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

FORM 10-K

MARK ONE:
☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year ended December 31, 2023

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number**:** 001-33228

ZION OIL & GAS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**20-0065053**
(State or other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
12655 N Central Expressway, Suite 1000, Dallas, TX	**75243**
(Address of Principal Executive Offices)	(Zip Code)

(214) 221-4610
(Registrant's telephone number, including area code)

Securities registered under Section 12 (b) of the Exchange Act: None

Securities registered under Section 12 (g) of the Exchange Act:

Common Stock, par value $0.01 per share	**OTCQB**
(Title of Class)	(Name of each exchange on which registered)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, date indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of June 30, 2023, the last business day of the registrant’s most recently completed second quarter, was approximately $38,978,234.

The registrant had 675,970,252 shares of common stock, par value $0.01, outstanding as of March 18, 2024.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant intends to file a definitive proxy statement pursuant to Regulation 14A in connection with its 2023 Annual Meeting of Stockholders within 120 days after the close of the fiscal year covered by this Form 10-K. Portions of such proxy statement are incorporated by reference into Items 10, 11, 12, 13 and 14 of Part III of this report.

2023 ANNUAL REPORT (SEC FORM 10-K)

INDEX

Securities and Exchange Commission
Item Number and Description

FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K (herein, "Annual Report") and the documents included or incorporated by reference in this Annual Report contain statements concerning our expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are not historical facts. These statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. You generally can identify our forward-looking statements by the words "anticipate," "believe," "budgeted," "continue," "could," "estimate," "expect," "forecast," "goal," "intend," "may," "objective," "plan," "potential," "predict," "projection," "scheduled," "should," "will" or other similar words. These forward-looking statements include, among others, statements regarding:

- The Israel-Hamas war which began in October 2023 and its effect on our exploration program;
- The going concern qualification in our consolidated financial statements;
- Our ability to obtain new license areas to continue our exploration program;

- our liquidity and our ability to raise capital to finance our overall exploration and development activities within our license area;
- our ability to continue meeting the requisite continued listing requirements by OTCQB;
- interruptions, increased consolidated financial costs and other adverse impacts of the covid 19 coronavirus pandemic on the drilling and testing of our petroleum exploration program and our capital raising efforts;
- our ability to explore for and develop natural gas and oil resources successfully and economically within a license area;
- our ability to maintain the exploration license rights to continue our petroleum exploration program;
- the availability of equipment, such as seismic equipment, drilling rigs, and production equipment as well as access to qualified personnel;
- the impact of governmental regulations, permitting and other legal requirements in Israel relating to onshore exploratory drilling;
- our estimates of the time frame within which future exploratory activities will be undertaken;
- changes in our exploration plans and related budgets;
- the quality of future license areas with regard to, among other things, the existence of reserves in economic quantities;
- anticipated trends in our business;
- our future results of operations;
- our capital expenditure program;
- future market conditions in the oil and gas industry
- the demand for oil and natural gas, both locally in Israel and globally; and
- the impact of fluctuating oil and gas prices on our exploration efforts

More specifically, our forward-looking statements may include, among others, statements relating to our schedule, business plan, targets, estimates or results of our applications for new exploration rights and future exploration plans, including the number, timing and results of wells, the timing and risk involved in drilling follow-up wells, planned expenditures, prospects budgeted and other future capital expenditures, risk profile of oil and gas exploration, acquisition and interpretation of seismic data (including number, timing and size of projects), planned evaluation of prospects, probability of prospects having oil and natural gas, expected production or reserves, acreage, working capital requirements, hedging activities, the availability of expected sources of liquidity to implement our business strategy, future hiring, future exploration activity, production rates, all and any other statements regarding future operations, consolidated financial results, business plans and cash needs and other statements that are not historical fact.

Such statements involve risks and uncertainties, including, but not limited to, those relating to the uncertainties inherent in exploratory drilling activities, the volatility of oil and natural gas prices, operating risks of oil and natural gas operations, our dependence on our key personnel, factors that affect our ability to manage our growth and achieve our business strategy, risks relating to our limited operating history, technological changes, our significant capital requirements, the potential impact of government regulations, adverse regulatory determinations, litigation, competition, the uncertainty of reserve information and future net revenue estimates, property acquisition risks, industry partner issues, availability of equipment, weather and other factors detailed herein and in our other filings with the Securities and Exchange Commission (the "SEC").

We have based our forward-looking statements on our management's beliefs and assumptions based on information available to our management at the time the statements are made. We caution you that assumptions, beliefs, expectations, intentions and projections about future events may and often do vary materially from actual results. Therefore, we cannot assure you that actual results will not differ materially from those expressed or implied by our forward-looking statements.

Some of the factors that could cause actual results to differ from those expressed or implied in forward-looking statements are described under "Risk Factors" in this Annual Report and in our other periodic reports filed with the SEC. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by reference to these risks and uncertainties. You should not place undue reliance on our forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no duty to update any forward-looking statement.

All references in this Annual Report to the "Company", "Zion", "we", "us", or "our", are to Zion Oil and Gas, Inc., a Delaware corporation, and its wholly-owned subsidiaries, Zion Drilling, Inc. and Zion Drilling Services, Inc. described below.

PART I

ITEM 1. BUSINESS

Overview

Zion Oil and Gas, Inc., a Delaware corporation, is an oil and gas exploration company with a history of 24 years of oil and gas exploration in Israel. We were incorporated in Florida on April 6, 2000 and reincorporated in Delaware on July 9, 2003. We completed our initial public offering in January 2007. Our common stock, par value $0.01 per share (the "Common Stock") currently trades on the OTCQB marketplace of OTC Markets, Inc. under the symbol "ZNOG" and our Common Stock warrant under the symbol "ZNOGW."

The New Megiddo License 428 ("NML 428") was initially awarded on December 3, 2020 for a six-month term and was extended several times before expiring on February 1, 2023. Zion Oil & Gas, Inc. filed an amended application with the Israel Ministry of Energy for a new exploratory license on January 24, 2023 covering the same area as its License No. 428, which expired on February 1, 2023. However, its original application to replace License No. 428 was filed on May 11, 2022, and a revised application was filed on August 29, 2022.

On September 14, 2023, the Israel Ministry of Energy approved a new Megiddo Valleys License 434 ("NMVL 434"), allowing for oil and gas exploration on approximately 75,000 acres or 302 square kilometers. This Exploration License 434 is valid for three years until September 13, 2026 with four potential 1-year extensions for a total of seven years until September 13, 2030. This NMVL 434 effectively supersedes our previous NML 428.

We continue our exploration focus here based on our studies as it appears to possess the key geologic ingredients of an active petroleum system with significant exploration potential. As previously announced, Zion is deploying new technologies and stimulation methods for its planned re-entry into the MJ-01 well, with the objective of potentially unlocking hydrocarbon flows in several identified key zones. Zion has begun tendering service contractors and ancillary items required for efficient operations.

On December 6, 2023, the Israeli Ministry of Energy formally approved a detailed, industry-specific operational framework for the planned re-entry, production tests, and recompletion of the MJ-01 well. The submission of this work plan is a requirement under Israeli law. With the work plan approved, Zion was able to proceed with convening the required Supervisory Committee meeting. This Committee, consisting of a fifteen-member panel, is tasked with reviewing and endorsing the work plan. It also ensures that our planned operations have sufficiently mitigated potential impacts on the land, local roads, surrounding land uses, available water resources, and addressed other environmental and safety concerns. Under Israeli law, the Supervisory Committee is comprised of representatives from the Ministries of Energy, Water, and Environment, and representatives from the local Spring Valley County Council, as well as from the surrounding kibbutzim of Sde Eliyahu (where the rig site is located) and Tirat Zvi (adjacent to Zion's rig site). Due to the ongoing war between Israel and Hamas, scheduling a meeting with such a large Committee became more complex, as it required finding a date and time suitable for all members.

On February 21, 2024, members of the Supervisory Committee visited our rig site. During this visit, they interacted with staff from Zion Oil & Gas, and our consultants and potential service providers. Some of these interactions occurred at Kibbutz Sde Eliyahu, while others were conducted through video conferencing with participants from the United States, Europe and the Middle East. Following these discussions, the Committee has officially accepted our work plan for the MJ-01 project. This acceptance allows us to sign agreements and secure mobilization dates with our service providers required to commence and complete the project.

During the year ended December 31, 2023, the Company did not record any non-cash impairment charge to its unproved oil and gas properties. During the year ended December 31, 2022, the Company recorded a non-cash impairment charge to its unproved oil and gas properties of $45,615,000.

During the year ended December 31, 2023, the Company recorded a non-cash post-impairment charge to its unproved oil and gas properties of $135,000. During the year ended December 31, 2022, the Company did not record any post-impairment charges.

At present, we have no revenues or operating income. Our ability to generate future revenues and operating cash flow will depend on the successful exploration and exploitation of any future petroleum rights or the acquisition of oil and/or gas producing properties, and the volume and timing of such production. In addition, even if we are successful in producing oil and gas in commercial quantities, our results will depend upon commodity prices for oil and gas, as well as operating expenses including taxes and royalties.

Our executive offices are located at 12655 North Central Expressway, Suite 1000, Dallas, Texas 75243, and our telephone number is (214) 221-4610. Our branch office's address in Israel is 9 Halamish Street, North Industrial Park, Caesarea 3088900, and the telephone number is +972-4-623-8500. Our website address is: www.zionoil.com.

Company Background

In 1983, during a visit to Israel, John M. Brown (our Founder and Chairman of the Board of Directors) became inspired and dedicated to finding oil and gas in Israel. During the next 17 years he made several trips each year to Israel, hired oil and gas consultants in Israel and Texas, met with Israeli government officials, made direct investments with local exploration companies, and assisted Israeli exploration companies in raising money for oil and gas exploration in Israel. This activity led Mr. Brown to form Zion Oil & Gas, Inc. in April 2000, in order to receive the award of a small onshore petroleum license from the Israeli government.

Zion's vision, as guided by John Brown, of finding oil and/or natural gas in Israel, is biblically inspired. The vision is based, in part, on biblical references alluding to the presence of oil and/or natural gas in territories within the State of Israel that were formerly within certain ancient biblical tribal areas. While John Brown provides the broad vision and goals for our company, the actions taken by the Zion Board of Directors and management team as it actively explores for oil and gas in Israel, are based on modern science and good business practice. Zion's oil and gas exploration activities are supported by appropriate geological, geophysical and other science-based studies and surveys typically carried out by companies engaged in oil and gas exploration activities.

Upon the award of our first petroleum right in May 2000, the Israeli government provided us access to most of its data with respect to previous exploration in the area, including geologic reports, seismic records and profiles, drilling reports, well files, gravity surveys, geochemical surveys and regional maps. We also gathered information concerning prior and ongoing geological, geophysical and drilling activity relevant to our planned activities from a variety of publicly accessible sources. Subsequently, we have acquired additional studies on our own such as seismic and other geophysical and geological surveys.

ZION'S NEW MEGIDDO VALLEYS 434 LICENSE AREA

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ISRAEL-HAMAS WAR

On October 7, 2023, Hamas, a militant terrorist organization in Gaza, infiltrated southern Israel, killing and injuring at least one thousand Israeli citizens. Roughly 250 Israeli hostages were then taken back to Gaza. This unprovoked attack led the nation of Israel to declare war on Hamas approximately one week later. As of the date of this report, Israel remains at war and there are daily battles inside the Gaza strip. Israel’s stated goals are to completely dismantle the terror infrastructure of Gaza, including its extensive tunnel network and to bring back safely all of the hostages.

There is uncertainty as to how long the war inside the Gaza strip will last. While we acknowledge that uncertainty, the Company is moving forward with its planning and logistics activities. We are working with our international service providers on projected availability timelines and other details. All of these key vendors have expressed willingness to assist Zion in its exploration activities. It is important to note that Zion’s license area is not located near any current combat zones.

Map 1. Zion’s New Megiddo Valleys 434 License as of December 31, 2023.


LEBANON
NAPHTALI
ASHER
EAST MANASSEH
HAIFA
Sea of Galilee
SYRIA
ZEBULUN
ISSACHAR
MEGIDDO VALLEYS LICENSE
75,000 ACRES
CAESAREA
MANASSEH (HEAD OF JOSEPH)
ZION RECOMPLETION SITE
Mediterranean Sea
ISRAEL
TEL AVIV
GAD
EPHRAIM
DAN
BENJAMIN
JERUSALEM
REUBEN
JUDAH
Dead Sea
SIMEON

Zion's Former Joseph License

Zion has plugged all of its exploratory wells on its former Joseph License area, and the reserve pits have been evacuated, but acknowledges its obligation to complete the abandonment of these well sites in accordance with guidance from the Energy Ministry, Environmental Ministry and local officials.

I-35 Drilling Rig & Associated Equipment

	I-35 Drilling Rig	Rig Spare Parts	Other Drilling Assets	Total
	US$ thousands	US$ thousands	US$ thousands	US$ thousands
December 31, 2021	5,859	642	333	6,834
Asset Additions	-	179	221	400
Asset Depreciation	(634)	-	(117)	(751)
Asset Disposals for Self-Consumption	-	(202)	-	(202)
December 31, 2022	5,225	619	437	6,281
Asset Additions	**-**	**-**	**-**	**-**
Asset Depreciation	**(634)**	**-**	**(126)**	**(760)**
Asset Disposals for Self-Consumption	**-**	**(11)**	**-**	**(11)**
December 31, 2023	**4,591**	**608**	**311**	**5,510**

Zion's ability to fully undertake all of these aforementioned activities is subject to its raising the needed capital from its continuing offerings, of which no assurance can be provided.

Exploration Expenditures

The following table summarizes the amounts we expended on our exploration efforts between 2022 and 2023:

	2023	2022
	US$ (000)	US$ (000)
I-35 Drilling Rig & Associated Equipment	-	400
Megiddo License 428:		
Exploratory drilling operations	327	10,994
Equipment and inventory purchases	97	1,205
Environmental, geological & geophysical operations	8	1,294
Location construction and maintenance	450	1,061
Total	882	14,954

Employees & Contractors

As of December 31, 2023, we had 22 employees and contractors of whom all but two are on a full-time basis. Included in this number are certain contractors who provide services to Zion on an ongoing basis. Of the 22 total headcount, 16 work out of our Dallas office and 6 work out of the Caesarea, Israel office. None of our current employees or contractors are subject to any collective bargaining agreements, and there have been no strikes.

We regularly utilize independent consultants and contractors to perform various professional services, particularly for services connected to drilling operations, such as specialized drilling, health and safety, engineering, logging, cementing and well-testing.

Competition and Markets

The oil and gas exploration industry in Israel currently consists of a number of exploration companies. These include relatively small local or foreign companies (such as Zion Oil & Gas, Givot Olam, and Globe Exploration), as well as larger consortia of local Israeli and foreign participants (Noble Energy Inc./Delek Group Ltd.). Most groups are engaged primarily in offshore activities, which is not an area in which we are currently active. Israeli law conveys an exclusive exploration right to license holders such that no additional companies may compete in that license area.

Historically, Israel (particularly onshore) has not been an area of interest for international integrated or large or mid-size independent oil and gas exploration companies for various reasons, one of which is likely geopolitical. Since the announcement of the Tamar and Leviathan discoveries during 2009 and 2010, this situation has changed somewhat. Limited availability in Israel of oil field service companies, equipment and personnel continues to present obstacles, especially during periods of decreased activity and risk aversion in the current market. We attempt to enhance our position by developing and maintaining good professional relations with oil field service providers and by demonstrating a high level of credibility in making and meeting commercial commitments.

The oil and gas industry is cyclical, and from time to time there is a shortage of drilling rigs, equipment, supplies and qualified personnel. During these periods, the costs and delivery times of rigs, equipment and supplies can vary greatly. If the unavailability or high cost of drilling and completion rigs, equipment, supplies or qualified personnel was particularly severe in the areas where we operate, we could be materially and adversely affected. We will continue to monitor the market and build service provider relationships in order to help mitigate concentration risk.

If any exploratory well that we drill is commercially productive, we would install the appropriate production equipment which includes, among other items, oil and gas separation facilities and storage tanks. Under the terms of the Petroleum Law, we may be required by the Minister of Energy and Water Resources to offer first refusal for any oil and gas discovered to Israeli domestic purchasers at market prices.

Since Israel imports almost all of its crude oil needs and the market for crude oil in Israel is limited to two local oil refineries, no special marketing strategy needs to be adopted initially with regard to any oil that we may ultimately discover. We believe that we would have a ready local market for our oil at market prices in addition to having the option of exporting to the international market, if any of our future exploratory wells are commercially productive.

Israel's Petroleum Law

Our business in Israel is subject to regulation by the State of Israel under the Petroleum Law. The administration and implementation of the Petroleum Law are vested in the Minister of Energy ("Energy Minister"), the Petroleum Commissioner and an advisory council. The following discussion includes a brief summary of certain provisions of the Petroleum Law as currently in effect. This review is not complete, and it should not be relied on as a definitive restatement of the law related to petroleum exploration and production activities in Israel.

Petroleum resources are owned by the State of Israel, regardless of whether they are located on state lands or the offshore continental shelf. No person is allowed to explore for or produce petroleum without being granted a specific right under the Petroleum Law. Israeli law provides for three types of rights, two relevant to the exploration stage and the third for the production stage.

Preliminary permit. The "preliminary permit" allows a prospector to conduct preliminary investigations, such as field geology, airborne magnetometer surveys and seismic data acquisition, but does not allow test drilling. It may be granted for a period not to exceed 18 months. The holder of a preliminary permit is entitled to request a priority right on the permit area, which, if granted, prevents an award of petroleum rights on the permit area to any other party. There are no restrictions as to size of the permit area or to the number of permits that may be held by one prospector. However, Israeli policy is to award an area no larger than that for which the applicant has a reasonable plan of operation and has shown evidence of the necessary financial resources to execute the plan.

License. The next level of petroleum right is the "license," bestowing an exclusive right for further exploration work and requiring the drilling of one or more test wells. The initial term of a license is up to three years, and it may be extended for up to an additional four years (in one-year increments). In the event of a discovery, the license may be extended for an additional two years. A license area may not exceed 400,000 dunams (approximately 98,842 acres). One dunam is equal to 1,000 square meters (approximately 0.24711 of an acre). No one entity may hold more than 12 licenses or hold more than a total of four million dunam in aggregate license area.

Production lease. Upon discovery of petroleum in commercial quantities, a licensee has a statutory "right" to receive a production "lease." The initial lease term is 30 years, extendable for an additional 20 years (up to a maximum period of 50 years). A lease confers upon the lessee the exclusive right to explore for and produce petroleum in the lease area and requires the lessee to produce petroleum in commercial quantities (and pursue test and development drilling). The lessee is entitled to transport and market the petroleum produced, subject, however, to the right of the government to require the lessee to supply local needs first, at market price.

Petroleum rights fees. The holders of licenses and leases are required to pay fees to the government of Israel to maintain the rights. The fees vary according to the nature of the right, the size and location (onshore or offshore) of the right, acreage subject to the right and, in the case of a license, the period during which the license has been maintained.

Requirements and entitlements of holders of petroleum rights. The holder of a petroleum right (license or lease) is required to conduct its operations in accordance with a work program set as part of the petroleum right, with due diligence and in accordance with the accepted practice in the petroleum industry. The holder is required to submit progress and final reports; provided, however, the information disclosed in such reports remains confidential for as long as the holder owns a petroleum right on the area concerned.

If the holder of a petroleum right does not comply with the work program provided by the terms of the right, the Petroleum Commissioner may issue a notice requiring that the holder cure the default within 60 days of the giving of the notice, together with a warning that failure to comply within the 60-day cure period may entail cancellation of the right. If the petroleum right is cancelled following such notice, the holder of the right may, within 30 days of the date of notice of the Commissioner's decision, appeal such cancellation to the Energy Minister. No petroleum right shall be cancelled until the Energy Minister has ruled on the appeal.

We are obligated, according to the Petroleum Law, to pay royalties to the Government of Israel on the gross production of oil and gas from the oil and gas properties of Zion located in Israel (excluding those reserves serving to operate the wells and related equipment and facilities). The royalty rate stated in the Petroleum Law is 12.5% of the produced reserves. At December 31, 2023 and 2022, the Company did not have any outstanding obligation with respect to royalty payments, since it is in the development stage and, to this date, no proved reserves have been found.

In March 2011, the Israeli parliament enacted the Petroleum Profits Taxation Law, 2011, which imposes a new levy on oil and gas production. Under the new tax regime, the Israeli Government repealed the percentage depletion deduction and imposed a levy at an initial rate of 20% on profits from oil and gas which will gradually rise to 45.52% for 2016 onwards, depending on the levy coefficient (the R-Factor). The R-Factor refers to the percentage of the amount invested in the exploration, the development and the establishment of the project, so that the 20% rate will be imposed only after a recovery of 150% of the amount invested (R-Factor of 1.5) and will range linearly up to 45.52% after a recovery of 230% of the amount invested (R-Factor of 2.3). For purposes of the levy rate calculation, the minimal gas sale price that will be accepted by the State is the bi-annual average local price. The present 12.5% royalty imposed on oil revenues remains unchanged.

The grant of a petroleum right does not automatically entitle its holder to enter upon the land to which the right applies or to carry out exploration and production work thereon. Entry requires the consent of the private or public holders of the surface rights and of other public regulatory bodies (e.g. planning and building authorities, Nature Reserves Authority, municipal and security authorities, etc.). The holder of a petroleum right may request the government to acquire, on its behalf, land needed for petroleum purposes. The petroleum right holder is required to obtain all other necessary approvals.

Petroleum Taxation. Our activities in Israel will be subject to taxation both in Israel and in the United States. Under the U.S. Internal Revenue Code, we will be entitled to claim either a deduction or a foreign tax credit with respect to Israeli income taxes paid or incurred on our Israeli source oil and gas income. As a general rule, we anticipate that it will be more advantageous for us to claim a credit rather than a deduction for applicable Israeli income taxes on our U.S tax return. A tax treaty exists between the U.S. and Israel that would provide opportunity to use the tax credit.

Exploration and development expenses. Under current US and Israeli tax laws, exploration and development expenses incurred by a holder of a petroleum right can, at the option of such holder, either be expensed in the year incurred or capitalized and expensed (or amortized) over a period of years. Most of our expenses to date have been expensed for both U.S. and Israeli income tax purposes.

Depletion allowances. Until 2011, the holder of an interest in a petroleum license or lease was allowed a deduction for income tax purposes on account of the depletion of the petroleum reserve relating to such interest. This may have been by way of percentage depletion or cost depletion, whichever is greater. In 2010, the Finance Minister of Israel established an advisory committee to study the country's fiscal policy as it relates to the upstream oil and natural gas sector, as well as various options, including an increase in royalties or cancellation of tax incentives. In January 2011, the Finance Ministry advisory committee issued its final recommendations which included cancellation of currently existing tax incentives, including the depletion allowance. In 2011, the depletion allowance was abolished.

Corporate tax. Under current Israeli tax laws, whether a company is registered in Israel or is a foreign company operating in Israel through a branch, it is subject to Israeli Companies Tax on its taxable income (including capital gains) from Israeli sources at a flat rate of 23%, effective January 1, 2019.

Import duties. Insofar as similar items are not available in Israel, the Petroleum Law provides that the owner of a petroleum right may import into Israel, free of most customs, purchase taxes and other import duties, all machinery, equipment, installations, fuel, structures, transport facilities, etc. (apart from consumer goods and private cars and similar vehicles) that are required for the petroleum exploration and production purposes, subject to the requirement that security be provided to ensure that the equipment is exported out of Israel within the agreed upon time frame.

Israeli Energy Related Regulations

Our operations are subject to legal and regulatory oversight by energy-related ministries or other agencies of Israel, each having jurisdiction over certain relevant energy or hydrocarbons laws.

The Onshore Petroleum Exploration Permitting Process in Israel

The permitting process in Israel with respect to petroleum exploration continues to undergo significant modification, the result of which is to considerably increase the complexity, time period, and expenditures needed to obtain the necessary permits to undertake exploratory drilling once a drilling prospect has been identified. Applications for new exploration licenses need to comply with more demanding requirements relating to a license applicant's financial capability, experience and access to experienced personnel. Various guidelines have been published in Israel by the State of Israel's Petroleum Commissioner and Energy and Environmental Ministries since 2012 as it pertains to oil and gas activities. Mention of these guidelines was included in previous Zion Oil & Gas filings.

On June 2, 2020, the Energy Ministry issued a guidance document titled "Commissioner for Petroleum Affairs Guidelines: Extraordinary Incidences Report." These guidelines describe the reporting procedure regarding incidences that are out of the ordinary during pre-drilling, drilling and production activities including incidences that cause bodily injury or damage to property or environment or incidences that are a cause of delay or cessation of drilling activities.

The Company believes that these new regulations are likely to result in an increase in the expenditures associated with obtaining new exploration rights and drilling new wells. The Company expects that an additional financial burden could occur as a result of requiring cash reserves that could otherwise be used for operational purposes. In addition, these new regulations are likely to continue to increase the time needed to obtain all of the necessary authorizations and approvals to drill and production test exploration wells.

Environmental & Safety / Planning & Building

Oil and gas drilling operations could potentially harm the environment if there are polluting spills caused by the loss of well control. The Petroleum Law and regulations provide that the conduct of petroleum exploration and drilling operations be pursued in compliance with "good oil field practices" and that measures of due care be taken to avoid seepage of oil, gas and well fluids into the ground and from one geologic formation to another. The Petroleum Law and regulations also require that, upon the abandonment of a well, it be adequately plugged and marked. Recently, as a condition for issuing the required permit for the construction of a drilling site, the planning commissions have required the submission of a site remediation plan, subject to approval of the environmental authorities. Our operations are also subject to claims for personal injury and property damage caused by the release of chemicals or petroleum substances by us or others in connection with the conduct of petroleum operations on our behalf. Various guidelines have been published in Israel by the State of Israel's Petroleum Commissioner and Energy and Environmental Ministries since 2012 as it pertains to oil and gas activities. Mention of these guidelines was included in previous Zion Oil& Gas filings.

We do not know and cannot predict whether any new legislation in this area will be enacted and, if so, in what form and which of its provisions, if any, will relate to and affect our activities, how and to what extent or what impact, if any, it might have on our financial statements. There are no known proceedings instituted by governmental authorities, pending or known to be contemplated against us under any environmental laws. We are not aware of any events of noncompliance in our operations in connection with any environmental laws or regulations. However, we cannot predict whether any new or amended environmental laws or regulations introduced in the future will have a material adverse effect on our future business.

The Company believes that these new and/or revised regulations will significantly increase the complexity, time, and expenditures associated with obtaining new exploration rights, drilling, and plugging/abandoning new wells, coupled with the heavy financial burden of "locking away" significant amounts of cash that could otherwise be used for operational purposes.

Political Climate

We are directly influenced by the political, economic and military conditions affecting Israel. Specifically, we could be adversely affected by:

- the Israel-Hamas war and any other major hostilities involving Israel;
- the interruption or curtailment of trade between Israel and its present trading partners;
- a full or partial mobilization of the reserve forces of the Israeli army; and
- a significant downturn in the economic or financial condition of Israel.

Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Arab neighbors, and a state of hostility, varying from time to time in intensity and degree, has led to security and economic problems for Israel. Any ongoing or future violence between Israel and the Palestinians, armed conflicts, terrorist activities, tension along Israel's borders, or political instability in the region could possibly disrupt international trading activities in Israel and may materially and negatively affect our business conditions and could harm our prospects and business.

Civil unrest could spread throughout the region or grow in intensity, leading to more regime changes resulting in governments that are hostile to the United States and Israel, civil wars, or regional conflict. With ongoing operations by Iran, Syria, Russia, the U.S. and other countries in areas in close proximity to Israel, there is an increased risk of deliberate and/or inadvertent mishaps that could give rise to grave military and political consequences.

On October 7, 2023, Hamas, a militant terrorist organization in Gaza, infiltrated southern Israel, killing and injuring at least one thousand Israeli citizens. Roughly 250 Israeli hostages were then taken back to Gaza. This unprovoked attack led the nation of Israel to declare war on Hamas approximately one week later. As of the date of this report, Israel remains at war and there are daily battles inside the Gaza strip. Israel's stated goals are to completely dismantle the terror infrastructure of Gaza, including its extensive tunnel network and to bring back safely all of the hostages.

There is uncertainty as to how long the war inside the Gaza strip will last. While we acknowledge that uncertainty, the Company is moving forward with its planning and logistics activities. We are working with our international service providers on projected availability timelines and other details. All of these key vendors have expressed willingness to assist Zion in its exploration activities. It is important to note that Zion's license area is not located near any current combat zones.

We cannot predict the effect, if any, on our business of renewed hostilities between Israel and its neighbors or any other changes in the political climate in the area.

Foundations

If we are successful in finding and producing commercial quantities of hydrocarbons in Israel, 6% of our gross revenues from production will go to fund two charitable foundations that we established with the purpose of donating to charities in Israel, the U.S. and elsewhere in the world.

For charitable activities concerning Israel, the Bnei Joseph Foundation (R.A.) was established. On November 11, 2008, both the Articles of Association and Incorporation Certificate were certified by the Registrar of Amutot (i.e. Charitable Foundations) in Israel.

For the U.S. and worldwide charitable activities, the Abraham Foundation in Geneva, Switzerland was established. On June 20, 2008, the Articles of Incorporation were executed and filed by the Swiss Notary in the Commercial Registrar in Geneva. On June 23, 2008, the initial organizational meeting of the founding members was convened in Israel. Regulations for the Organization of the Abraham Foundation, signed by the founding members, were then filed with the Registrar. On November 19, 2008, the Swiss Confederation approved the Foundation as an international foundation under the supervision of the federal government. On December 8, 2008, the Republic of Geneva and the Federal government of Switzerland issued a tax ruling providing complete tax exemption for the Foundation.

