762	4,618,262
Warrants exercise	-	-	1,295,000

Redemption of warrants	-	-	(250,000)
Repayment of loan	-	-	(220,000)
Net cash from Financing Activities	<u>255,000</u>	<u>1,122,762</u>	<u>5,443,262</u>
Net Increase (Decrease) in Cash	<u>(571,481)</u>	<u>781,342</u>	<u>1,332,438</u>
Cash at Beginning of Period	2,527,681	287,301	623,762
Cash at End of Period	<u><u>1,956,200</u></u>	<u><u>1,068,643</u></u>	<u><u>1,956,200</u></u>

ENERGTEK INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Business Organization and Summary of Significant Accounting Policies

About Energtek

Energtek provides proprietary solutions to meet the technical, economical and logistical challenges of Natural Gas (NG) delivery for vehicles worldwide, with a major focus on the 2- and 3-wheel vehicles market.

The Company is considered to be a development stage company and as such the financial statements presented herein are presented in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 7 “Accounting and Reporting by Development Stage Enterprises”.

Inception of Development Stage

The cumulative data from inception of the development stage entity is presented since September, 2006, when the Company changed its area of activities to clean energy related technologies.

Condensed Financial Statements

The accompanying financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, at March 31, 2008 and the results of operations and cash flows at March 31, 2008 and 2007 and for the periods then ended have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company’s December 31, 2007 audited financial statements. The results of operations for the periods ended March 31, 2008 and 2007 are not necessarily indicative of the operating results for the full year.

Recently Issued Standards

In March 2008, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 161, “Disclosures about Derivative Instruments and Hedging Activities - An Amendment of SFAS No. 133” (“SFAS 161”). SFAS 161 seeks to improve financial reporting for derivative instruments and hedging activities by requiring enhanced disclosures regarding the impact on financial position, financial performance, and cash flows. To achieve this increased transparency, SFAS 161 requires (1) the disclosure of the fair value of derivative instruments and gains and losses in a tabular format; (2) the disclosure of derivative features that are credit risk-related; and (3) cross-referencing within the footnotes. SFAS 161 is effective for us on January 1, 2009. We are in the process of evaluating the new disclosure requirements under SFAS 161.

ENERGTEK INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Business Organization and Summary of Significant Accounting Policies (Cont.)

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), "Business Combinations" ("SFAS 141R"). SFAS 141R continues to require the purchase method of accounting to be applied to all business combinations, but it significantly changes the accounting for certain aspects of business combinations. Under SFAS 141R, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS 141R will change the accounting treatment for certain

specific acquisition related items including: (1) expensing acquisition related costs as incurred; (2) valuing noncontrolling interests at fair value at the acquisition date; and (3) expensing restructuring costs associated with an acquired business. SFAS 141R also includes a substantial number of new disclosure requirements. SFAS 141R is to be applied prospectively to business combinations for which the acquisition date is on or after January 1, 2009. We expect SFAS 141R will have an impact on our accounting for future business combinations once adopted but the effect is dependent upon the acquisitions that are made in the future.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements" ("SFAS 160"). SFAS 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary (minority interest) is an ownership interest in the consolidated entity that should be reported as equity in the Consolidated Financial Statements and separate from the parent company's equity. Among other requirements, this statement requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. It also requires disclosure, on the face of the Consolidated Statement of Operations, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. This statement is effective for us on January 1, 2009. This amount was included in retirement and insurance programs and other long-term obligations on our Consolidated Balance Sheets. We are still in the process of evaluating the impact SFAS 160 will have on our Consolidated Financial Statements.

Recently Adopted Standards

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 allows entities to voluntarily choose to measure certain financial assets and liabilities at fair value ("fair value option"). The fair value option may be elected on an instrument-by-instrument basis and is irrevocable, unless a new election date occurs. If the fair value option is elected for an instrument, SFAS 159 specifies that unrealized gains and losses for that instrument be reported in earnings at each subsequent reporting date. SFAS 159 was effective for us on January 1, 2008. We did not apply the fair value option to any of our outstanding instruments and, therefore, SFAS 159 did not have an impact on our Condensed Consolidated Financial Statements.

ENERGTEK INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Business Organization and Summary of Significant Accounting Policies (Cont.)

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 was effective for us on January 1, 2008 for all financial assets and liabilities and for nonfinancial assets and liabilities recognized or disclosed at fair value in our Condensed Consolidated Financial Statements on a recurring basis (at least annually). For all other nonfinancial assets and liabilities, SFAS 157 is effective for us on January 1, 2009. As it relates to our non-pension financial assets and liabilities and for nonfinancial assets and liabilities recognized or disclosed at fair value in our Condensed Consolidated Financial Statements on a recurring basis (at least annually), the adoption of SFAS 157 did not have a material impact on our Condensed Consolidated Financial Statements. We are still in the process of evaluating the impact that SFAS 157 will have on our pension related financial assets and our nonfinancial assets and liabilities not valued on a recurring basis (at least annually).

Note 2 - Stockholders Equity

Between January 1, 2008 and March 31, 2008, the Company raised an aggregate of \$255,000 by selling to purchasers an aggregate of 340,000 units of the Company's securities, each unit consisting of one share of common stock and one warrant, designated Class 2007-J Warrant. Each Class 2007-J Warrant entitles the holder thereof to purchase one share of common stock at a purchase price of \$1.50 until February 28, 2011. The purchase price paid to the Company for each unit was \$0.75. Commissions in cash, in the amount of \$12,750 are to be paid on the said fund raising and additional 17,000 shares of our common stock are to be issued as commission.

Note 3 - Going Concern

The Company's consolidated financial statements are prepared using generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company is working on the basis of a budget that will enable it to operate during the coming year. However the Company will need additional working capital for its future planned expansion of activities and to service its debt, which raises doubt about its ability to continue as a going concern. Continuation of the Company as a going concern is dependent upon obtaining sufficient capital to be successful in that effort. The accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result from the outcome of this uncertainty.

Note 4 - Subsequent Events:

On April 1, 2008 the Company signed an agreement with Chelsea Holdings, Inc. (hereinafter "CHELSEA") for the provision of PR/IR services for a period of 90 days, renewable for successive periods of 90 days. In exchange for their services the Company agreed to issue to CHELSEA 50,000 (fifty thousand) shares of common stock of the Company. The agreement provides for no other payments except of reimbursement of expenses pre-approved by the Company

On April 15, 2008, the Company raised an aggregate of \$500,000 by selling to purchasers an aggregate of 666,667 units of the Company's securities, each unit consisting of one share of common stock and one warrant, designated Class 2007-J Warrant. Each Class 2007-J Warrant entitles the holder thereof to purchase one share of common stock at a purchase price of \$1.50 until February 28, 2011. The purchase price paid to the Company for each unit was \$0.75. Commissions in cash, in the amount of \$25,000 are to be paid on the said fund raising and additional 33,333 shares of our common stock are to be issued as commission.

