

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

U.S.  
dollars

	Note	As of 30/Jun/2012 (Unaudited) \$	As of 31/Dec/2011 (Unaudited) \$
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents		948,655	351,464
Deposits in bank			17,000
Clients		107,051	
Accounts receivable and prepaid expenses		80,450	187,206
<b>Total current assets</b>		<b>1,136,156</b>	<b>555,670</b>
OTHER ASSETS		2,815	
<b>FIXED ASSETS, NET</b>		1,348,797	698,155
<b>LONG TERM ASSETS</b>			
Deposits		15,002	15,002
<b>TOTAL ASSETS</b>		<b>2,502,770</b>	<b>1,268,827</b>
<b>LIABILITIES AND SHAREHOLDER EQUITY</b>			
<b>Current Liabilities:</b>			
Accounts payable and Accrued Liabilities		803,307	628,038
<b>TOTAL CURRENT LIABILITIES</b>		<b>803,307</b>	<b>628,038</b>
<b>Non Current Liabilities:</b>			
Loans from others		1,547,572	952,695
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>1,547,572</b>	<b>952,695</b>
<b>SHAREHOLDER (DEFICIENCY) EQUITY</b>			
Preferred Stock: \$0.001 par value; 5,000,000 authorized, none issued and outstanding			
Common Stock: \$0.001 par value; 750,000,000 authorized, 109,687,105 issued and outstanding			
		109,686	106,268
Additional Paid-in Capital		30,547,117	29,448,376
Accumulated Deficit		(31,427,683)	(29,866,550)
Minority Rights		922,772	
<b>TOTAL SHAREHOLDER EQUITY</b>		<b>151,892</b>	<b>(311,906)</b>
<b>Total Liabilities and Stockholders' Equity</b>		<b>2,502,770</b>	<b>1,268,827</b>

August 20, 2012

Date

Lev Zaidenberg, CEO

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

In U.S. Dollars	Notes	For Six months ended		For Three months ended		Since the beginning of the development stage entity until
		June 30		June 30		June 30, 2012
		2012	2011	2012	2011	
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues		165,937	38,069	146,903	19,428	242,074
Cost of Revenues		(130,798)	(23,659)	(118,969)	(11,673)	(178,115)
Gross Revenues		35,139	14,410	27,934	7,755	63,959
Operating Expenses:						
Research and Development expenses		(169,044)	(204,511)	(84,598)	(114,330)	(6,519,921)
Selling General and Administrative expenses		(1,423,067)	(3,256,063)	(1,251,913)	(1,729,462)	(24,191,885)
Other Expenses						
<b>Total Operating Income (Expenses)</b>		(1,592,111)	(3,460,574)	(1,336,511)	(1,843,792)	(30,711,806)
<b>Net Income (loss) from operations</b>		(1,556,972)	(3,446,164)	(1,308,577)	(1,836,037)	(30,647,847)
Other Income (loss)						291,656
Financial Income (losses), net		(4,163)	(9,135)	10,496	(4,106)	(248,108)
Fixed assets impairment		-	-	-	-	(368,071)
Investments impairment		-	-	-	-	(74,500)
Patent impairment		-	-	-	-	(95,492)
<b>Net Income (Loss)</b>		(1,561,135)	(3,455,299)	(1,298,081)	(1,840,143)	(31,142,362)
Weighted Average Shares Common Stock Outstanding		104,496,801	103,378,373	106,521,473	100,034,941	
Net Loss Per Common Share (Basic and Fully Diluted)		(\$0.016)	(\$0.034)	(\$0.002)	(\$0.016)	