Our shareholders, in a resolution passed at the 2002 Annual Meeting, gave authority to the Zion Board of Directors to transfer a 3% overriding royalty interest to each of the two foundations with regard to the Joseph and Asher-Menashe licenses. In accordance with that resolution, we took steps to legally convey or transfer a 3% overriding royalty interest to the Bnei Joseph Foundation (in Israel) and a 3% overriding royalty interest to the Abraham Foundation (in Switzerland).

On June 22, 2009, we received an official letter from the Commissioner informing us that the 3% overriding royalty interest to each of the Bnei Joseph Foundation and the Abraham Foundation had been registered in the Israeli Oil Register with regard to the Joseph and Asher-Menashe licenses. On November 9, 2011, we received an official letter from the Commissioner informing us that the 3% overriding royalty interest to each of the Bnei Joseph Foundation and the Abraham Foundation had been registered in the Israeli Oil Register with regard to the Jordan Valley License.

On February 5, 2014, the Company submitted applications to the Petroleum Commissioner, requesting royalty interest transfers from the Megiddo-Jezreel License 401 of 3% overriding royalties to the Bnei Joseph Amutot and the Abraham Foundation, respectively. On April 8, 2014, the transfers were approved by the Petroleum Commissioner and duly registered.

On January 14, 2021, the Company submitted applications to the Energy Ministry, Natural Resources Administration, requesting royalty interest transfers from the New Megiddo License 428 of 3% overriding royalties to each of the Bnei Joseph Amutot and the Abraham Foundation, respectively. On March 1, 2021, the Energy Ministry approved both transfers.

The Company has been submitting to the Commissioner all royalty requests for both foundations and registering the overriding royalties with every new license.

Subsidiaries

On January 24, 2020, Zion incorporated a wholly owned subsidiary, Zion Drilling, Inc., a Delaware corporation, for the purpose of owning a drilling rig and related equipment and spare parts, and on January 31, 2020, Zion incorporated another wholly owned subsidiary, Zion Drilling Services, Inc., a Delaware corporation, to act as the contractor providing such drilling services. When Zion is not using the rig for its own exploration activities, Zion Drilling Services may contract with other operators in Israel to provide drilling services at market rates then in effect.

Zion has the trademark “ZION DRILLING” filed with the United States Patent and Trademark Office. Zion has the trademark filed with the World Intellectual Property Organization in Geneva, Switzerland, pursuant to the Madrid Agreement and Protocol. In addition, Zion has the trademark filed with the Israeli Trademark Office in Israel.

Available Information

Zion’s internet website address is “www.zionoil.com.” We make available, free of charge, on our website under “SEC Reports,” our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-

K, Forms 3, 4 and 5 filed on behalf of directors and executive officers and amendments to those reports, as soon as reasonably practicable after providing the SEC such reports.

Our Corporate Governance Policy, the charters of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee, and the Code of Ethics for directors, officers, employees and financial officers are also available on our website under "Corporate Governance" and in print to any stockholder who provides a written request to the Corporate Secretary at Zion Oil & Gas, Inc., 12655 North Central Expressway, Suite 1000, Dallas, Texas 75243, Attn: Corporate Secretary.

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other documents with the SEC under the Securities Exchange Act of 1934, as amended. The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an internet website that contains reports, proxy and information statements, and other information regarding issuers, including Zion Oil & Gas, Inc., that file electronically with the SEC. The public can obtain any document we file with the SEC at www.sec.gov. Information contained on or connected to our website is not incorporated by reference into this Form 10-K and should not be considered part of this report or any other filing that we make with the SEC.

ITEM 1A. RISK FACTORS

In evaluating our company, the risk factors described below should be considered carefully. The occurrence of one or more of these events could significantly and adversely affect our business, prospects, financial condition and results of operations.

Risks Associated with our Company

We are a company with no current source of revenue. Our ability to continue in business depends upon our continued ability to obtain significant financing from external sources and the ultimate success of our petroleum exploration efforts in onshore Israel, none of which can be assured.

We were incorporated in April 2000, and we have incurred negative cash flows from our operations, and presently all exploration activities and overhead expenses are financed solely by way of the issue and sale of equity securities or debt instruments. The recoverability of the costs we have incurred to date is uncertain and is dependent upon achieving commercial production or sale, none of which can be assured. Our operations are subject to all of the risks inherent in exploration companies with no revenues or operating income. Our potential for success must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with a new business, especially the oil and gas exploration business, and in particular the deep, wildcat exploratory wells in which we are engaged in Israel. We cannot warrant or provide any assurance that our business objectives will be accomplished.

Our ability to continue in business depends upon our continued ability to obtain the necessary financing from external sources to undertake further exploration and development activities and generate profitable operations from oil and natural gas interests in the future. We incurred net losses of $7,957,000 for the year ended December 31, 2023, and $55,077,000 for the year ended December 31, 2022. The audited consolidated financial statements have contained a statement by the auditors that raises substantial doubt about us being able to continue as a "going concern" unless we are able to raise additional capital.

We expect to incur substantial expenditures in our exploration and development programs. Our existing cash balances will not be sufficient to satisfy our exploration and development plans going forward. We are considering various alternatives to remedy any future shortfall in capital. We may deem it necessary to raise capital through equity markets, debt markets or other financing arrangements, including participation arrangements that may be available. Because of the current absence of any oil and natural gas reserves and revenues in our license areas, there can be no assurance that our capital will be available on commercially acceptable terms (or at all) and if it is not, we may be forced to substantially curtail or cease exploration expenditures which could lead to our inability to meet all of our commitments.

Currently, we are substantially reliant on the proceeds of sales of our common stock under the Dividend Reinvestment and Stock Purchase Plan. During the past two completed fiscal years, we have financed our operations primarily from the proceeds of sales of our stock under the Dividend Reinvestment and Stock Purchase Plan. For the years ended December 31, 2023 and 2022, we raised approximately $6,949,000 and $19,129,000, respectively, under the Plan. Of the amounts raised, approximately 54% of the amounts raised in 2023 were attributable to one participant and 77% of the amounts raised in 2022 were attributable to two participants. The cessation of funding from these participants may result in adverse consequences to our business, such as a delay in our testing efforts, until we locate alternate sources for this funding.

Our independent registered public accounting firm has included an explanatory paragraph relating to our ability to continue as a going concern in its report on our audited consolidated financial statements. Our audited consolidated financial statements at December 31, 2023 and 2022 and for the years then ended were prepared assuming that we will continue as a going concern.

Such an opinion could materially limit our ability to raise additional funds through the issuance of new debt or equity securities or otherwise. Our ability to continue as a going concern is contingent upon, among other factors, the sale of the shares of our common stock or obtaining alternate financing. We cannot provide any assurance that we will be able to raise additional capital.

We may not be able to maintain the listing of our common stock on the OTCQB Market, which could adversely affect our liquidity and the trading volume and market price of our common stock, and decrease your investment.

Effective January 1, 2024, our common stock began trading on the OTCQB Market. The maintenance requirements for listing are to maintain a minimum bid price of $0.01 per share as of the close of business for at least one of every 30 consecutive calendar days and market capitalization of at least $2 million for at least one of every 30 consecutive calendar days. In the event that the Company’s bid price or the market capitalization falls below the minimum criteria, a cure period of 90 calendar days to regain compliance shall begin, during which time the applicable criteria must be met for 10 consecutive trading days.

We were involved in an extensive government investigation by the United States Securities and Exchange Commission, the results of which could have had a material adverse effect on our consolidated financial condition and business.

On June 21, 2018, the Fort Worth Regional Office of the SEC informed Zion that it was conducting a formal, non-public investigation and asked that we provide certain information and documents in connection with its investigation. Since that date, we fully cooperated with the SEC and provided all requested information and documents. On April 5, 2023, the Company received from the Fort Worth Regional Office of the SEC written notice concluding its investigation as to the Company and advising that the SEC does “not intend to recommend an enforcement action by the Commission against Zion.” Although not expected, if the SEC reopens its investigation and/or brings an enforcement action(s) against Zion, that could result in reputational harm to Zion and may have a material adverse effect on Zion’s current and future business and exploratory activities and its ability to raise capital to continue our oil and gas exploratory activities.

The outbreak of Covid-19 in 2020, and the subsequent variants of Covid which continue today, may interrupt or delay our exploration activities and could affect our capital raising efforts on which we rely to continue our exploration program and maintain our operations, thereby adversely affecting our business.

We cannot predict the impact, if any, that the outbreak of the coronavirus and subsequent variants, will have on our exploration activities. Worldwide, the coronavirus is adversely affecting the global economy, global supply chain/manufacturing and resulting in, amongst other things, significant time delays, unemployment and business shutdowns.

The extent to which the coronavirus impacts our operations, specifically our capital raising efforts, as well as our ability to continue our exploratory efforts, will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others.

Our ongoing exploration and development efforts are subject to many contingencies outside of our control, and any considerable delay in obtaining all of the needed licenses, approvals and authorizations may severely impair our business.

After months of delay, we received our New Megiddo Valleys License 434 on September 14, 2023 (see above) and our proposed Work Plan on December 6, 2023. On February 21, 2024 the Supervisory Committee approved the detailed work plan for our planned re-entry operations on the MJ-01 well. While we have secured these approvals on prior wells we've drilled, we have no assurance we can obtain them for any future wells in a timely enough manner to prevent disruption in the provision of necessary services, personnel and equipment from our vendors.

We require significant capital to realize our business plan.

Our ongoing work program is expensive. We believe that our current cash resources are sufficient to allow us to undertake exploratory activities through March 2024. We estimate that, when we are not actively drilling a well, our monthly expenditure is approximately $600,000 per month. However, when we are drilling, or testing, we estimate that there is an additional cost of approximately $2,000,000 - $3,000,000 per month. Additionally, the newly enacted onshore licensing and environmental and safety related regulations promulgated by the various energy related ministries in Israel during 2021-2023 are likely to render extending our existing license or obtaining new explorations licenses increasingly expensive. For example, at the time of the award of any new exploration license, we will be required to submit performance bank guarantees in the form of a restricted Israel cash deposits for 10% of the cost of the planned drilling program as well as other amounts to cover potential environmental damages. See "Israel Energy Related Governmental Regulations."

No assurance can be provided that we will be able to raise funds when needed. Further, we cannot assure you that our actual cash requirements will not exceed our estimates. Even if we were to discover hydrocarbons in commercial quantities, we will require additional financing to bring our interests into commercial operation and pay for operating expenses until we achieve a positive cash flow. Additional capital also may be required in the event we incur any significant unanticipated expenses.

Under the current capital and credit market conditions, we may not be able to obtain additional equity or debt financing on acceptable terms. Even if financing is available, it may not be available on terms that are favorable to us or in sufficient amounts to satisfy our requirements.

If we are unable to obtain additional financing, we may be unable to implement our business plan and our growth strategies, respond to changing business or economic conditions and withstand adverse operating results. If we are unable to raise further financing when required, our planned exploration activities may have to be scaled down or even ceased, and our ability to generate revenues in the future would be negatively affected.

Additional financing could cause your relative interest in our assets and potential earnings to be significantly diluted. Even if we have exploration success, we may not be able to generate sufficient revenues to offset the cost of dry holes and general and administrative expenses.

If we cannot obtain the planned extensions of our Megiddo Valleys 434 License or any additional petroleum exploration licenses we deem necessary to the success of our exploration program, then our business may be severely impaired.

Our ability to obtain desired exploration licenses on acceptable terms is subject to change in regulations and policies and to the discretion of the applicable government agencies in Israel. Additionally, the onshore licensing and environmental and safety related regulations promulgated by the various energy related ministries in Israel during 2022-2023 are likely to render obtaining any license extensions or additional exploration licenses increasingly expensive and more time consuming. Accordingly, there can be no assurance that we will be able to extend our existing license or obtain new or additional exploration rights. If we are unable for whatever reason to obtain the exploration rights that we deem necessary or desirable, our business may be severely impaired.

We rely on independent experts and technical or operational service providers over whom we may have limited control.

The success of our oil and gas exploration efforts is dependent upon the efforts of various third parties that we do not control. These third parties provide critical drilling, engineering, logging, pressure pumping, geological, geophysical and other scientific analytical services, including 2-D and 3-D seismic imaging technology to explore for and develop oil and gas prospects. Given our small size and limited resources, we do not have all the required expertise on staff. As a result, we rely upon various companies and other third parties to assist us in identifying desirable hydrocarbon prospects to acquire and to provide us with technical assistance and services. In addition, we rely upon the owners and operators of oilfield service equipment.

If any of these relationships with third-party service providers are terminated or are unavailable on commercially acceptable terms, we may not be able to execute our business plan. Our limited control over the activities and business practices of these third parties, any inability on our part to maintain satisfactory commercial relationships with them, their limited availability or their failure to provide quality services could materially and adversely affect our business, results of operations and financial condition.

Exploratory well drilling locations that we decide to drill may not yield oil or natural gas in commercially viable quantities.

There is no way to predict in advance of drilling and testing whether any particular location will yield oil or natural gas in sufficient quantities to recover drilling or completion costs or to be economically viable. The use of technologies and the study of producing fields in the same area, if any, will not enable us to know conclusively prior to drilling and testing whether oil, natural gas liquids (NGLs) or natural gas will be present or, if present, whether oil or natural gas will be present in sufficient quantities to be economically viable. Even if sufficient amounts of oil, NGLs or natural gas exist, we may inadvertently damage the potentially productive hydrocarbon bearing formation or experience mechanical difficulties while drilling or completing a well, resulting in a reduction in production from the well or abandonment of the well. If we drill exploratory wells that we identify as dry holes in our future drilling locations, our business may be materially harmed. We cannot assure you that the analogies we draw from available data from other wells, more fully explored locations or producing fields will be applicable to our drilling locations. Ultimately, the cost of drilling, completing and operating any well is often uncertain, and new wells may not be productive.

Our global operations subject us to various risks, and our failure to manage these risks could adversely affect our results of operations.

Our business is subject to certain risks associated with doing business globally, more particularly in Israel. Accordingly, we face significant operational risks as a result of doing business internationally, such as:

- Difficulties in bringing operational personnel and equipment into Israel stemming from the Israel-Hamas war and/or other military conflicts with Lebanon, Syria, Iran or other hostile country;
- fluctuations in foreign currency exchange rates;
- potentially adverse tax consequences and changes in tax laws;
- challenges in providing solutions across a significant distance, in different languages, different time zones and among different cultures;
- difficulties in staffing and managing foreign operations, particularly in new geographic locations, and related compliance with employment, immigration and labor laws for employees or other staff living abroad;
- restrictions imposed by local labor practices and laws on our business and operations;
- economic weakness, including inflation, or rapid or numerous changes in government, economic and political policies and conditions, political or civil unrest or instability, economic or trade sanctions, closure of markets to imports, terrorism or epidemics and other similar outbreaks or events;
- compliance with a wide variety of complex foreign laws, treaties and regulations;
- compliance with the U.S. Foreign Corrupt Practices Act, or the FCPA, and other anti-corruption and anti-bribery laws;
- unexpected changes in tariffs, trade barriers and other regulatory or contractual limitations on our ability to develop or sell our products in certain foreign markets; and
- becoming subject to the laws, regulations and court systems of multiple jurisdictions.

Our failure to manage the market and operational risks associated with our international operations could limit the future growth of our business and adversely affect our results of operations.

Our business and operations would suffer in the event of system failures, and our operations are vulnerable to interruption by natural disasters, terrorist activity, power loss, adverse public health events and other events beyond our control, the occurrence of which could materially harm our business.

Despite the implementation of security measures, our internal computer systems and those of our contractors and consultants are vulnerable to damage from computer viruses, hacking, ransomware, cyber-attacks, unauthorized access as well as telecommunication and electrical failures. Our information technology and other internal infrastructure systems, including corporate firewalls, servers, leased lines and connection to the Internet, face the risk of systemic failure that could disrupt our operations. Although we have invested significant resources to enhance the security of our computer systems, there can be no assurances we will not experience unauthorized intrusions into our computer systems, or those of our vendors, contractors and consultants, that we will successfully detect future unauthorized intrusions in a timely manner or that future unauthorized intrusions will not result in material adverse effects on our financial condition, reputation or business prospects.

While we have not experienced any such system failure, accident or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our operations.

We are also vulnerable to accidents, electrical blackouts, labor strikes, terrorist activities, war, natural disasters, adverse public health events and other events beyond our control, and we have not undertaken a systematic analysis of the potential consequences to our business as a result of all of such events and do not have an applicable recovery plan in place. Any disruption to our operations or the operations of our collaborators or suppliers from these kinds of events would likely impact our operating results and our financial condition.

Although we carry insurance to protect us against some losses or damages resulting from certain types of disasters, the extent of that insurance is limited in scope and amount, and we cannot assure you that our insurance coverage will be sufficient to satisfy any damages and losses. Any business interruption may have a material adverse effect on our business, financial position, results of operations, and prospects.

Deterioration of political, economic and security conditions in Israel may adversely affect our operations.

Any major hostilities involving Israel, a substantial decline in the prevailing regional security situation or the interruption or curtailment of trade between Israel and its present trading partners could have a material adverse effect on our operations. See the prior discussion on Political Climate.

Prolonged and/or widespread regional conflict in the Middle East, including but not limited to the Israel-Hamas war, could have the following results, among others:

- capital market reassessment of risk and subsequent redeployment of capital to more stable areas making it more difficult for us to obtain financing for potential development projects;
- security concerns in Israel, making it more difficult for our personnel or supplies to enter or work in or exit the country;
- security concerns leading to evacuation of our personnel;
- damage to or destruction of our wells, production facilities, receiving terminals or other operating assets;
- inability of our service and equipment providers to deliver items necessary for us to conduct our operations in Israel, resulting in delays; and
- the lack of availability of experienced crew, oilfield equipment or services if third party providers decide not to enter or to exit the region.

Loss of property and/or interruption of our business plans resulting from hostile acts could have a significant negative impact on our earnings and cash flow. In addition, we may not have enough insurance to cover any loss of property or other claims resulting from these risks.

We have a history of losses and we cannot assure you that we will ever be profitable.

We incurred net losses of $7,957,000 for the year ended December 31, 2023, and $55,077,000 for the year ended December 31, 2022. We cannot provide any assurance that we will ever be profitable.

Earnings, if any, will be diluted due to governmental royalty and charitable contributions.

We are legally bound to pay a government royalty of 12.5% of gross sales revenues. Additionally, we are legally required to pay 6% of gross sales revenue to two separate foundations (3% each to two separate foundations – see the separate section on Foundations). As our expenses increase with respect to the amount of sales, these donations and allocation could significantly dilute future earnings and, thus, depress the price of the common stock.

Risks Associated with our Business

We are subject to increasing Israeli governmental regulations and environmental requirements that may cause us to incur substantial incremental costs and/or delays in our drilling program.

Our business is subject to laws and regulations promulgated by the State of Israel relating to the exploration for, and the development, production and marketing of, crude oil and natural gas, as well as safety matters. Legal requirements are frequently changed and subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. We may be required to make substantial expenditures to comply with governmental laws and regulations.

Environmental laws and regulations change frequently, and the implementation of new, or the modification of existing, laws or regulations could adversely impact our operations. The discharge of natural gas, crude oil, or other pollutants into the air, soil or water may give rise to substantial liabilities on our part to government agencies and third parties and may require us to incur substantial costs of remediation. In addition, we may incur costs and penalties in addressing regulatory agency procedures regarding possible non-compliance.

Our lack of diversification increases the risk of an investment in us, and our financial condition and results of operations may deteriorate if we fail to diversify.

Our business focus is on oil and gas exploration on a limited number of properties in Israel and exploitation of any significant reserves that are found within our license areas. As a result, we lack diversification, in terms of both the nature and geographic scope of our business. We will likely be impacted more acutely by factors affecting our industry or the regions in which we operate than we would if our business were more diversified. If we are unable to diversify our operations, our financial condition and results of operations could deteriorate.

We currently have no proved reserves or current production and we may never have any.

We do not have any proved reserves or current production of oil or gas. We cannot assure you that any wells will be completed or produce oil or gas in commercially profitable quantities.

Oil and gas exploration is an inherently risky business.

Exploratory drilling involves enormous risks, including the risk that no commercially productive oil or natural gas reservoirs will be discovered. Even when properly used and interpreted, seismic data analysis and other computer simulation techniques are only tools used to assist geoscientists in trying to identify subsurface structures and the presence of an active petroleum system. They do not allow the interpreter to know conclusively if hydrocarbons are present or economically available. The risk analysis techniques we use in evaluating potential drilling sites rely on subjective judgments of our personnel and consultants. Additionally, we are typically engaged in drilling deep onshore wildcat exploratory wells in Israel where only approximately 500 total wells have ever been drilled, the vast majority of which are relatively shallow. As such, exploration risks are inherently very substantial.

A substantial and extended decline in oil or natural gas prices could adversely impact our future rate of growth and the carrying value of our unproved oil and gas assets.

Prices for oil and natural gas fluctuate widely. Fluctuations in the prices of oil and natural gas will affect many aspects of our business, including our ability to attract capital to finance our operations, our cost of capital, and the value of any unproved oil and natural gas properties. Prices for oil and natural gas may fluctuate widely in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty and a wide variety of additional factors that are beyond our control, such as the domestic and foreign supply of oil and natural gas, technological advances affecting energy consumption, and domestic and foreign governmental regulations. Significant and extended reductions in oil and natural gas prices could require us to reduce our capital expenditures and impair the carrying value of our assets.

While there is much analysis and speculation as to the cause of this fluctuation in the price and its predicted future course, there are many factors that contribute to the price of oil, none of which the Company controls. The oil price is also impacted by actual supply and demand, as well as by expectation. Demand for energy is closely related to economic activity which is compounded by key advances and innovation in exploration techniques in recent years. Significant geopolitical events such as heightened conflict in the Middle East, the current Israel-Hamas war, and large-scale terrorist activities can also impact the price of oil tremendously.

If we are successful in finding commercial quantities of oil and/or gas, our revenues, operating results, financial condition and ability to borrow funds or obtain additional capital will depend substantially on prevailing prices for oil and natural gas. Declines in oil and gas prices may materially adversely affect our financial condition, liquidity, ability to obtain financing and operating results. Lower oil and gas prices also may reduce the amount of oil and gas that we could produce economically.

Historically, oil and gas prices and markets have been volatile, with prices fluctuating widely, and they are likely to continue to be volatile, making it impossible to predict with any certainty the future prices of oil and gas. The bottom line is that there are many and varied causes for the fluctuation in the price of oil and natural gas, and we have no control over these factors.

Because a certain portion of our expenses is incurred in currencies other than the U.S. dollar, our results of operations may be adversely impacted by currency fluctuations and inflation.

Although our reporting and functional currency is the U.S. dollar, we pay a substantial portion of our expenses in New Israeli Shekel (NIS). As a result, we are exposed to the currency fluctuation risks. For example, if the U.S. dollar weakens against the NIS, our reported financial results in U.S. dollars may be lower than anticipated. We may, in the future, decide to enter into currency hedging transactions to decrease the risk of financial exposure from fluctuations in the exchange rates of the currencies mentioned above in relation to the U.S. dollar. These measures, however, may not adequately protect us from material adverse effects.

The insurance we carry may be insufficient to cover all of the risks we face, which could result in significant financial exposure.

Exploration for and production of crude oil and natural gas can be hazardous, involving natural disasters and other unplanned events such as blowouts, well cratering, fire and explosion and loss of well control which can result in damage to or destruction of wells, injury to persons, loss of life, or damage to property and the environment. Exploration and production activities are also subject to risk from political developments such as terrorist acts, piracy, civil disturbances, war, expropriation or nationalization of assets, which can cause loss of or damage to our property.

As is customary within our industry, we maintain insurance against many, but not all, potential perils confronting our operations and in coverage amounts and deductible levels that we believe to be appropriate but economic. Consistent with that profile, our insurance program is structured to provide us financial protection from unfavorable loss resulting from damages to or the loss of physical assets or loss of human life, liability claims of third parties, and exploratory drilling interruption attributed to certain assets and including such occurrences as well blowouts and resulting oil spills, at a level that balances cost of insurance with our assessment of risk and our ability to achieve a reasonable rate of return on our investments. Although we believe the coverage and amounts of insurance carried are adequate and consistent with industry practice, we do not have insurance protection against all the risks we face. Because we chose not to insure certain risks, insurance may not be available at a level that balances the cost of insurance and our desired rates of return, or actual losses exceed coverage limits. We regularly review our risks of loss and the cost and availability of insurance and revise our insurance program accordingly.

If an event occurs that is not covered by insurance or not fully protected by insured limits, it could have a significant adverse impact on our financial condition, results of operations and cash flows.

We face various risks associated with the trend toward increased activism against oil and gas exploration and development activities.

Opposition toward oil and gas drilling and development activity has been growing globally and is particularly pronounced in Organization for Economic Co-operation and Development ("OECD") countries which include the U.S., the U.K and Israel. Companies in the oil and gas industry, such as us, are often the target of activist efforts from both individuals and non-governmental organizations regarding environmental compliance and business practices, potential damage to fresh water sources, and safety, among other topics. Future activist efforts could result in the following:

- delay or denial of drilling or other exploration permits or licenses;
- shortening of lease terms or reduction in lease size;
- restrictions on installation or operation of gathering or processing facilities;
- restrictions on the use of certain operating practices, such as hydraulic fracturing;
- legal challenges or lawsuits;
- damaging publicity about us;
- increased costs of doing business;
- reduction in demand for our products; and
- other adverse effects on our ability to develop our properties and expand production.

Our need to incur costs associated with responding to these initiatives or complying with any resulting new legal or regulatory requirements resulting from these activities that are substantial and not adequately provided for, could have a material adverse effect on our business, financial condition and results of operations.

Economic risks may adversely affect our operations and/or inhibit our ability to raise additional capital.

Economically, our operations in Israel may be subject to:

- exchange rate fluctuations;
- royalty and tax increases and other risks arising out of Israeli State sovereignty over the mineral rights in Israel and its taxing authority;
- changes in Israel's economy that could lead to oil and gas price controls; and

- Unavailability of key personnel, services or equipment as a result of the Israel-Hamas war or other regional hostilities.

Consequently, our operations may be substantially affected by local economic factors beyond our control, any of which could negatively affect our financial performance and prospects.

Legal risks could negatively affect our market value.

Legally, our operations in Israel may be subject to:

- changes in the Petroleum Law resulting in modification of license and permit rights;
- adoption of new legislation relating to the terms and conditions pursuant to which operations in the energy sector may be conducted;
- changes in laws and policies affecting operations of foreign-based companies in Israel; and
- changes in governmental energy and environmental policies or the personnel administering them.

The Israeli Energy Ministry has now enacted regulations relating to licensing requirements for entities engaged in the fuel sector that would result in our having to obtain additional licenses to market and sell hydrocarbons that we may discover.

Further, in the event of a legal dispute in Israel, we may be subject to the exclusive jurisdiction of Israeli courts or we may not be successful in subjecting persons who are not United States residents to the jurisdiction of courts in the United States, either of which could adversely affect the outcome of a dispute.

There are limitations on the transfer of interests in our petroleum rights, which could impair our ability to raise additional funds to execute our business plan.

The Israeli government has the right to approve any transfer of rights and interests in any license or other petroleum right we hold or may be granted and any mortgage of any license or other petroleum rights to borrow money. If we attempt to raise additional funds through borrowings or joint ventures with other companies and are unable to obtain required approvals from the government, the value of your investment could be significantly diluted or even lost.

Our dependence on the limited contractors, equipment and professional services available in Israel may result in increased costs and possibly material delays in our work schedule.

Due to the lack of competitive resources in Israel, costs for our operations may be more expensive than costs for similar operations in other parts of the world. We are also more likely to incur delays in our exploration schedules and be subject to a greater risk of failure in meeting our required work schedule. Similarly, some of the oil field personnel we need to undertake our planned operations are not necessarily available in Israel or available on short notice for work in Israel. Any or all of the factors specified above may result in increased costs and delays in the work schedule.

Our dependence on Israeli local licenses and permits as well as new regulations calling for enhanced bank guarantees and insurance coverage may require more funds than we have budgeted and may cause delays in our work schedule.

In connection with drilling operations, we are subject to a number of Israeli local licenses and permits. Some of these are issued by the Israeli Defense Forces, the Civil Aviation Authority, the Israeli Water Commission, the Israel Lands Authority, the holders of the surface rights in the lands on which we intend to conduct drilling operations, local and regional planning commissions and environmental authorities.

In the event of a commercial discovery and depending on the nature of the discovery and the production and related distribution equipment necessary to produce and sell the discovered hydrocarbons, we will be subject to additional licenses and permits, including from various departments in the Energy Ministry, regional and local planning commissions, the environmental authorities and the Israel Lands Authority. If we are unable to obtain some or all of these permits or the time required to obtain them is longer than anticipated, we may have to alter or delay our planned work schedule, which would increase our costs.

If we are successful in finding commercial quantities of oil and/or gas, our operations will be subject to laws and regulations relating to the generation, storage, handling, emission, transportation and discharge of substances into the environment, which can adversely affect the cost, manner or feasibility of our doing business. Many Israeli laws and regulations require permits for the operation of various facilities, and these permits are subject to revocation, modification and renewal. Governmental authorities have the power to enforce compliance with their regulations, and violations could subject us to fines, injunctions or both.

If compliance with environmental regulations is more expensive than anticipated, it could adversely impact the profitability of our business.

Risks of substantial costs and liabilities related to environmental compliance issues are inherent in oil and gas operations. It is possible that other developments, such as stricter environmental laws and regulations, and claims for damages to property or persons resulting from oil and gas exploration and production, would result in substantial costs and liabilities. This could also cause our insurance premiums to be significantly greater than anticipated.