ENERGTEK INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Item 2. Management's Discussion and Analysis or Plan of Operations.

As used in this Form 10-Q, references to the "Company", "Corporation", "Energetek," "we," "our" or "us" refer to Energetek Inc. or to Energetek Inc. together with its subsidiaries, unless the context otherwise indicates.

This Management's Discussion and Analysis or Plan of Operation should be read in conjunction with the financial statements and the notes thereto.

Forward-Looking Statements

This Form 10-Q contains forward-looking statements. For this purpose, any statements contained in this Form 10-Q that are not statements of historical fact may be deemed to be forward-looking statements. You can identify forward-looking statements by those that are not historical in nature, particularly those that use terminology such as "may," "will," "should," "expects," "anticipates," "contemplates," "estimates," "believes," "plans," "projected," "predicts," "potential," or "continue" or the negative of these similar terms. In evaluating these forward-looking statements, you should consider various factors, including the following: (a) those risks and uncertainties related to general economic conditions, (b) whether we are able to manage our planned growth efficiently and operate profitable operations, (c) whether we are able to generate sufficient revenues or obtain financing to sustain and grow our operations, (d) whether we are able to successfully fulfill our primary requirements for cash. The Company's actual results may differ significantly from the results projected in the forward-looking statements. The Company assumes no obligation to update forward-looking statements, except as otherwise required under the applicable federal securities laws.

Overview

We were incorporated under the laws of the state of Florida on November 18, 1998 under the name "Elderwatch, Inc." On September 20, 2006, we changed our Company's state of incorporation from Florida to Nevada by the merger of Elderwatch, Inc. with and into its wholly-owned subsidiary, Energetek Inc., a Nevada corporation, which was formed for such purpose. Simultaneously with such merger, we changed our Company name from "Elderwatch, Inc." to "Energetek Inc." in order to better reflect our proposed business operations. We also increased the number of our shares of authorized common stock from 50,000,000 shares to 250,000,000 shares, and we decreased the number of our shares of authorized preferred stock from 10,000,000 shares to 5,000,000 shares. On October 30, 2006, we implemented a one for three forward stock split of our common stock and further increased the authorized shares of our common stock to 750,000,000 shares, par value \$0.001.

On or about May 24, 2006, we changed our focus to the field of clean energy technologies, with special emphasis being put on the field of Natural Gas Vehicles (NGV). We are currently preparing our infrastructure for operations through some of our subsidiaries and we are also looking at various alternatives in this field

Following the change of control of the Company in May 2006, Energtek has focused on:

- Identifying and assessing alternative energy technologies and opportunities; and
- Acquiring, establishing and supporting the activities of several subsidiaries in the U.S., Israel, India and Ukraine.

The Company enables the conversion of vehicles, especially two and three wheelers, into natural gas powered vehicles, allowing this much cleaner and cheaper fuel to replace other more expensive and environmentally damaging fuel sources.

We currently have no business operations or revenues. We are devoting substantially all of our efforts to establishing a new business. In our efforts to establish such new business, our management has been engaged principally in the following activities: raising funds; investigating clean energy technologies and related business opportunities; analyzing proposed or identified opportunities; entering into agreements for pursuing such opportunities; identifying management and industry specialists; and acquiring operational and technological assets.

We have also entered into agreements with consultants for the provision of consulting services related to the identification and assessment of clean energy technologies and opportunities. We currently have six subsidiaries and one affiliate. All of our subsidiaries and affiliates are in development stage.

We have the following six subsidiaries:

1. Moregastech LLC, a Nevada limited liability company.
2. Primecyl LLC, a New York limited liability company.
3. Energtek Products Ltd., a company organized under the laws of the State of Israel.
4. GATAL (Natural Gas for Israel) Ltd., a company organized under the laws of the State of Israel.
5. Angstore Technologies Ltd., a company organized under the laws of the State of Israel.
6. Ukcyll Ltd., a company registered in Ukraine (99.5% ownership through Primecyl LLC).

We also own, through Moregastech LLC, 50% of the issued and outstanding shares of Moregastech India Private Limited, a company registered in India.

Business conducted or under development through Subsidiaries and Affiliate:

- **AngStore Technologies Ltd, Israel:** Developer of Adsorbed Natural Gas (ANG) storage technology
- **Energtek Products Ltd, Israel:** Developer of Natural Gas (NG) bulk transportation technologies
- **GATAL Ltd, Israel:** Distribution of Natural Gas utilizing bulk NG transportation technology, and facilitator of Natural Gas Vehicles (NGV) projects
- **MoreGasTech India Private Limited, India:** Manufacturing and distribution of NGV equipment and pipeless gas supply technology
- **Ukcyll Ltd, Ukraine:** Manufacturing of high-pressure gas storage tanks
- **Moregastech LLC, USA:** Supplier of NGV Infrastructure and high-pressure equipment

We intend to further acquire or establish additional subsidiaries in selected countries, in order to sustain our business activities in such countries. Specific fast interchangeable tanks (FIT) and low-pressure mobile pipeline (LMP) business development efforts are ongoing in several countries: Philippines, India, Israel, Thailand, and Indonesia.

On March 17, 2008, the Company executed a Memorandum of Understanding with Confidence Petroleum India Ltd., a company traded on the Bombay Stock Exchange, which has been operating for several years in India manufacturing cylinders for liquefied petroleum gas and is among the major manufacturers in Asia of such cylinders. Confidence and the Company will form a joint venture for fostering the introduction of natural gas on-board vehicle systems, for the supply of natural gas in India and surrounding countries through the use of bulk transportation systems and for manufacturing and marketing high pressure cylinders and ancillary equipment. Confidence shall invest \$2,000,000 in the venture in exchange for, among others, approximately 50% interest in Primecyl.

On May 2, 2008 in furtherance of the terms of the MOU, the Company and Confidence Petroleum India signed another agreement which provides that the joint venture will have exclusivity in India, Pakistan, Bangladesh and Sri-Lank for the sales of Natural Gas through the use of the FIT and LMP systems developed by the Company. The exclusivity is subject to the joint venture obtaining funding of at least \$23,000,000 for the projects to take place in the mentioned countries. Pursuant to the agreements, it is the responsibility of Confidence to obtain the financing for the projects.

