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 June 30, 2024;

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

for the transition period from ________ to ________

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

Delaware	**20-0065053**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
12655 N Central Expressway, Suite 1000, Dallas, TX	**75243**
(Address of principal executive offices)	Zip Code

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
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	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☐

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 August 5, 2024, Zion Oil & Gas, Inc. had outstanding 821,982,028 shares of common stock, par value $0.01 per share.

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Zion Oil & Gas, Inc.

Consolidated Condensed Balance Sheets as of

	June 30, 2024	December 31, 2023
	US$ thousands	US$ thousands
	(unaudited)	
Current assets		
Cash and cash equivalents	**2,461**	615
Fixed short term bank and escrow deposits – restricted	**1,064**	1,020
Prepaid expenses and other	**710**	515
Governmental receivables	**117**	18
Other receivables	**143**	123
Total current assets	**4,495**	2,291
Unproved oil and gas properties, full cost method (see Note 4)	**17,815**	16,637
Property and equipment at cost		
Drilling rig and related equipment, net of accumulated depreciation of $2,447 and $2,215 (see note 2I)	**5,017**	5,510
Property and equipment, net of accumulated depreciation of $699 and $686	**104**	74
	5,121	5,584
Right of Use Lease Assets (see Note 5)	**891**	194
Other assets		
Assets held for severance benefits	**491**	475
Total other assets	**491**	475
Total assets	**28,813**	25,181
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	**983**	777
Insurance financing (see note 6D)	**232**	432
Lease obligation – current (see Note 5)	**183**	167
Asset retirement obligation	**571**	571
Accrued liabilities	**526**	693
Total current liabilities	**2,495**	2,640
Long-term liabilities		
Lease obligation – non-current (see Note 5)	**669**	24
Provision for severance pay	**511**	499
Total long-term liabilities	**1,180**	523
Total liabilities	**3,675**	3,163

Commitments and contingencies (see Note 6)		
Stockholders' equity		
Common stock, par value $.01; Authorized: 1,200,000,000 shares at June 30, 2024: Issued and outstanding: 818,873,764 and 640,002,580 shares at June 30, 2024 and December 31, 2023, respectively	**8,189**	6,400
Additional paid-in capital	**308,319**	302,177
Stock subscription receivable	**(985)**	-
Accumulated deficit	**(290,385)**	(286,559)
Total stockholders' equity	**25,138**	22,018
Total liabilities and stockholders' equity	**28,813**	25,181

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)

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
	US$ thousands (Unaudited)	US$ thousands (Unaudited)	US$ thousands (Unaudited)	US$ thousands (Unaudited)
General and administrative	**1,201**	1,271	**2,376**	2,774
Post impairment of unproved oil and gas properties	**-**	48	**-**	93
Other	**882**	1,016	**1,481**	1,599
Loss from operations	**(2,083)**	(2,335)	**(3,857)**	(4,466)
Other income (expense), net				
Foreign exchange income (loss)	**10**	(2)	**31**	(4)
Financial income (expenses), net	**9**	3	**-**	(3)
Loss, before income taxes	**(2,064)**	(2,334)	**(3,826)**	(4,473)
Income taxes	**-**	-	**-**	-
Net loss	(2,064)	(2,334)	**(3,826)**	(4,473)
Net loss per share of common stock				
Basic and diluted (in US$)	**(0.00)**	(0.00)	**(0.01)**	(0.01)
Weighted-average shares outstanding				
Basic and diluted (in thousands)	**745,565**	542,812	**706,294**	536,950

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 and six months ended June 30, 2024

	Common Stock		Additional paid-in	Subscription	Accumulated	
	Shares	Amounts	Capital	Receivables	deficit	Total
	thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Balances as of December 31, 2023	640,002	6,400	302,177	—	(286,559)	22,018
Funds received from sale of DSPP units and shares and exercise of warrants	178,776	1,788	7,665	(985)	—	8,468
Funds received from option exercises	96	1	8	—	—	9
Costs associated with the issuance of shares	—	—	(1,763)		—	(1,763)
Value of options granted to employees, directors and others as non-cash compensation	—	—	232	—	—	232
Net loss	—	—	—	—	(3,826)	(3,826)
Balances as of June 30, 2024	818,874	8,189	308,319	(985)	(290,385)	25,138

	Common Stock		Additional paid-in	Subscription	Accumulated	
	Shares	Amounts	Capital	Receivables	deficit	Total
	thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Balances as of March 31, 2024	**709,445**	**7,094**	**304,354**	**—**	**(288,321)**	**23,127**
Funds received from sale of DSPP units and shares and exercise of warrants	**109,404**	**1,095**	**4,801**	**(985)**	**—**	**4,911**
Funds received from option exercises	**25**	**—**	**2**	**—**	**—**	**2**
Costs associated with the issuance of shares	**—**	**—**	**(947)**	**—**	**—**	**(947)**
Value of options granted to employees, directors and others as non-cash compensation	**—**	**—**	**109**	**—**	**—**	**109**
Net loss	**—**	**—**	**—**	**—**	**(2,064)**	**(2,064)**
Balances as of June 30, 2024	**818,874**	**8,189**	**308,319**	**(985)**	**(290,385)**	**25,138**