The unavailability or high cost of equipment, supplies, other oil field services and personnel could adversely affect our ability to execute our exploration and development plans on a timely basis and within our budget.

Our industry is cyclical and, from time to time, there is a shortage of equipment, supplies and oilfield services. There may also be a shortage of trained and experienced personnel. During these periods, the costs of such items are substantially greater and their availability may be limited, particularly in locations that typically have limited availability of equipment and personnel, such as the Eastern Mediterranean, where our operations are located. As a result, equipment, supplies and oilfield services may not be available at rates that provide a satisfactory return on our investment.

Significant disruptions of information technology systems or security breaches could adversely affect our business.

We are increasingly dependent upon information technology systems, infrastructure and data to operate our business. In the ordinary course of business, we collect, store and transmit large amounts of confidential information (including, among other things, trade secrets or other intellectual property, proprietary business information and personal information). It is critical that we do so in a secure manner to maintain the confidentiality and integrity of such confidential information. We also have outsourced elements of our operations to third parties, and as a result we manage a number of third-party vendors who may or could have access to our confidential information. The size and complexity of our information technology systems, and those of third-party vendors with whom we contract, and the large amounts of confidential information stored on those systems, make such systems vulnerable to service interruptions or to security breaches from inadvertent or intentional actions by our employees, third-party vendors and/or business partners, or to cyber-attacks by malicious third parties. Cyber-attacks are increasing in their frequency, sophistication and intensity, and have become increasingly difficult to detect. Cyber-attacks could include the deployment of harmful malware, ransomware, denial-of-service attacks, social engineering and other means to affect service reliability and threaten the confidentiality, integrity and availability of information.

Significant disruptions of our information technology systems, or those of our third-party vendors or business partners, or security breaches could adversely affect our business operations and/or result in the loss, misappropriation and/or unauthorized access, use or disclosure of, or the prevention of access to, confidential information, including, among other things, trade secrets or other intellectual property, proprietary business information and personal information, and could result in financial, legal, business and reputational harm to us. Security breaches and other inappropriate access can be difficult to detect, and any delay in identifying them may lead to increased harm of the type described above. While we have implemented security measures to protect our information technology systems and infrastructure, there can be no assurance that such measures will prevent service interruptions or security breaches that could adversely affect our business. In addition, our liability insurance may not be sufficient in type or amount to cover us against costs of or claims related to security breaches, cyber-attacks and other related breaches. A cybersecurity breach could adversely affect our reputation and could result in other negative consequences, including disruption of our internal operations, increased cybersecurity protection costs, lost revenue, or litigation.

Risks Related to our Common Stock

We will issue additional common stock in the future, which would dilute the ownership interests of our existing stockholders.

In the future, we anticipate issuing additional securities in connection with capital raising efforts, including shares of our common stock or securities convertible into or exchangeable for our common stock, resulting in the dilution of the ownership interests of our stockholders. We are authorized under our amended and restated certificate of incorporation to issue 1,200,000,000 shares of common stock. As of March 18, 2024, there were approximately 675,970,252 shares of our common stock issued and outstanding.

When we offer a particular series of securities, we will describe the intended use of the net proceeds from that offering in a prospectus supplement. The actual amount of net proceeds we spend on a particular use will depend on many factors, including, our future capital expenditures, the amount of cash required by our operations, and our future revenue growth, if any. Therefore, we will retain broad discretion in the use of the net proceeds.

Because the likelihood of paying cash dividends on our common stock is remote at this time, stockholders must look solely to appreciation of our common stock to realize a gain on their investments.

We do not know when or if we will pay dividends. We currently intend to retain future earnings, if any, to finance the expansion of our business. Our future dividend policy is within the discretion of our board of directors and will depend upon various factors, including our business, financial condition, results of operations, capital requirements and investment opportunities. Accordingly, stockholders must look solely to appreciation of our common stock to realize a gain on their investment. This appreciation may not occur.

Our stock price and trading volume may be volatile, which could result in losses for our stockholders.

The public market for our common stock has been characterized by significant price and volume fluctuations. There can be no assurance that the market price of our common stock will not decline below its current or historic price ranges. The market price may bear no relationship to the prospects, stage of development, existence of oil and gas reserves, revenues, earnings, assets or potential of our company and may not be indicative of our future business performance. The trading price of our common stock could be subject to wide fluctuations. Fluctuations in the price of oil and gas and related international political events can be expected to affect the price of our common stock. In addition, the stock market in general has experienced extreme price and volume fluctuations that have affected the market price for many companies, sometimes unrelated to the operating performance of these companies. These market fluctuations, as well as general economic, political and market conditions, may have a material adverse effect on the market price of our common stock.

Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our common stock include:

- actual or anticipated quarterly variations in our operating results,
- the lack or the delay in obtaining necessary regulatory approvals,
- changes in expectations as to our future financial performance or changes in financial estimates, if any,
- announcements relating to our business or the business of our competitors,
- conditions generally affecting the oil and natural gas industry, particularly in Israel,
- the success of our operating strategy,
- the operating and stock performance of other comparable companies, and
- The continued listing of our stock on a recognized stock exchange

Many of these factors are beyond our control, and we cannot predict their potential effect on the price of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not Applicable.

ITEM 1C. CYBER SECURITY

Risk management and strategy

We assess material risks from cyber security threats on an ongoing basis, including any potential unauthorized occurrence on or conducted through our information systems that may result in adverse effects on the confidentiality, integrity, or availability of our information systems or any information residing therein. As our Company grows, we plan to develop a more robust and detailed strategy for cyber security in alignment with nationally accepted standards.

Governance

Our management and the Board recognize the critical importance of maintaining the trust and confidence of our business partners and employees, including the importance of managing cyber security risks as part of our larger risk management program. While all of our personnel play a part in managing cyber security risks, one of the key functions of our Board is informed oversight of our risk management process, including risks from cyber security threats. Our Board is responsible for monitoring and assessing strategic risk exposure, and our executive officers are responsible for the day-to-day management of the material risks that we face. In general, we seek to address cyber security risks through a cross-functional approach that is focused on preserving the confidentiality, integrity, and availability of the information that we collect and store by identifying, preventing, and mitigating cyber security threats and effectively responding to cyber security incidents when they occur.

The company has not experienced a cyber security incident or a cyber security threat during 2023 nor in any prior years. The company's overall risk management systems and processes have followed the recommended guidelines of our cyber security insurance company. The Audit Committee has the board's oversight of risk from cyber security threats and the responsibility for reviewing the management processes. Management's role in assessing and managing material risks from cyber security threats is the responsibility of the Chief Financial Officer, who reports and coordinates any potential material risk to the Audit Committee.

ITEM 2. PROPERTIES

At December 31, 2023, the Company held one active petroleum exploration license onshore Israel, the New Megiddo Valleys License 434, comprising approximately 75,000 acres. This License was awarded on September 14, 2023 and had much of the same area and coordinates as the replaced License 428. This License expires on September 13, 2026.

Please refer to the discussion above under Part 1, Item 1, Business.

The table below summarizes certain data for our former license area for the year ended December 31, 2023:

Type of Right	**Name**	**Area (Approx. Acres)**	**Working Interest**	**Expiration Date**
License 434	New Megiddo Valleys	75,000	100%	September 13, 2026 (1)(2)

(1) Declaration of a commercial discovery during the license term, which may in certain circumstances be extended for two years to define the boundaries of the field, would entitle Zion to receive a 30-year lease (extendable for up to an additional 20 years (50 years in all) subject to compliance with a field development work program and production.

(2) The initial term of three years expires on September 13, 2026. Following the initial three year period, Zion is allowed four separate one-year extensions, bringing the total license period to seven years, terminating on September 13, 2030.

Surface Rights

The surface rights to the drill site in the New Megiddo Valleys License 434 area are held under a long-term lease by Kibbutz Sde Eliyahu. The rights are owned by the State of Israel and administered by the Israel Lands Authority. Permission has been granted to Zion by both Kibbutz Sde Eliyahu and the Israel Lands Authority for the use of the surface rights.

The surface rights to former drill sites in the former Joseph License area are held under a long-term lease by Kibbutz Ma'anit. The rights are owned by the State of Israel and administered by the Israel Lands Authority. Permission has been granted to Zion by both Kibbutz Ma'anit and the Israel Lands Authority for the use of the surface rights. The Company has completed the plugging obligations of all wells within the Joseph License area and acknowledges its obligation to complete the abandonment of the wells in accordance with guidance from the Environmental Ministry even though the Joseph License has expired.

The surface rights to the former drill site in the former Asher-Menashe License area are held under a long-term lease by Kibbutz Ein Carmel. The rights are owned by the State of Israel and administered by the Israel Lands Authority. Permission has been granted to Zion by both Kibbutz Ein Carmel and the Israel Lands Authority for the use of the surface rights. The Company has completed the plugging obligations of the only well within the Asher-Menashe License area and also completed the abandonment of the well in accordance with guidance from the Environmental Ministry in 2020.

Summary of Exploration Activities/Present Activities

Please refer to the discussion above under Item 1, under the caption "Summary of Exploration Activities."

Office Properties

(i) The Company's corporate office in Dallas, Texas is under lease for 8,774 square feet. On October 4, 2023, the Company and Hartman Income REIT Property Holdings, LLC ("Hartman") signed a Third Amendment to the Lease Agreement ("Third Amendment") whereby the office lease was extended from June 1, 2023 through December 31, 2024, for a total of 19 months. The monthly payments to be paid are as follows: (1) basic rent of $7,677.25, (2) common area maintenance of $2,917.36, (3) taxes and insurance of $1,593.94 and (4) electricity charges of $1,703.62.

(ii) The Company's field office in Caesarea, Israel is under lease for 6,566 square feet.

The Company had an option to renew the lease for another five years from February 1, 2024 to January 31, 2029, provided it is not in breach of the agreement, where it is required as well to furnish a notice of intent to exercise the option six months prior to termination of lease, and it furnishes a bank guarantee and insurance confirmation prior to commencement of the option period. The Company exercised the option to renew the lease for another seven years from February 1, 2024 through January 31, 2031, when rent is to be paid on a monthly basis in the base amount of approximately NIS 46,500 per month (approximately $12,800) at the exchange rate in effect on the date of this report and is linked to an increase (but not a decrease) in the CPI.

Geneva Branch

On July 11, 2014, Zion Oil & Gas, Inc., Geneva Branch was registered in the Canton of Geneva, Switzerland. The legal Swiss name for the foreign branch is "Zion Oil & Gas, Inc., Wilmington, Branch of Geneva". The Zion Swiss Branch has its registered office and its business office at 6 Avenue Jules Crosnier, 1206 Champel, Geneva, Switzerland. The purpose of the branch is to operate a foreign treasury center for the Company.

ITEM 3. LEGAL PROCEEDINGS

Securities and Exchange Commission ("SEC") Investigation

As previously disclosed by the Company, on June 21, 2018, the Fort Worth Regional Office of the SEC informed Zion that it was conducting a formal, non-public investigation and asked that we provide certain information and documents in connection with its investigation. Since that date, we fully cooperated with the SEC and furnished all requested documentation.

On April 5, 2023, the Company received from the Fort Worth Regional Office of the SEC written notice to the Company concluding the investigation as to the Company and advising that the SEC does "not intend to recommend an enforcement action by the Commission against Zion."

Litigation

From time to time, the Company may be subject to routine litigation, claims or disputes in the ordinary course of business. The Company defends itself vigorously in all such matters. However, we cannot predict the outcome or effect of any of the potential litigation, claims or disputes.

The Company is not subject to any litigation at the present time.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

We completed the initial public offering of our common stock in January 2007. From January 3, 2007 through September 1, 2009, shares of our common stock were traded on the NYSE Amex under the symbol "ZN." From September 2, 2009, through July 10, 2019, our common stock traded on the Nasdaq Global Market, also under the symbol "ZN." From July 11, 2019 through September 1, 2020, our common stock continued to trade on the Nasdaq Capital Market, also under the symbol "ZN." Since September 3, 2020, our common stock began trading on OTCQX under the symbol "ZNOG." On January 1, 2024, our common stock began trading on the OTCQB under the same symbol "ZNOG." The Zion warrant "ZNWAA" has been trading under the symbol "ZNOGW."

Holders

As of December 31, 2023, there were approximately 19,891 shareholders of record of our common stock. A significant number of shares of our Common Stock are held in either nominee name or street name brokerage accounts and, consequently, we are unable to determine the number of beneficial owners of our stock.

Dividends

We have never paid dividends on our common stock and do not plan to pay dividends on the common stock in the foreseeable future. Whether dividends will be paid in the future will be in the discretion of our board of directors and will depend on various factors, including our earnings and financial condition and other factors our board of directors considers relevant. We currently intend to retain earnings to develop and expand our business.

Issuer Purchases of Equity Securities

We do not have a stock repurchase program for our common stock.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

The following discussion and analysis should be read in conjunction with our accompanying consolidated financial statements and the notes to those consolidated financial statements included elsewhere in this Annual Report. Some of our discussion is forward-looking and involves risks and uncertainties. For information regarding factors that could have a material adverse effect on our business, refer to *Risk Factors* under Item 1A of this Report.

Overview

Zion Oil and Gas, Inc., a Delaware corporation, is an oil and gas exploration company with a history of 24 years of oil and gas exploration in Israel. We were incorporated in Florida on April 6, 2000 and reincorporated in Delaware on July 9, 2003. We completed our initial public offering in January 2007. Our common stock, par value $0.01 per share (the "Common Stock") currently trades on the OTCQB Market under the symbol "ZNOG" and our Common Stock warrant under the symbol "ZNOGW."

On September 14, 2023, the Israel Ministry of Energy approved a new Megiddo Valleys License 434 ("NMVL 434"), allowing for oil and gas exploration on approximately 75,000 acres or 302 square kilometers out of the approximately 99,000 acres covered by our New Megiddo License 428 ("NML 428") which expired on February 1, 2023. Zion applied for a replacement license for NML 428 months prior to its expiration. This Exploration License 434 will be valid for three years until September 13, 2026 with four potential 1-year extensions for a total of seven years until September 13, 2030. This NMVL 434 effectively supersedes our previous NML 428.

The NMVL 434 lies onshore, south and west of the Sea of Galilee, and we continue our exploration focus here based on our studies as it appears to possess the key geologic ingredients of an active petroleum system with significant exploration potential.

See Item 1 for a detailed listing of our exploration activities, milestones and/or timelines.

I-35 Drilling Rig & Associated Equipment

On March 12, 2020, Zion entered into a Purchase and Sale Agreement with Central European Drilling kft, a Hungarian corporation, to purchase an onshore oil and gas drilling rig, drilling pipe, related equipment and spare parts for a purchase price of $5.6 million in cash, subject to acceptance testing and potential downward adjustment. We remitted to the Seller $250,000 on February 6, 2020 as earnest money towards the Purchase Price. The Closing anticipated by the Agreement took place on March 12, 2020 by the Seller's execution and delivery of a Bill of Sale to us. On March 13, 2020, the Seller retained the earnest money deposit, and the Company remitted $4,350,000 to the seller towards the purchase price and $1,000,000 (the "Holdback Amount") was deposited in escrow with American Stock Transfer and Trust Company LLC. On January 6, 2021, Zion completed its acceptance testing of the I-35 drilling rig and the Holdback Amount was remitted to Central European Drilling on January 8, 2021.

	I-35 Drilling Rig	**Rig Spare Parts**	**Other Drilling Assets**	**Total**
	US$ thousands	**US$ thousands**	**US$ thousands**	**US$ thousands**
December 31, 2021	5,859	642	333	6,834
Asset Additions	-	179	221	400
Asset Depreciation	(634)	-	(117)	(751)
Asset Disposals for Self-Consumption	-	(202)	-	(202)
December 31, 2022	5,225	619	437	6,281
Asset Additions	**-**	**-**	**-**	**-**
Asset Depreciation	**(634)**	**-**	**(126)**	**(760)**
Asset Disposals for Self-Consumption	**-**	**(11)**	**-**	**(11)**
December 31, 2023	**4,591**	**608**	**311**	**5,510**

Zion's ability to fully undertake all of these aforementioned activities was subject to its raising the needed capital through the issuance of our securities, and we anticipate we will continue to need to raise funds through the issuance of equity securities (or securities convertible into or exchangeable for equity securities). No assurance can be provided that we will be successful in raising the needed equity on favorable terms (or at all).

Our executive offices are located at 12655 N Central Expressway, Suite 1000, Dallas, Texas 75243, and our telephone number is (214) 221-4610. Our field office in Israel is located at 9 Halamish Street, North Industrial Park, Caesarea 3088900, and the telephone number is +972-4-623-8500.

Principal Components of our Cost Structure

Our operating and other expenses primarily consist of the following:

- Impairment of Unproved Oil and Gas Properties: Impairment expense is recognized if a determination is made that a well will not be commercially productive. The amounts include amounts paid in respect of the drilling operations as well as geological and geophysical costs and various amounts that were paid to Israeli regulatory authorities.

- General and Administrative Expenses: Overhead, including payroll and benefits for our corporate staff, costs of managing our exploratory operations, audit and other professional fees, and legal compliance is included in general and administrative expenses. General and administrative expenses also include non-cash stock-based compensation expense, investor relations related expenses, lease and insurance and related expenses.

- Depreciation, Depletion and Amortization: The systematic expensing of the capital costs incurred to explore for natural gas and oil represents a principal component of our cost structure. As a full cost company, we capitalize all costs associated with our exploration, and apportion these costs to each unit of production, if any, through depreciation, depletion and amortization expense. As we have yet to have production, the costs of abandoned wells are written off immediately versus being included in this amortization pool.

Going Concern Basis

Since we have limited capital resources, no revenue to date and a loss from operations, our consolidated financial statements have been prepared on a going concern basis, which contemplates realization of assets and liquidation of liabilities in the ordinary course of business. The appropriateness of using the going concern basis is dependent upon our ability to obtain additional financing or equity capital and, ultimately, to achieve profitable operations. Therefore, there is substantial doubt about our ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Critical Accounting Policies

Management’s discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expense during the reporting period.

We have identified the accounting principles which we believe are most critical to the reported financial status by considering accounting policies that involve the most complex of subjective decisions or assessment.

Impairment of Oil and Gas Properties

We follow the full-cost method of accounting for oil and gas properties. Accordingly, all costs associated with acquisition, exploration and development of oil and gas reserves, including directly related overhead costs, are capitalized.

All capitalized costs of oil and gas properties, including the estimated future costs to develop proved reserves, are amortized on the unit-of-production method using estimates of proved reserves. Investments in unproved properties and major development projects are not amortized until proved reserves associated with the projects can be determined or until impairment occurs. If the results of an assessment indicate that the properties are impaired, the amount of the impairment is included in income from continuing operations before income taxes, and the adjusted carrying amount of the unproved properties is amortized on the unit-of-production method.

Our oil and gas properties represent an investment in unproved properties. These costs are excluded from the amortized cost pool until proved reserves are found or until it is determined that the costs are impaired. All costs excluded are reviewed at least quarterly to determine if impairment has occurred. The amount of any impairment is charged to expense since a reserve base has not yet been established. A further impairment requiring a charge to expense may be indicated through evaluation of drilling results, relinquishing drilling rights or other information.

Abandonment of properties is accounted for as adjustments to capitalized costs. The net capitalized costs are subject to a “ceiling test” which limits such costs to the aggregate of the estimated present value of future net revenues from proved reserves discounted at ten percent based on current economic and operating conditions, plus the lower of cost or fair market value of unproved properties. The recoverability of amounts capitalized for oil and gas properties is dependent upon the identification of economically recoverable reserves, together with obtaining the necessary financing to exploit such reserves and the achievement of profitable operations.

During the fourth quarter of 2022, the Company testing protocol was concluded at the MJ-02 well. The test results confirmed that the MJ-02 well did not contain hydrocarbons in commercial quantities in the zones tested. As a result, in the year ended December 31, 2022, the Company recorded a non-cash impairment charge to its unproved oil and gas properties of $45,615,000.

During the year ended December 31, 2023, the Company recorded a non-cash post-impairment charge to its unproved oil and gas properties of $135,000. During the year ended December 31, 2022, the Company did not record any post-impairment charges (see Note 4).

The total net book value of our unproved oil and gas properties under the full cost method is $16,637,000 and $15,889,000 at December 31, 2023 and 2022, respectively.

Currency Utilized

Although our oil & gas properties and our principal operations are in Israel, we report all our transactions in United States dollars. Certain dollar amounts in the consolidated financial statements may represent the dollar equivalent of other currencies.

Valuation of Deferred Taxes

We record a valuation allowance to reduce our deferred tax asset to the amount that we believe is likely to be realized in the future. In assessing the need for the valuation allowance, we have considered not only future taxable income but also feasible and prudent tax planning strategies. In the event that we were to determine that it would be likely that we would, in the future, realize our deferred tax assets in excess of the net recorded amount, an adjustment to the deferred tax asset would be made. In the period that such a determination was made, the adjustment to the deferred tax asset would produce an increase in our net income.

Asset Retirement Obligation

We record a liability for asset retirement obligation at fair value in the period in which it is incurred and a corresponding increase in the carrying amount of the related long-lived assets.

RESULTS OF OPERATIONS

The following table sets forth our Statements of Operations data for the years ended December 31 (all data is in thousands of USD) for 2023 and 2022:

	2023	**2022**
Operating costs and expenses:		
General and administrative expenses	5,193	6,243
Other	2,627	3,092
Impairment of unproved oil and gas properties	135	45,615
Operating costs and expenses	7,955	54,950
Other expense, net	2	127
Net loss	7,957	55,077

FOR THE YEAR ENDED DECEMBER 31, 2023 COMPARED TO DECEMBER 31, 2022

Revenue. We currently have no revenue generating operations.

Operating costs and expenses. Operating costs and expenses for the year ended December 31, 2023 were $7,955,000 compared to $54,950,000 for the year ended December 31, 2022. The decrease in costs in 2023 is primarily attributable to the recognition of an impairment charge of $45,615,000 during Q4 2022. When impairment charges are excluded from both years, expenses decreased $1,515,000, or about 16%, in 2023.

General and administrative expenses. General and administrative expenses for the year ended December 31, 2023 were $5,193,000 compared to $6,243,000 for the year ended December 31, 2022. This represents a reduction of $1,050,000, or 17%, year over year. A major component of general and administrative expenses is non-cash stock compensation expense in the form of stock options granted to employees, management and directors. As stated in this filing, Zion does not have revenue generating operations. Historically, we have compensated our staff in part by granting stock options in lieu of cash balances. However, though stock option grants are intended to provide a financial incentive, there are no guarantees that stock options will be "in the money" and, in that event, would maintain no value.

Zion granted the following number of stock options during the quarters of 2023 and 2022:

- March 31, 2022: 4,100,000
- June 30, 2022: 7,525,000
- September 30, 2022: 6,228,000

- December 31, 2022: 0
- March 31, 2023: 200,000
- June 30, 2023: 25,000
- September 30, 2023: 7,910,000
- December 31, 2023: 0
- YTD December 31, 2022: 17,853,000
- YTD December 31, 2023: 8,135,000
- Total Decrease in Options Granted During 2023: 9,718,000

The primary driver of this variance was stock option expense. The number of stock options granted was 9,718,000 lower during 2023, and therefore expenses were significantly lower.

Other expenses. Other expenses during the year ended December 31, 2023 were $2,627,000 compared to $3,092,000 for the year ended December 31, 2022. This is a variance of $465,000 or 15%. The expenses in this category are comprised of non-compensation and non-professional expenses incurred. Investor relations, corporate insurance, franchise taxes and travel were approximately $250,000 lower in 2023.

Impairment of unproved oil and gas properties. Impairment of unproved oil and gas properties expenses during the year ended December 31, 2023 was $135,000 compared to $45,615,000 for the year ended December 31, 2022. The expense recorded in 2022 is attributable to the impairment charge of $45,615,000 related to the MJ-2 well.

Other expense, net. Other expense, net for the year ended December 31, 2023 was $2,000 compared to $127,000 for the year ended December 31, 2022. This is a variance of $125,000 or 98%. The decrease in these expenses in 2023 is primarily attributable to exchange rate of the NIS fluctuations to the USD.

Net Loss. Net loss for the year ended December 31, 2023 was $7,957,000 compared to $55,077,000 for the year ended December 31, 2022. The primary driver of the lower net loss in 2023 is the recognition of an impairment charge of $45,615,000 during Q4 2022.

Liquidity and Capital Resources

Liquidity is a measure of a company's ability to meet potential cash requirements. As discussed above, we have historically met our capital requirements through the issuance of common stock as well as proceeds from the exercise of warrants and options to purchase common shares.

Our ability to continue as a going concern is dependent upon obtaining the necessary financing to complete further exploration and development activities and generate profitable operations from our oil and natural gas interests in the future. Our current operations are dependent upon the adequacy of our current assets to meet our current expenditure requirements and the accuracy of management's estimates of those requirements. Should those estimates be materially incorrect, our ability to continue as a going concern will be in doubt. Our consolidated financial statements for the year ended December 31, 2023 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. We have incurred a history of operating losses and negative cash flows from operations. Therefore, there is substantial doubt about our ability to continue as a going concern.

During the past two completed fiscal years, we have financed our operations primarily from the proceeds of sales of our stock under the Dividend Reinvestment and Stock Purchase Plan. For the years ended December 31, 2023 and 2022, we raised approximately $6,949,000 and $19,129,000, respectively, under the Plan. Of the amounts raised, approximately 54% of the amounts raised in 2023 were attributable to one participant and 77% of the amounts raised in 2022 were attributable to two participants. The cessation of funding from these participants may result in adverse consequences to our business, such as a delay in our testing efforts, until we locate alternate sources for this funding.

At December 31, 2023, we had approximately $615,000 in cash and cash equivalents compared to $1,735,000 at December 31, 2022. Our working capital (current assets minus current liabilities) was ($349,000) at December 31, 2023 and $661,000 at December 31, 2022.

As of December 31, 2023, and 2022, the Company provided Israeli-required bank guarantees to various governmental bodies (approximately $944,000 and $1,278,000, respectively) and others (approximately $90,000 and $79,000, respectively) with respect to its drilling operation in an aggregate amount of approximately $1,034,000 and $1,357,000, respectively. The cash funds backing these guarantees are held in restricted interest-bearing accounts and are reported on the Company's balance sheets as fixed short-term bank deposits – restricted.

During the years ended December 31, 2023 and 2022, cash used in operating activities totaled $5,133,000 and $5,704,000, respectively. Cash provided by financing activities during the years ended December 31, 2023 and 2022 was $6,008,000 and $19,133,000, respectively, and is primarily attributable to proceeds received from the Dividend Reinvestment and Stock Purchase Plan (the "DSPP" or "Plan"). Net cash used in investing activities such as drilling costs for our MJ-02 exploratory well, purchase of equipment and spare parts was $2,354,000 and $16,267,000 for the years ended December 31, 2023 and 2022, respectively.

Accounting standards require management to evaluate our ability to continue as a going concern for a period of one year subsequent to the date of the filing of the consolidated financial statements. We expect to incur additional significant expenditures to further our exploration and development programs. While we raised approximately $2,052,000 during the period January 1, 2024 through March 20, 2024, we will need to raise additional funds in order to continue our exploration and development activities. Additionally, we estimate that, when we are not actively drilling a well, our expenditures are approximately $600,000 per month excluding exploratory operational activities. However, when we are actively drilling a well, we estimate an additional minimum expenditure of approximately $2,500,000 per month. The above estimates are subject to change. Subject to the qualifications specified below, management believes that our existing cash balance, coupled with anticipated proceeds under the DSPP, will be sufficient to finance our plan of operations through March 2024.

The outbreak of the coronavirus, together with its subsequent variants, has significantly disrupted business operations and resulted in significantly increased unemployment in the general economy. The extent to which the coronavirus impacts our operations, specifically our capital raising efforts, as well as our ability to continue our exploratory efforts, will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others.

The same kind of uncertainty and inability to predict or plan has occurred since the outset of the Israel-Hamas war on October 7, 2023. To date, there is no indication when this uncertainty will be resolved.

No assurance can be provided that we will be able to raise the needed operating capital.

Even if we raise the needed funds, there are factors that can nevertheless adversely impact our ability to fund our operating needs, including (without limitation), unexpected or unforeseen cost overruns in drilling and planned non-drilling exploratory work, the costs associated with extended delays in undertaking the required exploratory work, and plugging and abandonment activities which is typical of what we have experienced in the past and extended delays obtaining regulatory approvals since the outset of the Israel-Hamas war.

The financial information contained in these consolidated financial statements has been prepared on a basis that assumes that we will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. This financial information and these consolidated financial statements do not include any adjustments that may result from the outcome of this uncertainty.

The Dividend Reinvestment and Stock Purchase Plan

On March 13, 2014, Zion filed a registration statement on Form S-3 that was part of a replacement registration statement that was filed with the SEC using a "shelf" registration process. The registration statement was declared effective by the SEC on March 31, 2014. On February 23, 2017, the Company filed a Form S-3 with the SEC (Registration No. 333-216191) as a replacement for the Form S-3 (Registration No. 333-193336), for which the three-year period ended March 31, 2017, along with the base Prospectus and Supplemental Prospectus. The Form S-3, as amended, and the new base Prospectus became effective on March 10, 2017, along with the Prospectus Supplement that was filed and became effective on March 10, 2017. The Prospectus Supplement under Registration No. 333-216191 describes the terms of the DSPP and replaces the prior Prospectus Supplement, as amended, under the prior Registration No. 333-193336.

On September 15, 2020, the Company extended the termination date of the ZNWAE Warrant by two (2) years from the expiration date of May 1, 2021 to May 1, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

As of May 1, 2023, any outstanding ZNWAE warrants expired.

On September 15, 2020, the Company extended the termination date of the ZNWAF Warrant by two (2) years from the expiration date of August 14, 2021 to August 14, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

As of August 14, 2023, any outstanding ZNWAF warrants expired.

