

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

FORM 10-Q

MARK ONE

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

for the Quarterly Period ended March 31, 2026;

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

for the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-33228

**ZION OIL & GAS, INC.**

(Exact name of registrant as specified in its charter)

**Texas**

(State or other jurisdiction of  
incorporation or organization)

**20-0065053**

(I.R.S. Employer  
Identification No.)

**12222 Merit Drive, Suite 1450, Dallas, TX**

(Address of principal executive offices)

**75251**

Zip Code

**(214) 221-4610**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
N/A	N/A	N/A

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 and posted on its corporate Web site, if any, 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of May 5, 2026, Zion Oil & Gas, Inc. had outstanding 1,183,777,512 shares of common stock, par value \$0.01 per share.

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**INDEX PAGE**

	<b>Page</b>
<b>PART I — FINANCIAL INFORMATION</b>	
Item 1 – Financial Statements – Unaudited	
<a href="#">Consolidated Condensed Balance Sheets – March 31, 2026 and December 31, 2025</a>	<a href="#">1</a>
<a href="#">Consolidated Condensed Statements of Operations for the three months ended March 31, 2026 and 2025</a>	<a href="#">2</a>
<a href="#">Consolidated Condensed Statement of Changes in Stockholders’ Equity for the three months ended March 31, 2026 and 2025</a>	<a href="#">3</a>
<a href="#">Consolidated Condensed Statements of Cash Flows for the three months ended March 31, 2026 and 2025</a>	<a href="#">5</a>
<a href="#">Notes to Consolidated Condensed Financial Statements</a>	<a href="#">7</a>
<a href="#">Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	<a href="#">29</a>
<a href="#">Item 3 – Quantitative and Qualitative Disclosures About Market Risk</a>	<a href="#">38</a>
<a href="#">Item 4 – Controls and Procedures</a>	<a href="#">38</a>
<b><u>PART II — OTHER INFORMATION</u></b>	
<a href="#">Item 1 – Legal Proceedings</a>	<a href="#">39</a>
<a href="#">Item 1A – Risk Factors</a>	<a href="#">39</a>
<a href="#">Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds</a>	<a href="#">39</a>
<a href="#">Item 3 – Defaults upon Senior Securities</a>	<a href="#">39</a>
<a href="#">Item 4 – Mine Safety Disclosures</a>	<a href="#">39</a>
<a href="#">Item 5 – Other Information</a>	<a href="#">39</a>
<a href="#">Item 6 – Exhibits</a>	<a href="#">40</a>
<a href="#">Exhibit Index</a>	<a href="#">40</a>
<a href="#">SIGNATURES</a>	<a href="#">41</a>

Zion Oil & Gas, Inc.

Consolidated Condensed Balance Sheets as of

	March 31, 2026	December 31, 2025
	US\$ thousands (unaudited)	US\$ thousands
<b>Current assets</b>		
Cash and cash equivalents	10,700	8,313
Cash and cash equivalents – restricted	1,550	1,549
Prepaid expenses and other (see Note 2H)	1,406	1,554
Governmental receivables	181	100
Loan due from related party (see Note 2G)	-	8
Other receivables	28	5
<b>Total current assets</b>	<b>13,865</b>	<b>11,529</b>
<b>Unproved oil and gas properties, full cost method (see Note 4)</b>	<b>30,964</b>	<b>27,673</b>
<b>Property and equipment at cost</b>		
Drilling rig and related equipment, net of accumulated depreciation of \$3,759 and \$3,521 (see Note 2J)	5,853	5,155
Property and equipment, net of accumulated depreciation of \$751 and \$743	97	85
	<b>5,950</b>	<b>5,240</b>
<b>Right of Use Lease Assets (see Note 5)</b>	<b>1,114</b>	<b>1,176</b>
<b>Other assets</b>		
Assets held for severance benefits	683	662
<b>Total other assets</b>	<b>683</b>	<b>662</b>
<b>Total assets</b>	<b>52,576</b>	<b>46,280</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable	1,041	1,053
Lease obligation – current (see Note 5)	133	130
Asset retirement obligation	571	571
Accrued liabilities	803	504
<b>Total current liabilities</b>	<b>2,548</b>	<b>2,258</b>
<b>Long-term liabilities</b>		
Lease obligation – non-current (see Note 5)	913	932
Provision for severance pay	683	662
<b>Total long-term liabilities</b>	<b>1,596</b>	<b>1,594</b>
<b>Total liabilities</b>	<b>4,144</b>	<b>3,852</b>
<b>Commitments and contingencies (see Note 6)</b>		
<b>Stockholders' equity</b>		
Common stock, par value \$.01; Authorized: 1,600,000,000 shares at March 31, 2026: Issued and outstanding: 1,182,089,454 and 1,156,476,572 shares at March 31, 2026 and December 31, 2025, respectively	11,821	11,565
Additional paid-in capital	340,253	332,421

Stock subscription receivable	(30)	(29)
Accumulated deficit	<u>(303,612)</u>	<u>(301,529)</u>
<b>Total stockholders' equity</b>	<u><b>48,432</b></u>	<u><b>42,428</b></u>
<b>Total liabilities and stockholders' equity</b>	<u><u><b>52,576</b></u></u>	<u><u><b>46,280</b></u></u>

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

**Zion Oil & Gas, Inc.****Consolidated Condensed Statements of Operations (Unaudited)**

	<b>For the three months ended March 31,</b>	
	<b>2026</b>	<b>2025</b>
	<b>US\$</b>	<b>US\$</b>
	<b>thousands</b>	<b>thousands</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
General and administrative	1,461	1,101
Other	661	599
Loss from operations	<u>(2,122)</u>	<u>(1,700)</u>
<b>Other income (expense), net</b>		
Foreign exchange (expenses), income	(13)	10
Financial income, net	<u>52</u>	<u>15</u>
Loss, before income taxes	(2,083)	(1,675)
Income taxes	<u>-</u>	<u>-</u>
Net loss	<u><u>(2,083)</u></u>	<u><u>(1,675)</u></u>
<b>Net loss per share of common stock</b>		
<b>Basic and diluted (in US\$)</b>	<u><u>(0.00)</u></u>	<u><u>(0.00)</u></u>
<b>Weighted-average shares outstanding</b>		
<b>Basic and diluted (in thousands)</b>	<u><u>1,174,132</u></u>	<u><u>984,562</u></u>

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

Zion Oil & Gas, Inc.

Consolidated Condensed Statement of Changes in Stockholders' Equity (Unaudited)

For the three months ended March 31, 2026

	Common Stock		Additional paid-in Capital	Subscription Receivables	Accumulated deficit	Total
	Shares	Amounts				
	thousands	US\$ thousands	US\$ thousands	US\$ thousands	US\$ thousands	US\$ thousands
Balance at December 31, 2025	1,156,477	11,565	332,421	(29)	(301,529)	42,428
Funds received from sale of DSPP units and shares and exercise of warrants	25,212	252	7,758	(1)	—	8,009
Funds received from option exercises	400	4	32	—	—	36
Value of options granted to employees, directors and others as non-cash compensation	—	—	42	—	—	42
Net loss	—	—	—	—	(2,083)	(2,083)
Balances as of March 31, 2026	<u>1,182,089</u>	<u>11,821</u>	<u>340,253</u>	<u>(30)</u>	<u>(303,612)</u>	<u>48,432</u>

Zion Oil & Gas, Inc.

Consolidated Condensed Statement of Changes in Stockholders' Equity (Unaudited)

For the three months ended March 31, 2025

	Common Stock		Additional paid-in Capital	Subscription Receivable	Accumulated deficit	Total
	Shares	Amounts				
	US\$	US\$	US\$	US\$	US\$	US\$
	thousands	thousands	thousands	thousands	thousands	thousands
Balances as of December 31, 2024	965,362	9,654	312,629	—	(293,902)	28,381
Funds received from sale of DSPP units and shares and exercise of warrants	62,025	620	5,632	(212)	—	6,040
Funds received from option exercises	18	*	1	—	—	1
Value of options granted to employees, directors and others as non-cash compensation	—	—	18	—	—	18
Net loss	—	—	—	—	(1,675)	(1,675)
Balances as of March 31, 2025	<u>1,027,405</u>	<u>10,274</u>	<u>318,280</u>	<u>(212)</u>	<u>(295,577)</u>	<u>32,765</u>

\* Less than one thousand

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

Zion Oil & Gas, Inc.