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

For the three and six months ended June 30, 2023

	Common Stock		Additional paid-in Capital	Accumulated deficit	Total
	Shares	Amounts			
	thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Balances as of December 31, 2022	524,231	5,242	296,460	(278,602)	23,100
Funds received from sale of DSPP units and shares and exercise of warrants	36,068	360	2,366	—	2,726
Funds received from option exercises	150	2	10	—	12
Costs associated with the issuance of shares	—	—	(173)	—	(173)
Value of options granted to employees, directors and others as non-cash compensation	—	—	658	—	658
Net loss	—	—	—	(4,473)	(4,473)
Balances as of June 30, 2023	560,449	5,604	299,321	(283,075)	21,850

	Common Stock		Additional paid-in Capital	Accumulated deficit	Total
	Shares	Amounts			
	thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Balances as of March 31, 2023	**533,713**	**5,337**	**297,582**	**(280,741)**	**22,178**
Funds received from sale of DSPP units and shares and exercise of warrants	**26,711**	**266**	**1,668**	**—**	**1,934**
Funds received from option exercises	**25**	**1**	**3**	**—**	**4**
Costs associated with the issuance of shares	**—**	**—**	**(173)**	**—**	**(173)**
Value of options granted to employees, directors and others as non-cash compensation	**—**	**—**	**241**	**—**	**241**
Net loss	**—**	**—**	**—**	**(2,334)**	**(2,334)**
Balances as of June 30, 2023	**560,449**	**5,604**	**299,321**	**(283,075)**	**21,850**

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 six months ended June 30,	
	2024	**2023**
	US$ thousands	**US$ thousands**
	(Unaudited)	**(Unaudited)**
Cash flows from operating activities		
Net loss	**(3,826)**	(4,473)
Adjustments required to reconcile net loss to net cash used in operating activities:		
Depreciation	**417**	401
Amortization of Right of Use Lease Assets	**132**	123
Cost of options issued to employees, directors and others as non-cash compensation	**232**	658
Post impairment of unproved oil and gas properties	**-**	93
Capital loss on sale of Property and equipment	**62**	-
Change in assets and liabilities, net:		
Other deposits	**-**	483
Prepaid expenses and other	**(195)**	206
Governmental receivables	**(99)**	251
Lease obligation – current and non-current	**(168)**	(129)
Other receivables	**(20)**	(15)
Severance payable, net	**(4)**	(6)
Accounts payable	**(238)**	(168)
Accrued liabilities	**(68)**	184
Net cash used in operating activities	**(3,775)**	(2,392)
Cash flows from investing activities		
Acquisition of property and equipment	**(43)**	-
Proceeds from sale of property and equipment	**31**	-
Acquisition of drilling rig and related equipment	**(22)**	-
Investment in unproved oil and gas properties	**(848)**	(1,729)
Net cash used in investing activities	**(882)**	(1,729)
Cash flows from financing activities		
Proceeds from exercise of stock options	**9**	12
Costs paid related to the issuance of new shares	**(1,930)**	(173)
Proceeds from issuance of stock and exercise of warrants	**8,468**	2,726
Net cash provided by financing activities	**6,547**	2,565
Net (decrease)/increase in cash, cash equivalents and restricted cash	**1,890**	(1,556)
Cash, cash equivalents and restricted cash – beginning of period	**1,635**	3,114
Cash, cash equivalents and restricted cash – end of period	**3,525**	1,558
Supplemental schedule of cash flow information		
Non-cash investing and financing activities:		
Unpaid investments in oil & gas properties	**992**	806

Unpaid Costs associated with the issuance of shares	**167**	-
Subscription Receivables	**985**	-
Depreciation of oil and gas equipment	**10**	-
Addition of right of use lease assets and lease obligations	**829**	-

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

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

	June 30, 2024	December 31, 2023
	US$ thousands	US$ thousands
Cash and cash equivalents	2,461	615
Restricted cash included in fixed long-term bank deposits	1,064	1,020
	3,525	1,635

Zion Oil & Gas, Inc.

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 Delaware corporation ("we," "our," "Zion" or the "Company") is an oil and gas exploration company with a history of 24 years of oil & gas exploration in Israel. As of June 30, 2024, the Company has no revenues from its oil and gas operations.

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

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

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

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

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

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

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

Field operations remain on schedule, and our rig is now positioned over the MJ-01 wellbore. Repairs and maintenance, as well as the inspection of the rig, have all been completed successfully. All necessary wireline equipment for the project has been mobilized with additional essential items from India, China, Romania and Greece currently in transit for the final stages of operation.

The initial phase of the MJ-01 recompletion project involves drilling out the plugs and nearly 625 meters (approximately 2,050 feet) of cement in the well. Following the drilling out of the cement plugs, we will next run a series of wireline tests and casing integrity tests to ensure that the wellbore has withstood the past six years of high temperatures.