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

In U.S. Dollars	UNAUDITED		UNAUDITED		UNAUDITED
	For six months ended		For Three months ended		Since the beginning
	June-30		June-30		of the development
	2012	2011	2012	2011	stage
					entity until June 30,
					2012
<b>Cash Flows from Operating Activities:</b>					
Net Loss	(1,561,135)	(3,455,299)	(1,298,081)	(1,840,143)	(31,142,362)
Adjustments to reconcile net loss to net cash					
Provided by operating activities:					
Depreciation and Amortization	36,023	20,501	20,103	9,350	1,341,404
Losses from sales of fixed assets	-	-	-	-	842
Accumulated interest on loans and linkage differences	-	-	-	-	91,731
Impairment of Fixed Assets	-	-	-	-	418,071
Impairment and Adjustments of Patent	-	-	-	-	144,067
Impairment of Option Investment	-	-	-	-	74,500
Stock based compensation	698,293	3,065,790	698,293	1,717,094	19,255,963
Severance pay liability	-	-	-	-	(11,295)
Decrease (Increase) in accounts receivable and prepaid expenses	(295)	(179,208)	5,823	(200,900)	108,453
Decrease (Increase) in Inventory	-	-	-	-	-
Accounts payable and accrued liabilities	770,146	708,407	332,509	701,156	2,009,271
<b>Net cash used in Operating Activities</b>	<b>(56,968)</b>	<b>160,191</b>	<b>(241,353)</b>	<b>386,557</b>	<b>(7,709,355)</b>
<b>Cash Flows to Investing Activities:</b>					
Investment in newly-consolidated subsidiaries and purchase of new-activity					
Investment in shares	-	-	-	-	(235,188)
Investment in Option	-	-	-	-	
Deposits	17,000	(4,977)	57,976	25	(29,343)
Advances paid to suppliers of fixed assets	-	-	-	-	(739,930)
Receipts from sale of fixed capital	-	-	-	-	11,892
Purchase of fixed assets	(689,481)	(1,384)	(689,481)	25	(1,480,180)
<b>Net cash used in Investing Activities</b>	<b>(672,481)</b>	<b>(6,361)</b>	<b>(631,505)</b>	<b>(6,386)</b>	<b>(2,472,749)</b>
<b>Cash Flows from Financing Activities:</b>					-

Issuance of common stock	403,868	1,375	403,868	-	8,687,621
Minority Share in Companies	922,772		922,772	1,375	922,772
Warrants exercise	-	-	-	-	1,445,358
Redemption of warrants	-	-	-	-	98,013
Loan proceeds	-	-	(42,000)	-	(355,000)
Repayment of loan	-	-	-	-	(291,767)
<b>Net cash from Financing Activities</b>	<b>1,326,640</b>	<b>1,375</b>	<b>1,284,640</b>	<b>1,375</b>	<b>10,506,997</b>
<b>Net Increase (Decrease) in Cash</b>	<b>597,191</b>	<b>155,205</b>	<b>411,782</b>	<b>387,957</b>	<b>324,893</b>
Cash at Beginning of Period	351,464	370,712	536,873	137,960	623,762
<b>Cash at End of Period</b>	<b>948,655</b>	<b>525,917</b>	<b>948,655</b>	<b>525,917</b>	<b>948,655</b>

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

From January 1,2005 through June 30,2012

	<b>Shares Issued</b>	<b>Par Value \$0.001 per share</b>	<b>Additional Paid-In Capital</b>	<b>Retained deficit</b>	<b>Minority Rights</b>	<b>Total</b>
<b>Balance as at January 1, 2005</b>	38,520,000	38,520	(12,520)	(53,521)		(27,521)
Issuance of common stock	6,390,000	6,390	64,610	-		71,000
5 for 1 forward stock split-July 21,2005						
Cancellation of shares - split adjustment	(16,897,500)	(16,897)	16,897			-
Net Loss for the year				(42,298)		(42,298)
<b>Balance as at December 31, 2005</b>	28,012,500	28,013	68,987	(95,819)	-	1,181
Cancellation of shares March 14	(4,500,000)	(4,500)	4,500	-		-
3 for 2 forward Stock Split March 25						
Issuance of common stock for cash, August -September	17,400,000	17,400	727,600			745,000
3 for 1 forward stock split-October 30						
Issuance of common stock for services December	2,880,000	2,880	141,120			144,000
Issuance of common stock for cash December	3,200,000	3,200	156,800			160,000
Issuance of common stock for acquisition of a patent, December 31	2,000,000	2,000	98,000			100,000
Net Loss for the year	-	-	-	(847,165)		(847,165)
<b>Balance as at December 31, 2006</b>	48,992,500	48,993	1,197,007	(942,984)		303,016
Issuance of common stock for cash, January	1,040,000	1,040	50,960	-		52,000
Issuance of common stock for cash,February 16	1,111,111	1,111	398,889	-		400,000
Issuance of common stock for cash,February 23 -July 31	7,382,524	7,382	3,683,880	-		3,691,262
Issuance of common stock for completion of acquisition of Angstore Technologies Ltd, August 23	550,000	550	274,450			275,000
Issuance of common stock for cash,November	80,000	80	59,920	-		60,000
Warrants exercise	11,149,998	11,150	1,283,850			1,295,000
Redemption of warrants			(250,000)			(250,000)
Issuance of common stock for services	448,126	448	552,095			552,543
Net Loss for the year	-	-	-	(3,863,376)		(3,863,376)
<b>Balance as at December 31, 2007</b>	70,754,259	70,754	7,251,051	(4,806,360)		2,515,445