Plan of Operation

Over the next twelve months, we intend to continue investing and engaging in the field of natural gas and clean energy technologies, initially focusing on activities related to natural gas. We intend to develop the activities in which we have invested and increase our research and development efforts. We also intend to continue analyzing a series of issues, markets, projects and investments proposed to us in areas related to clean energy technologies. We anticipate entering into additional agreements with experts and consultants in the relevant areas, in order to perform evaluations of the proposals. Such evaluation process may include in some cases the performance of evaluation experiments, which may require entering into subcontracting agreements with laboratories and companies capable of performing the same. We expect that once a proposal/project is identified as being of interest to us, we will enter into development activities and/or will purchase a stake in such activities and/or will invest in such activities.

We are contemplating the opening of subsidiaries in the Philippines and in the European Union. The expansion of activities that already took place and those that are planned will require the expansion of the teams of the Company and its subsidiaries.

In the last period our engineering and PR teams have been enlarged. We expect further enlargements of the engineering team, the R&D team, the team in the Philippines, the team in India, the business development team and others teams.

Results of Operations for the Three Months Ended March 31, 2008

The consolidated financial statements include the accounts of Energtek, Inc. and all of its wholly owned and majority-owned subsidiaries.

Revenue. The Company has never generated any revenues.

Consulting Expenses. During the quarter ended March 31, 2008, we incurred \$98,256 in consulting expenses compared with \$201,799 for the three months ended March 31, 2007. Expenses for the quarter ended March 31, 2008 consist primarily of expenses incurred for the analyses financial situation, processes and business opportunities compared with the three months ended March 31, 2007 where expenses consisted primarily of expenses incurred for the analyses of clean energy technologies, as well as in depth analyses of natural gas storage systems and production processes for such systems.

Research and Development expenses. During the quarter ended March 31, 2008, we incurred \$166,390 in research and development expenses compared with no expenses for the three months ended March 31, 2007. We started in research and development activity after full acquisition of Angstore Technologies Ltd took place in August 2007.

General and Administrative Expenses. General and administrative expenses consist of management compensation, rent, professional fees, telephone, travel and other general corporate expenses. General and administrative expenses were \$503,920 during the quarter ended March 31, 2008 compared with \$388,104 for the three months ended March 31, 2007. Increase in G&A expenses is a result of increase in travel expenses and salary.

Interest Income, net. The Company recorded net interest losses of \$6,300 during the quarter ended March 31, 2008 compared with net interest income of \$4,681 for the three months ended March 31, 2007.

Going Concern Consideration

For the fiscal quarter ended March 31, 2008, the Company recorded a net loss of \$774,866 and an accumulated deficit of \$5,581,227. The Company's consolidated financial statements were prepared using generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company is working on the basis of a budget that will enable it to operate during the coming year. However the Company will need additional working capital for its future planned expansion activities and to service its debt, which raises doubt about its ability to continue as a going concern. Continuation of the Company as a going concern is dependent upon obtaining sufficient capital to be successful in that effort. The accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result from the outcome of this uncertainty.

Off Balance Sheet Arrangements

Our wholly-owned subsidiary UkCyl Ltd has total commitments for the acquisition of the equipment in amount of \$198,660 (not including value added taxes) as follows:

On April 17, 2007, UkCyl entered into a Purchase Agreement with Pavlograd Plant for Technological Equipment, a Ukrainian limited liability company ("Pavlograd"). Pursuant to such agreement, Pavlograd agreed to sell to UkCyl certain machinery. The aggregate purchase price to be paid by UkCyl to Pavlograd for such machinery is approximately \$343,000. Up to April 10, 2008 the company has paid to Pavlograd total \$174,340 (not including value added taxes) according to the progress in the done work.

On September 26, 2007, UkCyl entered into an agreement with Dynatech Furnaces (Bombay) Pvt. Ltd. ("Dynatech") to purchase a high pressure steel seamless Cylinder Heat Treatment Furnace Line (the "Agreement"). UkCyl is to pay a total purchase price of \$190,000, which will be paid in three installments at specified intervals. The first installment, in the amount of \$85,000, was paid to Dynatech within 10 weeks following execution of the Agreement.

An inspection and approval of the equipment took place in India in March 2008, Dynatech dismantled the equipment and prepared it for shipment to UkCyl's facility in Ukraine. Dynatech received a second installment in the amount of \$75,000.

Upon arrival of the equipment to Ukcył's facilities in Ukraine, Dynatech shall assist in the installation and testing of the equipment. Following the installation and the initial operation of the equipment, Dynatech shall be paid \$30,000 representing the balance of the purchase price. In the event the equipment does not conform to the specifications required pursuant to the Agreement, Dynatech shall pay damages in the amount of \$160,000. The payment of such damage amount does not limit any other legal rights and remedies available to Ukcył.

The equipment purchased is subject to a one year warranty as of the date of installation and commencement of operation in Ukcył's facility. In addition, for a period of three years following installation, Dynatech shall provide technical support with respect to the operation of the equipment.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Smaller reporting companies are not required to provide the information required by Item 305.

Item 4T. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to ensure that information required to be disclosed in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the United States Securities and Exchange Commission. Our principal executive and financial officer have reviewed the effectiveness of our "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15 within the end of the period covered by this Quarterly Report on Form 10-Q and have concluded that the disclosure controls and procedures are effective to ensure that material information relating to the Company is recorded, processed, summarized, and reported in a timely manner.

Changes in Internal Controls over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Internal control over financial reporting is designed to provide reasonable assurance to our management and the board of directors regarding the reliability of financial reporting and the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurances with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may decline.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

On October 17, 2007, Ukcyl filed two legal demands with the Court for Commercial Demands at Perechyn, Ukraine, against Steatit - Open Joint Stock Company ("SOJSC"), the seller of a building that was bought by Ukcyl. In the demands, Ukcyl requested that the Court order the SOJSC to comply with the Sale-Purchase Agreement dated May 15, 2007, by removing machinery belonging to the SOJSC and demolishing an old building located on the premises. The location of the machinery and old building do not currently prevent us from constructing Ukcyl's facility or commencing operations. The demands further requested that SOJSC be ordered to pay the Company's legal expenses incurred in connection with these actions.

According to the decisions of the Court dated November 23, 2007, SOJSC was ordered to remove from the premises any object belonging to SOJSC and to demolish residuals of the old building. On January 11, 2008 the Department of the State Executive Service of the area opened an executive prosecution in pursuance of the order of the Court. To date, all equipment of SOJSC has been removed from the premises. With respect to demolishing the old building, SOJSC appealed the decision of the Court to the Lviv Court of Appeal (Court of Appeal). On February 12, 2008, the Court of Appeals ordered the dismissal of the appeal upon SOJSC's request. The old building does not currently prevent Ukcyl from constructing the Company's facility or commencing operations.