Consolidated Condensed Statements of Cash Flows (Unaudited)

	For the Three Months Ended March 31,	
	2026	2025
	US\$	US\$
	thousands (Unaudited)	thousands (Unaudited)
<b>Cash flows from operating activities</b>		
Net loss	(2,083)	(1,675)
Adjustments required to reconcile net loss to net cash used in operating activities:		
Depreciation	240	184
Amortization of Right of Use Lease Assets	62	26
Cost of options issued to employees, directors and others as non-cash compensation	42	18
Change in assets and liabilities, net:		
Prepaid expenses and other	148	(627)
Governmental receivables	(81)	(78)
Other receivables	(15)	(20)
Lease obligation – current and non-current	(16)	(39)
Severance pay, net	-	1
Accounts payable	30	(164)
Accrued liabilities	195	(83)
Net cash used in operating activities	<u>(1,478)</u>	<u>(2,457)</u>
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(19)	(8)
Acquisition of drilling rig and related equipment	(1,107)	(106)
Investment in unproved oil and gas properties	(3,053)	(684)
Net cash used in investing activities	<u>(4,179)</u>	<u>(798)</u>
<b>Cash flows from financing activities</b>		
Proceeds from exercise of stock options	36	1
Proceeds from issuance of stock and exercise of warrants	8,009	6,040
Net cash provided by financing activities	<u>8,045</u>	<u>6,041</u>
Net increase in cash, cash equivalents and restricted cash	2,388	2,786
Cash, cash equivalents and restricted cash – beginning of period	9,862	3,336
Cash, cash equivalents and restricted cash – end of period	<u>12,250</u>	<u>6,122</u>
Supplemental schedule of cash flow information		
<b>Non-cash investing and financing activities:</b>		
Unpaid investments in oil & gas properties	877	678
Unpaid investments in drilling rig and related equipment	250	-
Depreciation of oil and gas equipment	155	15
Stock subscription receivable	1	212

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

[Table of Contents](#)

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

	<b>March 31, 2026</b>	<b>December 31, 2025</b>
	<b>US\$</b>	<b>US\$</b>
	<b>thousands</b>	<b>thousands</b>
Cash and cash equivalents	<b>10,700</b>	8,313
Cash and cash equivalents – restricted	<b>1,550</b>	1,549
	<b>12,250</b>	9,862

**Consolidated Condensed Notes to Financial Statements (Unaudited)**

**Note 1 - Nature of Operations, Basis of Presentation and Going Concern**

**A. Nature of Operations**

Zion Oil & Gas, Inc., a Texas corporation (“we,” “our,” “Zion” or the “Company”), is an oil and gas exploration company with a history of 25 years of oil & gas exploration in Israel. The shareholders of Zion Oil & Gas, Inc. approved the re-domestication of its incorporation to Texas on June 4, 2025. As of March 31, 2026, 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. On May 14, 2025, Zion Drilling, Inc. and Zion Drilling Services, Inc. were re-domesticated and converted from Delaware corporations to Texas corporations pursuant to plans of conversion approved unanimously by the directors and shareholders of each corporation.

On October 19, 2022, Zion incorporated a wholly owned subsidiary in Israel, Zion Drilling Israel Ltd, for the purpose of owning a drilling rig and related equipment and spare parts. On this date, the entity was created as a placeholder only. A bank account was created in November 2024 and a tax file was created in January 2025. The bank account is denominated in Israeli Shekels. When there are bank transactions in the future, there will be a translation adjustment to United States Dollars. Zion Drilling Israel Ltd did not have any activities during the three months ended March 31, 2026.

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.

**Exploration Rights/Exploration Activities**

**New Megiddo Valleys License 434 (“NMVL 434”) – Megiddo-Jezreel #1 Re-Entry (“MJ-01”)**

On September 14, 2023, the Israel Ministry of Energy approved NMVL 434, allowing for oil and gas exploration on approximately 75,000 acres or 302 square kilometers. NMVL 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.

Our rig crew arrived in Israel in January 2026 to begin a new phase of operations at both MJ-01 and MJ-02 in Israel. The team completed routine rig repair and maintenance, including a much-needed upgrade to the generator system, ensuring reliable power for the drilling ahead. A mandatory five-year re-certification and inspection of the rig was also completed and the results indicated that the rig is in good working condition. The crew re-entered the MJ-01 wellbore and completed necessary cleanup, installed a seal below the water aquifer zone, and re-established the mandated water monitoring well as required by the Ministry of Energy and Ministry of Water. Following this work, we rigged down awaiting the next operational phase.

Due to the Israel-Iran war which began on February 28, 2026, and related impacts on logistics and shipping, we demobilized our rig crew. We are monitoring daily the hostilities in the Middle East for the next best opportunity to bring back the rig crew to the wellsite in Israel. The next phase of operations will be to rig up over the MJ-02 well, plug and abandon the lower sections of that wellbore, set the direction, and begin the planned horizontal drilling operations into the target reservoir zone.

**Consolidated Condensed Notes to Financial Statements (Unaudited)**

**Note 1 - Nature of Operations, Basis of Presentation and Going Concern (cont'd)**

**B. Basis of Presentation**

The accompanying unaudited interim consolidated condensed financial statements of Zion Oil & Gas, Inc. have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with Article 8-03 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring accruals necessary for a fair statement of financial position, results of operations and cash flows, have been included. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the financial statements and the accompanying notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2025. The year-end balance sheet data presented for comparative purposes was derived from audited financial statements, but does not include all disclosures required by GAAP. The results of operations for the three months ended March 31, 2026 are not necessarily indicative of the operating results for the year ending December 31, 2026 or for any other subsequent interim period.

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

**C. 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 condensed 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 three months ended March 31, 2026, the Company incurred a net loss of approximately \$2.1 million and had an accumulated deficit of approximately \$304 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 condensed financial statements do not include any adjustments that might result from the outcome of this uncertainty.

## Consolidated Condensed Notes to Financial Statements (Unaudited)

### Note 2 - Summary of Significant Accounting Policies

#### A. 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 2026 as the inclusion of 29,481,325 in stock options and 190,687,495 in warrants would be anti-dilutive.

Diluted net loss per share is the same as basic net loss per share for 2025 as the inclusion of 32,986,325 in stock options and 2,676,904 in warrants would be anti-dilutive.

#### B. Use of Estimates

The preparation of the accompanying unaudited consolidated condensed 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, political instability 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 condensed financial statements in future periods.

We have made the same estimates as to the potential impact the Israel-United States-Iran war, Israel-Hezbollah war, and the Israel-Hamas war have on our operations. Actual results may differ from these estimates.

#### C. 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.

**Consolidated Condensed Notes to Financial Statements (Unaudited)**

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

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.

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 \$30,964,000 and \$27,673,000 as of March 31, 2026 and December 31, 2025, respectively.

**D. 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.

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, other receivables, prepaid expenses and other, Government receivables, accounts payable and accrued liabilities, are carried at historical cost. At March 31, 2026, and December 31, 2025, the carrying amounts of these instruments approximated their fair values because of the short-term nature of these instruments.

## Consolidated Condensed Notes to Financial Statements (Unaudited)

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

#### E. 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 condensed 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).

#### F. Warrants

In connection with the Dividend Reinvestment and Stock Purchase Plan ("DSPP" or the "Plan") financing arrangements as further described in Note 3, 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 3E and 3F.

#### G. 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.

A hardship loan of \$30,000 was given to an executive vice president in March 2025 with the stipulation of monthly repayments of \$2,500 beginning in April 2025. All of monthly repayments were collected as of March 31, 2026 and no balance remains. Zion had no other related party transactions during the period ended March 31, 2026

#### H. Prepaid Expenses

The Company makes prepayments for various types of goods and services, including, but not limited to, operational and logistics costs, insurance, professional subscriptions, licenses and other fees.

**Consolidated Condensed Notes to Financial Statements (Unaudited)**

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

**I. Recently Adopted Accounting Pronouncements**

In December 2023, the FASB issued ASU 2023-09, "Improvements to Income Tax Disclosures." This ASU enhances income tax disclosures under topic 740 to increase transparency for investors. Key changes include more detailed rate reconciliations, disaggregation of taxes paid by jurisdiction, and increased disclosure of income before taxes. The effect of this ASU became effective for fiscal years beginning after December 15, 2024. Zion adopted this ASU effective January 1, 2025. 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 had a significant impact on our consolidated condensed financial position, results of operations, or cash flow.

**J. Depreciation and Accounting for Drilling Rig and Related Equipment**

In March 2020, 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 to spare parts and \$48,000 allocated to 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 spare parts, meaning that the earliest items purchased will be the first item charged to the well in which the 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.

During the three months ended March 31, 2026 Zion added approximately \$294,000 in costs associated with its drilling rig, approximately \$307,000 in rig spare parts and approximately \$485,000 in other drilling assets, for total combined additions of \$1,086,000. We also recorded approximately \$150,000 in self-consumption of rig spare parts.