Under Amendment No. 2, the Company initiated another unit offering which terminated on December 6, 2017. This unit offering enabled participants to purchase Units of the Company's securities where each Unit (priced at $250.00 each) was comprised of (i) a certain number of shares of Common Stock determined by dividing $250.00 (the price of one Unit) by the average of the high and low sale prices of the Company's Common Stock as reported on the NASDAQ on the unit purchase date and (ii) Common Stock purchase warrants to purchase an additional 15 shares of Common Stock at a warrant exercise price of $1.00 per share. The warrant is referred to as "ZNWAG."

The warrants became exercisable on January 8, 2018 and continued to be exercisable through January 8, 2024 at a revised per share exercise price of $.25. The warrant terms provided that if the Company's Common Stock trades above $5.00 per share as the closing price for 15 consecutive trading days at any time prior to the expiration date of the warrant, the Company had the sole discretion to accelerate the termination date of the warrant upon providing 60 days advanced notice to the warrant holders.

On December 14, 2022, the Company extended the termination date of the ZNWAG warrant by one (1) year from the expiration date of January 8, 2023 to January 8, 2024. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

As of January 8, 2024, any outstanding ZNWAG warrants expired.

On September 15, 2020, the Company extended the termination date of the ZNWAH Warrant by two (2) years from the expiration date of April 2, 2021 to April 2, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

As of April 2, 2023, any outstanding ZNWAH warrants expired.

On September 15, 2020, the Company extended the termination date of the ZNWAJ Warrant by two (2) years from the expiration date of October 29, 2021 to October 29, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

As of October 29, 2023, any outstanding ZNWAJ warrants expired.

On September 15, 2020, the Company extended the termination date of the ZNWAK warrant by two (2) years from the expiration date of February 25, 2021 to February 25, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

As of February 25, 2023, any outstanding ZNWAK warrants expired.

On September 15, 2020, the Company extended the termination date of the ZNWAL warrant by two (2) years from the expiration date of August 26, 2021 to August 26, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

As of August 26, 2023, any outstanding ZNWAL warrants expired.

Under our Plan, the Company under a Request For Waiver Program executed Waiver Term Sheets of a unit option program consisting of a Unit (shares of stock and warrants) of its securities and subsequently an option program consisting of shares of stock to a participant. The participant's Plan account was credited with the number of shares of the Company's Common Stock and Warrants that were acquired. Each warrant affords the participant the opportunity to purchase one share of our Common Stock at a warrant exercise price of $1.00. The warrant shall have the company notation of "ZNWAM." The warrants will not be registered for trading on the OTCQB or any other stock market or trading market. The warrants became exercisable on January 15, 2021 and continue to be exercisable through July 15, 2022.

On March 21, 2022, the Company extended the termination date of the ZNWAM warrant by one (1) year from the expiration date of July 15, 2022 to July 15, 2023 and revised the exercise price to $0.05. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

On June 16, 2023, the Company extended the termination date of the ZNWAM warrant from July 15, 2023 to September 6, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

On August 21, 2023, the Company extended the termination date of the ZNWAM warrant from September 6, 2023 to October 31, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

On October 19, 2023, the Company extended the termination date of the ZNWAM warrant from October 31, 2023 to December 31, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

On December 18, 2023, the Company extended the termination date of the ZNWAM warrant from December 31, 2023 to March 31, 2024. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

The ZNWAN warrants became exercisable on May 16, 2021 and continued to be exercisable through May 16, 2023 at a per share exercise price of $1.00.

As of May 16, 2023, any outstanding ZNWAN warrants expired.

The ZNWAO warrants became exercisable on June 12, 2021 and continued to be exercisable through June 12, 2023 at a per share exercise price of $.25.

As of June 12, 2023, any outstanding ZNWAO warrants expired.

Under our Plan, the Company under a Request For Waiver Program executed a Waiver Term Sheet for a program consisting of Zion securities to a participant. After conclusion of the program on June 17, 2021, the participant's Plan account was credited with the number of shares of the Company's Common Stock that were acquired. Under our Plan, the Company under a Request For Waiver Program executed a Waiver Term Sheet for a unit program consisting of a Unit (shares of stock and warrants) to a participant. After conclusion of the program on May 28, 2021, the participant's Plan account was credited with the number of shares of the Company's Common Stock and Warrants that were acquired. Each warrant affords the participant the opportunity to purchase one share of our Common Stock at a warrant exercise price of $.25. The warrant has the company notation of "ZNWAP." The warrants were not registered for trading on the OTCQB or any other stock market or trading market. The warrants were issued and became exercisable on June 2, 2021 and continue to be exercisable through June 2, 2022 at a per share exercise price of $.25.

On March 21, 2022, the Company extended the termination date of the ZNWAP Warrant by one (1) year from the expiration date of June 2, 2022 to June 2, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

Under our Plan, the Company under a Request For Waiver Program executed a Waiver Term Sheet of a unit program consisting of units of shares of stock and warrants to a participant. After conclusion of the program on June 18, 2021, the participant's Plan account was credited with the number of shares of the Company's Common Stock and warrants that were acquired. Each warrant affords the participant the opportunity to purchase one share of our Common Stock at a warrant exercise price of $.25. The warrant shall have the company notation of "ZNWAQ." The warrants will not be registered for trading on the OTCQB or any other stock market or trading market. The warrants were issued on May 5, 2022 and were exercisable through July 15, 2023 at a revised per share exercise price of $.05.

Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

On June 16, 2023, the Company extended the termination date of the ZNWAQ warrant from July 15, 2023 to September 6, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

On August 21, 2023, the Company extended the termination date of the ZNWAQ warrant from September 6, 2023 to October 31, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

On October 19, 2023, the Company extended the termination date of the ZNWAQ warrant from October 31, 2023 to December 31, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

On December 18, 2023, the Company extended the termination date of the ZNWAQ warrant from December 31, 2023 to March 31, 2024. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

Under our Plan, the Company under a Request For Waiver Program executed a Waiver Term Sheet to a participant. After conclusion of the program on September 15, 2021, the participant's Plan account was credited with the number of shares of the Company's Common Stock that were acquired.

Under our Plan, the Company under a Request For Waiver Program executed a Waiver Term Sheet of a unit program consisting of units of shares of stock and warrants to a participant. After conclusion of the program on June 18, 2021, the participant's Plan account was credited with the number of shares of the Company's Common Stock and Warrants that were acquired. Each warrant affords the participant the opportunity to purchase one share of our Common Stock at a warrant exercise price of $.25. The warrant shall have the company notation of "ZNWAR." The warrants were not to be registered for trading on the OTCQB or any other stock market or trading market. The warrants were issued and became exercisable on June 22, 2021 and continued to be exercisable through June 22, 2022 at a per share exercise price of $.25. Additionally, Zion incurred $115,000 during 2021 in equity issuance costs to an outside party related to this waiver program.

On March 21, 2022, the Company extended the termination date of the ZNWAR Warrant by one (1) year from the expiration date of June 22, 2022 to June 22, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

During the second quarter of 2022, all warrants represented by ZNWAP and ZNWAR were exercised resulting in a net cash inflow of approximately $365,000.

Under our Plan, the Company under a Request For Waiver Program executed a Waiver Term Sheet to a participant. After conclusion of the program on September 15, 2021, the participant's Plan account was credited with the number of shares of the Company's Common Stock that were acquired.

Under our Plan, the Company under a Request For Waiver Program executed a Waiver Term Sheet of a unit program consisting of units of shares of stock and warrants to a participant. After conclusion of the program on November 15, 2021, the participant's Plan account was credited with the number of shares of the Company's Common Stock and Warrants that were acquired. Each warrant affords the participant the opportunity to purchase one share of our Common Stock at a warrant exercise price of $1.00. The warrant shall have the company notation of "ZNWAS." The warrants will not be registered for trading on the OTCQB or any other stock market or trading market. The warrants will be issued and become exercisable on November 15, 2025 and continue to be exercisable through December 31, 2025 at a per share exercise price of $.25.

Under our Plan, the Company under a Request For Waiver Program executed a Waiver Term Sheet of a unit program consisting of units of shares of stock and warrants to a participant. After conclusion of the program on September 30, 2022, the participant's Plan account was credited with the number of shares of the Company's Common Stock and Warrants that were acquired. Each warrant affords the participant the opportunity to purchase one share of our Common Stock at a warrant exercise price of $.25. The warrant shall have the company notation of "ZNWAT."

The warrants will not be registered for trading on the OTCQB or any other stock market or trading market. The warrants will be issued and become exercisable on November 15, 2025 and continue to be exercisable through December 31, 2025 at a per share exercise price of $.25.

Under our Plan, the Company under a Request For Waiver Program executed a Waiver Term Sheet of a unit program consisting of units of shares of stock and warrants to a participant. After conclusion of the program on December 31, 2022, the participant's Plan account was credited with the number of shares of the Company's Common Stock and Warrants that were acquired. Each warrant affords the participant the opportunity to purchase one share of our Common Stock at a warrant exercise price of $.25. The warrant shall have the company notation of "ZNWAU." The warrants will not be registered for trading on the OTCQB or any other stock market or trading market. The warrants will be issued and become exercisable on November 15, 2025 and continue to be exercisable through December 31, 2025 at a per share exercise price of $.25.

Under our Plan, the Company under a Request For Waiver Program executed a Waiver Term Sheet of a program consisting of shares of stock to a participant. After conclusion of the program on August 31, 2023, the participant's Plan account was credited with the number of shares of the Company's Common Stock that were acquired. Zion incurred $173,000 in equity issuance costs to an outside party related to this waiver program. The Company executed two additional Waiver Term Sheets with the same participant consisting of shares of stock. After conclusion of the program on December 31, 2023, the participant's Plan account will be credited with the number of shares of the Company's Common Stock that were acquired. During the year ended December 31, 2023, Zion incurred a total of $1,120,000 in equity issuance costs.

During 2023, one participant who participated in the "Request for Waiver" aspect of the DSPP contributed approximately 54% of the cash raised through the DSPP. During 2022, two participants in the "Request for Waiver" aspect of the DSPP contributed approximately 77% of the cash raised through the DSPP.

On March 13, 2023, Zion filed with the Securities and Exchange Commission an Amendment No. 2 to the Prospectus Supplement dated as of December 15, 2021 and accompanying base prospectus dated December 1, 2021 relating to the Company's Dividend Reinvestment and Direct Stock Purchase Plan. The Prospectus forms a part of the Company's Registration Statement on Form S-3 (File No. 333-261452), as amended, which was declared effective by the SEC on December 15, 2021.

Amendment No. 2 - New Unit Option under the Unit Program

Under our Plan, we provided a Unit Option under Amendment No. 2. Our Unit Program consisted of the combination of Common Stock and warrants with basic Unit Program features, conditions and terms outlined in the Original Prospectus Supplement and Amendment No. 1. Amendment No. 2 provided the option period, unit price and the determination of the number of shares of Common Stock and warrants per unit. This Unit Option had up to three tranches of investment, in which the second and third tranches were each subject to termination upon a total of $7,500,000 received from participants by the Company during the first or second tranche. The first tranche period began on March 13, 2023 and terminated on March 26, 2023. The second tranche began on March 27, 2023 and terminated on April 9, 2023 and the third tranche began on April 10, 2023 and terminated on April 27, 2023.

The Unit Option consisted of Units of our securities where each Unit (priced at $250.00 each) was comprised of (i) a certain number of shares of Common Stock determined by dividing $250.00 (the price of one Unit) by the average of the high and low sale prices of the Company's publicly traded common stock as reported on the OTCQB on the Unit Purchase Date and (ii) Common Stock purchase warrants to purchase an additional five hundred (500) shares of Common Stock at a per share exercise price of $0.05. The participant's Plan account was credited with the number of shares of the Company's Common Stock and Warrants that were acquired under the Units purchased. Each warrant affords the participant the opportunity to purchase one share of our Common Stock at a warrant exercise price of $0.05. The warrant shall have the Company notation of "ZNWAV" under the first tranche, "ZNWAW" under the second tranche and "ZNWAX" under the third tranche.

Plan participants, who enrolled into the Unit Program with the purchase of at least one Unit and enrolled in the separate Automatic Monthly Investments ("AMI") program at a minimum of $50.00 per month, received an additional fifty (50) warrants at an exercise price of $0.05 during this Unit Option Program. The fifty (50) additional warrants were for enrolling into the AMI program and shall have the Company notation of "ZNWAY." Existing subscribers to the AMI were entitled to the additional fifty (50) warrants, if they purchased at least one (1) Unit during the Unit program. Plan participants, who enrolled in the AMI at a minimum of $100 per month, received one hundred (100) ZNWAY warrants. Plan participants, who enrolled in the AMI at a minimum of $250 per month, received two hundred and fifty (250) ZNWAY warrants. Plan participants, who enrolled in the AMI at a minimum of $500 per month, received five hundred (500) ZNWAY warrants. The AMI program required 90 days of participation to receive the ZNWAY warrants. Existing AMI participants were entitled to participate in this monthly program by increasing their monthly amount above the minimum $50.00 per month.

The ZNWAV warrants became exercisable on March 31, 2023 and continued to be exercisable through June 28, 2023 at a per share exercise price of $0.05.

As of June 28, 2023, any outstanding ZNWAV warrants expired.

The ZNWAW warrants became exercisable on April 14, 2023 and continued to be exercisable through July 13, 2023 at a per share exercise price of $0.05.

As of July 13, 2023, any outstanding ZNWAW warrants expired.

The ZNWAX warrants became exercisable on May 2, 2023 and continued to be exercisable through July 31, 2023 at a per share exercise price of $0.05.

On July 31, 2023, any outstanding ZNWAX warrants expired.

The ZNWAY warrants became exercisable on June 12, 2023 and continued to be exercisable through September 10, 2023 at a per share exercise price of $0.05.

On September 10, 2023, any outstanding ZNWAY warrants expired.

Amendment No. 3 – New Unit Option under the Unit Program

Under our Plan, we provided a Unit Option under Amendment No. 3. This Unit Option period began on May 15, 2023 and terminated on June 15, 2023.

Our Unit Program consisted of the combination of Common Stock and warrants with basic Unit Program features, conditions and terms outlined in the Original Prospectus Supplement and Amendment No. 1 and Amendment No.2. Amendment No. 3 provided the option period, unit price and the determination of the number of shares of Common Stock and warrants per unit. As mentioned above, this Unit Option began on May 15, 2023 and terminated on June 15, 2023. The Unit Option consisted of Units of our securities where each Unit (priced at $250.00 each) was comprised of (i) a certain number of shares of Common Stock determined by dividing $250.00 (the price of one Unit) by the average of the high and low sale prices of the Company's publicly traded common stock as reported on the OTCQB on the Unit Purchase Date and (ii) Common Stock purchase warrants to purchase an additional two hundred (200) shares of Common Stock at a per share exercise price of $0.25. The participant's Plan account was credited with the number of shares of the Company's Common Stock and Warrants that were acquired under the Units purchased. Each warrant affords the participant the opportunity to purchase one share of our Common Stock at a warrant exercise price of $0.25. The warrant shall have the Company notation of "ZNWAZ" and will not be registered for trading on the OTCQB or any other stock market or trading market.

Plan participants, who enrolled into the Unit Program with the purchase of at least one Unit and enrolled in the separate Automatic Monthly Investments ("AMI") program at a minimum of $50.00 per month, received an additional three hundred (300) warrants at an exercise price of $0.25 during this Unit Option Program. The three hundred (300) additional warrants were for enrolling into the AMI program and received the above warrant with the Company notation of "ZNWAZ." Existing subscribers to the AMI were entitled to the additional three hundred (300) warrants, if they purchased at least one (1) Unit during the Unit program.

The ZNWAZ warrants became exercisable on July 17, 2023 and continue to be exercisable through July 17, 2024 at a per share exercise price of $0.25.

Amendment No. 4 – New Unit Option under the Unit Program

Under our Plan, we provided a Unit Option under our Unit Program with this Amendment No. 4. This Unit Option period began on November 6, 2023 and terminated on December 31, 2023.

Our Unit Program consists of the combination of Common Stock and warrants with basic Unit Program features, conditions and terms outlined in the Original Prospectus Supplement and Amendment No. 1. Amendment No. 4 provides the option period, unit price and the determination of the number of shares of Common Stock and warrants per unit. This Unit Option began on November 6, 2023 and is scheduled to terminate on December 31, 2023, unless extended at the sole discretion of Zion Oil & Gas, Inc. The Unit Option consists of Units of our securities where each Unit (priced at $250.00 each) is comprised of (i) a certain number of shares of Common Stock determined by dividing $250.00 (the price of one Unit) by the average of the high and low sale prices of the Company's publicly traded common stock as reported on the OTCQB on the Unit Purchase Date and (ii) Common Stock purchase warrants to purchase an additional fifty (50) shares of Common Stock at a per share exercise price of $0.25. The participant's Plan account will be credited with the number of shares of the Company's Common Stock and Warrants that are acquired under the Units purchased. Each warrant affords the participant the opportunity to purchase one share of our Common Stock at a warrant exercise price of $0.25. The warrant shall have the Company notation of "ZNWBA" and will not be registered for trading on the OTCQB or any other stock market or trading market.

Plan participants, who enroll into the Unit Program with the purchase of at least one Unit and enroll in the separate Automatic Monthly Investments ("AMI") program at a minimum of $50.00 per month, received an additional fifty (50) warrants at an exercise price of $0.25 during this Unit Option Program. The fifty (50) additional warrants re for enrolling into the AMI program and shall receive the above warrant with the Company notation of "ZNWBA." Existing subscribers to the AMI are entitled to the additional fifty (50) warrants, if they purchase at least one (1) Unit during the Unit program.

The ZNWBA warrants will become exercisable on January 15, 2024, unless extended, and continue to be exercisable through January 15, 2025, unless extended, at a per share exercise price of $0.25.

Amendment No. 5 – Extension of Termination Date to January 31, 2024

Under our Dividend Reinvestment and Common Stock Purchase Plan (the "Plan"), we extended the current Unit Option that was filed under Amendment No. 4, dated November 6, 2023. Our Unit Program consisted of the combination of Common Stock and warrants with an extended time period, but otherwise the same Unit Program features, conditions and terms in the Prospectus Supplement and Amendment No. 4 apply. We extended the Unit Program that was to terminate December 31, 2023, but now was scheduled to terminate on January 31, 2024, and we extended the exercise and termination dates of the related ZNWBA warrants.

For Plan participants who enrolled into the Unit Program with the purchase of at least one Unit and also enroll in the separate Automatic Monthly Investments ("AMI") program at a minimum of $50.00 per month or more, will receive an additional fifty (50) Warrants at an exercise price of $0.25 during this Unit Option Program. The fifty (50) additional warrants are for enrolling into the AMI program. Existing subscribers to the AMI are entitled to the additional fifty (50) warrants once, if they purchase at least one (1) Unit during the Unit program.

The ZNWBA warrants will be first exercisable on February 15, 2024, instead of January 15, 2024 and continue to be exercisable through February 15, 2025, instead of January 15, 2025, unless extended, at a per share exercise price of $0.25. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

Accordingly, all references in the Original Prospectus Supplement and Amendment No. 1 and Amendment No. 4, concerning the Unit Option, continue, except for the substitution of the revised Unit Option dates and features above. All other Plan features, conditions and terms remain unchanged.

The date of this Amendment No. 5 to Prospectus Supplement was December 20, 2023.

Amendment No. 6 – Extension of Termination Date to February 29, 2024

Under our Dividend Reinvestment and Common Stock Purchase Plan (the "Plan"), we extended the current Unit Option that was filed under Amendment No. 4, dated November 6, 2023. Our Unit Program consists of the combination of Common Stock and warrants with an extended time period, but otherwise the same Unit Program features, conditions and terms in the Prospectus Supplement and Amendment No. 4 apply. We extended the Unit Program that was to terminate January 31, 2024, but now will terminate February 29, 2024, and we extended the exercise and termination dates of the related ZNWBA warrants.

For Plan participants who enroll into the Unit Program with the purchase of at least one Unit and also enroll in the separate Automatic Monthly Investments ("AMI") program at a minimum of $50.00 per month or more, will receive an additional fifty (50) Warrants at an exercise price of $0.25 during this Unit Option Program. The fifty (50) additional warrants are for enrolling into the AMI program. Existing subscribers to the AMI are entitled to the additional fifty (50) warrants once, if they purchase at least one (1) Unit during the Unit program.

The ZNWBA warrants will be first exercisable on March 15, 2024, instead of February 15, 2024 and continue to be exercisable through March 15, 2025, instead of February 15, 2025, unless extended, at a per share exercise price of $0.25. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

Accordingly, all references in the Original Prospectus Supplement and Amendment No. 1 and Amendment No. 4, concerning the Unit Option, continue, except for the substitution of the revised Unit Option dates and features above. All other Plan features, conditions and terms remain unchanged.

The date of this Amendment No. 6 to Prospectus Supplement is January 29, 2024.

For the years ended December 31, 2023, and 2022, approximately $6,949,000, and $19,129,000 were raised under the DSPP program, respectively. The $6,949,000 figure was reduced by $1,120,000 in equity issuance costs to an outside party.

The company raised approximately $2,052,000 from the period January 1, 2024 through March 20, 2024, under the DSPP program.

The warrants represented by the company notation ZNWAA are tradeable on the OTCQB market under the symbol ZNOGW. However, all of the other warrants characterized above, in the table below, and throughout this Form 10-K, are not tradeable and are used internally for classification and accounting purposes only.

2018 Subscription Rights Offering

On April 2, 2018, the Company announced an offering ("2018 Subscription Rights Offering") through American Stock Transfer & Trust Company, LLC (the "Subscription Agent"), at no cost to the shareholders, of non-transferable Subscription Rights (each "Right" and collectively, the "Rights") to purchase its securities to persons who owned shares of our Common Stock on April 13, 2018 ("the Record Date"). Pursuant to the 2018 Subscription Rights Offering, each holder of shares of common stock on the Record Date received non-transferable Subscription Rights, with each Right comprised of one share of the Company Common Stock, par value $0.01 per share (the "Common Stock") and one Common Stock Purchase Warrant to purchase an additional one share of Common Stock. Each Right could be exercised or subscribed at a per Right subscription price of $5.00. Each Warrant affords the investor the opportunity to purchase one share of the Company Common Stock at a warrant exercise price of $3.00. The warrant is referred to as "ZNWAI."

The warrants became exercisable on June 29, 2018 and continued to be exercisable through June 29, 2020 at a per share exercise price of $3.00, after the Company, on December 4, 2018, extended the termination date of the Warrant by one (1) year from the expiration date of June 29, 2019 to June 29, 2020.

On May 29, 2019, the Company extended the termination date of the ZNWAI Warrant by one (1) year from the expiration date of June 29, 2020 to June 29, 2021.

On September 15, 2020, the Company extended the termination date of the ZNWAI Warrant by two (2) years from the expiration date of June 29, 2021 to June 29, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

As of June 29, 2023, any outstanding ZNWAI warrants expired.

Each shareholder received .10 (one tenth) of a Subscription Right (i.e. one Subscription Right for each 10 shares owned) for each share of the Company's Common Stock owned on the Record Date.

The 2018 Subscription Rights Offering terminated on May 31, 2018. The Company raised net proceeds of approximately $3,038,000, from the subscription of Rights, after deducting fees and expenses of $243,000 incurred in connection with the rights offering.

Warrants Table

The warrant activity and balances for the year 2022 are shown in the table below:

Warrants	**Exercise Price**	**Warrant Termination Date**	**Outstanding Balance, 12/31/2021**	**Warrants Issued**	**Warrants Exercised**	**Warrants Expired**	**Outstanding Balance, 12/31/2022**
ZNWAA	$ 2.00	01/31/2025	1,498,804	-	-	-	1,498,804
ZNWAD	$ 1.00	05/02/2023	243,853	-	-	-	243,853
ZNWAE	$ 1.00	05/01/2023	2,144,099	-	-	-	2,144,099
ZNWAF	$ 1.00	08/14/2023	359,435	-	-	-	359,435
ZNWAG	$ 1.00	01/08/2024	240,068	-	-	-	240,068
ZNWAH	$ 5.00	04/19/2023	372,400	-	-	-	372,400
ZNWAI	$ 3.00	06/29/2023	640,710	-		-	640,710
ZNWAJ	$ 1.00	10/29/2023	545,900	-	-	-	545,900
ZNWAK	$ 0.01	02/25/2023	431,675	-	(7,450)	-	424,225
ZNWAL	$ 2.00	08/26/2023	517,875	-	-	-	517,875
ZNWAM	$ 0.05	03/31/2024	4,376,000	-	-	-	4,376,000
ZNWAN	$ 1.00	05/16/2023	267,660	100	-	-	267,760
ZNWAO	$ 0.25	06/12/2023	174,970	-	(310)	-	174,660

ZNWAP	$	0.25	06/02/2023	439,916	-	(439,916)	-	-
ZNWAQ	$	0.05	03/31/2024	-	23,428,348	-	-	23,428,348
ZNWAR	$	0.25	06/23/2023	1,020,000	-	(1,020,000)	-	-
Outstanding warrants				13,273,365	23,428,448	(1,467,676)	-	35,234,137

Changes during 2023 to:

Warrants	Exercise Price		Warrant Termination Date	Outstanding Balance, 12/31/2022	Warrants Issued	Warrants Exercised	Warrants Expired	Outstanding Balance, 12/31/2023
ZNWAA	$	2.00	01/31/2025	1,498,804	-	-	-	1,498,804
ZNWAD	$	1.00	05/02/2023	243,853	-	-	(243,853)	-
ZNWAE	$	1.00	05/01/2023	2,144,099	-	-	(2,144,099)	-
ZNWAF	$	1.00	08/14/2023	359,435	-	-	(359,435)	-
ZNWAG	$	1.00	01/08/2024	240,068	-	-	-	240,068
ZNWAH	$	5.00	04/19/2023	372,400	-	-	(372,400)	-
ZNWAI	$	3.00	06/29/2023	640,710	-	(100)	(640,610)	-
ZNWAJ	$	1.00	10/29/2023	545,900	-	-	(545,900)	-
ZNWAK	$	0.01	02/25/2023	424,225	-	(9,050)	(415,175)	-
ZNWAL	$	2.00	08/26/2023	517,875	-	-	(517,875)	-
ZNWAM	$	0.05	03/31/2024	4,376,000	-	-	-	4,376,000
ZNWAN	$	1.00	05/16/2023	267,760	-	(75)	(267,685)	-
ZNWAO	$	0.25	06/12/2023	174,660	-	-	(174,660)	-
ZNWAQ	$	0.05	03/31/2024	23,428,348	-	-	-	23,428,348
ZNWAV	$	0.05	06/28/2023	-	288,500	(167,730)	(120,770)	-
ZNWAW	$	0.05	07/13/2023	-	199,000	(151,500)	(47,500)	-
ZNWAX	$	0.05	07/31/2023	-	818,500	(458,750)	(359,750)	-
ZNWAY	$	0.05	09/10/2023		17,450	(3,700)	(13,750)	-
ZNWAZ	$	0.25	07/17/2024	-	153,800	-	-	153,800
Outstanding warrants				35,234,137	1,477,250	(790,905)	(6,223,462)	29,697,020

Tabular Disclosure of Contractual Obligations

The following summarizes our contractual consolidated financial obligations for continuing operations at December 31, 2023, and the effect such obligations are expected to have on our liquidity and cash flow in future periods.

	Payment due by period (in Thousands of USD)					
	2024	2025	2026	2027	Thereafter	Total
Exploration Related Commitments	1,241	-	-	-	-	1,241
Operating Leases	188	6	6	1	-	201
Employment Agreements	1,814	-	-	-	-	1,814
Total	3,243	6	6	1	-	3,256

Off-Balance Sheet Arrangements

We do not currently use any off-balance sheet arrangements to enhance our liquidity or capital resource position, or for any other purpose.

Recently Issued Accounting Pronouncements

The Company does not believe that the adoption of any recently issued accounting pronouncements in 2023 had a significant impact on our consolidated financial position, results of operations, or cash flow.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is a broad term for the risk of economic loss due to adverse changes in the fair value of a financial instrument. These changes may be the result of various factors, including interest rates, foreign exchange rates, commodity prices and/or equity prices. In the normal course of doing business, we are exposed to the risks associated with foreign currency exchange rates and changes in interest rates.

Foreign Currency Exchange Rate Risks. A portion of our expenses, primarily labor expenses and certain supplier contracts, are denominated in New Israeli Shekels (“NIS”). As a result, we have significant exposure to the risk of fluctuating exchange rates with the U.S. Dollar (“USD”), our primary reporting currency. During the period January 1, 2023 through December 31, 2023, the USD has fluctuated by approximately 3.1% against the NIS (the USD has strengthened relative to the NIS). Also, during the period January 1, 2022 through December 31, 2022, the USD has fluctuated by approximately 13.2% against the NIS (the USD strengthened relative to the NIS). Continued strengthening of the US dollar against the NIS will result in lower operating costs from NIS denominated expenses. To date, we have not hedged any of our currency exchange rate risks, but we may do so in the future.

Interest Rate Risk. Our exposure to market risk relates to our cash and investments. We maintain an investment portfolio of short-term bank deposits and money market funds. The securities in our investment portfolio are not leveraged, and are, due to their very short-term nature, subject to minimal interest rate risk. We currently do not hedge interest rate exposure. Because of the short-term maturities of our investments, we do not believe that a change in market interest rates would have a significant negative impact on the value of our investment portfolio except for reduced income in a low interest rate environment.

At December 31, 2023, we had cash, cash equivalents and short-term and long-term bank deposits of approximately $1,635,000. The weighted average annual interest rate related to our cash and cash equivalents for the year ended December 31, 2023, exclusive of funds at US banks that earn no interest, was approximately 3.7%.