On January 3, 2008 the SOJSC filed a lawsuit with the Court for Commercial Demands - against Ukcyl concerning recognition of invalidity of certain clauses and appendix of the Agreement in the issues related to the purchased premises. On February 5, 2008 the case was closed due to the SOJSC's failure to appear at the Court session.

During the quarter ended March 31, 2008, there were no pending legal proceedings to which the Company was a party or in which any director, officer or affiliate of the Company, any owner of record or beneficially of more than 5% of any class of voting securities of the Company, or security holder was a party adverse to the Company or had a material interest adverse to the Company. The Company's property was not the subject of any pending legal proceedings.

Item 1A. Risk Factors.

There have been no material changes to the risks to our business described in our Annual Report on Form 10-K for the year ended December 31, 2007 filed with the SEC on March 27, 2008.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Unregistered Sales of Equity Securities

On April 1, 2008 we signed an agreement with Chelsea Holdings, Inc. (hereinafter "CHELSEA") for the provision of PR/IR services for a period of 90 days, renewable for successive periods of 90 days. In exchange for their services we agreed to issue to CHELSEA fifty thousand shares of common stock of the Company. The agreement provides for no other payments except of reimbursement of expenses pre-approved by the Company. The aforementioned securities were issued in reliance upon the exemption afforded by the provisions of Section 4(2) of the Securities Act of 1933, as amended, and Rule 506 promulgated thereunder, and in reliance on the purchaser's representations as to its status as an accredited investor, and that it was acquiring the shares for investment purposes and with not a view to any sale or distribution. In addition, the shares bear a 1933 Act restrictive legend.

On April 15, 2008, we raised an aggregate of \$500,000 by selling to purchasers an aggregate of 666,667 units of the Company's securities, each unit consisting of one share of common stock and one warrant, designated Class 2007-J Warrant. Each Class 2007-J Warrant entitles the holder thereof to purchase one share of common stock at a purchase price of \$1.50 until February 28, 2011. The purchase price paid to the Company for each unit was \$0.75. The units were offered and sold pursuant to a placement held under Regulation S promulgated under the Securities Act of 1933, as amended. The purchasers represented to us that such purchasers were not United States persons (as defined in Regulation S) and were not acquiring the shares for the account or benefit of a United States person. The purchasers further represented that at the time of the origination of contact concerning the subscription for the units and the date of the execution and delivery of the subscription agreement for such units, such purchasers were outside of the United States. We did not make any offers in the United States, and there were no selling efforts in the United States. There were no underwriters or broker-dealers involved in the private placement and no underwriting discounts. Commissions in cash, in the amount of \$25,000 are to be paid on the said fund raising and additional 33,333 shares of our common stock are to be issued as commission.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

On May 4, 2008, the Board of Directors established a compensation committee and appointed Mr. Yishai Aizik and Mr. Eliezer Sandberg as members of said committee.

On May 4, 2008 the Board of Directors of the Company has approved issuance of up to 7,500,000 shares of the Company's common stock in consideration of Employee Stock Option Plans ("ESOP") of the Company and its subsidiaries, out of which 2,700,000 are reserved for issuance to Israeli resident employees under the Israeli ESOP. The remaining 5,200,000 shares of common stock are reserved for issuance under future ESOPs.

On May 4, 2008, the Company adopted an Employee Stock Option Plan providing for the grant of an aggregate of 7,500,000 shares of common stock pursuant to such plan, 2,700,000 of which are reserved for issuance to Israeli resident employees of the Company and its affiliates.

On May 4, 2008, the Company amended its Management Services Agreement with EuroSpark S.A., a Belgian corporation, providing for an increase in the monthly management fee payable to EuroSpark from €6,600 Euros to €12,000 Euros per month. EuroSpark provides operational and financial management services to the Company through Lev Zaidenberg, the chief executive officer and a director of Eurospark.

Item 6. Exhibits

Exhibit No.	Description
31.1	Principal Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Principal Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Principal Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
10.33	Appendix to Management Services Agreement with Eurospark S.A.
10.34	2008-IL key employee option plan

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 14, 2008

ENERGTEK INC.

By: /s/ Lev Zaidenberg
Name: Lev Zaidenberg
Title: Chief Executive Officer
(Principal Executive Officer)

By: /s/ Doron Uziel
Name: Doron Uziel
Title: Treasurer
(Principal Financial Officer)

EXHIBIT 31.1
CERTIFICATION PURSUANT TO
SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002

I, Lev Zaidenberg, the Chief Executive Officer of Energtek Inc. (the “Company”), certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of the Company for the quarter ended March 31, 2008;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
- 4) I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the Company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such disclosure control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (in the case of an annual report, the fourth fiscal quarter) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
- 5) I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting

Date: May 14, 2008

By: /s/ Lev Zaidenberg
Name: Lev Zaidenberg
Title: Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2
CERTIFICATION PURSUANT TO
SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002

I, Doron Uziel, the Treasurer of Energtek Inc. (the “Company”), certify that:

1) I have reviewed this quarterly report on Form 10-Q of the Company for the quarter ended March 31, 2008;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4) I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such disclosure control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (in the case of an annual report, the fourth fiscal quarter) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5) I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting

Date: May 14, 2008

By: /s/ Doron Uziel

Name: Doron Uziel

Title: Treasurer

(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Lev Zaidenberg, the Chief Executive Officer of Energtek Inc. (the "Company"), certify, under the standards set forth and solely for the purposes of 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to each of their knowledge, the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended March 31, 2008 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in that Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 14, 2008

By: /s/ Lev Zaidenberg

Name: Lev Zaidenberg

Title: Chief Executive Officer and Director
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Doron Uziel, the Treasurer, Principal Financial Officer of Energtek Inc. (the "Company"), certify, under the standards set forth and solely for the purposes of 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to each of their knowledge, the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended March 31, 2008 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in that Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 14, 2008

By: /s/ Doron Uziel

Name: Doron Uziel

Title: Treasurer

(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**APPENDIX TO MANAGEMENT SERVICES AGREEMENT
WITH EUROSPARK S.A.**

Signed on this 12 day of May, 2008.

to the Management Services Agreement ("the Agreement") dated as of September 24, 2007, by and between Energtek Inc., a company duly registered in the State of Nevada, USA with address at 26 East Hawthorne Avenue, Valley Stream, NY 11580, USA (the "Company") and EuroSpark S.A., a Belgian corporation with address at Avenue Louise 109, Brussels 1050 Belgium (the "Provider"); the Company and the Provider collectively the "Parties".