The next phase of the MJ-01 recompletion project, provided all goes as expected from the initial phase, involves perforating, stimulating and well testing previously identified zones of interest.

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, 2023. 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 and six months ended June 30, 2024 are not necessarily indicative of the operating results for the year ending December 31, 2024 or for any other subsequent interim period.

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 six months ended June 30, 2024, the Company incurred a net loss of approximately $3.8 million and had an accumulated deficit of approximately $290 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.

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 2024 as the inclusion of 26,940,575 in stock options and 29,456,952 in warrants would be anti-dilutive.

Diluted net loss per share is the same as basic net loss per share for 2023 as the inclusion of 21,286,250 in stock options and 31,701,977 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.

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

Similar uncertainties are posed by the Israel-Hamas war and its duration and whether the war expands regionally to include other hostile parties. It is important to note that Zion's license area is not located near current combat zone.

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.

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.

During the three and six months ended June 30, 2024, the Company did not record any post-impairment charges.

During the three and six months ended June 30, 2023, the Company recorded post-impairment charges of $48,000 and $93,000, respectively.

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 $17,815,000 and $16,637,000 as of June 30, 2024 and December 31, 2023, 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. accounts payable and accrued liabilities, are carried at historical cost. At June 30, 2024, and December 31, 2023, the carrying amounts of these instruments approximated their fair values because of the short-term nature of these instruments.

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).

The Company accounts for stock-based compensation issued to non-employees and consultants in accordance with the provisions of ASC 505-50, "Equity – Based Payments to Non-Employees." Measurement of share-based payment transactions with non-employees is based on the fair value of whichever is more reliably measurable: (a) the goods or services received; or (b) the equity instruments issued. The fair value of the share-based payment transaction is determined at the earlier of performance commitment date or performance completion date.

F. Warrants

In connection with the Dividend Reinvestment and Stock Purchase Plan ("DSPP") financing arrangements, the Company has issued warrants to purchase shares of its common stock. The outstanding warrants are stand-alone instruments that are not puttable or mandatorily redeemable by the holder and are classified as equity awards. The Company measures the fair value of the awards using the Black-Scholes option pricing model as of the measurement date. Warrants issued in conjunction with the issuance of common stock are initially recorded and accounted as a part of the DSPP investment as additional paid-in capital of the common stock issued. All other warrants are recorded at fair value and expensed over the requisite service period or at the date of issuance, if there is not a service period. Warrants granted in connection with ongoing arrangements are more fully described in Note 3, *Stockholders' Equity*.

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.

Zion did not have any related party transactions for the periods covered in this report.

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

H. Recently Adopted Accounting Pronouncements

The Company does not believe that the adoption of any recently issued accounting pronouncements in 2024 had a significant impact on our consolidated condensed financial position, results of operations, or cash flow.

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

I. Depreciation and Accounting for Drilling Rig and Related Equipment

On March 12, 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 in spare parts and $48,000 allocated in additional separate assets. The value of the spare parts and separate assets are captured in separate ledger accounts, but reported as one line item with the drilling rig on the balance sheet. Zion determined that the life of the I-35 drilling rig (the rig Zion purchased), is 10 years. Zion is depreciating the rig on a straight-line basis.

Zion uses the First In First Out ("FIFO") method of accounting for the 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.

Zion purchased rig spare parts totaling approximately $22,000 during the second quarter of 2024 in preparation for its MJ-01 re-entry project.

Zion sold some excess scrap drilling pipe and accessories for approximately $30,000 to a local Israeli party during the second quarter of 2024. This transaction triggered a reduction in Other Drilling Assets, an accumulated depreciation adjustment and a loss on the disposal.

See the table below for a reconciliation of the rig-related activity during the quarter ended June 30, 2024:

I-35 Drilling Rig & Associated Equipment:

	Six-month period ended June 30, 2024			
	I-35 Drilling Rig	**Rig Spare Parts**	**Other Drilling Assets**	**Total**
	US$ thousands	**US$ thousands**	**US$ thousands**	**US$ thousands**
December 31, 2023	4,591	608	311	5,510
Asset Additions	**-**	**22**	**-**	**22**
Asset Depreciation	**(318)**	**-**	**(96)**	**(414)**
Asset Disposals	**-**	**-**	**(93)**	**(93)**
Asset Disposals for Self-Consumption	**-**	**(8)**	**-**	**(8)**
June 30, 2024	**4,273**	**622**	**122**	**5,017**

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 800,000,000 shares to 1,200,000,000 shares, effective June 7, 2023.

A. 2021 Omnibus Incentive Stock Option Plan

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

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

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

During the six months ended June 30, 2024, 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 $0.07 per share. The options vested upon grant and are exercisable through January 4, 2034. The fair value of the options at the date of grant amounted to approximately $11,000.

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, 2034. These options were granted per the provisions of the Israeli Appendix to the Plan. The fair value of the options at the date of grant amounted to approximately $1,800.

During the six months ended June 30, 2023, 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 one staff member at an exercise price of $0.0615 per share. The options vested upon grant and are exercisable through January 4, 2033. The fair value of the options at the date of grant amounted to approximately $9,000.