See the table below for a reconciliation of the rig-related activity during the period ended March 31, 2026:

**I-35 Drilling Rig & Associated Equipment:**

	<b>Three Months Ended March 31, 2026</b>			
	<b>I-35 Drilling Rig</b>	<b>Rig Spare Parts</b>	<b>Other Drilling Assets</b>	<b>Total</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
	<b>thousands</b>	<b>thousands</b>	<b>thousands</b>	<b>thousands</b>
<b>Gross Assets:</b>				
<b>December 31, 2025</b>	6,700	1,007	969	8,676
Asset Additions	294	307	485	1,086
Asset Disposals for Self-Consumption	-	(150)	-	(150)
<b>March 31, 2026</b>	<b>6,994</b>	<b>1,164</b>	<b>1,454</b>	<b>9,612</b>
<b>Accumulated Depreciation:</b>				
<b>December 31, 2025</b>	3,172	-	349	3,521
Asset Depreciation	182	-	56	238
<b>March 31, 2026</b>	<b>3,354</b>	<b>-</b>	<b>405</b>	<b>3,759</b>
<b>Net Assets</b>	<b>3,640</b>	<b>1,164</b>	<b>1,049</b>	<b>5,853</b>



Consolidated Condensed Notes to Financial Statements (Unaudited)

	As of December 31, 2025			
	I-35 Drilling Rig	Rig Spare Parts	Other Drilling Assets	Total
	US\$ thousands	US\$ thousands	US\$ thousands	US\$ thousands
<b>Gross Assets:</b>				
<b>December 31, 2024</b>	6,495	747	343	7,585
Asset Additions	205	312	626	1,143
Asset Disposals for Self-Consumption	-	(52)	-	(52)
<b>December 31, 2025</b>	<b>6,700</b>	<b>1,007</b>	<b>969</b>	<b>8,676</b>
<b>Accumulated Depreciation:</b>				
<b>December 31, 2024</b>	2,538	-	269	2,807
Asset Depreciation	634	-	80	714
<b>December 31, 2025</b>	<b>3,172</b>	<b>-</b>	<b>349</b>	<b>3,521</b>
<b>Net Assets</b>	<b>3,528</b>	<b>1,007</b>	<b>620</b>	<b>5,155</b>

**Note 3 - 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 1,200,000,000 shares to 1,600,000,000 shares, effective June 4, 2025.

**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.

During the three months ended March 31, 2026, the Company granted the following options from the 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 two staff members, at an exercise price of \$0.24 per share. The options vested upon grant and are exercisable through January 4, 2036. The fair value of the options at the date of grant amounted to approximately \$36,000.
- 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, 2036. These options were granted per the provisions of the Israeli Appendix to the Plan ("Israeli Appendix"). The Israeli Appendix shall apply only to Participants who are residents of the State of Israel or those who are deemed to be residents of the State of Israel for the payment of tax. The fair value of the options at the date of grant amounted to approximately \$6,000.

During the three months ended March 31, 2025, the Company granted the following options from the 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 two staff members, at an exercise price of \$0.10 per share. The options vested upon grant and are exercisable through January 4, 2035. The fair value of the options at the date of grant amounted to approximately \$15,000.
- 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, 2035. These options were granted per the provisions of the Israeli Appendix. The fair value of the options at the date of grant amounted to approximately \$2,000.

**Consolidated Condensed Notes to Financial Statements (Unaudited)****Note 3 - Stockholders' Equity (cont'd)****B. Stock Options**

The stock option transactions since January 1, 2026 are shown in the table below:

	<b>Number of shares</b>	<b>Weighted Average exercise price US\$</b>
Outstanding, December 31, 2025	29,681,325	0.20
Changes during 2026:		
Granted to employees, officers, directors and others	<b>200,000</b>	0.21
Expired/Cancelled/Forfeited	-	-
Exercised	<b>(400,000)</b>	0.09
Outstanding, March 31, 2026	<b>29,481,325</b>	0.20
Exercisable, March 31, 2026	<b>29,481,325</b>	0.20

**Consolidated Condensed Notes to Financial Statements (Unaudited)****Note 3 - Stockholders' Equity (cont'd)**

The following table summarizes information about stock options outstanding as of March 31, 2026:

<b>Shares underlying outstanding options (fully vested)</b>					
<b>Range of exercise price</b>		<b>Number outstanding</b>	<b>Weighted average remaining contractual life (years)</b>	<b>Weighted Average Exercise price</b>	
<b>US\$</b>				<b>US\$</b>	
0.01		107,500	0.75		0.01
0.01		40,000	1.05		0.01
0.01		40,000	1.50		0.01
0.01		62,500	1.75		0.01
0.01		25,000	1.76		0.01
0.01		30,000	1.91		0.01
0.01		4,000	2.02		0.01
0.01		25,000	2.77		0.01
0.01		35,000	3.47		0.01
0.01		150,000	3.64		0.01
0.01		35,000	3.77		0.01
0.01		75,000	4.77		0.01
0.01		200,000	5.14		0.01
0.01		200,000	5.30		0.01
0.01		10,000	5.42		0.01
0.01		300,000	5.77		0.01
0.01		55,000	5.80		0.01
0.01		560,000	6.05		0.01
0.01		75,000	6.37		0.01
0.01		10,000	6.43		0.01
0.01		495,000	6.49		0.01
0.01		25,000	6.77		0.01
0.01		10,000	7.43		0.01
0.01		895,000	7.48		0.01
0.01		25,000	7.77		0.01
0.01		10,000	8.43		0.01
0.01		25,000	8.77		0.01
0.01		10,000	9.43		0.01
0.01		25,000	9.77		0.01
0.06		50,000	6.77		0.06
0.07		125,000	7.77		0.07
0.07		5,837,000	7.49		0.07
0.10		175,000	8.77		0.10
0.14		210,000	5.80		0.14
0.15		3,000,000	5.77		0.15
0.15		5,854,325	6.05		0.15
0.16		75,000	3.70		0.16
0.18		4,830,000	6.49		0.18
0.24		25,000	6.34		0.24
0.24		118,000	6.37		0.24
0.24		175,000	9.77		0.24
0.25		50,000	5.42		0.25
0.25		363,000	5.42		0.25
0.28		25,000	3.43		0.28
0.29		25,000	1.21		0.29

0.39	1,335,000	5.28	0.39
0.59	1,200,000	1.14	0.59
0.59	1,600,000	5.14	0.59
0.92	300,000	0.76	0.92
0.92	550,000	4.77	0.92
<u>0.01 - 0.92</u>	<u>29,481,325</u>		<u>0.20</u>

**Consolidated Condensed Notes to Financial Statements (Unaudited)****Note 3 - 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:

	<b>For the Three months ended March 31,</b>	
	<b>2026</b>	<b>2025</b>
Weighted-average fair value of underlying stock at grant date	\$ 0.24	\$ 0.10
Dividend yields	—	—
Expected volatility	126%	135%
Risk-free interest rates	3.71%	4.41%
Expected lives (in years)	5.00	5.00
Weighted-average grant date fair value	\$ 0.21	\$ 0.09

**Granted to non-employees**

The Company did not grant any options to non-employees during the three months ended March 31, 2026 and 2025, respectively.

**Consolidated Condensed Notes to Financial Statements (Unaudited)****Note 3 - Stockholders' Equity (cont'd)****C. 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:

<b>For the Three Months Ended March 31,</b>	
<b>2026</b>	<b>2025</b>
<b>US\$ thousands</b>	<b>US\$ thousands</b>
<b>42</b>	<b>18</b>

As of March 31, 2026, and 2025, there was \$nil and \$nil, respectively, of unrecognized compensation cost, related to non-vested stock options granted under the Company's various stock option plans.

**D. Dividend Reinvestment and Stock Purchase Plan ("DSPP" or the "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.

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 provided the participant the opportunity to purchase one share of our Common Stock at a warrant exercise price of \$1.00. The warrant has the company notation of "ZNWAM." The warrants were not registered for trading on the OTCQX or any other stock market or trading market. The warrants became exercisable on January 15, 2021 and continued to be exercisable through March 31, 2025.

On March 18, 2025, the entire number of outstanding warrants of 4,376,000 were exercised at \$.05 each for total proceeds to Zion of approximately \$219,000. As of this report date, there are no ZNWAM warrants outstanding.

**Consolidated Condensed Notes to Financial Statements (Unaudited)**

**Note 3 - 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 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 provided 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 were not registered for trading on the OTCQX or any other stock market or trading market. The warrants were issued on May 5, 2022 and were exercisable through March 31, 2025 at a revised per share exercise price of \$.05.

During March 2025, the entire number of outstanding warrants of 23,428,348 were exercised at \$.05 each for total proceeds to Zion of approximately \$1,171,000. As of this report date, there are no ZNWAQ warrants outstanding.

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 provides 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 OTCQX or any other stock market or trading market.

On January 15, 2026, the Company issued 145,180,117 of the ZNWAS warrants to one participant, with an expiration date of June 30, 2026. The exercise price of the ZNWAS warrants is \$.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 provides 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 OTCQX or any other stock market or trading market.

On August 27, 2025, the Company issued 9,019,652 warrants to one participant, with an expiration date of December 31, 2025. The exercise price of the ZNWAT warrants was lowered from \$.25 to \$.18.

On November 17, 2025, the Company extended the termination date of the ZNWAT warrants from December 31, 2025 to March 31, 2026. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

On March 20, 2026, the Company extended the termination date of the ZNWAT warrants from March 31, 2026 to April 30, 2026. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

On April 15, 2026, the Company extended the termination date of the ZNWAT warrants from April 30, 2026 to May 31, 2026. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

**Consolidated Condensed Notes to Financial Statements (Unaudited)**

**Note 3 - 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 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 provides 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 OTCQX or any other stock market or trading market.