	Shares Issued	Par Value \$0.001 per share	Additional Paid-In Capital	Retained deficit	Total
<b>Balance as at December 31, 2007</b>	70,754,259	70,754	7,251,051	(4,806,360)	2,515,445
Issuance of common stock for cash, between January 1, 2008 and September 30, 2008	3,889,667	3,890	2,913,360	-	2,917,250
Redemption of warrants			(105,000)		(105,000)
Stock based compensation			8,538,569		8,538,569
Issuance of common stock for services	370,483	370	418,020		418,390
Net Loss for the year	-	-	-	(12,916,833)	(12,916,833)
<b>Balance as at December 31, 2008</b>	75,014,409	75,014	19,016,000	(17,723,193)	1,367,821
Stock based compensation Q1			190,000		190,000
Net Loss for Q1 2009				(755,993)	(755,993)
<b>Balance as at March 31, 2009</b>	75,014,409	75,014	19,206,000	(18,479,186)	801,828
Stock based compensation Q2			128,000		128,000
Net Loss for Q2 2009				(699,614)	(699,614)
Issuance of common stock for services Q2 2009	1,539,490	1,540	290,926		292,466
Issuance of common stock for cash, between April 1, 2009 and June 30, 2009	250,000	250	74,750		75,000
<b>Balance as at June 30, 2009</b>	76,803,899	76,804	19,699,676	(19,178,800)	597,680
Stock based compensation Q3			154,000		154,000
Net Loss for Q3 2009				(448,149)	(448,149)
Issuance of common stock for services Q3 2009	300,000	300	47,680		47,980
Issuance of common stock for cash, between July 1, 2009 and September 30, 2009	500,000	500	149,500		150,000
<b>Balance as at September 30, 2009</b>	77,603,899	77,604	20,050,856	(19,626,949)	501,511
Stock based compensation Q4			2,004,737		2,004,737
Net Loss for Q4 2009				(3,190,766)	(3,190,766)
Issuance of common stock for services Q4 2009	5,292,001	5,292	688,535		693,827
Issuance of common stock for cash, between September 30, 2009 and December 31, 2009	1,500,000	1,500	148,500		150,000
<b>Balance as at December 31, 2009</b>	84,395,900	84,396	22,892,628	(22,817,715)	159,309

	Shares	Par	Additional	Retained	Minority	
	Issued	Value \$0.001 per share	Paid-In Capital	deficit	rights	Total
<b>Balance as at December 31, 2009</b>	84,395,900	84,396	22,892,628	(22,817,715)		159,309
Stock based compensation Q1	4,078,570	4,079	245,846	-		249,925
Net Loss for Q1 2010	-	-	-	(175,117)		(175,117)
<b>Balance as at March 31, 2010</b>	88,474,470	88,475	23,138,474	(22,992,832)		234,117
Stock based compensation Q2	-	-	669,434	-		669,434
Net Loss for Q2 2010	-	-	-	(901,174)		(901,174)
Issuance of common stock for services Q2 2010	-	-	-	-		-
Issuance of common stock for cash, between April 1, 2010 and June 30, 2010	666,667	667	49,333	-		50,000
<b>Balance as at June 30, 2010</b>	89,141,137	89,142	23,857,241	(23,894,006)		52,377
Stock based compensation Q3	-	-	362,542	-		362,542
Net Loss for Q3 2010	-	-	-	(619,566)		(619,566)
Issuance of common stock for services Q3 2010	-	-	-	-		-
Issuance of common stock for cash, between July 1, 2009 and September 30, 2010	4,599,999	4,600	385,400	-		390,000
<b>Balance as at September 30, 2010</b>	93,741,136	93,742	24,605,183	(24,513,572)		185,353
Stock based compensation Q4	-	-	540,540	-		540,540
Net Loss for Q4 2010	-	-	-	(741,508)		(741,508)
Issuance of common stock for services Q4 2010	2,340,000	2,340	-	-		23,400
Issuance of common stock for cash, between September 30, 2010 and December 31, 2010	3,944,907	3,944	292,752	-		332,201
<b>Balance as at December 31, 2010</b>	100,026,043	100,026	25,495,040	(25,255,080)		339,986
Stock based compensation Q1	-	-	1,345,217	-		1,345,217
Net Loss for Q1 2011	-	-	-	(1,615,156)		(1,615,156)
Issuance of common stock for services Q1 2011	25,025	25	3,478	-		3,504
Issuance of common stock for cash, between January 1, 2011 and March 31, 2011	-	-	-	-		-
<b>Balance as at March 31, 2011</b>	100,051,068	100,051	26,843,735	(26,870,236)		73,551
Stock based compensation Q3	-	-	-	-		1,551,228
Net Loss for Q2 2011	-	-	-	(1,840,143)		(1,840,143)
Issuance of common stock for services Q2 2010	-	-	-	-		-
Issuance of common stock for cash, between April 1, 2011 and June 30, 2011	1,349,701	1,349	165,868	-		167,217
<b>Balance as at June 30, 2011</b>	101,400,769	101,400	28,560,831	(28,710,379)		(48,148)
Stock based compensation Q3	-	-	-	-		1,551,228
Net Loss for Q3 2011	-	-	-	(309,214)		(309,214)
Issuance of common stock for services Q3 2010	290,000	290	2,610	-		2,900
Issuance of common stock for cash, between July 1, 2011 and September 30, 2011	4,327,371	4,327	106,835	-		111,162
<b>Balance as at September 30, 2011</b>	106,018,140	106,018	28,670,275	(29,019,593)		(243,300)