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

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

Note 3 - Stockholders' Equity (cont'd)

B. Stock Options

The stock option transactions since January 1, 2024 are shown in the table below:

	Number of shares	**Weighted Average exercise price**
		US$
Outstanding, December 31, 2023	34,091,250	0.23
Changes during 2024 to:		
Granted to employees, officers, directors and others	**200,000**	0.07
Expired/Cancelled/Forfeited	**(250,000)**	2.31
Exercised	**(95,675)**	0.09
Outstanding, June 30, 2024	**33,945,575**	0.22
Exercisable, June 30, 2024	**26,940,575**	0.25

Zion Oil & Gas, Inc.

Consolidated Condensed Notes to Financial Statements (Unaudited)

Note 3 - Stockholders' Equity (cont'd)

The following table summarizes information about stock options outstanding as of June 30, 2024:

Shares underlying outstanding options (non-vested)				Shares underlying outstanding options (fully vested)			
Range of exercise price	Number outstanding	Weighted average remaining contractual life (years)	Weighted Average Exercise price	Range of exercise price	Number Outstanding	Weighted average remaining contractual life (years)	Weighted Average Exercise price
US$			US$	US$			US$
0.07	7,005,000	9.48	0.07	—	—	—	—
—	—	—	—	0.01	5,000	0.20	0.01
—	—	—	—	0.01	20,000	2.18	0.01
—	—	—	—	0.01	130,000	2.76	0.01
—	—	—	—	0.01	50,000	2.76	0.01
—	—	—	—	0.01	60,000	3.05	0.01
—	—	—	—	0.01	200,000	3.14	0.01
—	—	—	—	0.01	40,000	3.50	0.01
—	—	—	—	0.01	70,000	3.76	0.01
—	—	—	—	0.01	25,000	3.76	0.01
—	—	—	—	0.01	30,000	3.92	0.01
—	—	—	—	0.01	4,000	4.02	0.01
—	—	—	—	0.01	25,000	4.77	0.01
—	—	—	—	0.01	35,000	5.47	0.01
—	—	—	—	0.01	150,000	5.64	0.01
—	—	—	—	0.01	35,000	5.77	0.01
—	—	—	—	0.01	75,000	6.77	0.01
—	—	—	—	0.01	200,000	7.14	0.01
—	—	—	—	0.01	300,000	7.30	0.01
—	—	—	—	0.01	10,000	7.42	0.01
—	—	—	—	0.01	500,000	7.77	0.01
—	—	—	—	0.01	55,000	7.80	0.01
—	—	—	—	0.01	960,000	8.05	0.01
—	—	—	—	0.01	75,000	8.37	0.01
—	—	—	—	0.01	10,000	8.43	0.01
—	—	—	—	0.01	795,000	8.49	0.01
—	—	—	—	0.01	25,000	8.77	0.01
—	—	—	—	0.01	10,000	9.43	0.01
—	—	—	—	0.01	895,000	9.48	0.01
—	—	—	—	0.01	25,000	9.77	0.01
—	—	—	—	0.06	50,000	8.77	0.06
—	—	—	—	0.07	125,000	9.77	0.07
—	—	—	—	0.14	240,000	7.80	0.14
—	—	—	—	0.15	3,200,000	7.77	0.15
—	—	—	—	0.15	6,389,325	8.05	0.15
—	—	—	—	0.16	340,000	1.70	0.16
—	—	—	—	0.16	75,000	5.70	0.16
—	—	—	—	0.18	25,000	1.67	0.18
—	—	—	—	0.18	5,155,000	8.49	0.18
—	—	—	—	0.24	25,000	8.34	0.24
—	—	—	—	0.24	118,000	8.37	0.24
—	—	—	—	0.25	50,000	7.42	0.25

—	—	—	—	0.25	363,000	7.42	0.25
—	—	—	—	0.28	25,000	1.43	0.28
—	—	—	—	0.28	25,000	5.43	0.28
—	—	—	—	0.29	25,000	3.21	0.29
—	—	—	—	0.39	1,435,000	7.28	0.39
—	—	—	—	0.59	1,400,000	3.14	0.59
—	—	—	—	0.59	1,600,000	7.14	0.59
—	—	—	—	0.92	350,000	2.76	0.92
—	—	—	—	0.92	550,000	6.77	0.92
—	—	—	—	1.38	105,307	0.76	1.38
—	—	—	—	1.67	405,943	0.50	1.67
—	—	—	—	1.78	25,000	0.43	1.78
—	—	—	—	4.15	25,000	0.25	4.15
0.07	7,005,000		0.07	0.01-4.15	26,940,575		0.25

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:

	For the six months ended June 30,	
	2024	**2023**
Weighted-average fair value of underlying stock at grant date	**$ 0.07**	$ 0.06
Dividend yields	**—**	—
Expected volatility	**133%**	136%-137%
Risk-free interest rates	**3.97%**	3.87%-3.85%
Expected lives (in years)	**5.00**	5.00
Weighted-average grant date fair value	**$ 0.07**	$ 0.06