At December 31, 2022, we had cash, cash equivalents and short-term and long-term bank deposits of approximately $3,114,000. The weighted average annual interest rate related to our cash and cash equivalents for the year ended December 31, 2022, exclusive of funds at US banks that earn no interest, was approximately 0.6%.

The primary objective of our investment activities is to preserve principal while at the same time maximizing yields without significantly increasing risk. To achieve this objective, we invest our excess cash in short-term bank deposits and money market funds that may invest in high quality debt instruments.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

None.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports we file or furnish to the SEC under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, and that information is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation required by the Exchange Act, under the supervision and with the participation of our principal executive officer and principal financial and accounting officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a-15(e) and 15d-15 of the Exchange Act, as of December 31, 2023. Based on this evaluation, our principal executive officer and our principal financial and accounting officer concluded that our disclosure controls and procedures were effective, as of December 31, 2023, to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and to provide reasonable assurance that such information is accumulated and communicated to our management, including our principal executive officer and principal financial and accounting officer, as appropriate to allow timely decisions regarding required disclosures.

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the control system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events and the application of judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of these and other inherent limitations of control systems, there is only reasonable assurance that our controls will succeed in achieving their goals under all future conditions.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management, under the supervision of the Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting for our company. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of our company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our company's assets that could have a material effect on the financial statements.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our internal control over financial reporting as of December 31, 2023. In making this evaluation, our management used the criteria set forth in the Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2023, based on those criteria.

Changes in Internal Control Over Financial Reporting

There were no changes in internal controls over financial reporting that occurred during the fourth quarter of 2023 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item will incorporate by reference such information as set forth in our definitive Proxy Statement (the "2024 Proxy Statement") for our 2024 annual meeting of stockholders. The 2024 Proxy Statement will be filed with the SEC not later than 120 days subsequent to December 31, 2023.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item will incorporate by reference to the 2024 Proxy Statement for the 2024 annual meeting of stockholders, which will be filed with the SEC not later than 120 days subsequent to December 31, 2023.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item will incorporate by reference to the 2024 Proxy Statement for the 2024 annual meeting of stockholders, which will be filed with the SEC not later than 120 days subsequent to December 31, 2023.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this item will incorporate by reference to the 2024 Proxy Statement for the 2024 annual meeting of stockholders, which will be filed with the SEC not later than 120 days subsequent to December 31, 2023.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item will incorporate by reference to the 2024 Proxy Statement for the 2024 annual meeting of stockholders, which will be filed with the SEC not later than 120 days subsequent to December 31, 2023.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) (1) Consolidated Financial Statements:

Number	Description
3.1	Certificate of Amendment to Amended and Restated Certificate of Incorporation of Zion Oil & Gas, Inc. (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q, for the quarter ended June 30, 2011, filed with the SEC on August 9, 2011, Exhibit 3.1, and to the Company's Form 8-K, filed with the SEC on June 11, 2015, Exhibit 3(i).1.)
3.2	Amended and Restated Bylaws of Zion Oil & Gas, Inc. (incorporated by reference to the Company's Form 8-K filed with the SEC on February 16, 2022)
4.1	Registration Statement on Form S-3 (File No. 333-261452) as amended, (incorporated by reference as filed with the SEC on December 1, 2021 and amended on December 15, 2021)
4.2	Prospectus Supplement dated December 15, 2021, (incorporated by reference as filed with the SEC on December 16, 2021)
4.3	Original Indenture (incorporated by reference to the Company's Form S-3 filed with the SEC on December 1, 2021 and amended on December 15, 2021 to the Registrant's Prospectus, Registration No. 333-261452, Exhibit 4.2 filed with the SEC on December 1, 2021)
4.4	Description of Registered Securities (incorporated by reference to the Company's Form 10-K filed with the SEC on March 17, 2022)
10.1	Executive Employment and Retention Agreements (Management Agreements)

	(i) Employment Agreement dated November 13, 2013 and made effective January 1, 2014 between Zion Oil & Gas, Inc. and John Brown (incorporated by reference to Exhibit 10.1 to the Company's Form 10-K as filed with the SEC on March 14, 2017)
	(ii) Employment Agreement dated as of August 15, 2016 between Zion Oil & Gas, Inc. and Michael Croswell Jr (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K as filed with the SEC on September 16, 2016)
	(iii) Employment Agreement dated as of May 1, 2019 and made effective May 1, 2019 between Zion Oil & Gas, Inc. and Robert Dunn (incorporated by reference to Exhibit 10.4 (i) to the Company's Form 10-Q filed on August 10, 2020)
	(iv) First Amendment to Employment Agreement dated June 11, 2020 and made effective June 11, 2020 between Zion Oil & Gas, Inc. and Robert Dunn (incorporated by reference to Exhibit 10.4 (ii) to the Company's Form 10-Q filed on August 10, 2020)
	(v) Employment Agreement dated July 1, 2019 and made effective July 1, 2019 between Zion Oil & Gas, Inc. and William H. Avery (incorporated by reference to Exhibit 10.1) to the Company's Form 8-K filed on July 1, 2019)
10.2	New Megiddo Valleys License 434 (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed on November 7, 2023)

Number	Description
10.3	Office Lease Agreement between Zion Oil & Gas, Inc., as tenant, and Hartman Income REIT Property Holdings, LLC, lease commencement date December 1, 2015 and lease expiration date April 30, 2021 (incorporated by reference to the Company's Form 10-Q filed with the SEC on November 10, 2015)
10.4*	Third Amendment to Lease Agreement between Zion Oil & Gas, Inc., as tenant and Hartman SPE, LLC, lease commencement date June 1, 2023 and lease expiration date December 31, 2024
10.5	New Megiddo License 428, dated December 3, 2020 (incorporated by reference to the Company's Form 10-K filed with the SEC on March 17, 2022)
10.6	Extension of New Megiddo License 428 to February 1, 2023 (incorporated by reference to our Form 10-Q filed with the SEC on August 10, 2022)
14.1	Code of Ethics (incorporated by reference to Exhibit 14.1 to the Company's Current Report on Form 8-K as filed with the SEC on December 10, 2007)
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial and Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial and Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	Inline XBRL Instance Document.

101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* filed herewith

ITEM 16. FORM 10-K SUMMARY

We may voluntarily include a summary of information required by Form 10-K under this Item 16. We have elected not to include such summary information.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ZION OIL & GAS, INC.
(Registrant)

By:/s/ Robert W.A. Dunn
Robert W.A. Dunn
Chief Executive Officer
(Principal Executive Officer)

Date: March 20, 2024

By:/s/ Michael B. Croswell Jr.
Michael B. Croswell Jr.
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: March 20, 2024

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Robert W.A. Dunn Robert W.A. Dunn	Chief Executive Officer and Director, (Principal Executive Officer)	March 20, 2024
/s/ Michael B. Croswell Jr. Michael B. Croswell Jr.	Chief Financial Officer (Principal Financial and Principal Accounting Officer)	March 20, 2024
/s/ William H. Avery William H. Avery	President and General Counsel	March 20, 2024

/s/ Martin M. van Brauman Martin M. van Brauman	EVP, Corporate Secretary, Treasurer and Director	March 20, 2024
/s/ John M. Brown John M. Brown	Chairman of the Board of Directors	March 20, 2024
/s/ Paul Oroian Paul Oroian	Director	March 20, 2024
/s/ John Seery John Seery	Director	March 20, 2024
/s/ Kent Siegel Kent Siegel	Director	March 20, 2024
/s/ Gene Scammahorn Gene Scammahorn	Director	March 20, 2024
/s/ Virginia Prodan Virginia Prodan	Director	March 20, 2024
/s/ Pandji Putra Pandji Putra	Director	March 20, 2024
/s/ Sarah Caygill Sarah Caygill	Director	March 20, 2024
/s/ Jeffrey Moskowitz Jeffrey Moskowitz	Director	March 20, 2024
/s/ Brad Dacus Brad Dacus	Director	March 20, 2024
/s/ Javier Mazon Javier Mazon	Director	March 20, 2024

Zion Oil & Gas, Inc.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Zion Oil & Gas, Inc. and subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Zion Oil & Gas, Inc. and subsidiaries (the Company) as of December 31, 2023 and 2022, and the related statements of operations, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2023, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Going Concern Matter

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations and had an accumulated deficit that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements, and (2) involved our especially challenging, subjective, or complex judgments. We determined that there were no critical audit matters.

/s/ RBSM LLP

We have served as the Company's auditor since 2018.
PCAOB ID 587
Las Vegas, NV
March 20, 2024

Zion Oil & Gas, Inc.

Consolidated Balance Sheets as of

	December 31, 2023 US$ thousands	December 31, 2022 US$ thousands
Current assets		
Cash and cash equivalents	**615**	1,735
Fixed short term bank and escrow deposits – restricted	**1,020**	1,379
Prepaid expenses and other	**515**	600
Other deposits	**-**	483
Governmental receivables	**18**	267
Other receivables	**123**	143
Total current assets	**2,291**	4,607
Unproved oil and gas properties, full cost method (see Note 4)	**16,637**	15,889
Property and equipment at cost		
Drilling rig and related equipment, net of accumulated depreciation of $2,215 and $1,455 (see note 2M)	**5,510**	6,281
Property and equipment, net of accumulated depreciation of $686 and $647	**74**	112
	5,584	6,393
Right of Use Lease Assets (see Note 8)	**194**	202
Other assets		
Assets held for severance benefits	**475**	424
Total other assets	**475**	424
Total assets	**25,181**	27,515
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	**777**	1,775

Insurance financing (see note 9G)	**432**	372
Lease obligation – current (see Note 8)	**167**	196
Asset retirement obligation	**571**	571
Accrued liabilities	**693**	1,032
Total current liabilities	**2,640**	3,946
Long-term liabilities		
Lease obligation – non-current (see Note 8)	**24**	12
Provision for severance pay	**499**	457
Total long-term liabilities	**523**	469
Total liabilities	**3,163**	4,415
Commitments and contingencies (see Note 9)		
Stockholders' equity		
Common stock, par value $.01; Authorized: 1,200,000,000 shares at December 31, 2023: Issued and outstanding: 640,002,580 and 524,231,493 shares at December 31, 2023 and 2022, respectively	**6,400**	5,242
Additional paid-in capital	**302,177**	296,460
Accumulated deficit	**(286,559)**	(278,602)
Total stockholders' equity	**22,018**	23,100
Total liabilities and stockholders' equity	**25,181**	27,515

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

Zion Oil & Gas, Inc.

Consolidated Statements of Operations

	For the year ended December 2023	For the year ended December 2022
	US$ thousands	US$ thousands
General and administrative	**5,193**	6,243
Impairment of unproved oil and gas properties	**135**	45,615
Other	**2,627**	3,092
Loss from operations	**(7,955)**	(54,950)
Other income (expense), net		
Foreign exchange (loss)	**(4)**	(93)
Financial gain (expenses), net	**2**	(34)
Loss before income taxes	**(7,957)**	(55,077)
Income taxes	**-**	-

Net loss	**(7,957)**	(55,077)
Net loss per share of common stock - basic and diluted (in US$)	**(0.014)**	(0.12)
Weighted-average shares outstanding–basic and diluted (in thousands)	**568,351**	468,639

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

Zion Oil & Gas, Inc.

Consolidated Statements of Changes in Stockholders' Equity
For the years ended December 31, 2023 and 2022

	Common Stock		Additional paid-in Capital	Accumulated deficit	Total
	Shares	**Amounts**			
	thousands	**US$ thousands**	**US$ thousands**	**US$ thousands**	**US$ thousands**
Balances as of December 31, 2021	364,324	3,643	277,258	(223,525)	57,376
Funds received from sale of DSPP units and shares and exercise of warrants	159,532	1,595	17,534	-	19,129
Funds received from option exercises	375	4	-	-	4
Value of options granted to employees, directors and others as non-cash compensation	-	-	1,668	-	1,668
Net loss	-	-	-	(55,077)	(55,077)
Balances as of December 31, 2022	524,231	5,242	296,460	(278,602)	23,100
Funds received from sale of DSPP units and shares and exercise of warrants	**115,621**	**1,156**	**5,793**	**-**	**6,949**
Funds received from option exercises	**150**	**2**	**10**	**-**	**12**
Costs associated with the issuance of shares	**-**	**-**	**(1,120)**	**-**	**(1,120)**
Value of options granted to employees, directors and others as non-cash compensation	**-**	**-**	**1,034**	**-**	**1,034**
Net loss	**-**	**-**	**-**	**(7,957)**	**(7,957)**
Balances as of December 31, 2023	**640,002**	**6,400**	**302,177**	**(286,559)**	**22,018**

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

Zion Oil & Gas, Inc.

Consolidated Statements of Cash Flows

	For the year ended December 31,	
	2023	2022
	US$ thousands	US$ thousands
Cash flows from operating activities		
Net loss	**(7,957)**	(55,077)
Adjustments required to reconcile net loss to net cash used in operating activities:		
Depreciation	**767**	794
Amortization of Right of Use Lease Asset	**260**	261
Cost of options issued to employees, directors and others as non-cash compensation	**1,034**	1,651
Impairment of unproved oil and gas properties	**135**	45,615
Change in assets and liabilities, net:		
Other deposits	**483**	134
Prepaid expenses and other	**85**	89
Governmental receivables	**249**	633
Other receivables	**20**	340
Lease obligation - current	**(281)**	(143)
Lease obligation – non current	**12**	(157)
Severance pay, net	**(9)**	26
Accounts payable	**90**	70
Accrued liabilities	**(21)**	60
Net cash used in operating activities	**(5,133)**	(5,704)
Cash flows from investing activities		
Acquisition of property and equipment	**(1)**	(17)
Acquisition of drilling rig and related equipment	**-**	(400)
Investment in unproved oil and gas properties	**(2,353)**	(15,850)
Net cash used in investing activities	**(2,354)**	(16,267)
Cash flows from financing activities		
Proceeds from exercise of stock options	**12**	4
Costs paid related to the issuance of new shares	**(953)**	-
Proceeds from issuance of stock and exercise of warrants	**6,949**	19,129
Net cash provided by financing activities	**6,008**	19,133
Net decrease in cash, cash equivalents and restricted cash	**(1,479)**	(2,838)
Cash, cash equivalents and restricted cash – beginning of period	**3,114**	5,952
Cash, cash equivalents and restricted cash – end of period	**1,635**	3,114
Non-cash investing and financing activities:		
Unpaid investments in oil and gas properties	**670**	2,151
Depreciation of oil and gas equipment	**32**	-
Cost of options capitalized to oil & gas properties	**-**	17
Unpaid costs of issuance during 2023	**167**	-
Addition of right of use lease assets and lease obligations	**252**	**136**

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

Cash, cash equivalents and restricted cash, are comprised as follows:

	December 31, 2023	December 31, 2022
	US$ thousands	US$ thousands
Cash and cash equivalents	**615**	1,735
Restricted cash included in fixed short-term bank deposits	**1,020**	1,379
	1,635	3,114

Note 1 - Nature of Operations and Going Concern

A. Nature of Operations

Zion Oil & Gas, Inc., a Delaware corporation ("we," "our," "Zion" or the "Company") is an oil and gas exploration company with a history of 24 years of oil & gas exploration in Israel. As of December 31, 2023, the Company has no revenues from its oil and gas operations.

Zion maintains its corporate headquarters in Dallas, Texas. The Company also has branch offices in Caesarea, Israel and Geneva, Switzerland. The purpose of the Israel branch is to support the Company's operations in Israel, and the purpose of the Switzerland branch is to operate a foreign treasury center for the Company.

On January 24, 2020, Zion incorporated a wholly owned subsidiary, Zion Drilling, Inc., a Delaware corporation, for the purpose of owning a drilling rig, related equipment and spare parts, and on January 31, 2020, Zion incorporated another wholly owned subsidiary, Zion Drilling Services, Inc., a Delaware corporation, to act as the contractor providing such drilling services. When Zion is not using the rig for its own exploration activities, Zion Drilling Services may contract with other operators in Israel to provide drilling services at market rates then in effect.

Zion has the trademark "ZION DRILLING" filed with the United States Patent and Trademark Office. Zion has the trademark filed with the World Intellectual Property Organization in Geneva, Switzerland, pursuant to the Madrid Agreement and Protocol. In addition, Zion has the trademark filed with the Israeli Trademark Office in Israel.

<u>Exploration Rights/Exploration Activities</u>

New Megiddo Valleys License 434 ("NMVL 434")

The New Megiddo License 428 ("NML 428") was initially awarded on December 3, 2020 for a six-month term and was extended several times before expiring on February 1, 2023. Zion Oil & Gas, Inc. filed an amended application with the Israel Ministry of Energy for a new exploratory license on January 24, 2023 covering the same area as its License No. 428, which expired on February 1, 2023. However, its original application to replace License No. 428 was filed on May 11, 2022, and a revised application was filed on August 29, 2022.

On September 14, 2023, the Israel Ministry of Energy approved a new Megiddo Valleys License 434 ("NMVL 434"), allowing for oil and gas exploration on approximately 75,000 acres or 302 square kilometers. This Exploration License 434 is valid for three years until September 13, 2026 with four potential 1-year extensions for a total of seven years until September 13, 2030. This NMVL 434 effectively supersedes our previous NML 428.

We continue our exploration focus here based on our studies as it appears to possess the key geologic ingredients of an active petroleum system with significant exploration potential. As previously announced, Zion is deploying new technologies and stimulation methods for its planned re-entry into the MJ-01 well with the objective of potentially unlocking hydrocarbon flows in several identified key zones. Zion has begun tendering service contractors and ancillary items required for efficient operations.

On December 6, 2023, the Israeli Ministry of Energy formally approved a detailed, industry-specific operational framework for the planned re-entry, production tests, and recompletion of the MJ-01 well. The submission of this work plan is a requirement under Israeli law. With the work plan approved, Zion was able to proceed with convening the required Supervisory Committee meeting. This Committee, consisting of a fifteen-member panel, is tasked with reviewing and endorsing the work plan. It also ensures that our planned operations have sufficiently mitigated potential impacts on the land, local roads, surrounding land uses, available water resources, and addressed other environmental and safety concerns. Under Israeli law, the Supervisory Committee is comprised of representatives from the Ministries of Energy, Water, and Environment, and representatives from the local Spring Valley County Council, as well as from the surrounding kibbutzim of Sde Eliyahu (where the rig site is located) and Tirat Zvi (adjacent to Zion's rig site). Due to the ongoing war between Israel and Hamas, scheduling a meeting with such a large Committee became more complex, as it required finding a date and time suitable for all members.

On February 21, 2024, members of the Supervisory Committee visited our rig site. During this visit, they interacted with staff from Zion Oil & Gas, and our consultants and potential service providers. Some of these interactions occurred at Kibbutz Sde Eliyahu, while others were conducted through video conferencing with participants from the United States, Europe and the Middle East. Following these discussions, the Committee has officially accepted our work plan for the MJ-01 project. This acceptance allows us to sign agreements and secure mobilization dates with our service providers required to commence and complete the project.

During the year ended December 31, 2023, the Company recorded $ nil in non-cash impairment charges to its unproved oil and gas properties. During the year ended December 31, 2022, the Company recorded a non-cash impairment charge of $45,615,000 to its unproved oil and gas properties.

During the year ended December 31, 2023, the Company recorded a non-cash post-impairment charge to its unproved oil and gas properties of $135,000. During the year ended December 31, 2022, the Company did not record any post-impairment charges. (see Note 4).

Note 1 - Nature of Operations and Going Concern (cont'd)

Zion's Former Asher-Menashe License

Zion plugged the exploratory well on its former Asher-Menashe License area, the reserve pit has been evacuated, and during the year 2019, Zion completed the abandonment of this well site in accordance with guidance from the Energy Ministry, Environmental Ministry and local officials (see Note 9C).

Zion's Former Joseph License

Zion has plugged all of its exploratory wells on its former Joseph License area, and the reserve pits have been evacuated, but acknowledges its obligation to complete the abandonment of these well sites in accordance with guidance from the Energy Ministry, Environmental Ministry and local officials (see Note 9C).

Uncertainty Due to the Russia – Ukraine War

Due to Russia's invasion of Ukraine, which began in February 2022, and the resulting sanctions and other actions against Russia and Belarus, there has been uncertainty and disruption in the global economy. Although the Russian war against Ukraine did not have a material adverse impact on the Company's financial results for the year ended December 31, 2023, at this time the Company is unable to fully assess the aggregate impact the Russian war against Ukraine will have on its business due to various uncertainties, which include, but are not limited to, the duration of the war, the war's effect on the global economy, future energy pricing, its impact to the businesses of the Company's, and actions that may be taken by governmental authorities related to the war.

Israel-Hamas War

On October 7, 2023, Hamas, a militant terrorist organization in Gaza, infiltrated southern Israel, killing and injuring at least one thousand Israeli citizens. Roughly 250 Israeli hostages were then taken back to Gaza. This unprovoked attack led the nation of Israel to declare war on Hamas approximately one week later. As of the date of this report, Israel remains at war and there are daily battles inside the Gaza strip. Israel's stated goals are to completely dismantle the terror infrastructure of Gaza, including its extensive tunnel network and to bring back safely all of the hostages.

There is uncertainty as to how long the war inside the Gaza strip will last. While we acknowledge that uncertainty, the Company is moving forward with its planning and logistics activities. We are working with our international service providers on projected availability timelines and other details. All of these key vendors have expressed willingness to assist Zion in its exploration activities. It is important to note that Zion's license area is not located near any current combat zones.

COVID-19 Update

The continuing COVID-19 global pandemic has caused significant disruption to the economy and financial markets globally, and the full extent of the potential impacts of COVID-19 are not yet fully known. Circumstances caused by the COVID-19 pandemic are complex, and uncertain. The impact of COVID-19 has not been significant to the Company's results of operations, financial condition, and liquidity and capital resources. Although no material impairment or other effects have been identified to date, there is substantial uncertainty in the nature and degree of its continued effects over time. That uncertainty affects management's accounting estimates and assumptions, which could result in greater variability in a variety of areas that depend on these estimates and assumptions as additional events and information become known. The Company will continue to consider the potential impact of the COVID-19 pandemic on its business operations.

B. Going Concern

The Company incurs cash outflows from operations, and all exploration activities and overhead expenses to date have been financed by way of equity or debt financing. The recoverability of the costs incurred to date is uncertain and dependent upon achieving significant commercial production of hydrocarbons.

The Company's ability to continue as a going concern is dependent upon obtaining the necessary financing to undertake further exploration and development activities and ultimately generating profitable operations from its oil and natural gas interests in the future. The Company's current operations are dependent upon the adequacy of its current assets to meet its current expenditure requirements and the accuracy of management's estimates of those requirements. Should those estimates be materially incorrect, the Company's ability to continue as a going concern may be in doubt. The consolidated financial statements have been prepared on a going concern basis, which contemplates realization of assets and liquidation of liabilities in the ordinary course of business. During the year ended December 31, 2023, the Company incurred a net loss of approximately $8.0 million and had an accumulated deficit of approximately $286.6 million. These factors raise substantial doubt about the Company's ability to continue as a going concern for one year from the date the financials were issued.

To carry out planned operations, the Company must raise additional funds through additional equity and/or debt issuances or through profitable operations. There can be no assurance that this capital or positive operational income will be available to the Company, and if it is not, the Company may be forced to curtail or cease exploration and development activities. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty (see also Note 11).

Zion Oil & Gas, Inc.

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the presentation of the accompanying consolidated financial statements follows:

A. Basis of Presentation and Foreign Currency Matters

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP").

All amounts referred to in the notes to the consolidated financial statements are in United States Dollars ($) unless stated otherwise.

The currency of the primary economic environment in which the operations of the Company are conducted is the United States dollar ("dollar"). Therefore, the dollar has been determined to be the Company's functional currency. Non-dollar transactions and balances have been translated into dollars in accordance with the principles set forth in Accounting Standards Codification ("ASC") 830 "Foreign Currency Matters." Transactions in foreign currency (primarily in New Israeli Shekels – "NIS") are recorded at the exchange rate as of the transaction date. Monetary assets and liabilities denominated in foreign currency are translated on the basis of the representative rate of exchange at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currency are stated at historical exchange rates. All exchange gains and losses from re-measurement of monetary balance sheet items denominated in non-dollar currencies are reflected in the statement of operations as they arise.

B. Cash and Cash Equivalents

The Company maintains cash balances with six banks, of which three banks are located in the United States, one in the United Kingdom, and two in Israel. For purposes of the statement of cash flows and balance sheet, the Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents. At times, the Company maintains deposits in financial institutions in excess of federally insured limits. The Company has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash.

C. Fixed Short-Term Time Deposits

Interest bearing deposits for a period which exceeds three months but not more than 12 months and are not restricted are classified as Fixed Short-Term time deposits.

D. Oil and Gas Properties and Impairment

The Company follows the full-cost method of accounting for oil and gas properties. Accordingly, all costs associated with acquisition, exploration and development of oil and gas reserves, including directly related overhead costs, are capitalized.

All capitalized costs of oil and gas properties, including the estimated future costs to develop proved reserves, are amortized on the unit-of-production method using estimates of proved reserves. Investments in unproved properties and major development projects are not amortized until proved reserves associated with the projects can be determined or until impairment occurs. If the results of an assessment indicate that the properties are impaired, the amount of the impairment is included in loss from continuing operations before income taxes, and the adjusted carrying amount of the proved properties is amortized on the unit-of-production method.

The Company's oil and gas property represents an investment in unproved properties. These costs are excluded from the amortized cost pool until proved reserves are found or until it is determined that the costs are impaired. All costs excluded are reviewed at least quarterly to determine if impairment has occurred. The amount of any impairment is charged to expense since a reserve base has not yet been established. Impairment requiring a charge to expense may be indicated through evaluation of drilling results, relinquishing drilling rights or other information.

During the fourth quarter of 2022, the Company testing protocol was concluded at the MJ-02 well. The test results confirmed that the MJ-02 well did not contain hydrocarbons in commercial quantities in the zones tested. As a result, in the year ended December 31, 2022, the Company recorded a non-cash impairment charge to its unproved oil and gas properties of $45,615,000.

During the year ended December 31, 2023, the Company recorded a non-cash post-impairment charge to its unproved oil and gas properties of $135,000. During the year ended December 31, 2022, the Company did not record any post-impairment charges. (see Note 4).

Currently, the Company has no economically recoverable reserves and no amortization base. The Company's unproved oil and gas properties consist of capitalized exploration costs of $16,637,000 and $15,889,000 as of December 31, 2023, and 2022, respectively.

Note 2 - Summary of Significant Accounting Policies (cont'd)

E. Property and Equipment

Property and equipment other than oil and gas property and equipment is recorded at cost and depreciated by the straight-line method over its estimated useful life of 3 to 14 years. Depreciation charged to expense amounted to $799,000, and $794,000 for the years ended December 31, 2023, and 2022, respectively. See Footnote 2P for a discussion of the purchase of our drilling rig and related equipment.

F. Assets Held for Severance Benefits

Assets held for employee severance benefits represent contributions to severance pay funds and insurance policies that are recorded at their current redemption value.

G. Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of expenses. Such estimates include the valuation of unproved oil and gas properties, deferred tax assets, asset retirement obligations, borrowing rate of interest consideration for leases accounting and legal contingencies. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. The Company adjusts such estimates and assumptions when facts and circumstances dictate. Illiquid credit markets, volatile equity, foreign currency, and energy markets have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the consolidated financial statements in future periods.

The full extent to which the COVID-19 pandemic may directly or indirectly impact our business, results of operations and financial condition, will depend on future developments that are uncertain, including as a result of new information that may emerge concerning COVID-19 and the actions taken to contain it or treat COVID-19, as well as the economic impact on local, regional, national and international markets. We have made estimates of the impact of COVID-19 within our consolidated financial statements, and although there is currently no major impact, there may be changes to those estimates in future periods. We have made the same estimates as to the potential impact the Israel-Hamas war may have on our operations. Actual results may differ from these estimates.

H. Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled (see Note 7). The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statements of operations in the period that includes the enactment date.

Based on Accounting Standards Codification (ASC) 740-10-25-6 “Income Taxes,” the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company accounts for interest and penalties related to unrecognized tax benefits, if and when required, as part of income tax expense in the statements of operations. No liability for unrecognized tax benefits was recognized as of December 31, 2023, and 2022.

Note 2 - Summary of Significant Accounting Policies (cont’d)

I. Environmental Costs and Loss Contingencies

Liabilities for loss contingencies, including environmental remediation costs not within the scope of Financial Accounting Standards Board (FASB) ASC Subtopic 410-20, Asset Retirement Obligations and Environmental Obligations – Asset Retirement Obligations, arising from claims, assessments, litigation, fines, and penalties and other sources, are recorded when probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Recoveries of environmental remediation costs from third parties that are probable of realization are separately recorded as assets, and are not offset against the related environmental liability.

Accruals for estimated losses from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study. Such accruals are adjusted as further information develops or circumstances change. Costs of expected future expenditures for environmental remediation obligations are not discounted to their present value.

J. Asset Retirement Obligation

Obligations for dismantlement, restoration and removal of facilities and tangible equipment at the end of oil and gas property's useful life are recorded based on the estimate of the fair value of the liabilities in the period in which the obligation is incurred. This requires the use of management's estimates with respect to future abandonment costs, inflation, market risk premiums, useful life and cost of capital. The estimate of asset retirement obligations does not give consideration to the value the related assets could have to other parties. The obligation is recorded if sufficient information about the timing and (or) method of settlement is available to reasonably estimate fair value (see Note 9C).

K. Net Loss per Share Data

Basic and diluted net loss per share of common stock, par value $0.01 per share ("Common Stock") is presented in conformity with ASC 260-10 "Earnings Per Share." Diluted net loss per share is the same as basic net loss per share for 2023 as the inclusion of 27,086,250 in stock options and 29,697,020 in warrants would be anti-dilutive.