The Parties agree that the Consideration as defined in Clause 4.2 to the Agreement shall be amended and the monthly payment shall

1. be of Twelve Thousand Euros (€ 12,000.00) instead of Six Thousand Six Hundred Euros (€ 6,000.00), all the other terms remaining the same.

2. The change in the Consideration shall be applicable starting from the payments for the services provided during April 2008.

IN WITNESS WHEREOF, the undersigned has executed and delivered the Appendix to the Agreement on the day and year first written above.

EUROSPARK S.A.

/s/ Nikita Ananov

By: Nikita Ananov

Title: Director

ENERGTEK INC.

/s/ Doron Uziel

By: Doron Uziel

Title: Treasurer

ENERGTEK INC.
Energtek Products Ltd

2008-IL KEY EMPLOYEE OPTION PLAN

Energtek Inc., a corporation registered in the State of Nevada, USA, (hereinafter "the Corporation") and its fully owned subsidiary, Energtek Products Ltd. ("Energtek" or "the Reporting Entity") have adopted this 2008-IL Key Employee Option Plan ("the Plan") for all the key employees and/or officers (including employee and non-employee directors), either of the Corporation and/or of any Subsidiary (as defined hereunder), that are Israeli residents, in accordance with the following terms and conditions.

1. DESIGNATION AND PURPOSE OF THIS PLAN

1.1. Designation - This Plan is hereby designated as the 2008-IL Key Employee Option Plan.

1.2. Purpose - The purpose of this Plan is to advance the growth and development of the Corporation, including its Subsidiaries, by affording an opportunity to Eligible Participants (as defined hereunder) to purchase Common Shares of the Corporation through the exercise of Options granted to them. Competition and technical development in the Corporation's line of business make it necessary for the Corporation to attract and retain persons of competence for the Corporation to encourage the highest level of performance if the Corporation is to maintain and improve its position in its particular lines of business and if it is to continue to serve the best interests of its Shareholders and customers. The acquisition of such Common Shares by such Participants who are primarily responsible for the Corporation's success, provides a continuing incentive for them to promote the best interests of the Corporation, and, by giving such Participants a proprietary interest in the Corporation, induces them to continue in the employ and to work for the long-term benefit of the Corporation. All Options and Common Shares and other assets held under this Plan will be administered, distributed, and otherwise governed by the provisions of this Plan, the related Trust Agreement and the Corporation's agreement with each Participant. This Plan is made pursuant to the provisions of Section 102 (as defined hereunder).

2. DEFINITIONS

The following definitions shall be applicable to the terms used in this Plan:

2.1. "Board" or "Board of Directors" means the board of directors of the Corporation.

2.2. "Capital Gain Method" means choosing the alternative of capital gain method under Section 102.

2.3. "Change in Control" means a change in ownership or control of the Corporation or the Subsidiary of the Corporation to which the Participant is directly employed by, effected through either of the following transactions: (a) the acquisition, directly or indirectly, by any person or related group of persons (other than the Corporation or a person that directly or indirectly controls, is controlled by, or is under common control with, the Corporation), of beneficial ownership (within the meaning of Rule 13d-3 of the U.S. Securities Exchange Act of 1934, as amended) of securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities pursuant to a tender or exchange offer made directly to the Corporation's stockholders; or (b) a change in the composition of the majority of the Board due to a change in ownership of securities in the Corporation.

- 2.4. "Committee" means the Committee appointed by the Board of Directors of the Corporation to administer this Plan pursuant to Section 4 below, if such a committee shall be appointed, or the Board of Directors.
- 2.5. "Common Shares" means the Shares of Common Stock par value \$ 0.001, existing or otherwise created in the capital of the Corporation, (the rights of which shall be as specified in the Corporation governing documents).
- 2.6. "Corporation" means the Corporation and/or any of its Subsidiaries, "Companies" means the Corporation together with its Subsidiaries.
- 2.7. "Corporation Transaction" means either of the following stockholder-approved transactions to which the Corporation is a party: (a) a merger or consolidation in which securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such transaction; or (b) the sale, transfer or other disposition of all or substantially all of the Corporation's assets in complete liquidation or dissolution of the Corporation's.
- 2.8. "Option Grant Program" means this Plan.
- 2.9. "Eligible Participant" means any employee as such term is defined in Section 102, including employee and non-employee directors. Without derogating from the foregoing Eligible Participant shall include any employee or officer (including a director) of the Corporation or any Subsidiary except for such persons that are deemed as controlling persons, with the meaning specified in Section 32 (or any section that may replace it in the future) to the Income Tax Ordinance, all as further defined .
- 2.10. "Grant" - Means the formal decision of the Board of Directors or the Committee to award a Participant with Options.
- 2.11. "Grant Day" - means the day the Grant has been approved by the Committee, but no earlier than 30 days following the submission of the Plan to the Israeli Tax Authorities.
- 2.12. "Income Tax Ordinance" means the Israeli Income Tax Ordinance as amended from time to time.
- 2.13. "Installment" means all Option Shares that become exercisable on the same date.
- 2.14. "Labor Income Method" means choosing the alternative of labor income method under Section 102.
- 2.15. "Expiry Date" means the 31st of December of the fifth year following the calendar Gregorian year in which the Option became exercisable.
- 2.16. "Options" means options class A that upon exercise shall be converted to Common Shares in accordance with a vesting schedule, on a one to one basis, (provided that the ratio of conversion of the Options shall be adjusted to any share split, reverse share split, or other similar transaction or recapitalization of the Corporation), upon payment of the exercise payment. Any Option that shall not be exercised by the end of the Option Period, shall become void and shall not entitle its holder to any rights and/or benefits whatsoever.