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:

For the three months ended June 30,	
2024	**2023**
US$ thousands	**US$ thousands**
109	242

For the six months ended June 30,	
2024	**2023**
US$ thousands	**US$ thousands**
230	656

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

For the three months ended June 30,	
2024	**2023**
US$ thousands	**US$ thousands**
1	—

For the six months ended June 30,	
2024	**2023**
US$ thousands	**US$ thousands**
2	2

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

For the three months ended June 30,	
2024	**2023**
US$ thousands	**US$ thousands**
—	—

For the six months ended June 30,	
2024	**2023**
US$ thousands	**US$ thousands**
—	—

As of June 30, 2024, there was $101,000 of unrecognized compensation cost related to non-vested stock options granted under the Company's various stock option plans. That cost is expected to be recognized during 2024.

Note 3 - Stockholders' Equity (cont'd)

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

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

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

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

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

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

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

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

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

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

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

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

Note 3 - Stockholders' Equity (cont'd)

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

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

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

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

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

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

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

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

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

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

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

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

Note 3 - Stockholders' Equity (cont'd)

On March 28, 2024, the Company extended the termination date of the ZNWAM warrant from March 31, 2024 to December 31, 2024. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On March 28, 2024, the Company extended the termination date of the ZNWAQ warrant from March 31, 2024 to December 31, 2024. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

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 affords the participant the opportunity to purchase one share of our Common Stock at a warrant exercise price of $.25. The warrant shall have the company notation of "ZNWAR." The warrants will not be registered for trading on the OTCQB or any other stock market or trading market. The warrants were issued and became exercisable on June 22, 2021 and continued to be exercisable through June 22, 2022 at a per share exercise price of $.25. Additionally, Zion incurred $115,000 during 2021 in equity issuance costs to an outside party related to this waiver program.

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

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

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

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

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

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

On January 1, 2024, the Company executed a Waiver Term Sheet with a participant consisting of shares of stock. After conclusion of the program on March 31, 2024, the participant's Plan account was credited with the number of shares of the Company's Common Stock that were acquired.

During the three and six months ended June 30, 2024, Zion incurred $947,000 and $1,763,000 in equity issuance costs. During the three and six months ended June 30, 2023, Zion incurred $173,000 and $173,000 in equity issuance costs.

On April 1, 2024, the Company executed its latest Waiver Term Sheet with a participant consisting of shares of stock. This latest Waiver Term Sheet terminates 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. This latest Waiver Term Sheet remains in effect as none of the criteria listed above have been met.

Note 3 - Stockholders' Equity (cont'd)

During 2024, one participant who participated in the "Request for Waiver" aspect of the DSPP contributed approximately 56% of the net cash raised through the DSPP .

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

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

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

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

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

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

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

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

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

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

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

Note 3 - Stockholders' Equity (cont'd)

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

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

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

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

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

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

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

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

On July 17, 2024, any outstanding ZNWAZ warranted expired.

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

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

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

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

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

Note 3 - Stockholders' Equity (cont'd)

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

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

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

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

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

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

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

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

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

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

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

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

Note 3 - Stockholders' Equity (cont'd)

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

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

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

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

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

The date of this Amendment No. 7 to Prospectus Supplement was February 26, 2024.

Amendment No. 8 – Extension of Termination Date to April 30, 2024

Under our Dividend Reinvestment and Common Stock Purchase Plan (the "Plan"), we extended the current Unit Option that was filed under Amendment No. 4, dated November 6, 2023. Our Unit Program consists of the combination of Common Stock and warrants with an extended time period, but otherwise the same Unit Program features, conditions and terms in the Prospectus Supplement and Amendment No. 4 apply. We extended under our Unit Program that was to terminate March 31, 2024, but now will terminate April 30, 2024, and we extended the exercise and termination dates of the related ZNWBA warrants.

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

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

Note 3 - Stockholders' Equity (cont'd)

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

The date of this Amendment No. 8 to Prospectus Supplement was March 23, 2024.

Amendment No. 9 – Extension of Termination Date to May 31, 2024

Under our Dividend Reinvestment and Common Stock Purchase Plan (the "Plan"), we extended the current Unit Option that was filed under Amendment No. 4, dated November 6, 2023. Our Unit Program consists of the combination of Common Stock and warrants with an extended time period, but otherwise the same Unit Program features, conditions and terms in the Prospectus Supplement and Amendment No. 4 apply. We extended under our Unit Program that was to terminate April 30, 2024, but now will terminate May 31, 2024, and we extended the exercise and termination dates of the related ZNWBA warrants.

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

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

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

The date of this Amendment No. 9 to Prospectus Supplement was April 24, 2024.

Amendment No. 10 – Extension of Termination Date to August 31, 2024

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

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

The ZNWBA warrants will be first exercisable on September 15, 2024, instead of June 15, 2024, and continue to be exercisable through September 14, 2025, instead of June 15, 2025, unless extended, at a per share exercise price of $0.25. Zion considers this warrant as permanent equity per ASC 815-40-35-2. As such, there is no value assigned to this extension.