On January 15, 2026, the Company issued 19,147,462 of the ZNWAU warrants to one participant, with an expiration date of June 30, 2026. The exercise price of the ZNWAU warrant is \$.25.

On November 6, 2023, under Amendment No. 4, the Company began a new Unit Option under our Plan consisting of units of shares of stock and warrants. Each warrant provides the participant the opportunity to purchase one share of our Common Stock at a warrant exercise price of \$.25 and shall have the Company notation of "ZNBWA." The warrants will not be registered for trading on the OTCQX or any other stock or trading market.

After numerous previous extensions by Amendment to the Prospectus Supplement, in which all references in the Original Prospectus Supplement and Amendment Nos. 1 and 4, concerning the Unit Option continued except for the substitution of the revised Unit Option dates and other features, with all other Plan features, conditions and terms remaining unchanged, on December 10, 2024, under Amendment No. 13, the termination date of the Unit Option was extended to February 28, 2025.

The ZNBWA warrants now became exercisable on March 31, 2025, and continued to be exercisable through March 31, 2026, as 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.

The Unit Option terminated on February 28, 2025, as described in Amendment No.13, and the ZNBWA warrants, exercisable at \$0.25, were issued on March 31, 2025, and will be exercisable through March 31, 2026.

On April 1, 2024, the Company executed a Waiver Term Sheet of a unit program with a participant consisting of shares of stock and warrants.

The program was scheduled to terminate at the earlier of: (a) a maximum purchase of \$10,000,000 through the DSPP, (b) October 1, 2024 or (c) the closing price of Zion's stock is 15 cents per share for five (5) consecutive days. Additional terms of the Waiver Term Sheet included the pro-rata issuance of up to 5,000,000 warrants with an exercise price of \$.25 per share and an expiration date of December 31, 2024, in the event the Participant purchases up to \$5,000,000 of the Company's stock by July 1, 2024.

On or around August 13, 2024, a first amendment to its current Waiver Term Sheet was signed with the participant. The additional terms of the Waiver Term Sheet included the pro-rata issuance of up to 10,000,000 warrants with an exercise price of \$.25 per share and an expiration date of December 31, 2024, in the event the Participant purchases up to \$10,000,000 of the Company's stock by October 1, 2024.

On or around September 30, 2024, a second amendment to its current Waiver Term Sheet was signed with the participant. The additional terms of the Waiver Term Sheet included changing the expiration date to December 31, 2024 and the pro-rata issuance of up to 10,000,000 warrants with an exercise price of \$.25 per share and an expiration date of April 1, 2025, in the event the Participant purchases up to \$10,000,000 of the Company's stock by December 31, 2024.

On or around November 12, 2024, a third amendment to its current Waiver Term Sheet was signed with the participant. The additional terms of the Waiver Term Sheet included changing the provision for the program termination provided that the closing stock price is \$.20 cents per share or higher for five (5) consecutive days.

On or around January 21, 2025, a fourth amendment to the Waiver Term Sheet was signed with the participant. The Pricing Plan of the program terminated at the earlier of: (a) a maximum purchase of \$15,000,000 through the DSPP, (b) June 30, 2025 or (c) the closing price of Zion's stock is 20 cents per share for five (5) consecutive days. Additional terms of the Waiver Term Sheet include the pro-rata issuance of up to 15,000,000 warrants with an exercise price of \$.25 per share and an expiration date of December 31, 2025, in the event the Participant purchases up to \$15,000,000 of the Company's stock by June 30, 2025.

As of May 2, 2025, the above referenced Waiver Term Sheet was terminated as the participant completed the maximum purchase of \$15,000,000 through the DSPP along with 15,000,000 warrants.

On May 19, 2025, a total of 15,000,000 warrants were issued to the participant with the internal designation as the “ZNBWB” warrants.

Under our Plan, the Company under a Request For Waiver Program executed a Waiver Term Sheet effective August 27, 2025 of shares of stock to a participant. This program had a maximum investment of \$2,500,000. After conclusion of the program on or around September 30, 2025, 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 effective November 4, 2025 consisting of shares of stock and warrants to a participant. This program had a maximum investment of \$250,000 excluding the exercise of any warrants. After conclusion of the program on or around November 18, 2025, 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 provided the participant the opportunity to purchase one share of our Common Stock at a warrant exercise price of \$.05. The warrant shall have the company notation of “ZNBWC.” The warrants will not be registered for trading on the OTCQX or any other stock market or trading market.

**Consolidated Condensed Notes to Financial Statements (Unaudited)**

**Note 3 - Stockholders' Equity (cont'd)**

On November 19, 2025, a total of 1,519,136 warrants were issued to the participant with the internal designation of the "ZNWBC" warrants. The participant had until March 15, 2026 in which to exercise the warrants.

On November 26, 2025, all of the ZNWBC warrants were exercised, resulting in approximately \$76,000 to the Company. As of that date, there were no ZNWBC warrants outstanding.

Under our Plan, the Company under a Request for Waiver Program executed a Waiver Term Sheet effective November 17, 2025 of shares of stock to a participant. This program had a maximum investment of \$1,500,000 by December 31, 2025. After conclusion of the program, the participant's Plan account was to be credited with the number of shares of the Company's Common Stock that were acquired.

On December 22, 2025, a first amendment to the Waiver Term Sheet was executed whereby the date was extended from December 31, 2025 to January 31, 2026 in which to reach the maximum investment.

On January 14, 2026, a second amendment to the Waiver Term Sheet was executed whereby the maximum investment was raised from \$1,500,000 to \$5,000,000. The termination date of January 31, 2026 remained in effect. This Waiver Term Sheet terminated on January 31, 2026 with the maximum investment being reached.

During the three months ended March 31, 2026, one participant who participated in the "Request for Waiver" aspect of the DSPP contributed approximately 34% of the net cash raised through the DSPP.

During the three months ended March 31, 2025, one participant who participated in the "Request for Waiver" aspect of the DSPP contributed approximately 56% of the net cash raised through the DSPP.

For the three months ended March 31, 2026 and 2025, approximately \$30,000 and \$212,000, respectively, were recorded under the Company's Statement of Changes in Stockholders' Equity as Subscriptions Receivables. These funds were later received in April 2026, and 2025, respectively.

For the three months ended March 31, 2026 and 2025, approximately \$8,009,000 and \$6,040,000, respectively, were raised under the DSPP program.

The Company raised approximately \$974,000 from the period April 1, 2026 through May 5, 2026, under the DSPP program, which includes collection of the \$30,000 stock subscription receivable at March 31, 2026.

**Consolidated Condensed Notes to Financial Statements (Unaudited)****Note 3 - Stockholders' Equity (cont'd)**

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

**E. Warrant Table**

The warrant balances at December 31, 2025 and transactions since January 1, 2026 are shown in the table below:

<b>Warrants</b>	<b>Exercise Price</b>	<b>Warrant Termination Date</b>	<b>Outstanding Balance, 12/31/2025</b>	<b>Warrants Issued</b>	<b>Warrants Exercised</b>	<b>Warrants Expired</b>	<b>Outstanding Balance, 03/31/2026</b>
ZNWAA	\$ 2.00	01/31/2031	1,498,804	-	-	-	1,498,804
ZNWAS	\$ 0.25	06/30/2026	-	145,180,117	-	-	145,180,117
ZNWAT	\$ 0.18	05/31/2026	9,019,652	-	-	-	9,019,652
ZNWAU	\$ 0.25	06/30/2026	-	19,147,462	-	-	19,147,462
ZNWBA	\$ 0.25	03/31/2026	1,177,950	-	(336,490)	-	841,460
ZNWBB	\$ 0.25	06/30/2026	15,000,000	-	-	-	15,000,000
Outstanding warrants			<u>26,696,406</u>	<u>164,327,579</u>	<u>(336,490)</u>	<u>-</u>	<u>190,687,495</u>

**Consolidated Condensed Notes to Financial Statements (Unaudited)****Note 3 - Stockholders' Equity (cont'd)****F. 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 a future expiration date.

		<u>Period of Grant</u>	<u>US\$</u>	<u>Expiration Date</u>
ZNWAA Warrants	A,B,C,D,H,I,L	March 2013 – December 2014	2.00	January 31, 2031
ZNWAS Warrants	E	August 2021 – March 2022	0.25	June 30, 2026
ZNWAT Warrants	K,M,O,P	August – September 2022	0.18	May 31, 2026
ZNWAU Warrants	E	October – November 2022	0.25	June 30, 2026
ZNWBA Warrants	F,G	November – December 2024	0.25	March 31, 2026
ZNWBB Warrants	J,N	April 2024 – June 2025	0.25	June 30, 2026

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

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

E These warrants were issued and become exercisable beginning on January 15, 2026 and expire on June 30, 2026.