Diluted net loss per share is the same as basic net loss per share for 2022 as the inclusion of 17,758,292 in stock options and 28,035,569 in warrants would be anti-dilutive.

L. Stock Based Compensation

ASC 718, "Compensation – Stock Compensation," prescribes accounting and reporting standards for all share-based payment transactions in which employee services are acquired. Transactions include incurring liabilities, or issuing or offering to issue shares, options, and other equity instruments such as employee stock ownership plans and stock appreciation rights. Share-based payments to employees, including grants of employee stock options, are recognized as compensation expense in the consolidated financial statements based on their fair values. That expense is recognized over the period during which an employee is required to provide services in exchange for the award, known as the requisite service period (usually the vesting period).

The Company accounts for stock-based compensation issued to non-employees and consultants in accordance with the provisions of ASC 718. Measurement of share-based payment transactions with non-employees is based on the fair value of whichever is more reliably measurable: (a) the goods or services received; or (b) the equity instruments issued. The fair value of the share-based payment transaction is determined at the earlier of performance commitment date or performance completion date.

M. Fair Value Measurements

The Company follows Accounting Standards Codification (ASC) 820, "Fair Value Measurements and Disclosures," as amended by Financial Accounting Standards Board (FASB) Financial Staff Position (FSP) No. 157 and related guidance. Those provisions relate to the Company's financial assets and liabilities carried at fair value and the fair value disclosures related to financial assets and liabilities. ASC 820 defines fair value, expands related disclosure requirements, and specifies a hierarchy of valuation techniques based on the nature of the inputs used to develop the fair value measures. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, assuming the transaction occurs in the principal or most advantageous market for that asset or liability.

Note 2 - Summary of Significant Accounting Policies (cont'd)

The Company uses a three-tier fair value hierarchy to classify and disclose all assets and liabilities measured at fair value on a recurring basis, as well as assets and liabilities measured at fair value on a non-recurring basis, in periods subsequent to their initial measurement. The hierarchy requires the Company to use observable inputs when available, and to minimize the use of unobservable inputs, when determining fair value. The three tiers are defined as follows:

- Level 1—Observable inputs that reflect quoted market prices (unadjusted) for identical assets or liabilities in active markets;

- Level 2—Observable inputs other than quoted prices in active markets that are observable either directly or indirectly in the marketplace for identical or similar assets and liabilities; and

- Level 3—Unobservable inputs that are supported by little or no market data, which require the Company to develop its own assumptions.

The Company's financial instruments, including cash and cash equivalents, accounts payable and accrued liabilities, are carried at historical cost. At December 31, 2023 and 2022, the carrying amounts of these instruments approximated their fair values because of the short-term nature of these instruments.

N. Warrants

In connection with the Dividend Reinvestment and Stock Purchase Plan ("DSPP") financing arrangements, the Company has issued warrants to purchase shares of its common stock. The outstanding warrants are stand-alone instruments that are not puttable or mandatorily redeemable by the holder and are classified as equity awards. The Company measures the fair value of the awards using the Black-Scholes option pricing model as of the measurement date. Warrants issued in conjunction with the issuance of common stock are initially recorded and accounted as a part of the DSPP investment as additional paid-in capital of the common stock issued. All other warrants are recorded at fair value and expensed over the requisite service period or at the date of issuance, if there is not a service period. Warrants granted in connection with ongoing arrangements are more fully described in Note 6, *Stockholders' Equity*.

O. Related parties

Parties are considered to be related to the Company if the parties, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. All transactions with related parties are recorded at fair value of the goods or services exchanged.

Zion did not have any related party transactions for the fiscal years ending December 2023 and 2022.

P. Depreciation and Accounting for Drilling Rig and Related Equipment

Zion purchased an onshore oil and gas drilling rig, drilling pipe, related equipment and spare parts for a purchase price of \$5.6 million in cash, inclusive of approximately \$540,000 allocated in spare parts and \$48,000 allocated in additional separate assets. The value of the spare parts and separate assets are captured in separate ledger accounts, but reported as one line item with the drilling rig on the balance sheet. Zion determined that the life of the I-35 drilling rig (the rig Zion purchased), is 10 years. Zion is depreciating the rig on a straight-line basis.

Zion uses the First In First Out ("FIFO") method of accounting for the inventory spare parts, meaning that the earliest items purchased will be the first item charged to the well in which the inventory of spare parts gets consumed.

It is also noteworthy that various components and systems on the rig will be subject to certifications by the manufacturer to ensure that the rig is maintained at optimal levels. Per standard practice in upstream oil and gas, each certification performed on our drilling rig increases the useful life of the rig by five years. The costs of each certification will be added to the drilling rig account, and our straight-line amortization will be adjusted accordingly.

Q. Other Comprehensive Income

The Company does not have any activity that results in Other Comprehensive Income.

Note 2 - Summary of Significant Accounting Policies (cont'd)

I-35 Drilling Rig & Associated Equipment

	I-35 Drilling Rig	Rig Spare Parts	Other Drilling Assets	Total
	US$ thousands	US$ thousands	US$ thousands	US$ thousands
December 31, 2021	5,859	642	333	6,834
Asset Additions	-	179	221	400
Asset Depreciation	(634)	-	(117)	(751)
Asset Disposals for Self-Consumption	-	(202)	-	(202)
December 31, 2022	5,225	619	437	6,281
Asset Additions	**-**	**-**	**-**	**-**
Asset Depreciation	**(634)**	**-**	**(126)**	**(760)**
Asset Disposals for Self-Consumption	**-**	**(11)**	**-**	**(11)**
December 31, 2023	**4,591**	**608**	**311**	**5,510**

Note 2 - Summary of Significant Accounting Policies (cont'd)

R. Recently Adopted Accounting Pronouncements

In March 2020, the FASB issued ASU 2020-03, “Codification Improvements to Financial Instruments”: The amendments in this update are to clarify, correct errors in, or make minor improvements to a variety of ASC topics. The changes in ASU 2020-03 are not expected to have a significant effect on current accounting practices. The ASU improves various financial instrument topics in the Codification to increase stakeholder awareness of the amendments and to expedite the improvement process by making the Codification easier to understand and easier to apply by eliminating inconsistencies and providing clarifications. The ASU is effective for smaller reporting companies for fiscal years beginning after December 15, 2022 with early application permitted. Zion adopted ASU 2020-03 in the first quarter of 2023. The adoption of this ASU did not have any impact on its consolidated financial statements.

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The ASU requires companies to apply the definition of a performance obligation under ASC 606 to recognize and measure contract assets and contract liabilities relating to contracts with customers acquired in a business combination. Prior to the adoption of this ASU, an acquirer generally recognized assets acquired and liabilities assumed in a business combination, including contract assets and contract liabilities arising from revenue contracts with customers, at fair value on the acquisition date. The ASU results in the acquirer recording acquired contract assets and liabilities on the same basis that would have been recorded by the acquiree before the acquisition under ASC 606. The ASU is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. Zion adopted ASU 2021-08 in the first quarter of 2023. The adoption of this ASU did not have a material impact on our consolidated financial statements; the impact in future periods will be dependent upon the contract assets acquired and contract liabilities assumed in any future business combinations.

In September 2022, the FASB issued ASU No. 2022-04, *Liabilities – Supplier Finance Programs (Subtopic 405-50)*. The ASU requires companies to disclose information about supplier finance programs, including key terms of the program, outstanding confirmed amounts as of the end of the period, a roll forward of such amounts during each annual period, and a description of where the amounts are presented. The new standard does not affect the recognition, measurement, or financial statement presentation of supplier finance obligations. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods, except for roll forward information, which is effective for fiscal years beginning after December 15, 2023. Zion adopted this ASU effective January 1, 2023. The adoption of this ASU did not have any impact on its consolidated financial statements.

Other Recent Accounting Pronouncements

The Company does not believe that the adoption of any recently issued accounting pronouncements in 2023 had a significant impact on our consolidated financial position, results of operations, or cash flow.

Note 3 - Provision for Severance Pay

Israeli law generally requires payment of severance pay upon dismissal of an Israeli employee or upon termination of employment in certain other circumstances. The following plans relate to the employees in Israel:

- **A.** The liability in respect of certain of the Company’s employees is discharged in part by participating in a defined contribution pension plan and making regular deposits with recognized pension funds. The deposits are based on certain components of the salaries of the said employees. The custody and management of the amounts so deposited are independent of the Company’s control.

- **B.** The Company’s liability for severance pay for its Israeli employees is calculated pursuant to Israeli severance pay law based on the most recent salary of the employee multiplied by the number of years of employment, as of the balance sheet date. Employees are entitled to one month's salary for each year of employment, or a portion thereof. Certain senior executives are entitled to receive additional severance pay. The Company's liability for all of its Israeli employees is partly provided for by monthly deposits in insurance policies and the remainder by an accrual in the consolidated financial statements. The value of these policies is recorded as an asset in the Company's balance sheet.

The deposited funds include profits/loss accumulated up to the balance sheet date. The value of the deposited funds is based on current redemption value of these policies.

C. Withdrawals from the funds may be made only upon termination of employment.

D. As of December 31, 2023, and 2022, the Company had a provision for severance pay of $499,000 and $457,000, respectively, of which all was long-term. As of December 31, 2023, and 2022, the Company had $475,000 and $424,000, respectively, deposited in funds managed by major Israeli financial institutions which are earmarked to cover severance pay liability. Such deposits are not considered to be "plan assets" and are therefore included in other assets.

Note 4 - Unproved Oil and Gas Properties, Full Cost Method

Unproved oil and gas properties, under the full cost method, are comprised as follows:

	December 31, 2023	**December 31, 2022**
	US$ thousands	**US$ thousands**
Excluded from amortization base:		
Drilling costs, and other operational related costs	**2,538**	2,362
Capitalized salary costs	**2,444**	2,342
Capitalized interest costs	**1,418**	1,418
Legal and seismic costs, license fees and other preparation costs	**10,198**	9,728
Other costs	**39**	39
	16,637	15,889

Impairment of unproved oil and gas properties comprised as follows:

	For the year ended December 31,	
	2023	**2022**
	US$ thousands	**US$ thousands**
Excluded from amortization base:		
Drilling costs, and other operational related costs	**75**	41,430
Capitalized salary costs	**-**	-
Capitalized interest costs	**-**	-
Legal and seismic costs, license fees and other preparation costs	**60**	4,185
	135	45,615

Changes in Unproved oil and gas properties during the years ended December 31, 2023, and 2022, are as follows:

	December 31, 2023	December 31, 2022
	US$ thousands	US$ thousands
Excluded from amortization base:		
Drilling costs, and other operational related costs	**251**	**11,717**
Capitalized salary costs	**102**	**184**
Capitalized interest costs	**-**	**-**
Legal and seismic costs, license fees and other preparation costs	**530**	**2,653**
Other costs	**-**	**-**
Impairment of unproved oil and gas properties	**(135)**	**(45,615)**
	748*	**(31,061)***

* Inclusive of non-cash amounts of approximately $670,000, and $2,168,000 during the years 2023, and 2022, respectively

Please refer to Footnote 1 – Nature of Operations and Going Concern for more information about Zion's exploration activities.

Note 5 - Accrued Liabilities

Accrued liabilities are comprised as follows:

	December 31, 2023	December 31, 2022
	US$ thousands	US$ thousands
Drilling provisions	**-**	495
Employees related	**328**	250
Audit and Legal Costs	**157**	168
Other	**208**	119
	693	1,032

Note 6 - Stockholders' Equity

The Company's shareholders approved the amendment of the Company's Amended and Restated Certificate of Incorporation to increase the number of shares of common stock, par value $0.01, that the Company is authorized to issue from 800,000,000 shares to 1,200,000,000 shares, effective June 7, 2023.

A. 2021 Omnibus Incentive Stock Option Plan

Effective June 9, 2021, the Company's shareholders authorized the adoption of the Zion Oil & Gas, Inc. 2021 Omnibus Incentive Stock Option Plan ("Omnibus Plan") for employees, directors and consultants, initially reserving for issuance thereunder 38,000,000 shares of common stock.

The Omnibus Plan provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, bonus stock, awards in lieu of cash obligations, other stock-based awards and performance units. The plan also permits cash payments under certain conditions.

The compensation committee of the Board of Directors (comprised of independent directors) is responsible for determining the type of award, when and to whom awards are granted, the number of shares and the terms of the awards and exercise prices. The options are exercisable for a period not to exceed ten years from the date of grant.

Note 6 - Stockholders' Equity (cont'd)

During the year ended December 31, 2023, the Company granted the following options from the 2021 Equity Omnibus Plan for employees, directors and consultants, to purchase shares of common stock as non-cash compensation:

i. Options to purchase 175,000 shares of Common Stock to five senior officers and one staff member at an exercise price of $0.0615 per share. The options vested upon grant and are exercisable through January 4, 2033. The fair value of the options at the date of grant amounted to approximately $9,000.

ii. Options to purchase 25,000 shares of Common Stock to one senior officer at an exercise price of $0.01 per share. The options vested upon grant and are exercisable through January 4, 2033. These options were granted per the provisions of the Israeli Appendix to the Plan. The fair value of the options at the date of grant amounted to approximately $1,500.

iii. Options to purchase 25,000 shares of Common Stock to one board member, at an exercise price of $0.07 per share. The options vested upon grant and are exercisable through June 8, 2033. The fair value of the options at the date of grant amounted to approximately $1,500.

iv. Options to purchase 10,000 shares of Common Stock to one staff member at an exercise price of $0.01 per share. The options vested upon grant and are exercisable through September 1, 2033. These options were granted per the provisions of the Israeli Appendix to the Plan. The fair value of the options at the date of grant amounted to approximately $600.

v. Options to purchase 895,000 shares of Common Stock to five staff members and one senior officer at an exercise price of $0.01 per share. The options vested upon grant and are exercisable through September 23, 2033. These options were granted per the provisions of the Israeli Appendix to the Plan. The fair value of the options at the date of grant amounted to approximately $60,000.

vi. Options to purchase 3,350,000 shares of Common Stock to four senior officers and nine staff members at an exercise price of $0.0676 per share. The options vest on September 23, 2024 (one year from the date of grant) and are exercisable through September 23, 2033. The fair value of the options at the date of grant amounted to approximately $211,000, and will be recognized during the years 2023 and 2024.

vii. Options to purchase 3,600,000 shares of Common Stock to nine board members at an exercise price of $0.0676 per share. The options vest on September 23, 2024 (one year from the date of grant) and are exercisable through September 23, 2033. The fair value of the options at the date of grant amounted to approximately $227,000, and will be recognized during the years 2023 and 2024.

viii. Options to purchase 55,000 shares of Common Stock to three consultants at an exercise price of $0.0676 per share. The options vest on September 23, 2024 (one year from the date of grant) and are exercisable through September 23, 2033. The fair value of the options at the date of grant amounted to approximately $3,000, and will be recognized during the years 2023 and 2024.

Note 6 - Stockholders' Equity (cont'd)

During the year ended December 31, 2022, the Company granted the following options from the 2021 Equity Omnibus Plan for employees, directors and consultants, to purchase shares of common stock as non-cash compensation:

i. Options to purchase 175,000 shares of Common Stock to six senior officers and one staff member at an exercise price of $0.1529 per share. The options vested upon grant and are exercisable through January 4, 2032. The fair value of the options at the date of grant amounted to approximately $22,000.

ii. Options to purchase 25,000 shares of Common Stock to one senior officer at an exercise price of $0.01 per share. The options vested upon grant and are exercisable through January 4, 2032. These options were granted per the provisions of the Israeli Appendix to the Plan. The fair value of the options at the date of grant amounted to approximately $4,000.

iii. Options to purchase 300,000 shares of Common Stock to one senior officer and one staff member at an exercise price of $0.01 per share. The options vested upon grant and are exercisable through January 5, 2032. These options were granted per the provisions of the Israeli Appendix to the Plan. The fair value of the options at the date of grant amounted to approximately $39,000.

iv. Options to purchase 200,000 shares of Common Stock one board member at an exercise price of $0.01 per share. The options vested upon grant and are exercisable through January 5, 2032. These options were granted per the provisions under the Israeli Appendix to the Plan. The fair value of the options at the date of grant amounted to approximately $29,000.

v. Options to purchase 1,600,000 shares of Common Stock to five senior officers and four staff members at an exercise price of $0.15 per share. The options vest on January 5, 2023 (one year from the date of grant) and are exercisable through January 5, 2032. The fair value of the options at the date of grant amounted to approximately $209,000, and will be recognized during the years 2022 and 2023.

vi. Options to purchase 1,400,000 shares of Common Stock to seven board members, at an exercise price of $0.15 per share. The options vest on January 5, 2023 (one year from the date of grant) and are exercisable through January 5, 2032. The fair value of the options at the date of grant amounted to approximately $182,000, and will be recognized during the years 2022 and 2023.

vii. Options to purchase 160,000 shares of Common Stock to four staff members, at an exercise price of $0.01 per share. The options vested upon grant and are exercisable through January 17, 2032. These options were granted per the provisions under the Israeli Appendix to the Plan. The fair value of the options at the date of grant amounted to approximately $23,000.

viii. Options to purchase 200,000 shares of Common Stock to six staff members at an exercise price of $0.14 per share. The options vest on January 17, 2023 (one year from the date of grant) and are exercisable through January 17, 2032. The fair value of the options at the date of grant amounted to approximately $26,000, and will be recognized during the years 2022 and 2023.

Note 6 - Stockholders' Equity (cont'd)

ix. Options to purchase 40,000 shares of Common Stock to two consultants at an exercise price of $0.14 per share. The options vest on January 17, 2023 (one year from the date of grant) and are exercisable through January 17, 2032. The fair value of the options at the date of grant amounted to approximately $5,000, and will be recognized during the years 2022 and 2023.

x. Options to purchase 25,000 shares of Common Stock to one board member, at an exercise price of $0.11 per share. The options vested upon grant and are exercisable through April 1, 2032. The fair value of the options at the date of grant amounted to approximately $2,000.

xi. Options to purchase 3,210,000 shares of Common Stock to five senior officers, two consultants and ten staff members at an exercise price of $0.15 per share. The options vest on April 15, 2023 (on year from the date of grant) and are exercisable through April 15, 2032. The fair value of the options at the date of grant amounted to approximately $394,000, and will be recognized during the years 2022 and 2023.

xii. Options to purchase 1,090,000 shares of Common Stock to one senior officer, one board member and five staff members at an exercise price of $0.01 per share. The options vested upon grant and are exercisable through April 15, 2032. These options were granted per the provisions of the Israeli Appendix to the Plan. The fair value of the options at the date of grant amounted to approximately $149,000.

xiii. Options to purchase 3,200,000 shares of Common Stock to eight board members at an exercise price of $0.15 per share. The options vest on April 15, 2023 (one year from the date of grant) and are exercisable through April 15, 2033. The fair value of the options at the date of grant amounted to approximately $393,000.

xiv. Options to purchase 25,000 shares of Common Stock to one board member, at an exercise price of $0.2350 per share. The options vested upon grant and are exercisable through August 1, 2032. The fair value of the options at the date of grant amounted to approximately $5,000.

xv. Options to purchase 118,000 shares of Common Stock to two senior officers and four staff members at an exercise price of $0.2350 per share. The options vested upon grant and are exercisable through August 12, 2032. The fair value of the options at the date of grant amounted to approximately $29,000.

xvi. Options to purchase 75,000 shares of Common Stock to four staff members and one consultant at an exercise price of $0.01 per share. The options vested upon grant and are exercisable through August 12, 2032. These options were granted per the provisions of the Israeli Appendix to the Plan. The fair value of the options at the date of grant amounted to approximately $13,000.

xvii. Options to purchase 10,000 shares of Common Stock to one staff member at an exercise price of $0.01 per share. The options vested upon grant and are exercisable through September 01, 2032. These options were granted per the provisions of the Israeli Appendix to the Plan. The fair value of the options at the date of grant amounted to approximately $2,000.

xviii. Options to purchase 2,455,000 shares of Common Stock to four senior officers and thirteen staff members at an exercise price of $0.1797 per share. The options vest on September 23, 2023 (one year from the date of grant) and are exercisable through September 23, 2032. The fair value of the options at the date of grant amounted to approximately $396,000, and will be recognized during the years 2022 and 2023.

xix. Options to purchase 2,700,000 shares of Common Stock to nine board members at an exercise price of $0.1797 per share. The options vest on September 23, 2023 (one year from the date of grant) and are exercisable through September 23, 2033. The fair value of the options at the date of grant amounted to approximately $436,000, and will be recognized during the years 2022 and 2023.

xx. Options to purchase 845,000 shares of Common Stock to one senior officer, one board member and four staff members at an exercise price of $0.01 per share. The options vested upon grant and are exercisable through September 23, 2032. These options were granted per the provisions of the Israeli Appendix to the Plan. The fair value of the options at the date of grant amounted to approximately $149,000.

Note 6 - Stockholders' Equity (cont'd)

D. Warrants and Options

The Company has reserved 63,788,270 shares of common stock as of December 31, 2023, for the exercise of warrants and options to employees and non-employees, of which 56,783,270 are exercisable. These warrants and options could potentially dilute basic earnings per share in future years. The warrants and options exercise prices and expiration dates are as follows:

	Exercise Price	Number of Shares	Expiration Date	Warrants or Options
	US$			
To non-employees				
	0.01	**10,000**	**October 01, 2027**	**Options**
	0.01	**7,500**	**January 01, 2028**	**Options**
	0.01	**30,000**	**February 28, 2028**	**Options**
	0.01	**80,000**	**November 18, 2029**	**Options**
	0.01	**20,000**	**August 12, 2032**	**Options**
	0.07	**55,000**	**September 22, 2033**	**Options**
	0.15	**50,000**	**April 15, 2032**	**Options**
	0.16	**75,000**	**December 10, 2029**	**Options**
	1.67	**105,000**	**October 01, 2024**	**Options**
To employees and directors				
	0.01	**5,000**	**June 11, 2024**	**Options**
	0.01	**20,000**	**June 05, 2026**	**Options**
	0.01	**130,000**	**January 01, 2027**	**Options**
	0.01	**50,000**	**January 04, 2027**	**Options**
	0.01	**60,000**	**April 17, 2027**	**Options**
	0.01	**200,000**	**May 21, 2027**	**Options**
	0.01	**30,000**	**October 01, 2027**	**Options**
	0.01	**62,500**	**January 01, 2028**	**Options**
	0.01	**25,000**	**January 04, 2028**	**Options**

0.01	4,000	April 06, 2028	Options
0.01	25,000	January 6, 2029	Options
0.01	35,000	September 18, 2029	Options
0.01	70,000	November 18, 2029	Options
0.01	35,000	January 05, 2030	Options
0.01	75,000	January 04, 2031	Options
0.01	200,000	May 21, 2031	Options
0.01	300,000	July 17, 2031	Options
0.01	10,000	September 01, 2031	Options
0.01	500,000	January 05, 2032	Options
0.01	55,000	January 17, 2032	Options
0.01	960,000	April 15, 2032	Options
0.01	55,000	August 12, 2032	Options
0.01	10,000	September 01, 2032	Options

Note 6 - Stockholders' Equity (cont'd)

Exercise Price	Number of Shares	Expiration Date	Warrants or Options
US$			
0.01	795,000	September 23, 2032	Options
0.01	25,000	January 04, 2033	Options
0.01	10,000	September 01, 2033	Options
0.01	895,000	September 22, 2033	Options
0.06	50,000	January 04, 2033	Options
0.07	25,000	June 08, 2033	Options
0.07	6,950,000	September 22, 2033	Options
0.14	240,000	January 17, 2032	Options
0.15	3,200,000	January 04, 2032	Options
0.15	6,360,000	April 15, 2032	Options
0.16	340,000	December 10, 2025	Options
0.18	25,000	December 02, 2025	Options
0.18	5,155,000	September 23, 2032	Options
0.24	25,000	August 01, 2032	Options
0.24	118,000	August 12, 2032	Options
0.25	413,000	September 01, 2031	Options
0.28	25,000	September 03, 2025	Options
0.28	25,000	September 03, 2029	Options
0.29	25,000	June 15, 2027	Options
0.39	1,435,000	July 9, 2031	Options
0.59	1,400,000	May 21, 2027	Options
0.59	1,600,000	May 21, 2031	Options
0.92	350,000	January 4, 2027	Options
0.92	550,000	January 4, 2031	Options
1.38	105,307	January 02, 2025	Options
1.67	300,943	October 01, 2024	Options

	1.78	**25,000**	**September 04, 2024**	**Options**
	2.31	**250,000**	**January 01, 2024**	**Options**
	4.15	**25,000**	**July 02, 2024**	**Options**
To investors				
	0.25	**153,800**	**July 17, 2024**	**Warrants**
	0.05	**23,428,348**	**March 31, 2024**	**Warrants**
	0.05	**4,376,000**	**March 31, 2024**	**Warrants**
	1.00	**240,068**	**January 08, 2024**	**Warrants**
	2.00	**1,498,804**	**January 31, 2025**	**Warrants**
Total outstanding	**0.38***	**63,788,270**		

* Weighted Average

Note 6 - Stockholders' Equity (cont'd)

The stock option transactions since January 1, 2022 are shown in the table below:

	Number of shares	Weighted Average exercise price
		US$
Outstanding, December 31, 2021	9,741,750	0.64
Changes during 2022 to:		
Granted to employees, officers, directors and others	17,853,000	0.14
Expired/Cancelled/Forfeited	(828,500)	1.06
Exercised	(375,000)	0.01
Outstanding, December 31, 2022	26,391,250	0.30
Changes during 2023 to:		
Granted to employees, officers, directors and others*	**8,135,000**	0.07
Expired/Cancelled/Forfeited	**(285,000)**	1.65
Exercised	**(150,000)**	0.07
Outstanding, December 31, 2023	**34,091,250**	0.23
Exercisable, December 31, 2023	**27,086,250**	0.27

The aggregate intrinsic value of options exercised during 2023, and 2022 was approximately $4,000, and $69,000 respectively.

The aggregate intrinsic value of the outstanding options and warrants as of December 31, 2023, totaling 63,788,270 was approximately $844,000.

The aggregate intrinsic value of the outstanding options and warrants as of December 31, 2022, totaling 61,625,387 was approximately $493,000.

Zion Oil & Gas, Inc.

Notes to Consolidated Financial Statements

Note 6 - Stockholders' Equity (cont'd)

The following table summarizes information about stock options outstanding as of December 31, 2023:

Shares underlying outstanding options (non-vested)				Shares underlying outstanding options (fully vested)			
Range of exercise price	Number outstanding	Weighted average remaining contractual life (years)	Weighted Average Exercise price	Range of exercise price	Number Outstanding	Weighted average remaining contractual life (years)	Weighted Average Exercise price
US$			US$	US$			US$
0.07	7,005,000	9.73	0.07				
—	—	—	—	0.01	5,000	0.45	0.01
—	—	—	—	0.01	20,000	2.43	0.01
—	—	—	—	0.01	130,000	3.01	0.01
—	—	—	—	0.01	50,000	3.01	0.01
—	—	—	—	0.01	60,000	3.30	0.01
—	—	—	—	0.01	200,000	3.39	0.01
—	—	—	—	0.01	40,000	3.75	0.01
—	—	—	—	0.01	70,000	4.01	0.01
—	—	—	—	0.01	25,000	4.01	0.01
—	—	—	—	0.01	30,000	4.16	0.01
—	—	—	—	0.01	4,000	4.27	0.01
—	—	—	—	0.01	25,000	5.02	0.01
—	—	—	—	0.01	35,000	5.72	0.01
—	—	—	—	0.01	150,000	5.89	0.01
—	—	—	—	0.01	35,000	6.02	0.01
—	—	—	—	0.01	75,000	7.02	0.01
—	—	—	—	0.01	200,000	7.39	0.01
—	—	—	—	0.01	300,000	7.55	0.01
—	—	—	—	0.01	10,000	7.67	0.01
—	—	—	—	0.01	500,000	8.02	0.01
—	—	—	—	0.01	55,000	8.05	0.01
—	—	—	—	0.01	960,000	8.30	0.01
—	—	—	—	0.01	75,000	8.62	0.01
—	—	—	—	0.01	10,000	8.68	0.01
—	—	—	—	0.01	795,000	8.74	0.01
—	—	—	—	0.01	25,000	9.02	0.01
—	—	—	—	0.01	10,000	9.68	0.01
—	—	—	—	0.01	895,000	9.73	0.01
—	—	—	—	0.06	50,000	9.02	0.06
—	—	—	—	0.07	25,000	9.44	0.07
—	—	—	—	0.14	240,000	8.08	0.14
—	—	—	—	0.15	3,200,000	8.02	0.15
—	—	—	—	0.15	6,410,000	8.30	0.15
—	—	—	—	0.16	340,000	1.95	0.16
—	—	—	—	0.16	75,000	5.95	0.16
—	—	—	—	0.18	25,000	1.92	0.18
—	—	—	—	0.18	5,155,000	8.74	0.18
—	—	—	—	0.24	25,000	8.59	0.24
—	—	—	—	0.24	118,000	8.62	0.24
—	—	—	—	0.25	50,000	7.67	0.25
—	—	—	—	0.25	363,000	7.67	0.25
—	—	—	—	0.28	25,000	1.16	0.28
—	—	—	—	0.28	25,000	5.68	0.28
—	—	—	—	0.29	25,000	3.46	0.29
—	—	—	—	0.39	1,435,000	7.53	0.39
—	—	—	—	0.59	1,400,000	3.39	0.59
—	—	—	—	0.59	1,600,000	7.39	0.59
—	—	—	—	0.92	350,000	3.01	0.92
—	—	—	—	0.92	550,000	7.02	0.92
—	—	—	—	1.38	105,307	1.01	1.38
—	—	—	—	1.67	405,943	0.75	1.67
—	—	—	—	1.78	25,000	0.68	1.78
—	—	—	—	2.31	250,000	0.01	2.31
—	—	—	—	4.15	25,000	0.50	4.15
0.07	7,005,000		0.07	0.01-4.15	27,086,250		0.27

Zion Oil & Gas, Inc.