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

Note 3 - Stockholders' Equity (cont'd)

The date of this Amendment No. 10 to Prospectus Supplement was May 29, 2024 .

For the three and six months ended June 30, 2024, approximately $5,896,000 and $9,453,000 were raised under the DSPP program, respectively. The $5,896,000 and $9,453,000 figures were reduced by $947,000 and $1,763,000, respectively, in equity issuance costs to an outside party resulting in net cash provided of $4,949,000 and $7,690,000, respectively.

For the three and six months ended June 30, 2024, approximately $985,000 and $985,000 were recorded under the Company's Statement of Changes in Stockholders' Equity as Subscriptions Receivables.

For the three and six months ended June 30, 2023, approximately $1,761,000, and $2,553,000 were raised under the DSPP program, respectively. The $2,553,000 figure is net of $173,000 in equity issuance costs to an outside party.

The company raised approximately $1,797,000 from the period July 1, 2024 through August 6, 2024, under the DSPP program. Of this amount, approximately $1,122,000 represents cash received for receivables on our books at June 30, 2024. The difference of $675,000 represents new investments during July and August 2024.

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

E. Subscription Rights Offering

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

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

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

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

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

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

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

F. Warrant Table

The warrants balances at December 31, 2023 and transactions since January 1, 2024 are shown in the table below:

Warrants	Exercise Price	Warrant Termination Date	Outstanding Balance, 12/31/2023	Warrants Issued	Warrants Exercised	Warrants Expired	Outstanding Balance, 06/30/2024
ZNWAA	$ 2.00	01/31/2025	1,498,804	-	-	-	1,498,804
ZNWAG	$ 1.00	01/08/2024	240,068	-	-	(240,068)	-
ZNWAM	$ 0.05	12/31/2024	4,376,000	-	-	-	4,376,000
ZNWAQ	$ 0.05	12/31/2024	23,428,348	-	-	-	23,428,348
ZNWAZ	$ 0.25	07/17/2024	153,800		-	-	153,800
Outstanding warrants			29,697,020	-	-	(240,068)	29,456,952

Note 3 - Stockholders' Equity (cont'd)

G. 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.

		Period of Grant	US$	Expiration Date
ZNWAA Warrants	A,B,E,I	March 2013 – December 2014	2.00	January 31, 2025
ZNWAM Warrants	C,F,J,K	January 2021 – March 2021	0.05	December 31, 2024
ZNWAQ Warrants	C,F,J,K	June 2021	0.05	December 31, 2024
ZNWAS Warrants	D	August 2021 – March 2022	0.25	December 31, 2025
ZNWAT Warrants	D	August – September 2022	0.25	December 31, 2025
ZNWAU Warrants	D	October – November 2022	0.25	December 31, 2025
ZNWAZ Warrants	G,L	May – June 2023	.25	July 17, 2024
ZNWBA Warrants	H,M	November – December 2023	.25	September 14, 2025

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

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

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

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

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

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

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

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

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

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

K On March 23, 2024, the Company extended the expiration date of the ZNWAM and ZNWAQ warrants to December 31, 2024.

L On July 19, 2024, the Company issued a termination letter to Equiniti to retire these unexercised warrants.

M 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.

Zion Oil & Gas, Inc.

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:

	June 30, 2024	December 31, 2023
	US$ thousands	US$ thousands
Excluded from amortization base:		
Drilling costs, and other operational related costs	**3,185**	2,538
Capitalized salary costs	**2,495**	2,444
Capitalized interest costs	**1,418**	1,418
Legal and seismic costs, license fees and other preparation costs	**10,678**	10,198
Other costs	**39**	39
	17,815	16,637

Post Impairment of unproved oil and gas properties comprised as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Excluded from amortization base:				
Drilling costs, and other operational related costs	**-**	44	**-**	55
Capitalized salary costs	**-**	-	**-**	-
Capitalized interest costs	**-**	-	**-**	-
Legal costs, license fees and other preparation costs	**-**	4	**-**	38
Other costs	**-**	-	**-**	-
	-	48	**-**	93

Changes in Unproved oil and gas properties during the three and six months ended June 30, 2024 and 2023 are as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Excluded from amortization base:				
Drilling costs, and other operational related costs	**593**	82	**647**	145
Capitalized salary costs	**25**	26	**51**	52
Capitalized interest costs	**-**	-	**-**	-
Legal costs, license fees and other preparation costs	**254**	74	**480**	198
Other costs	**-**	-	**-**	-
Impairment of unproved oil and gas properties	**-**	(48)	**-**	(93)

	***872**	*134	***1,178**	*302

* Inclusive of non-cash amounts of approximately $338,000, and $709,000 during the three months ended June 30, 2024, and 2023, respectively

* Inclusive of non-cash amounts of approximately $1,002,000, and $806,000 during the six months ended June 30, 2024, and 2023, respectively

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

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 June 30, 2024 and December 31, 2023:

	June 30, 2024	December 31, 2023
	US$ thousands	US$ thousands
Operating lease assets	**$ 891**	$ 194
Operating lease liabilities:		
Current operating lease liabilities	**$ 183**	$ 167
Non-current operating lease liabilities	**$ 669**	$ 24
Total operating lease liabilities	**$ 852**	$ 191

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

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

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

The Company had an option to renew the lease for another five years from February 1, 2024 to January 31, 2029, provided it is not in breach of the agreement, where it is required as well to furnish a notice of intent to exercise the option six months prior to termination of lease, and it furnishes a bank guarantee and insurance confirmation prior to commencement of the option period. The Company exercised the option to renew the lease for another seven years from February 1, 2024 through January 31, 2031, when rent is to be paid on a monthly basis in the base amount of approximately NIS 46,500 per month (approximately $12,400) at the exchange rate in effect on the date of this report and is linked to an increase (but not a decrease) in the CPI.

The Company's weighted average remaining lease term and weighted average discount rate for operating leases as of June 30, 2024 are:

	June 30, 2024
Weighted average remaining lease term (years)	**5.9**
Weighted average discount rate	**7.7%**

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 June 30, 2024:

	US$ thousands
2024	**118**
2025	**153**
2026	**150**
2027	**147**
2028	**147**
Thereafter	**350**
Total undiscounted future minimum lease payments	**1,065**
Less: portion representing imputed interest	**(213)**
Total undiscounted future minimum lease payments	**852**

Operating lease costs were $74,000 and $149,000 for the three and six months ended June 30, 2024, respectively.

Operating lease costs were $57,000 and $126,000 for the three and six months ended June 30, 2023, 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 $80,000 and $168,000 for the three and six months ended June 30, 2024, respectively. Cash paid for amounts included in the measurement of operating lease liabilities was $57,000 and $129,000 for the three and six months ended June 30, 2023, 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 $829,000 for the three and six months ended June 30, 2024, respectively.

Right-of-use assets obtained in exchange for new operating lease liabilities were $nil and $nil for the three and six months ended June 30, 2023, respectively.

Zion Oil & Gas, Inc.

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.

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

B. Market Conditions – Coronavirus, Israel-Hamas War and Russia-Ukraine War

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

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

There is uncertainty as to how long the war inside the Gaza strip will last and whether the war will expand to other hostile parties in the region. While we acknowledge that uncertainty and its potential adverse effects on Zion's business, the Company is moving forward with its re-completion activities at the MJ-01 wellsite. It is important to note that Zion's license area is not located near any current combat zones.

Due to Russia's invasion of Ukraine, which began in February 2022, and the resulting sanctions and other actions against Russia and Belarus, there has been uncertainty and disruption in the global economy. Although the Russian war against Ukraine did not have a material adverse impact on the Company's financial results for the quarter ended June 30, 2024, at this time the Company is unable to fully assess the aggregate impact the Russian war against Ukraine will have on its business due to various uncertainties, which include, but are not limited to, the duration of the war, the war's effect on the global economy, future energy pricing, its impact to the businesses of the Company's, and actions that may be taken by governmental authorities related to the war.

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 older guidelines was included in previous Zion filings.

Note 6 - Commitments and Contingencies (cont'd)

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 June 30, 2024, and December 31, 2023, the Company accrued $nil and $nil for license regulatory matters.

D. Insurance Financing

Effective November 16, 2023, the Company renewed its third-party liability ("TPL") insurance policy in Israel with total premiums, taxes and fees for $76,263. A cash down payment of $22,699 was paid on November 16, 2023. Under the terms of the insurance financing, payments of $5,356, which include interest at the rate of 13.99% per annum, are due each month for 10 months commencing on December 16, 2023.

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

Effective March 12, 2024, 2024, the Company renewed its rig insurance policy with total premiums, taxes and fees for $94,989. A cash down payment of $37,637 was paid on February 23, 2024. Under the terms of the insurance financing, payments of $9,499, which include interest at the rate of 13.99% per annum, are due each month for 10 months commencing on April 12, 2024.

As of June 30, 2024 and December 31, 2023, the Company had contractual obligations to pay for various lines of insurance, including directors and officers, rig and third-party liability. The balances for insurance financing were $232,000 and $432,000, respectively.

We haven't experienced any resistance from our insurance carriers as a result of the Israel-Hamas war, but we acknowledge the uncertainty the war creates in that respect.

E. Bank Guarantees

As of June 30, 2024, the Company provided Israeli-required bank guarantees to various governmental bodies (approximately $970,000) and others (approximately $89,000) with respect to its drilling operation in an aggregate amount of approximately $1,059,000. 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 fixed short-term bank deposits – restricted.

F. Vendor Concentration

The Company's financial instruments that are exposed to a concentration of credit risk are accounts payable. At June 30, 2024, there were three suppliers that represent 10% or more of the Company's accounts payable balance. At December 31, 2023, there were three suppliers that represent 10% or more of the Company's accounts payable balance.