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

G On May 29, 2024, the Company filed Amendment No. 10 whereby the current unit option was extended to August 31, 2024 and the exercise date and termination date of the related ZNWBA warrants were also extended. On August 22, 2024, the Company filed Amendment No. 11 whereby the current unit option was extended to October 15, 2024 and the exercise date and termination date of the related ZNWBA warrants were also extended. On October 9, 2024, the Company filed Amendment No. 12 whereby the current unit option was extended to December 31, 2024 and the exercise date and termination date of the related ZNWBA warrants were also extended to January 31, 2026. On December 10, 2024, the Company filed Amendment No. 13 whereby the current unit option was extended to February 28, 2025, when the exercise date and termination date of the related ZNWBA warrants were also extended to March 31, 2026.

H On November 12, 2024, the Company extended the expiration date of the ZNWAA warrant by one (1) year. The new expiration date is January 31, 2026.

I On November 12, 2024, the Company extended the expiration date of the ZNWAA warrant by one (1) year. The new expiration date is January 31, 2026.

J On May 19, 2025, the Company issued 15,000,000 warrants to one warrants holder. The expiration date of those ZNWBB warrants was December 31, 2025 and the warrant exercise price is \$.25.

K On August 27, 2025, the Company issued 9,019,652 warrants to one participant, with an expiration date of December 31, 2025. The warrant exercise price was reduced from \$.25 to \$.18.

L On November 17, 2025 the Company extended the expiration date of the ZNWAA warrants to January 31, 2031.

M On December 22, 2025 the Company extended the expiration date of the ZNWAT warrants to March 31, 2026.

N On December 29, 2025 the Company extended the expiration date of the ZNWBB warrants to June 30, 2026.

O On March 20, 2026 the Company extended the expiration date of the ZNWAT warrants to April 30, 2026.

P On April 15, 2026 the Company extended the expiration date of the ZNWAT warrants to May 31, 2026.

**Consolidated Condensed Notes to Financial Statements (Unaudited)****Note 4 - Unproved Oil and Gas Properties, Full Cost Method**

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

	<b>March 31, 2026</b>	<b>December 31, 2025</b>
	<b>US\$</b>	<b>US\$</b>
	<b>thousands</b>	<b>thousands</b>
Excluded from amortization base:		
Drilling costs, and other operational related costs	13,886	11,100
Capitalized salary costs	2,738	2,659
Capitalized interest costs	1,418	1,418
Legal and seismic costs, license fees and other preparation costs	12,883	12,457
Other costs	39	39
	<b>30,964</b>	<b>27,673</b>

Changes in Unproved oil and gas properties during the three months ended March 31, 2026 and 2025 are as follows:

	<b>For the three months ended March 31,</b>	
	<b>2026</b>	<b>2025</b>
	<b>US\$</b>	<b>US\$</b>
	<b>thousands</b>	<b>thousands</b>
Excluded from amortization base:		
Drilling costs, and other operational related costs	2,786	425
Capitalized salary costs	79	26
Legal and seismic costs, license fees and other preparation costs	426	316
	<b>3,291</b>	<b>767</b>

\* Inclusive of non-cash amounts of approximately \$1,032,000, and \$693,000 during the three months ended March 31, 2026 and 2025, respectively.

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

**Consolidated Condensed Notes to Financial Statements (Unaudited)****Note 5 - Right of use lease assets and lease obligations**

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

The table below presents the operating lease assets and liabilities recognized on the balance sheet as of March 31, 2026 and December 31, 2025:

	<b>March 31, 2026</b>	<b>December 31, 2025</b>
	<b>US\$</b>	<b>US\$</b>
	<b>thousands</b>	<b>thousands</b>
Operating lease assets	\$ 1,114	\$ 1,176
Operating lease liabilities:		
Current operating lease liabilities	\$ 133	\$ 130
Non-current operating lease liabilities	\$ 913	\$ 932
Total operating lease liabilities	<u>\$ 1,046</u>	<u>\$ 1,062</u>

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.

*Dallas office lease*

On November 25, 2025, the Company and LLL Four Forest, LP ("LLL") signed an Office Lease Agreement ("Agreement") whereby approximately 8,006 rentable square feet of space, of which approximately 5,577 rentable square feet are located in Suite 1450 located on the fourteenth floor, and approximately 2,429 square feet are located in Suite 1740 located on the seventeenth floor. The lease commencement date is January 1, 2026 and the term is for three years and five months with the lease termination being on or around May 31, 2029. The Agreement provided five (5) months of abated rent at the beginning of the lease term. A security deposit of \$16,679 was paid in December 2025 and prepaid rent of \$192,144 was also paid in December 2025. With the payment of the prepaid rent in December 2025, the Company's rent is paid through May 2027. Beginning on June 1, 2027 and extending through May 31, 2028, the Company will pay monthly rent at \$24.50 per square foot. Beginning on June 1, 2028 and extending through May 31, 2029, the Company will pay monthly rent at \$25.00 per square foot. The Company will also pay its prorata share of electricity, taxes and common area maintenance in the building.

The Company's weighted average remaining lease term and weighted average discount rate for operating leases as of March 31, 2026 are:

	<b>March 31, 2026</b>
Weighted average remaining lease term (years)	<u>4.3</u>
Weighted average discount rate	7.8%

**Consolidated Condensed Notes to Financial Statements (Unaudited)****Note 5 - Right of use lease assets and leases obligations (cont'd)**

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 condensed balance sheets as of March 31, 2026:

	<b>US\$ thousands</b>
2026	<b>134</b>
2027	<b>338</b>
2028	<b>374</b>
2029	<b>208</b>
2030	<b>190</b>
Thereafter	<b>-</b>
Total undiscounted future minimum lease payments	<b>1,244</b>
Less: portion representing imputed interest	<b>(198)</b>
Total undiscounted future minimum lease payments	<b>1,046</b>

Operating lease costs were \$86,000 and \$62,000 for the three months ended March 31, 2026, and 2025, respectively. Operating lease costs are included within general and administrative expenses on the statements of operations.

Cash paid for amounts included in the measurement of operating lease liabilities was \$16,000 and \$39,000 for the three months ended March 31, 2026, and 2025, respectively. These amounts are included in operating activities in the statements of cash flows.

Right-of-use assets obtained in exchange for new operating lease liabilities were \$nil and \$nil for the three months ended March 31, 2026, and 2025, respectively.

## Consolidated Condensed Notes to Financial Statements (Unaudited)

### Note 6 - Commitments and Contingencies

#### A. 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.

On June 3, 2025, the Company received a notification via summons that it was being sued in the Superior Court of California, County of Los Angeles, under the state's "Trap and Trace" law. California's Trap and Trace law, part of the California Invasion of Privacy Act (CIPA) Penal Code Section 638.51 prohibits installing or using devices or processes to capture incoming electronic signaling information (like IP addresses or routing data) without a court order or user consent. The company retained counsel in the state of California. Approximately \$25,000 in legal expenses was recognized in 2025 and another approximately \$17,000 in 2026.

On March 9, 2026, the Company was advised by the Superior Court of California, County of Los Angeles, that the lawsuit was dismissed without prejudice against the Company.

The Company is not subject to any litigation or claims as of March 31, 2026.

#### B. Recent Market Conditions – Israel-United States-Iran War, the Israel-Hezbollah War and the Israel-Hamas War

On June 13, 2025, Israel launched Operation Rising Lion by surprise attacks on key military and nuclear facilities in Iran. This was a targeted operation to roll back the Iranian threat to Israel's very survival. In the opening hours of the war, Israeli air force assassinated some of Iran's prominent military leaders and nuclear scientists, and damaged or destroyed Iran's air defenses and some of its nuclear and military facilities. Israel launched hundreds of airstrikes throughout the war. Iran retaliated with waves of missile and drone strikes against Israeli cities and military sites; over 550 ballistic missiles and more than 1,000 explosive drones were launched by Iran during the war. The Iran-allied Houthis in Yemen also fired several missiles at Israel. On the ninth day of the war, the United States bombed three Iranian nuclear sites. On June 24, 2025, Israel and Iran agreed to a ceasefire.

On February 28, 2026, Israel and the United States jointly attacked Iran. The attacks took the form of missile strikes throughout Iran targeting regime leadership, nuclear sites, ballistic missile sites and other military infrastructure. Iran's former supreme leader, Ali Khomeini, was killed on this day. There have been daily attacks during March 2026 and into April 2026. While there has been a temporary ceasefire recently, tensions remain high between the US, Israel, and Iran.

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. Israel and Gaza subsequently entered into a multi-phase ceasefire involving the cessation of battles in exchange for release of Israeli hostages and Palestinian prisoners, but hostilities resumed pending release of the remaining Israeli hostages.

On or around October 13, 2025, following more than two years after the initial invasion by Hamas, a ceasefire was negotiated between Israel and Hamas. The ceasefire deal contains three phases and the first phase involves the release of all living and dead Israeli hostages held by Hamas, along with the release of approximately 1,950 Palestinian prisoners being held in Israeli prisons. All of the 20 living hostages were released and all of the remains of the dead hostages have been released to Israeli families. The next phase (phase 2) of the ceasefire deal is underway and involves the disarmament of Hamas.