Notes to Consolidated Financial Statements

Note 6 - Stockholders' Equity (cont'd)

Granted to employees

The following table sets forth information about the weighted-average fair value of options granted to employees and directors during the year, using the Black Scholes option-pricing model and the weighted-average assumptions used for such grants:

	For the year ended December 31,	
	2023	**2022**
Weighted-average fair value of underlying stock at grant date	**0.07**	$0.16
Dividend yields	**—**	—
Expected volatility	**135%-137%**	127%-135%
Risk-free interest rates	**3.85%-4.61%**	1.37%-3.96%
Expected life (in years)	**5.00-5.50**	5.00-5.50
Weighted-average grant date fair value	**0.06**	$0.14

Granted to non-employees

The following table sets forth information about the weighted-average fair value of options granted to non-employees during the year, using the Black Scholes option-pricing model and the weighted-average assumptions used for such grants:

	For the year ended December 31,	
	2023	**2022**
Weighted-average fair value of underlying stock at grant date	**0.07**	$0.16
Dividend yields	**—**	—
Expected volatility	**134%**	103%-104%
Risk-free interest rates	**4.61%**	1.78%-2.84%
Expected life (in years)	**10**	10.00
Weighted-average grant date fair value	**0.06**	$0.10

Zion Oil & Gas, Inc.

Notes to Consolidated Financial Statements

Note 6 - Stockholders' Equity (cont'd)

The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the options.

The expected life represents the weighted average period of time that options granted are expected to be outstanding. The expected life of the options granted to employees and directors is calculated based on the Simplified Method as allowed under Staff Accounting Bulletin No. 110 ("SAB 110"), giving consideration to the contractual term of the options and their vesting schedules, as the Company does not have sufficient historical exercise data at this time. The expected life of the option granted to non-employees equals their contractual term. In the case of an extension of the option life, the calculation was made on the basis of the extended life.

D. Compensation Cost for Warrant and Option Issuances

The following table sets forth information about the compensation cost of warrant and option issuances recognized for employees and directors:

For the year ended December 31,	
2023	**2022**
US$ thousands	**US$ thousands**
1,031	1,654

The following table sets forth information about the compensation cost of warrant and option issuances recognized for non-employees:

For the year ended December 31,	
2023	**2022**
US$ thousands	**US$ thousands**
3	14

The following table sets forth information about the compensation cost of option issuances recognized and capitalized to Unproved Oil & Gas properties:

For the year ended December 31,	
2023	**2022**
US$ thousands	**US$ thousands**
—	17

As of December 31, 2023, there was $320,000 of unrecognized compensation cost, related to non-vested stock options granted under the Company's various stock option plans. That cost is expected to be recognized during 2024.

Note 6 - Stockholders' Equity (cont'd)

E. Dividend Reinvestment and Stock Purchase Plan ("DSPP")

On March 13, 2014 Zion filed a registration statement on Form S-3 that was part of a replacement registration statement that was filed with the SEC using a "shelf" registration process. The registration statement was declared effective by the SEC on March 31, 2014. On February 23, 2017, the Company filed a Form S-3 with the SEC (Registration No. 333-216191) as a replacement for the Form S-3 (Registration No. 333-193336), for which the three-year period ended March 31, 2017, along with the base Prospectus and Supplemental Prospectus. The Form S-3, as amended, and the new base Prospectus became effective on March 10, 2017, along with the Prospectus Supplement that was filed and became effective on March 10, 2017. The Prospectus Supplement under Registration No. 333-216191 describes the terms of the DSPP and replaces the prior Prospectus Supplement, as amended, under the prior Registration No. 333-193336.

On September 15, 2020, the Company extended the termination date of the ZNWAD Warrant by two (2) years from the expiration date of May 2, 2021 to May 2, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

As of May 2, 2023, any outstanding ZNWAD warrants expired.

On September 15, 2020, the Company extended the termination date of the ZNWAE Warrant by two (2) years from the expiration date of May 1, 2021 to May 1, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

As of May 1, 2023, any outstanding ZNWAE warrants expired.

On September 15, 2020, the Company extended the termination date of the ZNWAF Warrant by two (2) years from the expiration date of August 14, 2021 to August 14, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

As of August 14, 2023, any outstanding ZNWAF warrants expired.

Under Amendment No. 2, the Company initiated another unit offering which terminated on December 6, 2017. This unit offering enabled participants to purchase Units of the Company's securities where each Unit (priced at $250.00 each) was comprised of (i) a certain number of shares of Common Stock determined by dividing $250.00 (the price of one Unit) by the average of the high and low sale prices of the Company's Common Stock as reported on the NASDAQ on the unit purchase date and (ii) Common Stock purchase warrants to purchase an additional 15 shares of Common Stock at a warrant exercise price of $1.00 per share. The warrant is referred to as "ZNWAG."

The warrants became exercisable on January 8, 2018 and continued to be exercisable through January 8, 2024 at a revised per share exercise price of $.25. The warrant terms provided that if the Company's Common Stock trades above $5.00 per share as the closing price for 15 consecutive trading days at any time prior to the expiration date of the warrant, the Company had the sole discretion to accelerate the termination date of the warrant upon providing 60 days advanced notice to the warrant holders.

On December 14, 2022, the Company extended the termination date of the ZNWAG warrant by one (1) year from the expiration date of January 8, 2023 to January 8, 2024. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

As of January 8, 2024, any outstanding ZNWAG warrants expired.

On September 15, 2020, the Company extended the termination date of the ZNWAH Warrant by two (2) years from the expiration date of April 2, 2021 to April 2, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

As of April 2, 2023, any outstanding ZNWAH warrants expired.

On September 15, 2020, the Company extended the termination date of the ZNWAJ Warrant by two (2) years from the expiration date of October 29, 2021 to October 29, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

On October 29, 2023, any outstanding ZNWAJ warrants expired.

On September 15, 2020, the Company extended the termination date of the ZNWAK warrant by two (2) years from the expiration date of February 25, 2021 to February 25, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

As of February 25, 2023, any outstanding ZNWAK warrants expired.

On September 15, 2020, the Company extended the termination date of the ZNWAL Warrant by two (2) years from the expiration date of August 26, 2021 to August 26, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

As of August 26, 2023, any outstanding ZNWAL warrants expired.

Under our Plan, the Company under a Request For Waiver Program executed Waiver Term Sheets of a unit option program consisting of a Unit (shares of stock and warrants) of its securities and subsequently an option program consisting of shares of stock to a participant. The participant's Plan account was credited with the number of shares of the Company's Common Stock and warrants that were acquired. Each warrant affords the participant the opportunity to purchase one share of our Common Stock at a warrant exercise price of $1.00. The warrant shall have the company notation of "ZNWAM." The warrants will not be registered for trading on the OTCQB or any other stock market or trading market. The warrants became exercisable on January 15, 2021 and continue to be exercisable through July 15, 2022.

On March 21, 2022, the Company extended the termination date of the ZNWAM warrant by one (1) year from the expiration date of July 15, 2022 to July 15, 2023 and revised the exercise price to $0.05. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

On June 16, 2023, the Company extended the termination date of the ZNWAM warrant from July 15, 2023 to September 6, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

On August 21, 2023, the Company extended the termination date of the ZNWAM warrant from September 6, 2023 to October 31, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

On October 19, 2023, the Company extended the termination date of the ZNWAM warrant from October 31, 2023 to December 31, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

On December 18, 2023, the Company extended the termination date of the ZNWAM warrant from December 31, 2023 to March 31, 2024. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

The ZNWAN warrants became exercisable on May 16, 2021 and continue to be exercisable through May 16, 2023 at a per share exercise price of $1.00.

As of May 16, 2023, any outstanding ZNWAN warrants expired.

Note 6 – Stockholders' Equity (cont'd)

The ZNWAO warrants became exercisable on June 12, 2021 and continue to be exercisable through June 12, 2023 at a per share exercise price of $.25.

As of June 12, 2023, any outstanding ZNWAO warrants expired.

Under our Plan, the Company under a Request For Waiver Program executed a Waiver Term Sheet for a program consisting of Zion securities to a participant. After conclusion of the program on June 17, 2021, the participant's Plan account was credited with the number of shares of the Company's Common Stock that were acquired.

Under our Plan, the Company under a Request For Waiver Program executed a Waiver Term Sheet for a unit program consisting of a Unit (shares of stock and warrants) to a participant. After conclusion of the program on May 28, 2021, the participant's Plan account was credited with the number of shares of the Company's Common Stock and Warrants that were acquired. Each warrant affords the participant the opportunity to purchase one share of our Common Stock at a warrant exercise price of $.25. The warrant has the company notation of "ZNWAP." The warrants will not be registered for trading on the OTCQB or any other stock market or trading market. The warrants were issued and became exercisable on June 2, 2021 and continue to be exercisable through June 2, 2022 at a per share exercise price of $.25.

On March 21, 2022, the Company extended the termination date of the ZNWAP Warrant by one (1) year from the expiration date of June 2, 2022 to June 2, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

During the second quarter of 2022, all warrants represented by ZNWAP and ZNWAR were exercised resulting in a net cash inflow of approximately $365,000.

Under our Plan, the Company under a Request For Waiver Program executed a Waiver Term Sheet of a unit program consisting of units of shares of stock and warrants to a participant. After conclusion of the program on June 18, 2021, the participant's Plan account was credited with the number of shares of the Company's Common Stock and warrants that were acquired. Each warrant affords the participant the opportunity to purchase one share of our Common Stock at a warrant exercise price of $.25. The warrant shall have the company notation of "ZNWAQ." The warrants will not be registered for trading on the OTCQB or any other stock market or trading market. The warrants were issued on May 5, 2022 and were exercisable through July 15, 2023 at a revised per share exercise price of $.05.

Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

On June 16, 2023, the Company extended the termination date of the ZNWAQ warrant from July 15, 2023 to September 6, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

On August 21, 2023, the Company extended the termination date of the ZNWAQ warrant from September 6, 2023 to October 31, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

On October 19, 2023, the Company extended the termination date of the ZNWAQ warrant from October 31, 2023 to December 31, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

Note 6 – Stockholders' Equity (cont'd)

On December 18, 2023, the Company extended the termination date of the ZNWAQ warrant from December 31, 2023 to March 31, 2024. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

Under our Plan, the Company under a Request For Waiver Program executed a Waiver Term Sheet of a unit program consisting of units of shares of stock and warrants to a participant. After conclusion of the program on June 18, 2021, the participant's Plan account was credited with the number of shares of the Company's Common Stock and Warrants that were acquired. Each warrant affords the participant the opportunity to purchase one share of our Common Stock at a warrant exercise price of $.25. The warrant shall have the company notation of "ZNWAR." The warrants will not be registered for trading on the OTCQB or any other stock market or trading market. The warrants were issued and became exercisable on June 22, 2021 and continue to be exercisable through June 22, 2022 at a per share exercise price of $.25. Additionally, Zion incurred $115,000 during 2021 in equity issuance costs to an outside party related to this waiver program.

On March 21, 2022, the Company extended the termination date of the ZNWAR Warrant by one (1) year from the expiration date of June 22, 2022 to June 22, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

During the second quarter of 2022, all warrants represented by ZNWAP and ZNWAR were exercised resulting in a net cash inflow of approximately $365,000.

Under our Plan, the Company under a Request For Waiver Program executed a Waiver Term Sheet of a unit program consisting of units of shares of stock and warrants to a participant. After conclusion of the program on November 15, 2021, the participant's Plan account was credited with the number of shares of the Company's Common Stock and warrants that will be acquired. Each warrant affords the participant the opportunity to purchase one share of our Common Stock at a warrant exercise price of $1.00. The warrant shall have the company notation of "ZNWAS." The warrants will not be registered for trading on the OTCQB or any other stock market or trading market. The warrants will be issued and become exercisable on November 15, 2025 and continue to be exercisable through December 31, 2025 at a revised per share exercise price of $.25.

Note 6 – Stockholders' Equity (cont'd)

Under our Plan, the Company under a Request For Waiver Program executed a Waiver Term Sheet of a unit program consisting of units of shares of stock and warrants to a participant. After conclusion of the program on September 30, 2022, the participant's Plan account was credited with the number of shares of the Company's Common Stock and Warrants that were acquired. Each warrant affords the participant the opportunity to purchase one share of our Common Stock at a warrant exercise price of $.25. The warrant shall have the company notation of "ZNWAT." The warrants will not be registered for trading on the OTCQB or any other stock market or trading market. The warrants will be issued and become exercisable on November 15, 2025 and continue to be exercisable through December 31, 2025 at a per share exercise price of $.25.

Under our Plan, the Company under a Request For Waiver Program executed a Waiver Term Sheet of a unit program consisting of units of shares of stock and warrants to a participant. After conclusion of the program on December 31, 2022, the participant's Plan account was credited with the number of shares of the Company's Common Stock and Warrants that were acquired. Each warrant affords the participant the opportunity to purchase one share of our Common Stock at a warrant exercise price of $.25. The warrant shall have the company notation of "ZNWAU." The warrants will not be registered for trading on the OTCQB or any other stock market or trading market. The warrants will be issued and exercisable on November 15, 2025 and continue to be exercisable through December 31, 2025 at a per share exercise price of $.25.

Under our Plan, the Company under a Request For Waiver Program executed a Waiver Term Sheet of a program consisting of shares of stock to a participant. After conclusion of the program on August 31, 2023, the participant's Plan account was credited with the number of shares of the Company's Common Stock that were acquired. Zion incurred $173,000 in equity issuance costs to an outside party related to this waiver program. The Company executed two additional Waiver Term Sheets with the same participant consisting of shares of stock. After conclusion of the program on December 31, 2023, the participant's Plan account was credited with the number of shares of the Company's Common Stock that were acquired. During the year ended December 31, 2023, Zion incurred $1,120,000 in equity issuance costs. On January 1, 2024, the Company executed its latest Waiver Term Sheet with the same participant consisting of shares of stock. After conclusion of the program on March 31, 2024, the participant's Plan account will be credited with the number of shares of the Company's Common Stock that were acquired.

During 2023, one participant who participated in the "Request for Waiver" aspect of the DSPP contributed approximately 54% of the cash raised through the DSPP. During 2022, two participants in the "Request for Waiver" aspect of the DSPP contributed approximately 77% of the cash raised through the DSPP.

On March 13, 2023, Zion filed with the Securities and Exchange Commission an Amendment No. 2 to the Prospectus Supplement dated as of December 15, 2021 and accompanying base prospectus dated December 1, 2021 relating to the Company's Dividend Reinvestment and Direct Stock Purchase Plan. The Prospectus forms a part of the Company's Registration Statement on Form S-3 (File No. 333-261452), as amended, which was declared effective by the SEC on December 15, 2021.

Amendment No. 2 – New Unit Option under the Unit Program

Under our Plan, we provided a Unit Option under Amendment No. 2. Our Unit Program consisted of the combination of Common Stock and warrants with basic Unit Program features, conditions and terms outlined in the Original Prospectus Supplement and Amendment No. 1. Amendment No. 2 provided the option period, unit price and the determination of the number of shares of Common Stock and warrants per unit. This Unit Option had up to three tranches of investment, in which the second and third tranches were each subject to termination upon a total of $7,500,000 received from participants by the Company during the first or second tranche. The first tranche period began on March 13, 2023 and terminated on March 26, 2023. The second tranche began on March 27, 2023 and terminated on April 9, 2023 and the third tranche began on April 10, 2023 and terminated on April 27, 2023.

Note 6 – Stockholders' Equity (cont'd)

The Unit Option consisted of Units of our securities where each Unit (priced at $250.00 each) was comprised of (i) a certain number of shares of Common Stock determined by dividing $250.00 (the price of one Unit) by the average of the high and low sale prices of the Company's publicly traded common stock as reported on the OTCQB on the Unit Purchase Date and (ii) Common Stock purchase warrants to purchase an additional five hundred (500) shares of Common Stock at a per share exercise price of $0.05. The participant's Plan account was credited with the number of shares of the Company's Common Stock and Warrants that were acquired under the Units purchased. Each warrant affords the participant the opportunity to purchase one share of our Common Stock at a warrant exercise price of $0.05. The warrant shall have the Company notation of "ZNWAV" under the first tranche, "ZNWAW" under the second tranche and "ZNWAX" under the third tranche.

Plan participants, who enrolled into the Unit Program with the purchase of at least one Unit and enrolled in the separate Automatic Monthly Investments ("AMI") program at a minimum of $50.00 per month, received an additional fifty (50) warrants at an exercise price of $0.05 during this Unit Option Program. The fifty (50) additional warrants were for enrolling into the AMI program and shall have the Company notation of "ZNWAY." Existing subscribers to the AMI were entitled to the additional fifty (50) warrants, if they purchased at least one (1) Unit during the Unit program. Plan participants, who enrolled in the AMI at a minimum of $100 per month, received one hundred (100) ZNWAY warrants. Plan participants, who enrolled in the AMI at a minimum of $250 per month, received two hundred and fifty (250) ZNWAY warrants. Plan participants, who enrolled in the AMI at a minimum of $500 per month, received five hundred (500) ZNWAY warrants. The AMI program required 90 days of participation to receive the ZNWAY warrants. Existing AMI participants were entitled to participate in this monthly program by increasing their monthly amount above the minimum $50.00 per month.

The ZNWAV warrants became exercisable on March 31, 2023 and continued to be exercisable through June 28, 2023 at a per share exercise price of $0.05.

As of June 28, 2023, any outstanding ZNWAV warrants expired.

The ZNWAW warrants became exercisable on April 14, 2023 and continued to be exercisable through July 13, 2023 at a per share exercise price of $0.05.

As of July 13, 2023, any outstanding ZNWAW warrants expired.

The ZNWAX warrants became exercisable on May 2, 2023 and continued to be exercisable through July 31, 2023 at a per share exercise price of $0.05.

On July 31, 2023, any outstanding ZNWAX warrants expired.

The ZNWAY warrants became exercisable on June 12, 2023 and continued to be exercisable through September 10, 2023 at a per share exercise price of $0.05.

On September 10, 2023, any outstanding ZNWAY warrants expired.

Note 6 – Stockholders' Equity (cont'd)

Amendment No. 3 – New Unit Option under the Unit Program

Under our Plan, we provided a Unit Option under Amendment No. 3. This Unit Option period began on May 15, 2023 and terminated on June 15, 2023.

Our Unit Program consisted of the combination of Common Stock and warrants with basic Unit Program features, conditions and terms outlined in the Original Prospectus Supplement and Amendment No. 1 and Amendment No.2. Amendment No. 3 provided the option period, unit price and the determination of the number of shares of Common Stock and warrants per unit. As mentioned above, this Unit Option began on May 15, 2023 and terminated on June 15, 2023. The Unit Option consisted of Units of our securities where each Unit (priced at $250.00 each) was comprised of (i) a certain number of shares of Common Stock determined by dividing $250.00 (the price of one Unit) by the average of the high and low sale prices of the Company's publicly traded common stock as reported on the OTCQB on the Unit Purchase Date and (ii) Common Stock purchase warrants to purchase an additional two hundred (200) shares of Common Stock at a per share exercise price of $0.25. The participant's Plan account was credited with the number of shares of the Company's Common Stock and Warrants that were acquired under the Units purchased. Each warrant affords the participant the opportunity to purchase one share of our Common Stock at a warrant exercise price of $0.25. The warrant shall have the Company notation of "ZNWAZ" and will not be registered for trading on the OTCQB or any other stock market or trading market.

Plan participants, who enrolled into the Unit Program with the purchase of at least one Unit and enrolled in the separate Automatic Monthly Investments ("AMI") program at a minimum of $50.00 per month, received an additional three hundred (300) warrants at an exercise price of $0.25 during this Unit Option Program. The three hundred (300) additional warrants were for enrolling into the AMI program and received the above warrant with the Company notation of "ZNWAZ." Existing subscribers to the AMI were entitled to the additional three hundred (300) warrants, if they purchased at least one (1) Unit during the Unit program.

The ZNWAZ warrants became exercisable on July 17, 2023 and continue to be exercisable through July 17, 2024 at a per share exercise price of $0.25.

Amendment No. 4 – New Unit Option under the Unit Program

Under our Plan, we provided a Unit Option under our Unit Program with this Amendment No. 4. This Unit Option period began on November 6, 2023 and was scheduled to terminate on December 31, 2023. See Amendment No 5 below for data on an extension.

Our Unit Program consists of the combination of Common Stock and warrants with basic Unit Program features, conditions and terms outlined in the Original Prospectus Supplement and Amendment No. 1. Amendment No. 4 provided the option period, unit price and the determination of the number of shares of Common Stock and warrants per unit. This Unit Option began on November 6, 2023 and terminated on December 31, 2023. The Unit Option consisted of Units of our securities where each Unit (priced at $250.00 each) was comprised of (i) a certain number of shares of Common Stock determined by dividing $250.00 (the price of one Unit) by the average of the high and low sale prices of the Company's publicly traded common stock as reported on the OTCQB on the Unit Purchase Date and (ii) Common Stock purchase warrants to purchase an additional fifty (50) shares of Common Stock at a per share exercise price of $0.25. The participant's Plan account will be credited with the number of shares of the Company's Common Stock and Warrants that were acquired under the Units purchased. Each warrant affords the participant the opportunity to purchase one share of our Common Stock at a warrant exercise price of $0.25. The warrant shall have the Company notation of "ZNWBA" and will not be registered for trading on the OTCQB or any other stock market or trading market.

Note 6 – Stockholders' Equity (cont'd)

Plan participants, who enrolled into the Unit Program with the purchase of at least one Unit and enroll in the separate Automatic Monthly Investments ("AMI") program at a minimum of $50.00 per month, received an additional fifty (50) warrants at an exercise price of $0.25 during this Unit Option Program. The fifty (50) additional warrants were for enrolling into the AMI program and received the above warrant with the Company notation of "ZNWBA." Existing subscribers to the AMI were entitled to the additional fifty (50) warrants, if they purchased at least one (1) Unit during the Unit program.

The ZNWBA warrants became exercisable on January 15, 2024, and continue to be exercisable through January 15, 2025, unless extended, at a per share exercise price of $0.25. See Amendment No. 5 below for new dates.

Amendment No. 5 – Extension of Termination Date to January 31, 2024

Under our Dividend Reinvestment and Common Stock Purchase Plan (the "Plan"), we extended the current Unit Option that was filed under Amendment No. 4, dated November 6, 2023. Our Unit Program consisted of the combination of Common Stock and warrants with an extended time period, but otherwise the same Unit Program features, conditions and terms in the Prospectus Supplement and Amendment No. 4 apply. We extended the Unit Program that was to terminate December 31, 2023, but now was scheduled to terminate on January 31, 2024. The Unit Option Program consisted of Units of our securities where each Unit (priced at $250.00) was comprised of (i) a certain number of shares of Common Stock determined by dividing $250.00 (the price of one Unit) by the average of the high and low sale prices of the Company's publicly traded common stock as reported on the OTC Markets on the Unit Purchase Date and (ii) Common Stock purchase warrants to purchase an additional fifty (50) shares of Common Stock at a per share exercise price of $0.25. The participant's Plan account was to be credited with the number of shares of the Company's Common Stock and Warrants to be acquired under the Units purchased. Each warrant affords the participant the opportunity to purchase one share of our Common Stock at a warrant exercise price of $0.25. The warrant shall have the company notation of "ZNWBA." The warrants will not be registered for trading on the OTC Markets or any other stock market.

For Plan participants who enrolled into the Unit Program with the purchase of at least one Unit and also enroll in the separate Automatic Monthly Investments ("AMI") program at a minimum of $50.00 per month or more, will receive an additional fifty (50) Warrants at an exercise price of $0.25 during this Unit Option Program. The fifty (50) additional warrants are for enrolling into the AMI program. Existing subscribers to the AMI are entitled to the additional fifty (50) warrants once, if they purchase at least one (1) Unit during the Unit program.

The ZNWBA warrants will be first exercisable on February 15, 2024, instead of January 15, 2024 and continue to be exercisable through February 15, 2025, instead of January 15, 2025, unless extended, at a per share exercise price of $0.25.

Accordingly, all references in the Original Prospectus Supplement and Amendment No. 1 and Amendment No. 4, concerning the Unit Option, continue, except for the substitution of the revised Unit Option dates and features above. All other Plan features, conditions and terms remain unchanged.

The date of this Amendment No. 5 to Prospectus Supplement was December 20, 2023.

Amendment No. 6 – Extension of Termination Date to February 29, 2024

Under our Dividend Reinvestment and Common Stock Purchase Plan (the "Plan"), we extended the current Unit Option that was filed under Amendment No. 4, dated November 6, 2023. Our Unit Program consists of the combination of Common Stock and warrants with an extended time period, but otherwise the same Unit Program features, conditions and terms in the Prospectus Supplement and Amendment No. 4 apply. We extended under our Unit Program that was to terminate January 31, 2024, but now was scheduled to terminate February 29, 2024. The

Unit Option Program consists of Units of our securities where each Unit (priced at $250.00) is comprised of (i) a certain number of shares of Common Stock determined by dividing $250.00 (the price of one Unit) by the average of the high and low sale prices of the Company's publicly traded common stock as reported on the OTC Markets on the Unit Purchase Date and (ii) Common Stock purchase warrants to purchase an additional fifty (50) shares of Common Stock at a per share exercise price of $0.25. The participant's Plan account was to be credited with the number of shares of the Company's Common Stock and Warrants that are acquired under the Units purchased. Each warrant affords the participant the opportunity to purchase one share of our Common Stock at a warrant exercise price of $0.25. The warrant shall have the company notation of "ZNWBA." The warrants will not be registered for trading on the OTC Markets or any other stock market.

For Plan participants who enroll into the Unit Program with the purchase of at least one Unit and also enroll in the separate Automatic Monthly Investments ("AMI") program at a minimum of $50.00 per month or more, will receive an additional fifty (50) Warrants at an exercise price of $0.25 during this Unit Option Program. The fifty (50) additional warrants are for enrolling into the AMI program. Existing subscribers to the AMI are entitled to the additional fifty (50) warrants once, if they purchase at least one (1) Unit during the Unit program.

The ZNWBA warrants were to be exercisable on March 15, 2024, instead of February 15, 2024 and continue to be exercisable through March 15, 2025, instead of February 15, 2025, unless extended, at a per share exercise price of $0.25.

Note 6 – Stockholders' Equity (cont'd)

Accordingly, all references in the Original Prospectus Supplement and Amendment No. 1 and Amendment No. 4, concerning the Unit Option, continue, except for the substitution of the revised Unit Option dates and features above. All other Plan features, conditions and terms remain unchanged.

The date of this Amendment No. 6 to Prospectus Supplement was January 29, 2024.

Amendment No. 7 – Extension of Termination Date to March 31, 2024

Under our Dividend Reinvestment and Common Stock Purchase Plan (the "Plan"), we are extending the current Unit Option that was filed under Amendment No. 4, dated November 6, 2023. Our Unit Program consists of the combination of Common Stock and warrants with an extended time period, but otherwise the same Unit Program features, conditions and terms in the Prospectus Supplement and Amendment No. 4 apply. We are extending under our Unit Program that was to terminate February 29, 2024, but now will terminate March 31, 2024. The Unit Option Program consists of Units of our securities where each Unit (priced at $250.00) is comprised of (i) a certain number of shares of Common Stock determined by dividing $250.00 (the price of one Unit) by the average of the high and low sale prices of the Company's publicly traded common stock as reported on the OTC Markets on the Unit Purchase Date and (ii) Common Stock purchase warrants to purchase an additional fifty (50) shares of Common Stock at a per share exercise price of $0.25. The participant's Plan account will be credited with the number of shares of the Company's Common Stock and Warrants that are acquired under the Units purchased. Each warrant affords the participant the opportunity to purchase one share of our Common Stock at a warrant exercise price of $0.25. The warrant shall have the company notation of "ZNWBA." The warrants will not be registered for trading on the OTC Markets or any other stock market.

For Plan participants who enroll into the Unit Program with the purchase of at least one Unit and also enroll in the separate Automatic Monthly Investments ("AMI") program at a minimum of $50.00 per month or more, will receive an additional fifty (50) Warrants at an exercise price of $0.25 during this Unit Option Program. The fifty (50) additional warrants are for enrolling into the AMI program. Existing subscribers to the AMI are entitled to the additional fifty (50) warrants once, if they purchase at least one (1) Unit during the Unit program.

The ZNWBA warrants will be first exercisable on April 15, 2024, instead of March 15, 2024 and continue to be exercisable through April 15, 2025, instead of March 15, 2025, unless extended, at a per share exercise price of $0.25.

Accordingly, all references in the Original Prospectus Supplement and Amendment No. 1 and Amendment No. 4, concerning the Unit Option, continue, except for the substitution of the revised Unit Option dates and features above. All other Plan features, conditions and terms remain unchanged.

The date of this Amendment No. 6 to Prospectus Supplement is February 26, 2024.

For the years ended December 31, 2023, and 2022, approximately $6,949,000, and $19,129,000 were raised under the DSPP program, respectively. The $6,949,000 figure was reduced by $1,120,000 in equity issuance costs to an outside party.

The company raised approximately $2,052,000 from the period January 1, 2024 through March 20, 2024, under the DSPP program.

The warrants represented by the company notation ZNWAA are tradeable on the OTCQB market under the symbol ZNOGW. However, all of the other warrants characterized above, in the table below, and throughout this Form 10-K, are not tradeable and are used internally for classification and accounting purposes only.

