ZION OIL & GAS, INC.

TAX BENEFITS PRESERVATION COMMITTEE

I. PURPOSE

The TAX BENEFITS PRESERVATION COMMITTEE (the "Committee") of the Board of Directors (the "Board") of Zion Oil & Gas, Inc. (the "Company") shall discharge the Board's responsibilities with respect to (i) protecting the Company's net operating losses (NOLs), (ii) the evaluation of a possible Tax Benefits Preservation Plan every year with recommendations to the Board, (iii) the implementation of the Plan (either "on-the-shelf" or "short-term" and until the exhaustion of the NOLs), (iv) the triggering of the Plan and its administration when in effect, (v) recommendations to the Board regarding ongoing features and any and all recommended changes and modifications to the Plan; and (vi) performing such other duties and responsibilities as may be consistent with and carrying out the provisions of this charter. Notwithstanding the foregoing, the Board shall retain the right to act on all such matters without limiting the Committee's authority.

Reasons for a Plan

1. Protect the net operating losses ("NOL"), which is in the best interest of the company and the existing shareholders to benefit from significant positive cash flow, resulting in continued operations and possible future dividends and stock appreciation. NOLs are considered a contingent asset, in which their value is contingent upon the company's future profits. If I.R.C. §382 is triggered by more than a 50% ownership change by 5% shareholders, the NOLs will be impaired and a substantial portion of their value will be lost.
2. In the best interest of our existing shareholders and especially our small shareholders in protecting their stock holdings.
3. To continue with the mission statement of the company and the promises made to our shareholders to bless Israel.

Fiduciary Duties of Directors under Delaware Law with respect to NOLs

The judicial doctrine known as the business judgment rule generally protects a board of directors from liability for its actions if it acts: (1) on an informed basis, (2) in good faith and (3) in the honest belief that the action was in the best interests of the company. The business judgment rule applies, if no takeover proposals have been launched or threatened. Protection of significant net operating losses ("NOLs") is not only a valid corporate objective, but would represent proper corporate governance.

Limitation on Net Operating Loss Carryforwards and Built-in Losses Following Ownership Change

It is a significant “tax asset” for the board to protect. Whereas, a 50% change in ownership by one or more shareholders each owning 5% or more of the company over a 3-year period constitutes an ownership change under I.R.C. §382, which would limit severely the use of NOLs to offset net taxable income. If such ownership change occurs, a company’s annual usage of pre-ownership change NOLs and certain other built-in losses to offset future income is capped at an amount equal to the fair market value of the company at the time of the ownership change multiplied by the applicable long-term tax-exempt rate. The market capitalization of a public company generally is the starting point for calculating a public company’s fair market value.

II. COMPOSITION

The Committee shall be comprised of three or more members from management Board members and independent Board members with the majority of the members and the committee chairman being independent. The independent Board members shall be determined by the Board to be "independent" under the rules of the NASDAQ Stock Exchange and applicable legal requirements. In addition, each independent committee member shall be (ii) a "non-employee director" as such term is defined for purposes of Section 16 of the Securities Exchange Act of 1934, as amended (the “Act”), and (iii) an "outside director" as such term is defined for the purposes of Section 162(m) of the Internal Revenue Code.

The members of the Committee shall be appointed by the Board and shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. A member of the Committee may be removed, with or without cause, by a majority vote of the Board.

Unless a Chairperson is elected by the full Board, the members of the Committee shall designate a Chairperson by majority vote of the full Committee membership. The Chairperson shall be entitled to cast a vote to resolve any ties. The Chairperson will chair all regular sessions of the Committee and set the agendas for the Committee meetings.

The Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate.

III. MEETINGS

The Committee shall meet as frequently as circumstances dictate. Meetings of the Committee may be held at any time in person or by such electronic means as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously. Additionally, the Committee may invite other persons to its meetings as it deems appropriate.

IV. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Committee shall:

(1) advise and recommend to the Board whether to authorize a "pill-on-the-shelf" poison pill or "short-term" (1-year to 3-year) poison pill with certain stockholder friendly provisions, which could renew annually by Board approval, subject to plan adjustments, or the typical 3-year pill; and to review and determine (when a pill has been authorized)
(2) whether the pill is still in the best interest of the company and shareholders pursuant to their fiduciary duties under Delaware law;
(3) whether any amendments or modifications should be recommended to the Board, such as exercise price of the new rights, trigger threshold, dividend of rights, exchange of rights for common stock, or other features;
(4) whether exceptions should be made to the plan with regard to persons or transactions (such as exemptions to certain people ["exempt person"] acquiring stock as a 13G shareholder, or transactions ["exempt transaction"] favored by the Board and management);
(5) whether any factors are deemed relevant for review by legal counsel; and
(6) whether the plan is still needed or should be recommended for terminated by the Board.

Public Disclosure

Review and make recommendations on the public disclosure of the any Plan on Form 8-A, or any other SEC filing, if required by the SEC rules and NASDAQ requirements.

Reports

1. Report regularly to the Board following meetings of the Committee with respect to such matters that are relevant to the Committee's discharge of its responsibilities and with respect to such recommendations as the Committee may deem appropriate; and

2. Maintain confidential minutes, if any, or other records of meetings and activities of the Committee as deemed appropriate by the Committee and subject to the Committee's sole discretion with regard to any such recordkeeping.

December 13, 2021