	Shares Issued	Par Value \$0.001 per share	Additional Paid-In Capital	Retained deficit	Minority rights	Total
Stock based compensation Q4	-	-	528,351	-		528,351
Net Loss for Q4 2011	-	-	-	(846,957)		(846,957)
Issuance of common stock for cash, between September 30, 2011 and December 31, 2011	250,000	250	249,750	-		250,000
Balance as at December 31, 2011	106,268,140	106,268	29,448,376	(29,866,550)		(311,906)
Net Loss for the Q1 2012	-	-	-	(263,054)		(263,054)
Issuance of common stock for services Q1 2012	600,000	600	41,400	-		42,000
Balance as at March 31, 2012	106,868,140	106,868	29,489,776	(30,129,604)		(532,960)
Net Loss for Q2, 2012	-	-	-	(1,298,080)		(1,298,080)
Issuance of common stock for cash Q2, 2012	2,568,965	2569	334,299	-		336,868
Issuance of common stock for services Q1 2012	250,000	250	24,750	-		25,000
Stock Based Compensation Q1, 2012	-	-	698,292	-		698,292
Minority Rights	-	-	-	-	922,772	922,772
Balance as at March 31, 2012	109,687,105	109,687	30,547,117	(31,427,684)	922,772	151,892

ENERGTEK INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 1 - General**

**About Energtek**

Energtek enables the transport of Natural Gas in semitrailers specially designed for operating at pressures between 70 bars – 110 bars (1000 PSI – 1600 PSI) and 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. The Company has also developed expertise in the conversion of industrial facilities to the use of natural gas and in the different aspects of the utilization of CNG (200 bars – 300 bars) systems.

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”.

**Note 2 -Summary of Significant Accounting Policies**

The accompanying unaudited financial statements of the Company are presented in accordance with the requirements for Form 10-Q. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") have been condensed or omitted pursuant to such SEC rules and regulations. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been made. The results for these interim periods are not necessarily indicative of the results for the entire year.

ENERGTEK INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(continuation)

**Note 3- Commitments and Contingencies**

**Office of the Chief Scientist Grants and Technological Incubator A.T.I**

Our wholly-owned subsidiary Angstore Technologies Ltd 's ("Angstore"), research and development efforts have been partially financed through grants from the Office of the Chief Scientist of the Israeli Ministry of Industry and Trade (the "OCS") which have been got by the means of the Ashkelon Technological Incubator A.T.I ("the ATI"), in Ashkelon, Israel. In return for the OCS's financing, the Company is committed to pay, by the means of the ATI, royalties to the Israeli Government at the rate of 3% for each of the first three years of revenues related to the technology developed with the support of the OCS, at the rate of 4% for each of the next three years (starting from the fourth year )and , at the rate of 5% from the seventh year onwards, up to 100% of the amount of the grants received. There are no future performance obligations related to the grants received from the OCS. During the years 2003-2005 Angstore received from the OCS office a total cumulative amount of 267,799\$.

In addition, the Company is committed during the first seven years of research and development activity to manage activities in the area of Ashkelon, Israel. if not, the Company is committed to pay, in addition to the amount above, 1 % of the sales of its product up to the total of 500,000\$.

**Note 4 - 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, if exceeding the flow that the Company can receive from the activities of subsidiaries, 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 5 - Subsequent Events**

The supply to Aluminij d.o.o. Mostar took place during the second fiscal quarter as a trial period, with the gas being provided without charges, and during the period with certain quantities being considered as commercial delivery.

As of July 15, 2012 the trial period was considered as finished, and since the said date the supply continued as normal commercial delivery under the terms of the contract signed with Aluminij d.o.o. Mostar, as reported in previous reports and in the disclosure document for the reported quarter filed together with these financial reports.