F. Subscription Rights Offering

On April 2, 2018 the Company announced an offering ("2018 Subscription Rights Offering") through American Stock Transfer & Trust Company, LLC (the "Subscription Agent"), at no cost to the shareholders, of non-transferable Subscription Rights (each "Right" and collectively, the "Rights") to purchase its securities to persons who owned shares of our Common Stock on April 13, 2018 ("the Record Date"). Pursuant to the 2018 Subscription Rights Offering, each holder of shares of common stock on the Record Date received non-transferable Subscription Rights, with each Right comprised of one share of the Company Common Stock, par value $0.01 per share (the "Common Stock") and one Common Stock Purchase Warrant to purchase an additional one share of Common Stock. Each Right could be exercised or subscribed at a per Right subscription price of $5.00. Each Warrant affords the investor the opportunity to purchase one share of the Company Common Stock at a warrant exercise price of $3.00. The warrant is referred to as "ZNWAI."

The warrants became exercisable on June 29, 2018 and continued to be exercisable through June 29, 2020 at a per share exercise price of $3.00, after the Company, on December 4, 2018, extended the termination date of the Warrant by one (1) year from the expiration date of June 29, 2019 to June 29, 2020.

On May 29, 2019, the Company extended the termination date of the ZNWAI Warrant by one (1) year from the expiration date of June 29, 2020 to June 29, 2021.

On September 15, 2020, the Company extended the termination date of the ZNWAI Warrant by two (2) years from the expiration date of June 29, 2021 to June 29, 2023. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

As of June 29, 2023, any outstanding ZNWAL warrants expired.

Note 6 – Stockholders' Equity (cont'd)

Each shareholder received .10 (one tenth) of a Subscription Right (i.e. one Subscription Right for each 10 shares owned) for each share of the Company's Common Stock owned on the Record Date.

The 2018 Subscription Rights Offering terminated on May 31, 2018. The Company raised net proceeds of approximately $3,038,000, from the subscription of Rights, after deducting fees and expenses of $243,000 incurred in connection with the rights offering.

G. Warrant Tables

The warrant activity and balances for the year 2022 are shown in the table below:

Warrants	Exercise Price	Warrant Termination Date	Outstanding Balance, 12/31/2021	Warrants Issued	Warrants Exercised	Warrants Expired	Outstanding Balance, 12/31/2022
ZNWAA	$ 2.00	01/31/2025	1,498,804	-	-	-	1,498,804
ZNWAD	$ 1.00	05/02/2023	243,853	-	-	-	243,853
ZNWAE	$ 1.00	05/01/2023	2,144,099	-	-	-	2,144,099
ZNWAF	$ 1.00	08/14/2023	359,435	-	-	-	359,435
ZNWAG	$ 1.00	01/08/2024	240,068	-	-	-	240,068
ZNWAH	$ 5.00	04/19/2023	372,400	-	-	-	372,400
ZNWAI	$ 3.00	06/29/2023	640,710	-		-	640,710
ZNWAJ	$ 1.00	10/29/2023	545,900	-	-	-	545,900
ZNWAK	$ 0.01	02/25/2023	431,675	-	(7,450)	-	424,225
ZNWAL	$ 2.00	08/26/2023	517,875	-	-	-	517,875
ZNWAM	$ 0.05	07/15/2023	4,376,000	-	-	-	4,376,000
ZNWAN	$ 1.00	05/16/2023	267,660	100	-	-	267,760
ZNWAO	$ 0.25	06/12/2023	174,970	-	(310)	-	174,660
ZNWAP	$ 0.25	06/02/2023	439,916	-	(439,916)	-	-
ZNWAQ	$ 0.05	07/06/2023	-	23,428,348	-	-	23,428,348
ZNWAR	$ 0.25	06/23/2023	1,020,000	-	(1,020,000)	-	-
Outstanding warrants			13,273,365	23,428,448	(1,467,676)	-	35,234,137

The warrant activity and balances for the year 2023 are shown in the table below:

Warrants	Exercise Price	Warrant Termination Date	Outstanding Balance, 12/31/2022	Warrants Issued	Warrants Exercised	Warrants Expired	Outstanding Balance, 12/31/2023
ZNWAA	$ 2.00	01/31/2025	1,498,804	-	-	-	1,498,804
ZNWAD	$ 1.00	05/02/2023	243,853	-	-	(243,853)	-
ZNWAE	$ 1.00	05/01/2023	2,144,099	-	-	(2,144,099)	-
ZNWAF	$ 1.00	08/14/2023	359,435	-	-	(359,435)	-
ZNWAG	$ 1.00	01/08/2024	240,068	-	-	-	240,068
ZNWAH	$ 5.00	04/19/2023	372,400	-	-	(372,400)	-
ZNWAI	$ 3.00	06/29/2023	640,710	-	(100)	(640,610)	-
ZNWAJ	$ 1.00	10/29/2023	545,900	-	-	(545,900)	-
ZNWAK	$ 0.01	02/25/2023	424,225	-	(9,050)	(415,175)	-
ZNWAL	$ 2.00	08/26/2023	517,875	-	-	(517,875)	-
ZNWAM	$ 0.05	03/31/2024	4,376,000	-	-	-	4,376,000
ZNWAN	$ 1.00	05/16/2023	267,760	-	(75)	(267,685)	-
ZNWAO	$ 0.25	06/12/2023	174,660	-	-	(174,660)	-
ZNWAQ	$ 0.05	03/31/2024	23,428,348	-	-	-	23,428,348
ZNWAV	$ 0.05	06/28/2023	-	288,500	(167,730)	(120,770)	-

ZNWAW	$	0.05	07/13/2023	-	199,000	(151,500)	(47,500)	-
ZNWAX	$	0.05	07/31/2023	-	818,500	(458,750)	(359,750)	-
ZNWAY	$	0.05	09/10/2023		17,450	(3,700)	(13,750)	-
ZNWAZ	$	0.25	07/17/2024	-	153,800	-	-	153,800
Outstanding warrants				35,234,137	1,477,250	(790,905)	(6,223,462)	29,697,020

Note 6 – Stockholders' Equity (cont'd)

H. Warrant Descriptions of Current Warrants

The price and the expiration dates for the series of warrants to investors are shown in the table below. The listing contains only those warrants with an expiration date beyond the balance sheet date.

		Period of Grant	US$	Expiration Date
ZNWAA Warrants	A,B,E,I	March 2013 – December 2014	2.00	January 31, 2025
ZNWAG Warrants	B,E,K	October 2017 – December 2017	1.00	January 08, 2024
ZNWAM Warrants	C,F,J	January 2021 – March 2021	0.05	March 31, 2024
ZNWAQ Warrants	C,F,J	June 2021	0.05	March 31, 2024
ZNWAS Warrants	D	August 2021 – March 2022	0.25	December 31, 2025
ZNWAT Warrants	D	August – September 2022	0.25	December 31, 2025
ZNWAU Warrants	D	October – November 2022	0.25	December 31, 2025
ZNWAZ Warrants	G	May – June 2023	.25	July 17, 2024
ZNWBA Warrants	H	November – December 2023	.25	January 15, 2025

A On May 29, 2019, the Company extended the expiration date of the Warrants by one (1) year.

B On September 15, 2020, the Company extended the expiration date of the Warrants by two (2) years.

C On March 21, 2022, the Company extended the expiration date of the Warrants by one (1) year. On June 16, 2023, the Company extended the expiration date of the Warrants to September 6, 2023. On August 21, 2023, the Company extended the expiration date of the Warrants to October 31, 2023. On October 19, 2023, the Company extended the expiration date of the Warrants to December 31, 2023.

D These warrants will be issued and become exercisable beginning on November 15, 2025 and expire on December 31, 2025.

E On December 14, 2022, the Company extended the expiration date of the Warrants by one (1) year.

F The warrant exercise price was lowered to $0.05 on December 28, 2022.

G On May 15, 2023, the Company announced a new Unit Offering and the related ZNWAZ warrant.

H On November 6, 2023 the Company announced a new Unit Offering and the related ZNWBA warrant.

I On January 10, 2024, the Company extended the expiration date of the ZNWAA warrant by one (1) year.

J On December 18, 2023, the Company extended the expiration date of the ZNWAM and ZNWAQ warrants to March 31, 2024.

K On January 8, 2024, any outstanding warrants expired.

Note 7 - Income Taxes

The Company had no income tax expense due to the operating loss incurred for the years ended December 31, 2023 and 2022.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2023 and 2022 are presented below:

	December 31, 2023	**December 31, 2022**
	US$ thousands	**US$ thousands**
Deferred tax assets:		
Net operating loss carry forwards	**58,977**	57,521
Other	**3,869**	3,612
Total gross deferred tax assets	**62,846**	61,133
Less – valuation allowance	**(59,036)**	(57,448)
Net deferred tax assets	**3,810**	3,685
Deferred tax liabilities:		
Property and equipment	**153**	101
Other	**(469)**	(449)
Unproved oil and gas properties	**(3,494)**	(3,337)
Total gross deferred tax liabilities	**(3,810)**	(3,685)
Net deferred tax asset	**-**	-

In assessing the likelihood of the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets, including net operating losses, is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and tax carry forwards are utilizable.

Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. In order to fully realize the deferred tax asset, the Company will need to generate future taxable income of approximately $280,842,748 prior to the expiration of some of the net operating loss carry forwards between 2023 and 2044. Based upon the level of historical taxable losses since the Company's inception, management believes that the Company will not likely realize the benefits of these deductible differences and tax carry forwards and thus, full valuation allowances have been recorded at December 31, 2023 and 2022.

The Company continuously monitors all shareholders that might reach a 5% ownership in the common stock for various purposes, in addition to the I.R.C §382/383 limitation on net operating loss ("NOL") carry forwards following an ownership change. Sections 382/383 limit the use of corporate NOLs following an ownership change. Section 382(g) defines an ownership change generally as a greater than 50% change in the ownership of stock among certain 5% shareholders over a three-year period. For the tax year 2019, the Company became aware of one individual owning greater than 5%, as evidenced by the filing of a Section 13(G) report with the SEC. However, there have been no changes in stock ownership to trigger sections 382/383.

At December 31, 2023, the Company has available federal net operating loss carry forwards of approximately $280,842,748 to reduce future U.S. taxable income.

Note 7 - Income Taxes (cont'd)

The Tax Cuts and Jobs Act (TCJA) removed the 2-year carryback provision, extended the 20-year carryforward provision out indefinitely, and limited carryforwards to 80% of net income in any future year. Net operating losses originating in tax years beginning prior to Jan. 1, 2018, are still subject to the former carryover rules of 100% of net income and 20 taxable years following the taxable year of loss. I.R.C. §172.

Income earned from activities in Israel is subject to regular Israeli tax rates. For Israeli tax purposes, exploration costs on unproved properties are expensed. Tax losses can be carried forward indefinitely. At December 31, 2023, the Company has available net operating loss carry forwards of approximately $192,330,000 to reduce future Israeli taxable income. Based upon the level of historical taxable losses since the Company's inception, management believes that the Company will not likely realize the benefits of these deductible differences and tax carry forwards and thus, full valuation allowances have been recorded at December 31, 2023.

On July 11, 2014, Zion Oil & Gas, Inc. registered the Geneva Branch in the Canton of Geneva, Switzerland. The legal Swiss name for the foreign branch is "Zion Oil & Gas, Inc., Wilmington, Branch of Geneva." The Geneva Branch has its registered office and its business office at 6 Avenue Jules Crosnier, 1206 Champel, Case Postale 295, 1211 Geneva 12, Switzerland. The purpose of the branch is to operate a foreign treasury center for the Company. As such, the Geneva branch is not expected to have taxable income in any future year.

Reconciliation between the theoretical tax benefit on pre-tax reported (loss) and the actual income tax expense:

	Year ended December 31, 2023	**Year ended December 31, 2022**
	US$ thousands	**US$ thousands**
Pre-tax loss as reported	**(7,957)**	(55,077)
U.S. statutory tax rate	**21%**	21%
Theoretical tax expense	**(1,671)**	(11,566)
Increase in income tax expense resulting from:		
Permanent differences	**2**	-
Change in valuation allowance	**1,669**	11,556
Income tax expense	**-**	-

The Company has no material unrecognized tax benefit which would favorably affect the effective income tax rate in future periods and does not believe there will be any significant increases or decreases within the next twelve months. No interest or penalties have been accrued.

The Company has not received final tax assessments since incorporation. In accordance with the US tax regulations, the U.S. federal income tax returns remain subject to examination for the years beginning in 2020.

The Israeli branch has not received final tax assessments since incorporation. In accordance with the Israeli tax regulations, tax returns submitted up to and including the 2018 tax year can be regarded as final.

Note 8 - Right of use leases assets and leases obligations

The Company is a lessee in several non-cancellable operating leases, primarily for transportation and office space.

The table below presents the operating lease assets and liabilities recognized on the balance sheets as of December 31, 2023 and 2022:

	December 31, 2023	**December 31, 2022**
	US$ thousands	**US$ thousands**
Operating lease assets	**$ 194**	$ 202
Operating lease liabilities:		
Current operating lease liabilities	**$ 167**	$ 196
Non-current operating lease liabilities	**$ 24**	$ 12
Total operating lease liabilities	**$ 191**	$ 208

The depreciable lives of operating lease assets and leasehold improvements are limited by the expected lease term.

The Company's leases generally do not provide an implicit rate, and therefore the Company uses its incremental borrowing rate as the discount rate when measuring operating lease liabilities. The incremental borrowing rate represents an estimate of the interest rate the Company would incur at lease commencement to borrow an amount equal to the lease payments on a collateralized basis over the term of a lease within a particular currency environment. The Company used incremental borrowing rates as of January 1, 2019 for operating leases that commenced prior to that date.

The Company's weighted average remaining lease term and weighted average discount rate for operating leases as of December 31, 2023 are:

	December 31, 2023	**December 31, 2022**
Weighted average remaining lease term (years)	**1.2**	0.9
Weighted average discount rate	**5.6%**	4.3%

The table below reconciles the undiscounted future minimum lease payments (displayed by year and in the aggregate) under non-cancellable operating leases with terms of more than one year to the total operating lease liabilities recognized on the balance sheets as of December 31, 2023:

	US$ thousands
2024	**184**
2025	**6**
2026	**6**
2027	**-**
Thereafter	**-**
Total undiscounted future minimum lease payments	**196**
Less: portion representing imputed interest	**(5)**
Total undiscounted future minimum lease payments	**191**

Operating lease costs were $293,000 and $274,000 for the years ended December 31, 2023, and 2022, respectively. Operating lease costs are included within general and administrative expenses on the statements of income.

Cash paid for amounts included in the measurement of operating lease liabilities was $269,000 and $285,000 for the years ended December 31, 2023, and 2022, respectively, and this amount is included in operating activities in the statements of cash flows.

Right-of-use assets obtained in exchange for new operating lease liabilities were $252,000 and $136,000 for the years ended December 31, 2023, and 2022, respectively.

Note 9 - Commitments and Contingencies

A. Securities and Exchange Commission ("SEC") Investigation

As previously disclosed by the Company, on June 21, 2018, the Fort Worth Regional Office of the SEC informed Zion that it was conducting a formal, non-public investigation and asked that we provide certain information and documents in connection with its investigation. Since that date, we fully cooperated with the SEC and furnished all requested documentation.

On April 5, 2023, the Company received from the Fort Worth Regional Office of the SEC written notice to the Company concluding the investigation as to the Company and advising that the SEC does "not intend to recommend an enforcement action by the Commission against Zion."

B. Litigation

From time to time, the Company may be subject to routine litigation, claims or disputes in the ordinary course of business. The Company defends itself vigorously in all such matters. However, we cannot predict the outcome or effect of any of the potential litigation, claims or disputes.

The Company is not subject to any litigation at the present time.

C. Asset Retirement

The Company currently estimates that the costs of plugging and decommissioning of the exploratory wells drilled to date in the former Joseph License area and the present New Megiddo License 428 to be approximately $571,000 based on current cost rather than Net Present Value. The Company expects to incur such costs during 2024. Liabilities for expenditures are recorded when environmental assessment and/or remediation is probable and the timing and costs can be reasonably estimated.

Changes in Asset Retirement Obligations were as follows:

	December 31, 2023	**December 31, 2022**
	US$ thousands	**US$ thousands**
Asset Retirement Obligations, Beginning Balance	**571**	571
Liabilities Settled	**-**	-
Revision of Estimate	**-**	-
Retirement Obligations, Ending Balance	**571**	571

D. Environmental and Onshore Licensing Regulatory Matters

The Company is engaged in oil and gas exploration and production and may become subject to certain liabilities as they relate to environmental clean-up of well sites or other environmental restoration procedures and other obligations as they relate to the drilling of oil and gas wells or the operation thereof. Various guidelines have been published in Israel by the State of Israel's Petroleum Commissioner and Energy and Environmental Ministries as it pertains to oil and gas activities. Mention of these older guidelines was included in previous Zion filings.

The Company believes that these regulations will result in an increase in the expenditures associated with obtaining new exploration rights and drilling new wells. The Company expects that an additional financial burden could occur as a result of requiring cash reserves that could otherwise be used for operational purposes. In addition, these regulations are likely to continue to increase the time needed to obtain all of the necessary authorizations and approvals to drill and production test exploration wells.

As of December 31, 2023 and 2022, the Company accrued nil and nil for license regulatory matters.

E. Charitable Foundations

Two charitable foundations were established, one in Israel and one in Switzerland, for the purpose of supporting charitable projects and other charities in Israel, the United States and internationally. A 3% royalty or equivalent interest in any Israeli oil and gas interests as may now be held or, in the future be acquired, by the Company was assigned to each charitable organization (6% interest in the aggregate). At December 31, 2023 and 2022, the Company did not have any outstanding obligation in respect of the charitable foundations, since to this date, no proved reserves have been found.

Note 9 - Commitments and Contingencies (cont'd)

F. Office and Vehicle Leases

(i) The Company's corporate office in Dallas, Texas is under lease for 8,774 square feet. On October 4, 2023, the Company and Hartman signed a Third Amendment to the Lease Agreement ("Third Amendment") whereby the Lease extended from June 1, 2023 through December 31, 2024, for a total of 19 months. The monthly payments to be paid are as follows: (1) basic rent of $7,677.25, (2) common area maintenance of $2,917.36, (3) taxes and insurance of $1,593.94 and (4) electricity charges of $1,703.62.

(ii) On November 13, 2020, the Company and GM Financial (as Lessor) signed a motor vehicle lease agreement for a 2020 Chevy Equinox. The first payment of $447.77 was due on November 13, 2020 and this was paid on or around that date. The lease called for 38 additional payments, from December 2020 through January 2024, of $447.77 so that the sum of all 39 payments was $17,463.03. At the inception of the lease, and in addition to the sum of the 39 payments, lease signing bonuses provided an initial $1,500 reduction of the lease cost on November 13, 2020. The value at the end of the lease had a residual value of $15,193.60 per the terms of the lease agreement. Additionally, the Company must pay the Lessor $.25 cents per mile for each mile in excess of 20,000 annual miles. This lease was treated as an operating lease.

The 2020 Chevrolet Equinox was returned to the dealership in November 2023 and the lease was effectively terminated without any payment for excess mileage.

(iii) On November 14, 2023, the Company and GM Financial (as Lessor) signed a motor vehicle lease agreement for a 2023 Chevy Equinox. The first payment of $499.32 was due on November 14, 2023 and this was paid on or around that date. The lease calls for 38 additional payments, from December 2023 through January 2027, of $499.32 so that the sum of all 39 payments is $19,473.48. At the inception of the lease, and in addition to the sum of the 39 payments, lease signing bonuses provided an initial $1,500 reduction of the lease cost on November 14, 2023. The value at the end of the lease has a residual value of $14,011.40 per the terms of the lease agreement. Additionally, the Company must pay the Lessor $.25 cents per mile for each mile in excess of 20,000 annual miles. This lease is treated as an operating lease.

At December 31, 2023, and continuing through the date of this Form 10-K report, all payments have been paid on time to the Lessor, and the Company is in good standing with regard to this lease agreement.

(iv) The Company's field office in Caesarea, Israel is under lease for 6,566 square feet.

The Company had an option to renew the lease for another five years from February 1, 2024 to January 31, 2029, provided it is not in breach of the agreement, where it is required as well to furnish a notice of intent to exercise the option six months prior to termination of lease, and it furnishes a bank guarantee and insurance confirmation prior to commencement of the option period. The Company exercised its option to renew the lease for another seven years from February 1, 2024 through January 31, 2031, when rent is to be paid on a monthly basis in the base amount of approximately NIS 46,500 per month (approximately $12,800) at the exchange rate in effect on the date of this report and is linked to an increase (but not a decrease) in the CPI.

Under the lease agreement, the Company is authorized to further sublease part of the leased premises to a third party that is pre-approved by the sub-lessor. Rent and its related taxes, utilities, insurance and maintenance expenses for 2023 and 2022 were $400,000 and 400,000 respectively.

Note 9 - Commitments and Contingencies (cont'd)

The future minimum lease payments as of December 31, 2023, are as follows:

	US$ thousands
2024	**181**
2025	**5**
2026	**5**
2027 and thereafter	-
	191

G. Insurance Financing

Effective December 28, 2023, the Company renewed its D&O insurance policy with total premiums, taxes and fees for $441,598. A cash down payment of $68,733 was paid on December 13, 2023. Under the terms of the insurance financing, payments of $37,287, which include interest at the rate of 13.4% per annum, are due each month for 10 months commencing on January 28, 2024.

As of December 31, 2023 and 2022, the Company had contractual obligations to pay for various lines of insurance, including directors and officers, rig and third party liability. The balances for insurance financing were $432,000 and $372,000, respectively.

H. Bank Guarantees

As of December 31, 2023, the Company provided Israeli-required bank guarantees to various governmental bodies (approximately $944,000) and others (approximately $90,000) with respect to its drilling operation in an aggregate amount of approximately $1,034,000. The (cash) funds backing these guarantees are held in restricted interest-bearing accounts and are reported on the Company's balance sheets as fixed short-term bank deposits – restricted.

I. Vendor concentration

The Company's financial instruments that are exposed to a concentration of credit risk are accounts payable. There are three suppliers in 2023 and four suppliers in 2022 that represent 10% or more of the Company's accounts payable outstanding balance, respectively.

J. Recent Market Conditions – Coronavirus Pandemic and Israel-Hamas War

During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus ("COVID-19"). The pandemic significantly impacted the economic conditions in the United States and Israel, as federal, state and local governments reacted to the public health crisis, creating significant uncertainties in the United States, Israel and world economies. In the interest of public health and safety, jurisdictions (international, national, state and local) where we have operations, restricted travel and required workforces to work from home. However, as of the date of this report, most of our employees are working at our physical offices, but have the ability to work from home as needed.

On October 7, 2023, Hamas, a militant terrorist organization in Gaza, infiltrated southern Israel, killing and injuring at least one thousand Israeli citizens. Roughly 250 Israeli hostages were then taken back to Gaza. This unprovoked attack led the nation of Israel to declare war on Hamas approximately one week later. As of the date of this report, Israel remains at war and there are daily battles inside the Gaza strip. Israel's stated goals are to completely dismantle the terror infrastructure of Gaza, including its extensive tunnel network and to bring back safely all of the hostages.

There is uncertainty as to how long the war inside the Gaza strip will last. While we acknowledge that uncertainty, the Company is moving forward with its planning and logistics activities. We are working with our international service providers on projected availability timelines and other details. All of these key vendors have expressed willingness to assist Zion in its exploration activities. It is important to note that Zion's license area is not located near any current combat zones.

Zion Oil & Gas, Inc.

Notes to Consolidated Financial Statements

Note 10 - Risks and Uncertainties

We are directly influenced by the political, economic and military conditions affecting Israel.

We cannot predict the effect, if any, on our business of renewed hostilities between Israel and its neighbors or any other changes in the political climate in the area. Deterioration of political, economic and security conditions in Israel may adversely affect our operations.

We are subject to increasing Israeli governmental regulations and environmental requirements that may cause us to incur substantial incremental costs and/or delays in our drilling program.

Newly enacted onshore licensing and environmental and safety related regulations promulgated by the various energy related ministries in Israel during 2022-2023 have rendered obtaining and drilling under new exploration licenses more time-consuming and expensive.

The Company believes that these new and/or revised regulations will also significantly increase the time, effort, and expenditures associated with obtaining all of the necessary authorizations and approvals prior to drilling and production testing its current and any subsequent well(s).

Economic risks may adversely affect our operations and/or inhibit our ability to raise additional capital.

Economically, our operations in Israel may be subject to:

- exchange rate fluctuations between the Israeli shekel versus the US Dollar;
- any significant changes in oil and gas commodities pricing and hence the cost of oilfield services and drilling equipment;
- royalty and tax increases and other risks arising out of Israeli state sovereignty over the mineral rights in Israel and its taxing authority; and
- changes in Israel's economy that could lead to legislation establishing oil and gas price controls.

Consequently, our operations may be substantially affected by local economic factors beyond our control, any of which could negatively affect our financial performance and prospects.

Legal risks could negatively affect our market value.

Legally, our operations in Israel may be subject to:

- changes in the Petroleum Law resulting in modification of license and permit rights;
- adoption of new legislation relating to the terms and conditions pursuant to which operations in the energy sector may be conducted;
- changes in laws and policies affecting operations of foreign-based companies in Israel; and

- changes in governmental energy and environmental policies or the personnel administering them.

Our dependence on the limited contractors, equipment and professional services available in Israel may result in increased costs and possibly material delays in our work schedule.

Note 10 - Risks and Uncertainties (cont'd)

The unavailability or high cost of equipment, supplies, other oil field services and personnel could adversely affect our ability to execute our exploration and development plans on a timely basis and within our budget.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated.

Market risk is a broad term for the risk of economic loss due to adverse changes in the fair value of a financial instrument. These changes may be the result of various factors, including interest rates, foreign exchange rates, commodity prices and/or equity prices. In the normal course of doing business, we are exposed to the risks associated with foreign currency exchange rates and changes in interest rates.

Foreign Currency Exchange Rate Risks. A portion of our expenses, primarily labor expenses and certain supplier contracts, are denominated in New Israeli Shekels ("NIS"). As a result, we have significant exposure to the risk of fluctuating exchange rates with the U.S. Dollar ("USD"), our primary reporting currency. During the period January 1, 2023 through December 31, 2023, the USD has fluctuated by approximately 3.1% against the NIS (the USD has strengthened relative to the NIS). Also, during the period January 1, 2022 through December 31, 2022, the USD has fluctuated by approximately 13.2% against the NIS (the USD strengthened relative to the NIS). Continued strengthening of the US dollar against the NIS will result in lower operating costs from NIS denominated expenses. To date, we have not hedged any of our currency exchange rate risks, but we may do so in the future.

Interest Rate Risk. Our exposure to market risk relates to our cash and investments. We maintain an investment portfolio of short-term bank deposits and money market funds. The securities in our investment portfolio are not leveraged, and are, due to their very short-term nature, subject to minimal interest rate risk. We currently do not hedge interest rate exposure. Because of the short-term maturities of our investments, we do not believe that a change in market interest rates would have a significant negative impact on the value of our investment portfolio except for reduced income in a low interest rate environment. At December 31, 2023, we had cash, cash equivalents and short-term and long-term bank deposits of approximately $1,635,000. The weighted average annual interest rate related to our cash and cash equivalents for the year ended December 31, 2023, exclusive of funds at US banks that earn no interest, was approximately 3.7%. At December 31, 2022, we had cash, cash equivalents and short-term and long-term bank deposits of approximately $3,114,000. The weighted average annual interest rate related to our cash and cash equivalents for the year ended December 31, 2022, exclusive of funds at US banks that earn no interest, was approximately 0.6%.

The primary objective of our investment activities is to preserve principal while at the same time maximizing yields without significantly increasing risk. To achieve this objective, we invest our excess cash in short-term bank deposits and money market funds that may invest in high quality debt instruments.

Zion Oil & Gas, Inc.

Notes to Consolidated Financial Statements

Note 11 - Selected Quarterly Information (Unaudited)

The following represents selected quarterly consolidated financial information for 2023 and 2022:

	For the three months ended			
	March 31	June 30	September 30	December 31
	US$ thousands	US$ thousands	US$ thousands	US$ thousands
2023:				
Oil and gas sales	**-**	**-**	**-**	**-**
Net (loss) gain	**(2,139)**	**(2,334)**	**(1,743)**	**(1,741)**
Net (loss) gain per share – basic and diluted	**(0.004)**	**(0.004)**	**(0.003)**	**(0.003)**
Weighted-average shares outstanding–basic and diluted (in thousands)	**531,023**	**542,812**	**578,497**	**618,233**
2022:				
Oil and gas sales	-	-	-	-
Net (loss) gain	(2,166)	(2,597)	(2,374)	(47,940)
Net (loss) gain per share – basic and diluted	(0.01)	(0.01)	(0.01)	(0.09)
Weighted-average shares outstanding–basic and diluted (in thousands)	404,817	471,946	484,678	509,587

Note 12 - Subsequent Events

(i) On January 4, 2024, the Company granted options under the 2021 Omnibus Incentive Plan to one senior officer, to purchase 25,000 shares of Common Stock at an exercise price of $0.01 per share. The options vested upon grant and are exercisable through January 4, 2034. These options were granted per the provisions of the Israeli Appendix to the Plan. The fair value of the options at the date of grant amounted to approximately $2,000.

(ii) On January 4, 2024, the Company granted options under the 2021 Omnibus Incentive Plan to five senior officers and two staff members to purchase 175,000 shares of Common Stock at an exercise price of $0.07 per share. The options vested upon grant and are exercisable through January 4, 2034. The fair value of the options at the date of grant amounted to approximately $11,000.

(iii) Approximately $2,052,000 was collected through the Company's DSPP program during the period January 1, 2024 through March 20, 2024.

The Company has evaluated subsequent events through March 20, 2024, the date the financial statements were available to be issued. Except as disclosed above, no other events have occurred that would require adjustment to or disclosure in these financial statements.