Immediately after the October 7, 2023 Hamas attack on Israel, the terrorist organization Hezbollah (in Lebanon) began launching daily rockets into Israel. Over the course of the next several months, both Hezbollah and Israel traded rocket fire into the other country, but without engaging in a full war. During the third quarter of 2024, both sides increased the frequency and number of missiles fired. In September 2024, Israel began a ground invasion into Lebanon. On or around November 27, 2024, Israel and Hezbollah signed a ceasefire agreement.

In early March 2026, Hezbollah resumed the war against Israel by launching daily attacks, primarily missiles, into northern Israel. Israel responded by launching its own missiles into Beirut and southern Lebanon and moving ground forces into southern Lebanon.

There is uncertainty as to the degree of stability that will be seen in the Middle East, and Israel in particular, due to these present hostilities. While we acknowledge that uncertainty, the Company is moving forward with its MJ-01 re-entry project.

### **C. 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 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 March 31, 2026, and December 31, 2025, the Company accrued \$nil and \$nil for license regulatory matters.

## Consolidated Condensed Notes to Financial Statements (Unaudited)

### Note 6 - Commitments and Contingencies (cont'd)

#### D. Bank Guarantees

As of March 31, 2026, and December 31, 2025, the Company provided Israeli-required bank guarantees to various governmental bodies (approximately \$1,429,000 and \$1,424,000, respectively) and others (approximately \$109,000 and \$109,000, respectively) with respect to its drilling operation in an aggregate amount of approximately \$1,538,000 and \$1,533,000, respectively. The (cash) funds backing these guarantees are held in restricted interest-bearing accounts in Israel and are reported on the Company's balance sheets as cash and cash equivalents – restricted.

#### E. Vendor Concentration

The Company's financial instruments that are exposed to a concentration of credit risk are accounts payable. At March 31, 2026, there were three suppliers that represent 10% or more of the Company's accounts payable balance. At December 31, 2025, there were four suppliers that represent 10% or more of the Company's accounts payable balance.

#### F. Risks

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, 2026 through March 31, 2026, the USD has fluctuated by approximately 0.8% against the NIS (the USD weakened relative to the NIS). During the period January 1, 2025 through December 31, 2025, the USD fluctuated by approximately 12.5% against the NIS (the USD weakened relative to the NIS). Continued weakening of the US dollar against the NIS will result in higher 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 maturity 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 March 31, 2026, and December 31, 2025, we had cash, cash equivalents, and short-term and long-term bank deposits of approximately \$12,250,000 and \$9,862,000, respectively. The weighted average annual interest rate related to our cash and cash equivalents for the three months ended March 31, 2026, and for the year ended December 31, 2025, exclusive of funds at US banks that earn no interest, was approximately 2.7% and 2.8%, respectively.

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.

## Consolidated Condensed Notes to Financial Statements (Unaudited)

### Note 7 - Operating Segments

The Company has one operating segment and its Chief Operating Decision Maker (“CODM”) is its CEO. Consistent with its mission and vision, the Company explores for hydrocarbons in onshore Israel. The CODM manages exploration activities considering the following areas, at a minimum: (1) geological prospects within its license area and related feasibility to produce hydrocarbons, (2) the regulatory, administrative and political climate in Israel, (3) competition in Israel, (4) equipment and labor sourcing and (5) operational financing.

Within unproved oil and gas properties costs, the CODM monitors the costs of permitting and regulatory compliance, logistics and supply chain considerations associated with importation of labor and equipment, including managing the amounts and timing of prepayments to international service providers. The CODM works closely with its vice president of operations and CFO on capital expenditures to ensure adequate capital is available when needed.

Within our Statement of Operations, the Company has two primary categories of expenses: (1) “General and Administrative” costs, which consists primarily of salaries, payroll taxes and benefits, and (2) “Other”, which consists of a broad range of non-compensation related expenses, including fees for directors, accounting, legal and information technology services, as well as other professional fees. This "Other" category also includes costs for various lines of insurance, investor relations activities, office facilities, depreciation and annual meeting expenses. Zion has had very low employee turnover in recent years and our CODM monitors the salaries paid to its existing workforce. Additionally, the CODM is the decision maker in its annual insurance renewals for directors and officers, cybersecurity, rig and third-party liability insurance, both in Dallas and in Israel.

### Note 8 - Subsequent Events

The Company has evaluated subsequent events through May 7, 2026, the date of filing of this Quarterly Report on Form 10-Q, and determined that there have been no events that have occurred that would require adjustments to our disclosures in the condensed consolidated financial statements, other than the following:

(i) Approximately \$974,000 was collected through the Company’s DSPP program during the period April 1, 2026 through May 5, 2026, which includes collection of the \$30,000 stock subscription receivable at March 31, 2026.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE FOLLOWING DISCUSSION SHOULD BE READ IN CONJUNCTION WITH OUR UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND THE RELATED NOTES TO THOSE STATEMENTS INCLUDED IN THIS FORM 10-Q. SOME OF OUR DISCUSSION IS FORWARD-LOOKING AND INVOLVES RISKS AND UNCERTAINTIES. FOR INFORMATION REGARDING RISK FACTORS THAT COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, REFER TO THE DISCUSSION OF RISK FACTORS IN THE "DESCRIPTION OF BUSINESS" SECTION OF OUR ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2025, FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.

### Forward-Looking Statements

Certain statements made in this discussion are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may materially differ from actual results.

Forward-looking statements can be identified by terminology such as "may", "should", "expects", "intends", "anticipates", "believes", "estimates", "predicts", or "continue" or the negative of these terms or other comparable terminology and include, without limitation, statements regarding:

- the Israel-US-Iran war which began On February 28, 2026 and the various operational impacts on our exploration program;
- the Israel-Hamas war which began in October 2023 and the impact the negotiated October 2025 ceasefire will have on our exploration program;
- the Israel-Hezbollah war which began in 2024, along with wider regional hostilities towards Israel, and their effect on our exploration program;
- the going concern qualification in our consolidated condensed 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 OTCQX;
- interruptions, increased financial costs and other adverse impacts of the covid 19 coronavirus pandemic, the Israel-Hamas war, the Israel-Hezbollah war, the Israel-Iran war, and the Russia-Ukraine war 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 existing and 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.

## [Table of Contents](#)

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

### **Current Exploration and Operation Efforts**

Zion Oil and Gas, Inc., a Texas corporation, is an oil and gas exploration company with a history of 25 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. The shareholders of Zion Oil & Gas, Inc. approved the re-domestication of its incorporation to Texas on June 4, 2025. 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 OTCQX marketplace of OTC Markets, Inc. under the symbol “ZNOG” and our Common Stock warrant under the symbol “ZNOGW”. On January 24, 2020, Zion incorporated a wholly owned subsidiary, Zion Drilling, Inc., as 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. On May 14, 2025, Zion Drilling, Inc. and Zion Drilling Services, Inc. were re-domesticated and converted from Delaware corporations to Texas corporations pursuant to plans of conversion approved unanimously by the directors and shareholders of each corporation. On October 19, 2022, Zion incorporated a wholly owned subsidiary in Israel, Zion Drilling Israel Ltd, for the purpose of owning a drilling rig and related equipment and spare parts. On this date, the entity was created as a placeholder only. A bank account was created in November 2024 and a tax file was created in January 2025. Zion Drilling Israel Ltd did not have any activities during the three months ended March 31, 2026.

On September 14, 2023, the Israel Ministry of Energy approved a new Megiddo Valleys License 434 (“NMVL 434” or “Exploration License 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.

Our rig crew arrived in Israel in January 2026 to begin a new phase of operations at both MJ-01 and MJ-02 in Israel. The team completed routine rig repair and maintenance, including a much-needed upgrade to the generator system, ensuring reliable power for the drilling ahead. A mandatory five-year re-certification and inspection of the rig was also completed and the results indicated that the rig is in good working condition. The crew re-entered the MJ-01 wellbore and completed necessary cleanup, installed a seal below the water aquifer zone, and re-established the mandated water monitoring well as required by the Ministry of Energy and Ministry of Water. Following this work, we rigged down awaiting the next operational phase.

Due to the Israel-Iran war which began on February 28, 2026, and related impacts on logistics and shipping, we demobilized our rig crew. We are monitoring daily the hostilities in the Middle East for the next best opportunity to bring back the rig crew to the wellsite in Israel. The next phase of operations will be to rig up over the MJ-02 well, plug and abandon the lower sections of that wellbore, set the direction, and begin the planned horizontal drilling operations into the target reservoir zone.

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.

While our MJ-01 re-completion project has faced a multitude of hurdles, including recent hostilities with Hamas, Hezbollah, Iran and Yemen, downhole issues and logistical challenges, we continue to move forward each time a safe opportunity permits continuation of operations. However, we will only move forward in coordination with Israeli authorities. We are actively monitoring the port situation to import the items needed to complete the current work program. We remain optimistic about making significant progress in the coming months.

## I-35 Drilling Rig & Associated 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 to spare parts and \$48,000 allocated to 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 spare parts, meaning that the earliest items purchased will be the first item charged to the well in which the 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.