- 2.17. "Option's Shares" means all Common Shares exercisable by an Option(s).
- 2.18. "Participant" means any Eligible Participant who is granted Options that shall allow him to purchase Common Shares.
- 2.19. "Participant Agreement" means the Option Agreement entered into between the individual Participant and the Corporation and/or any Subsidiary regarding the grant of the Options and its terms in conjunction with this Plan.
- 2.20. "Section 102" means Section 102 to the Income Tax Ordinance as amended from time to time, and any rules regulations or instructions promulgated or enacted under Section 102.
- 2.21. "Shareholder(s)" means a holder of Common Shares of the Corporation (as defined in the Corporation's Articles of Association).
- 2.22. "Subsidiary" - means any partially or fully owned subsidiary of the Corporation, directly or indirectly, including entities in which the Corporation holds directly or indirectly 50% or more of the shares or membership, that shall exist at the time of adoption of this Plan or thereafter, including, without limitation, Primecyl LLC, MoreGasTech LLC, Energtek Products Ltd., Angstore Ltd., Gatal (Natural gas for Israel) Ltd., Ukcyl Ltd. and MoreGasTech India Private Limited, provided that in the event of a partially owned Subsidiary (in which the Corporation holds less than 50% of the shares or the membership), the Corporation shall own the controlling shareholdings in such Subsidiary and/or have the ability to nominate the majority of the directors.
- 2.23. "Release Term" means, in the case of Capital Gains Method, a period ending twenty four (24) months after the date of allotment in which certain Options were granted to the Trustee for the benefit of the Participant. In the case of Labor Income Method 'Release Term' shall mean a period ending twelve (12) months after the date of allotment in which certain Options were granted to the Trustee for the benefit of the Participant.
- 2.24. "Tax Method" means either Capital Gains Method or Labor Income Method.
- 2.25. "Trust" means the Trust, maintained under the Trust Agreement entered into between the Corporation and the Trustee(s) for administration of this Plan.
- 2.26. "Trust Agreement" means the agreement between the Corporation and the Trustee(s) as may be in effect from time to time specifying the duties and authority of the Trustee.
- 2.27. "Trust Assets" means the Options and the Shares (and other assets) held in Trust for the benefit of the Participants pursuant to this Plan and the Trust Agreement.
- 2.28. "Trustee" means the Trustee (and any successor Trustee) appointed by the Board of Directors of the Corporation to hold the Trust Assets.
- 2.29. "Vesting Date" means a date in which an Installment becomes exercisable per the terms of the Participation Agreement.
- 2.30. "Vesting Schedule" as detailed in the Participation Agreement.

Wherever appropriate, words used in this Plan in the singular may mean the plural, the plural may mean the singular and the masculine may mean the feminine or neuter.

3. SHARES SUBJECT TO THIS PLAN

3.1. Total Number of shares - The total number of Common Shares which may be issued by the Corporation under this Plan is 2,700,000. Such number may be increased or decreased only by a resolution adopted by the Board or as is necessary to reflect the effect of any share split, reverse share split, or other similar transaction or recapitalization of the Corporation.

3.2. Unexercised Options - Should any of the Options expire or terminate for any reason without having been exercised in full, it shall be deemed void and shall not confer any rights whatsoever.

4. ADMINISTRATION OF THE OPTION GRANT PROGRAM

4.1. Appointment of Committee - The Committee shall be appointed by the Board of Directors. If not so comprised, then the entire Board of Directors shall act as the Committee.

4.2. Committee Meetings - The Committee shall hold its meetings at such times and places as are specified by a majority of the Committee members. A majority of the Committee shall constitute a quorum. All actions of the Committee shall be taken by a majority of a quorum present at a meeting duly called; provided, however, any action taken by a written consent signed by all Committee members shall be as effective as any action taken by the Committee at a meeting duly called and held. Unless decided otherwise the rules applicable to Board Meetings shall apply to Committee meetings.

4.3. Committee Powers

4.3.1. Subject to the terms and provisions of this Plan and any applicable law and to such guidelines, if any, as shall be issued by the Board of Directors, the Committee, in its sole discretion, shall have full power and authority to:

4.3.1.1. designate the Participants to whom Options shall be granted;

4.3.1.2. determine the number of Shares to be covered by each such Grant;

4.3.1.3. determine the Vesting Schedule of the Option which shall be in accordance with the Participant Agreement executed between the Participant and the relevant Companies, unless the Committee determines otherwise;

4.3.1.4. determine the exercise price of the Shares;

4.3.1.5. determine the terms of payment for the Shares upon exercise of the Option and determine the various exercise periods

4.3.1.6. determine such other provisions and requirements as are appropriate, in the opinion of the Committee, to carry out the purpose of this Plan, including the Tax Method.

4.3.2. The Committee shall have the rights, powers and authority necessary or appropriate to administer this Plan in accordance with its terms including, without limitation, the power to make binding interpretations of this Plan and to resolve conclusively all questions (whether express or implied) arising thereunder. The Committee may prescribe such rules and regulations for administering this Plan as the Committee, in its sole discretion, deems necessary or appropriate. No Committee member shall be liable to the Corporation or to any Participant for any action or determination taken or made in good faith as a Committee member on behalf of this Plan.

4.3.3. The Committee shall have the right to permit a Participant to exercise Option Awards which would not be otherwise exercisable pursuant to the provisions of this Plan.

5. SELECTION OF PARTICIPANTS UNDER THE OPTION GRANT PROGRAM

In determining which Eligible Participants shall be granted Options, as well as the terms thereof, the Committee shall evaluate, among other things; (i) the duties and responsibilities of Eligible Participants; (ii) their past and prospective contributions to the success of the Corporation or its Subsidiaries; (iii) the extent to which they are performing and will continue to perform outstanding services for the benefit of the Corporation or its Subsidiaries; and (iv) such other factors as the Committee deems relevant.

6. GRANT AND EXERCISE OF OPTIONS UNDER THE OPTION GRANT PROGRAM

6.1 Option Period - Subject to the terms and conditions of this Plan as shall be in effect from time to time, unless otherwise determined by Committee at the time of grant, each Grant of Options granted under this Plan, subject to continued employment or other service with the Corporation or its Subsidiaries, shall be exercisable from in accordance to the Vesting Date, through the Expiry Date (the "Option Period"). Options not so exercised shall terminate upon the expiration of the Option Period.

6.2 Participant Agreement - Each Option granted to a Participant under this Plan shall be evidenced by a Participant Agreement, to be entered into by and between the relevant Companies, (including the Corporation) and such Participant, in the form as may be from time to time approved by the Committee, which shall incorporate the provisions of this Plan and the Trust Agreement by reference. In the event of any conflict between the terms and conditions of a Participant Agreement and the terms hereof, the terms of this Plan shall control.

6.3 Manner of Exercise - An Option(s) shall be exercisable, in whole or in part, during the Option Period, in accordance to its Vesting Schedule, by delivery to the Corporation and the Company party to such Agreement of a duly executed copy of the relevant notice of exercise in the prescribed form, specifying the number of Shares as to which such Options is being exercised, accompanied by full payment of the option exercise price thereof (the "Option Exercise Price") plus any applicable taxes when exercised. The payment shall be done in U.S. dollars.