During the three months ended March 31, 2026, Zion added approximately \$294,000 in costs associated with its drilling rig, approximately \$307,000 in rig spare parts and approximately \$485,000 in other drilling assets, for total combined additions of \$1,086,000. We also recorded approximately \$150,000 in self-consumption of rig spare parts.

See the table below for a reconciliation of the rig-related activity during the period ended March 31, 2026:

	<b>Three Months Ended March 31, 2026</b>			
	<b>I-35 Drilling Rig</b>	<b>Rig Spare Parts</b>	<b>Other Drilling Assets</b>	<b>Total</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
	<b>thousands</b>	<b>thousands</b>	<b>thousands</b>	<b>thousands</b>
<b>Gross Assets:</b>				
<b>December 31, 2025</b>	6,700	1,007	969	8,676
Asset Additions	294	307	485	1,086
Asset Disposals for Self-Consumption	-	(150)	-	(150)
<b>March 31, 2026</b>	<b>6,994</b>	<b>1,164</b>	<b>1,454</b>	<b>9,612</b>
<b>Accumulated Depreciation:</b>				
<b>December 31, 2025</b>	3,172	-	349	3,521
Asset Depreciation	182	-	56	238
<b>March 31, 2026</b>	<b>3,354</b>	<b>-</b>	<b>405</b>	<b>3,759</b>
<b>Net Assets</b>	<b>3,640</b>	<b>1,164</b>	<b>1,049</b>	<b>5,853</b>
	<b>As of December 31, 2025</b>			
	<b>I-35 Drilling Rig</b>	<b>Rig Spare Parts</b>	<b>Other Drilling Assets</b>	<b>Total</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
	<b>thousands</b>	<b>thousands</b>	<b>thousands</b>	<b>thousands</b>
<b>Gross Assets:</b>				
<b>December 31, 2024</b>	6,495	747	343	7,585
Asset Additions	205	312	626	1,143
Asset Disposals for Self-Consumption	-	(52)	-	(52)
<b>December 31, 2025</b>	<b>6,700</b>	<b>1,007</b>	<b>969</b>	<b>8,676</b>
<b>Accumulated Depreciation:</b>				
<b>December 31, 2024</b>	2,538	-	269	2,807
Asset Depreciation	634	-	80	714
<b>December 31, 2025</b>	<b>3,172</b>	<b>-</b>	<b>349</b>	<b>3,521</b>
<b>Net Assets</b>	<b>3,528</b>	<b>1,007</b>	<b>620</b>	<b>5,155</b>

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.



**Map 1. Zion's New Megiddo License 434 as of March 31, 2026.**

## [Table of Contents](#)

### Onshore Licensing, Oil and Gas Exploration and Environmental Guidelines

The Company is engaged in oil and gas exploration and production and may become subject to certain liabilities as they relate to environmental cleanup 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, the Energy Ministry, and the Environmental Ministry in recent years as it pertains to oil and gas activities. Mention of these guidelines was included in previous Zion Oil & Gas filings.

We acknowledge that these new regulations are likely to increase the costs associated with obtaining new exploration rights and drilling new wells. The Company expects that additional financial burdens could occur as a result of the Ministry requiring cash reserves that could otherwise be used for operational purposes.

### Capital Resources Highlights

We need to raise significant funds to finance the continued exploration efforts and maintain orderly operations. To date, we have funded our operations through the issuance of our securities and convertible debt. We will need to continue to raise funds through the issuance of equity and/or debt securities (or securities convertible into or exchangeable for equity securities). No assurance can be provided that we will be successful in raising the needed capital on terms favorable to us (or at all).

#### *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 March 27, 2014, we launched our Dividend Reinvestment and Stock Purchase Plan pursuant to which stockholders and interested investors can purchase shares of the Company's Common Stock as well as units of the Company's securities directly from the Company. The terms of the DSPP are described in the Prospectus Supplement originally filed on March 31, 2014 (the "Original Prospectus Supplement") with the Securities and Exchange Commission ("SEC") under the Company's effective registration Statement on Form S-3, as thereafter amended.

Please see Footnote 3D ("Dividend Reinvestment and Stock Purchase Plan ("DSPP" or the "Plan"), which is a part of this Form 10-Q filing, for details about specific stock purchase and unit programs, dates, and filings during the years 2025 and 2026.

For the three months ended March 31, 2026 and 2025, approximately \$30,000 and \$212,000, respectively, were recorded under the Company's Statement of Changes in Stockholders' Equity as Subscriptions Receivables. In both cases above, the subscription receivables were received in the following month.

For the three months ended March 31, 2026 and 2025, approximately \$8,009,000 and \$6,040,000, respectively, were raised under the DSPP program.

The warrants balances at December 31, 2025 and transactions since January 1, 2026 are shown in the table below:

Warrants	Exercise Price	Warrant Termination Date	Outstanding Balance, 12/31/2025	Warrants Issued	Warrants Exercised	Warrants Expired	Outstanding Balance, 03/31/2026
ZNWAA	\$ 2.00	01/31/2031	1,498,804	-	-	-	1,498,804
ZNWAS	\$ 0.25	06/30/2026	-	145,180,117	-	-	145,180,117
ZNWAT	\$ 0.18	05/31/2026	9,019,652	-	-	-	9,019,652
ZNWAU	\$ 0.25	06/30/2026	-	19,147,462	-	-	19,147,462
ZNWBA	\$ 0.25	03/31/2026	1,177,950	-	(336,490)	-	841,460
ZNWBB	\$ 0.25	06/30/2026	15,000,000	-	-	-	15,000,000
Outstanding warrants			26,696,406	164,327,579	(336,490)	-	190,687,495



## **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, Amortization and Accretion:** 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**

Although 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.

## **Israel-United States-Iran War**

On June 13, 2025, Israel launched Operation Rising Lion by surprise attacks on key military and nuclear facilities in Iran. This was a targeted operation to roll back the Iranian threat to Israel's very survival. In the opening hours of the war, Israeli air force assassinated some of Iran's prominent military leaders and nuclear scientists, and damaged or destroyed Iran's air defenses and some of its nuclear and military facilities. Israel launched hundreds of airstrikes throughout the war. Iran retaliated with waves of missile and drone strikes against Israeli cities and military sites; over 550 ballistic missiles and more than 1,000 explosive drones were launched by Iran during the war. The Iran-allied Houthis in Yemen also fired several missiles at Israel. On the ninth day of the war, the United States bombed three Iranian nuclear sites. On June 24, 2025, Israel and Iran agreed to a ceasefire.

On February 28, 2026, Israel and the United States jointly attacked Iran. The attacks took the form of missile strikes throughout Iran targeting regime leadership, nuclear sites, ballistic missile sites and other military infrastructure. Iran's former supreme leader, Ali Khomeini, was killed on this day. There have been daily attacks during March 2026 and into April 2026. While there has been a temporary ceasefire recently, tensions remain high between the US, Israel and Iran.

## **Israel-Hamas War**

The nation of Israel declared war on Hamas following the October 7, 2023 invasion by Hamas into many southern Israeli communities, killing and injuring thousands and the taking of over 200 Israeli hostages into Gaza. Israel formed a war time emergency government with its primary focus on defending its homeland. As part of the war effort, Israel activated a large number of reservists. Our geologist in Israel was called into service for a month or two in late 2023. In 2024, he was called up again to serve for a period of months. He has since returned back to work. As a result of his absence, the workload was handled by our US based geologist. We have been able to keep up with the geological workload without any issues.

Our operations in Israel take place at the wellsite in north central Israel, away from the primary location of the war in southern Israel. Our drilling rig, pad site, employees and service providers were safe throughout 2025 and through the date of this filing in May 2026.

On or about January 19, 2025, Israel and Hamas agreed to a ceasefire. After that date, various agreements have been reached between Israel and Hamas regarding the release of Israeli hostages and the simultaneous release of Hamas prisoners while maintaining a ceasefire. However, hostilities began again pending release of the remaining Israeli hostages.

On or around October 13, 2025, following more than two years after the initial invasion by Hamas, another ceasefire was negotiated between Israel and Hamas. The ceasefire deal contains three phases and the first phase involves the release of all living and

dead Israeli hostages held by Hamas, along with the release of approximately 1,950 Palestinian prisoners being held in Israeli prisons. All of the 20 living hostages were released and the remains of the dead hostages have been released to Israeli families. The next phase (phase 2) of the ceasefire deal is underway and involves the disarmament of Hamas.

There is uncertainty as to the degree of stability that will be seen in the Gaza strip and the wider impact on hostilities in the region.

### **Israel-Hezbollah War**

Immediately after the October 7, 2023 Hamas attack on Israel, the terrorist organization Hezbollah (in Lebanon) began launching daily rockets into Israel. Over the course of the next several months, both Hezbollah and Israel traded rocket fire into the other country, but without engaging in a full war. During the third quarter of 2024, both sides increased the frequency and number of missiles fired. In September 2024, Israel began a ground invasion into Lebanon. On or around November 27, 2024, Israel and Hezbollah signed a ceasefire agreement.