6.4 Termination of Employment - An Option may not be exercised unless the Participant is then in the employ of the Corporation and/or any Subsidiary and unless the Participant has remained continuously so employed since the Grant Day of the Option. Subject to Section 6.5 below and unless the Committee determines otherwise, if a Participant should for any reason cease to be employed by the Corporation or a Subsidiary, all of the Options of such Participant that are exercisable at the time of such termination shall be exercised in accordance with their terms, provided the Option Exercise Price shall be paid in full. Subject to any decision of the Committee, in the event that part of the Options that are exercisable, shall not be exercised during a period of ninety (90) days after the Participant left the employment of the Corporation or a Subsidiary, the Options shall be void and shall not entitle the Participant to any rights. In the event of resignation or discharge of a Participant from the employ of the Corporation or a Subsidiary, his employment shall, for the purpose of this Section 6.4, be deemed to have ceased upon the actual date of termination of the employer-employee relationship with that Participant. The Committee, in its sole discretion, may declare whether an authorized leave of absence for a particular Participant shall constitute a termination for the purposes of this Plan.

6.5 Death, Disability or Retirement - If a Participant shall die while in the employ of the Corporation and/or a Subsidiary, or if the Participant's employment shall terminate by reason of disability or retirement, then, at any time thereafter during the Option Period, all Options theretofore granted to such Participant and exercisable within said Option Period may, unless earlier terminated in accordance with their terms, be exercised by the Participant or by the Participant's estate or by a person who acquired the right to exercise such Option by bequest or inheritance or otherwise by reason of the death or disability of the Participant, in any case subject to the terms and conditions of this Plan.

7. OPTION EXERCISE PRICE UNDER THE OPTION GRANT PROGRAM

The Committee shall determine the Option Exercise Price for each Participant.

8. OPTIONS UNDER SECTION 102; GRANT OF OPTIONS AND ISSUANCE OF COMMON SHARES IN TRUST; DIVIDEND AND VOTING RIGHTS

8.1. Options under Section 102

8.1.1. This Plan is intended to comply with the provisions of Section 102 to enable the Corporation to issue Options to Eligible Participants under the Tax Method elected by it.

8.1.2. The Corporation selects the Capital Gain Method ('Maslul Revach Hon'). This selection may be changed in the future, by Board resolution, provided, however, that the change in selection is possible according to the provisions of Section 102.

8.1.3. Terms of the Plan:

Notwithstanding anything to the contrary in the Plan:

8.1.3.1. The Plan shall have one, sole, Trustee.

8.1.3.2. Unless the provisions of Section 102 allow, the Plan shall be subject to one of the alternative tax methods.

8.1.3.3. No Shares received subsequent to the exercise of Options shall be either transferred from the Trustee to a certain Participant or sold by the Trustee unless the Release Period (which is 24 months from allotment under the Capital Gains Method) expired. If the Release Period has not expired, the Participant shall be entitled to sell Option Shares, exercised per the Vesting Schedule, subject to payment of all required taxes.

8.1.3.4. All rights or benefits that are received subsequently to the allocation or exercising the Options or the Shares underlying such Options (including and not limited to bonus shares and dividends) shall be deposited with the Trustee at least until the end of the Release Term, and all such rights and benefits shall be subject to the Tax Method selected by the Corporation, which is Capital Gains Tax.

8.1.3.5. After the Release Period expires, a Participant shall be entitled to instruct the Trustee to sell the Shares or to transfer the Shares held for such Participant's benefit to such Participant, provided, however, that the Trustee confirms that all applicable tax under Section 102 was actually paid and the Trustee holds a confirmation to that effect from Income Tax Authorities.

8.1.3.6. The Corporation shall not issue any Options to a Participant unless such Participant confirmed in writing that he or she are aware to the provisions of Section 102 and the applicable Tax Method, and such Participant's agreement in writing to the terms of the Trust Agreement, and that he/she shall not exercise shares (as such term is defined in Section 102) before the Release Term, unless allowed to exercise such Options per the vesting schedule and shall be subject to all applicable taxation.

8.2. Grant of Options and Issuance of Common Shares in Trust

8.2.1. Anything herein to the contrary notwithstanding, each Option and Share with respect to which an Option has been exercised by a Participant shall be issued by the Corporation to the Trustee to be held in the Trust for the benefit of such Participant. All certificates representing Options or Common Shares issued to the Trustee under this Plan shall be deposited with the Trustee, and shall be held by the Trustee until such time that such Options or Common Shares are released from the Trust as herein provided.

8.2.2. Anything herein to the contrary notwithstanding, no Options or Common Shares shall be released from the Trust until the Release Term has been fulfilled. Upon the sale by a Participant of any Options or Common Shares held in Trust, the Corporation shall (or shall cause the Trustee to) withhold from the proceeds of such sale all applicable taxes, shall remit the amount withheld to the appropriate Israeli tax authorities, shall pay the balance thereof directly to such Participant and shall report to such Participant the amount so withheld and paid to said tax authorities.

8.3. Dividend and Voting Rights.

All Common Shares issued upon the exercise of Options granted under this Plan shall entitle the Participant thereof to receive dividends with respect thereto. For so long as Common Shares issued to the Trustee on behalf of a Participant are held in the Trust, the cash dividends paid with respect thereto shall be remitted to the Participant, and the Trustee shall vote, whether in person or by proxy, all such Common Shares in accordance with the instructions of the Board of Directors of the Company.

9. TRUST ASSETS

9.1 Investment of Trust Assets - Any cash Trust Assets as may be received by Trustee will be invested by the Trustee in interest bearing deposits, in accordance with directions from the Committee pending disposition thereof.

9.2 Allocations to Participants' Accounts - The Trustee shall maintain records to reflect the Options and Common Shares held for the benefit of each Participant.

10. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION, DISSOLUTION, MERGER OR ASSET SALE

Upon the occurrence of any of the following described events, a Participant's Options and Common Shares under this Plan shall be adjusted as hereinafter provided:

10.1 Changes in Capitalization - Subject to any required action by the Shareholders of the Corporation' the number of Common Shares covered by each outstanding Option and the number of Common Shares which have been authorized for issuance under this Plan or have been issued or which have been returned to this Plan upon cancellation or expiration of an Option, as well as the price per Share covered by each such outstanding Option, shall be proportionately adjusted for any increase or decrease in the number of issued Common Shares resulting from a share split, reverse share split, share dividend, combination or reclassification of Common Shares, or any other increase or decrease in the number of issued Common Shares effected without receipt of consideration by the Corporation; provided, however, that conversion of any convertible securities of the Corporation shall not be deemed to have been "effected without receipt of consideration".

10.2 Dissolution or Liquidation - In the event of the proposed dissolution or liquidation of the Corporation, to the extent that an Option has not been previously exercised, the unexercised Option will terminate immediately prior to the consummation of such proposed action. The Committee may, in the exercise of its sole discretion in such instances, declare that any Option shall terminate as of a date fixed by the Committee and give each Participant the right to exercise his Option as to all or any part of the Common Shares, including Common Shares as to which the Option would not otherwise be exercisable.