In early March 2026, Hezbollah joined the war against Israel by launching daily attacks, primarily missiles, into northern Israel. Israel responded by launching its own missiles into Beirut and southern Lebanon and moving ground forces into southern Lebanon.

There is uncertainty as to the degree of stability that will be seen in the Middle East, and Israel in particular, due to these present hostilities. While we acknowledge that uncertainty, the Company is moving forward with its MJ-01 re-entry project.

### **Critical Accounting Policies**

Management's discussion and analysis of financial condition and results of operations is based upon our consolidated condensed financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated condensed 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 condensed 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.

## [Table of Contents](#)

### *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.

The total net book value of our unproved oil and gas properties under the full cost method is \$30,964,000 and \$27,673,000 at March 31, 2026 and at December 31, 2025, respectively.

### *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.

### *Fair Value Considerations*

We follow 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 from the sale of 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.

There are three levels of inputs to fair value measurements - Level 1, meaning the use of quoted prices for identical instruments in active markets; Level 2, meaning the use of quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or are directly or indirectly observable; and Level 3, meaning the use of unobservable inputs. We use Level 1 inputs for fair value measurements whenever there is an active market, with actual quotes, market prices, and observable inputs on the measurement date. We use Level 2 inputs for fair value measurements whenever there are quoted prices for similar securities in an active market or quoted prices for identical securities in an inactive market. We did not use unobservable (level 3) inputs for fair value measurements at March 31, 2026 and at December 31, 2025, respectively.

**RESULTS OF OPERATIONS**

	<b>For the three months ended</b>	
	<b>March 31,</b>	
	<b>2026</b>	<b>2025</b>
	<b>(US \$ in thousands)</b>	
Operating costs and expenses:		
General and administrative expenses	1,461	1,101
Other	661	599
Subtotal Operating costs and expenses	<u>2,122</u>	<u>1,700</u>
Other expense (income), net	<u>(39)</u>	<u>(25)</u>
Net loss	<u><u>2,083</u></u>	<u><u>1,675</u></u>

*Revenue.* We currently have no revenue generating operations.

*Operating costs and expenses.* Operating costs and expenses for the three months ended March 31, 2026 were \$2,122,000 compared to \$1,700,000 for the three months ended March 31, 2025. Operating costs and expenses for the three months ended March 31, 2026 were \$422,000 (25%) higher compared to the three months ended March 31, 2025. The primary driver of the increase was legal fees incurred for a proactive cyber security assessment.

*General and administrative expenses.* General and administrative expenses (“G&A expenses”) for the three months ended March 31, 2026 were \$1,461,000 compared to \$1,101,000 for the three months ended March 31, 2025. This expense grouping includes salaries, benefits, stock option expenses and professional fees. G&A expenses were higher by \$360,000 (33%) during the most recent quarter versus the prior year quarter primarily due legal fees incurred for a proactive cyber security assessment.

*Other expense.* Other expenses during the three months ended March 31, 2026 were \$661,000 compared to \$599,000 for the three months ended March 31, 2025. Other general and administrative expenses are comprised of non-cash compensation and non-professional expenses incurred. Other expenses increased by \$62,000 (10%) for the three months ended March 31, 2026. Zion incurred higher rig depreciation expense in 2026 due to rig additions.

*Other (income), net.* Other (income) during the three months ended March 31, 2026 were (\$39,000) compared to (\$25,000) for the three months ended March 31, 2025. The income in this category is comprised of foreign currency exchange costs, primarily the New Israeli Shekel (NIS) to the US dollar, and the financial expenses/income. Zion earned higher interest income during the three and nine months ended March 31, 2026, due to higher average cash balances.

*Net Loss.* Net losses for the three months ended March 31, 2026 were \$2,083,000 compared to \$1,675,000 for the three months ended March 31, 2025.

**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 financial statements for the three months ended March 31, 2026 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.

## [Table of Contents](#)

At March 31, 2026, we had approximately \$10,700,000 in cash and cash equivalents compared to \$8,313,000 at December 31, 2025, which does not include any restricted funds. Our working capital (current assets minus current liabilities) was \$11,317,000 at March 31, 2026 and \$9,271,000 at December 31, 2025.

As of March 31, 2026, and December 31, 2025, the Company provided Israeli-required bank guarantees to various governmental bodies (approximately \$1,429,000 and \$1,424,000, respectively) and others (approximately \$109,000 and \$109,000, respectively) with respect to its drilling operation in an aggregate amount of approximately \$1,538,000 and \$1,533,000, respectively. The (cash) funds backing these guarantees are held in restricted interest-bearing accounts in Israel and are reported on the Company's balance sheets as cash and cash equivalents – restricted.

During the three months ended March 31, 2026, cash used in operating activities totaled \$1,478,000. Cash provided by financing activities during the three months ended March 31, 2026 was \$8,045,000 and is primarily attributable to proceeds received from the Dividend Reinvestment and Stock Purchase Plan. Net cash used in investing activities such as unproved oil and gas properties, equipment and spare parts was \$4,179,000 for the three months ended March 31, 2026.

During the three months ended March 31, 2025, cash used in operating activities totaled \$2,457,000. Cash provided by financing activities during the three months ended March 31, 2025 was \$6,041,000 and is primarily attributable to proceeds received from the Dividend Reinvestment and Stock Purchase Plan. Net cash used in investing activities such as unproved oil and gas properties, equipment and spare parts was \$798,000 for the three months ended March 31, 2025.

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 this Form 10-Q. We expect to incur additional significant expenditures to further our exploration and development programs. While we raised approximately \$974,000 during the period April 1, 2026 through May 5, 2026, which includes collection of the \$30,000 stock subscription receivable at March 31, 2026, we will need to raise additional funds in order to continue our exploration and development activities in our license area. 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 June 2027.

Uncertainties are posed by the various wars and conflicts affecting Israel including, but not limited to, Iran, Hezbollah, Hamas, the Houthis (in Yemen), as well as armed groups in Syria and Iraq. The duration and impacts of these conflicts and/or wars are not fully known at this point in time.

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), the potential impact of the Israel-US-Iran war, the Israel-Hezbollah war, and Israel-Hamas war, the potential actions of other hostile parties in the region, unexpected or unforeseen cost overruns in exploratory work in existing license areas, 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.

The financial information contained in these consolidated condensed financial statements has been prepared on a basis that assumes that we will continue as a going concern for one year from the date the financials were issued, 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 condensed financial statements do not include any adjustments that may result from the outcome of this uncertainty.

### ***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***

In December 2023, the FASB issued ASU 2023-09, "Improvements to Income Tax Disclosures." This ASU enhances income tax disclosures under topic 740 to increase transparency for investors. Key changes include more detailed rate reconciliations, disaggregation of taxes paid by jurisdiction, and increased disclosure of income before taxes. The effect of this ASU became effective for fiscal years beginning after December 15, 2024. Zion adopted this ASU effective January 1, 2025. 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 had a significant impact on our consolidated financial position, results of operations, or cash flow.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not required for smaller reporting companies.

### **ITEM 4. CONTROLS AND PROCEDURES**

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, is recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms. As of March 31, 2026, our chief executive officer and our chief financial officer conducted an evaluation of the effectiveness of our disclosure controls and procedures. Based on this evaluation, our chief executive officer and our chief financial officer concluded that our disclosure controls and procedures were effective as of March 31, 2026

#### **Changes in Internal Control over Financial Reporting**

There were no changes in internal controls over financial reporting that occurred during the quarter ended March 31, 2026 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

**PART II—OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

**Litigation**

Litigation terminated during the period presented is discussed in Note 6.A to the financial statements and is incorporated into this Part II Item 1 by reference.

**ITEM 1A. RISK FACTORS**

Not required for smaller reporting companies.

**ITEM 2. UNREGISTERED SALES OF SECURITIES AND USE OF PROCEEDS**

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

None.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

**Exhibit Index:**

31.1	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 under the Exchange Act</a>
31.2	<a href="#">Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 under the Exchange Act</a>
32.1	<a href="#">Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished only)</a>
32.2	<a href="#">Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished only)</a>
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)

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant 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)

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

Date: May 7, 2026

Date: May 7, 2026

## CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a)

I, Robert W. A. Dunn, certify that:

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

Date: May 7, 2026

/s/ Robert W. A. Dunn

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Robert W. A. Dunn, Chief Executive Officer  
(Principal Executive Officer)

## CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a)

I, Michael B. Croswell Jr, certify that:

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

Date: May 7, 2026

/s/ Michael B. Croswell Jr.

Michael B. Croswell Jr, President and Chief  
Financial Officer  
(Principal Financial and Accounting Officer)

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

In connection with the Quarterly Report of Zion Oil and Gas, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2026 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, Robert W.A. Dunn, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert W.A. Dunn

Robert W. A. Dunn  
Chief Executive Officer  
(Principal Executive Officer)

May 7, 2026

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

In connection with the Annual Report of Zion Oil and Gas, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2026 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, Michael B. Croswell Jr., Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael B. Croswell Jr.

Michael B. Croswell Jr.

President and Chief Financial Officer

(Principal Financial and Accounting Officer)

May 7, 2026