10.3.1 Merger or Asset Sale with respect to Options Granted under the Option Grant Program - In the event of a merger of the Corporation with or into another corporation, or the sale of all or substantially all of the assets of the Corporation, each outstanding Option granted under the Option Grant Program, may be assumed or an equivalent option may be substituted by the successor corporation or a parent of the successor corporation. In the event that the successor corporation does not agree to assume the Options or to substitute an equivalent options, the Committee shall in lieu of such assumption or substitution, provide for the Participant to have the right to exercise the Options that are fully vested and shall further be allowed to exercise any additional non vested Options, as may be determined by the Committee at its sole discretion.

If the Committee makes the Options fully, or partially, exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Committee shall notify the Participant that the Option shall be fully exercisable for a period of twenty-one (21) days from the date of such notice, and the Option will terminate upon the expiration of such period. For the purposes of this paragraph, the Option shall be considered assumed if, following the merger or sale of assets, the option or right confers the right to purchase for each Common Share subject to the Option immediately prior to the merger or sale of assets, the consideration (whether shares, options, cash, or other securities or property) received in the merger or sale of assets by holders of Common Shares of the Corporation for each Common Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares); provided, however, that if such consideration received in the merger or sale of assets were not solely shares of the successor corporation or its parent, the Committee may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option, for each Common Share, to be solely shares of the successor corporation or its parent equal in fair value to the per share consideration received by holders of Common Shares in the merger or sale of assets.

10.4 Dividends (Bonus Shares) - In the event that the Corporation shall issue any of its securities as share dividends upon or with respect to any Common Shares which shall at the time be subject to a right of purchase by a Participant hereunder, each Participant upon exercising such right shall be entitled to receive (for the purchase price payable upon such exercise), the Common Shares as to which he/she is exercising his/her's said right and, in addition thereto (and at no additional cost), such number of Common Shares of the class or classes in which such share dividend (bonus Common Shares) were declared, and such amount of cash in lieu of fractional Common Shares, as is equal to the amount of Common Shares and the amount of cash in lieu of fractional Common Shares which he/she would have received had he/she been the holder of the Common Shares as to which he/she is exercising his said right at all times between the date of the granting of such right and the date of its exercise.

10.5 Upon the occurrence of any of the foregoing events, the class and aggregate number of Common Shares issuable pursuant to this Plan, in respect of which Options have not yet been granted, shall also be appropriately adjusted to reflect the events specified in paragraphs 11.1 and 11.2 above.

10.6 Such adjustments as mentioned in this paragraph 10 shall be made by the Committee, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Corporation of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Common Shares subject to an Option.

11. RESTRICTION ON TRANSFER

11.1 Apart from the inherent power of the Shareholders of the Corporation to alter or modify the rights of the classes of the Corporation's shares, the Committee may impose on any Participant such additional restrictions on the transfer of Common Shares as the Committee may determine at the time that Options are granted to the Participant or as may be agreed to by the Committee and the Participant following purchase of said Common Shares upon exercise of such Options under this Plan or upon termination of the Participant's employment with the Company(ies). Such additional rights and restrictions shall be included in the Participation Agreement entered into between the Company(ies) and the Participant, or, upon agreement of the Participants, or in this Plan. In any event, the Options are personal in nature and are not transferable, not hedgeable and cannot be subject to any type of lien. All Common Shares transferred by any Participant shall be subject to any right of first refusal detailed in the Articles of Association of the Corporation, subject to section 6.5 above.

11.2 The Participant shall not dispose of any Common Shares in transactions which, in the opinion of counsel to the Corporation, violate the U.S. Securities Act of 1933, as amended (the "1933 Act") or the rules and regulations thereunder, or any applicable state securities or "blue sky" laws, including the securities laws of the State of Israel.

11.3 If any Common Shares shall be registered under the 1933 Act, no public offering (otherwise than on a national securities exchange, as defined in the Securities Exchange Act of 1934, as amended) of any Common Shares shall be made by any Participant (or any other person) under such circumstances that he or she (or such other person) may be deemed an underwriter, as defined in the 1933 Act.

11.4 The Corporation shall have the authority to endorse upon the certificate or certificates representing the Common Shares such legends referring to the foregoing restrictions, and any other applicable restrictions, as it may deem appropriate

12. AMENDMENT OR TERMINATION OF THIS PLAN

The Board of Directors may amend or terminate this Plan or the Trust Agreement at any time provided, however, that any such amendment or termination shall not adversely affect the rights of a Participant without his or her written consent.

13. ADMINISTRATIVE EXPENSES

Up to one percent (1%) of the proceeds of the sale by Participant of his Common Shares, with a maximum fee of no more than U.S. \$1,000, may be withheld by (or paid over to) the Corporation to cover administrative, legal and other professional fees in connection with administration of this Plan. These fees shall be withheld upon the earliest of the following three:

- Sale of an Options Share.
- Transfer of an Option Share from Trustee to Participant.
- Transfer of Options from Trustee to Participant.

These fees can be waived by the Company at it's sole discretion, in whole or in part.

14. TAX MATTERS

All tax consequences under any applicable law which may arise from the grant of an Option, from the exercise thereof, from the sale or disposition of Common Shares by the Participant or from any other act of the Participant in connection with any of the foregoing shall be borne solely by the Participant, and the Participant shall indemnify the Companies and the Trustee, and hold each of them harmless, against and from any liability for any such tax or any penalty, interest thereon or thereof.

15. TERM OF THIS PLAN AND TRUST AGREEMENT

The Corporation may issue Options under this Plan until December 31, 2013. Thereafter all Options that have not been allocated shall expire. The Plan shall terminate when all Options have expired or exercised, and the duties of the Trustee shall end after he ceases to hold Shares and/or Options, according to the Plan and has filed all reports required.

16. GOVERNING LAW AND JURISIDICIION

This plan shall be governed, construed and enforced in accordance with the laws of the state of Israel, without giving effect to the principles of conflict of laws. The competent courts of Tel Aviv, Israel, shall have sole jurisdiction in any matters pertaining to this Plan.

17. GOVERNMENT REGULATION

This Plan and the granting and exercise of the Options and the obligations of the Companies to sell and deliver shares under such Options, shall be subject to all applicable laws and regulations, whether of the state of Israel or the United States or any other state having jurisdiction over the Companies and the Participant, including, if applicable, the registration of the shares under the 1933 Act and to such approval by any governmental agencies or national securities exchanges, as may be required.