Note 6 - Commitments and Contingencies (cont'd)

G. 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, 2024 through June 30, 2024, the USD has fluctuated by approximately 3.6% against the NIS (the USD strengthened relative to the NIS). Also, during the period January 1, 2023 through December 31, 2023, the USD fluctuated by approximately 3.1% against the NIS (the USD strengthened relative to the NIS). Continued strengthening of the US dollar against the NIS will result in lower operating costs from NIS denominated expenses. To date, we have not hedged any of our currency exchange rate risks, but we may do so in the future.

Interest Rate Risk. Our exposure to market risk relates to our cash and investments. We maintain an investment portfolio of short-term bank deposits and money market funds. The securities in our investment portfolio are not leveraged, and are, due to their very short-term nature, subject to minimal interest rate risk. We currently do not hedge interest rate exposure. Because of the short-term maturities of our investments, we do not believe that a change in market interest rates would have a significant negative impact on the value of our investment portfolio except for reduced income in a low interest rate environment. At June 30, 2024, we had cash, cash equivalents and short-term bank deposits of approximately $3,525,000. The weighted average annual interest rate related to our cash and cash equivalents for the three and six months ended June 30, 2024, exclusive of funds at US banks that earn no interest, was approximately 2.8% and 2.9%, 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.

Note 7 - Subsequent Events

(i) Approximately $1,797,000 was collected through the Company's DSPP program during the period July 1 through August 6, 2024. Of this amount, approximately $1,122,000 represents cash received for receivables on our books at June 30, 2024. The difference of $675,000 represents new investments during July and August 2024.

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, 2023, 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-Hamas war which began in October 2023 and its 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 OTCQB;
- interruptions, increased financial costs and other adverse impacts of the covid 19 coronavirus pandemic, the Israel-Hamas 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 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

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

Current Exploration and Operation Efforts

Zion Oil and Gas, Inc., a Delaware corporation, is an oil and gas exploration company with a history of 24 years of oil and gas exploration in Israel. We were incorporated in Florida on April 6, 2000 and reincorporated in Delaware on July 9, 2003. We completed our initial public offering in January 2007. Our common stock, par value $0.01 per share (the "Common Stock") currently trades on the OTCQB marketplace of OTC Markets, Inc. under the symbol "ZNOG" and our Common Stock warrant under the symbol "ZNOGW." 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 September 14, 2023, the Israel Ministry of Energy approved a new Megiddo Valleys License 434 ("NMVL 434"), allowing for oil and gas exploration on approximately 75,000 acres or 302 square kilometers. This Exploration License 434 is valid for three years until September 13, 2026 with four potential 1-year extensions for a total of seven years until September 13, 2030. This NMVL 434 effectively supersedes our previous NML 428.

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

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

Field operations remain on schedule, and our rig is now positioned over the MJ-01 wellbore. Repairs and maintenance, as well as the inspection of the rig, have all been completed successfully. All necessary wireline equipment for the project has been mobilized with additional essential items from India, China, Romania and Greece currently in transit for the final stages of operation.

The initial phase of the MJ-01 recompletion project involves drilling out the plugs and nearly 625 meters (approximately 2,050 feet) of cement in the well. Following the drilling out of the cement plugs, we will next run a series of wireline tests and casing integrity tests to ensure that the wellbore has withstood the past six years of high temperatures.

The next phase of the MJ-01 recompletion project, provided all goes as expected from the initial phase, involves perforating, stimulating and well testing previously identified zones of interest.

I-35 Drilling Rig & Associated Equipment

	Six-month period ended June 30, 2024

	I-35 Drilling Rig	Rig Spare Parts	Other Drilling Assets	Total
	US$ thousands	US$ thousands	US$ thousands	US$ thousands
December 31, 2023	4,591	608	311	5,510
Asset Additions	**-**	**22**	**-**	**22**
Asset Depreciation	**(318)**	**-**	**(96)**	**(414)**
Asset Disposals	**-**	**-**	**(93)**	**(93)**
Asset Disposals for Self-Consumption	**-**	**(8)**	**-**	**(8)**
June 30, 2024	**4,273**	**622**	**122**	**5,017**

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.


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

Map 1. Zion's New Megiddo License 428 as of June 30, 2024.

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 expenditures 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 (the "DSPP") 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")), 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 2023 and 2024.

For the three and six months ended June 30, 2024, approximately $5,896,000 and $9,453,000 were raised under the DSPP program, respectively. The $5,896,000 and $9,453,000 figures were reduced by $947,000 and $1,763,000, respectively, in equity issuance costs to an outside party resulting in net cash provided of $4,949,000 and $7,690,000, respectively.

For the three and six months ended June 30, 2024, approximately $985,000 and $985,000 were recorded under the Company's Statement of Changes in Stockholders' Equity as Subscriptions Receivables.

For the three and six months ended June 30, 2023, approximately $1,761,000, and $2,553,000 were raised under the DSPP program, respectively. The $2,553,000 figure is net of $173,000 in equity issuance costs to an outside party.

The warrants balances at December 31, 2023 and transactions since January 1, 2024 are shown in the table below:

Warrants		**Exercise Price**	**Warrant Termination Date**	**Outstanding Balance, 12/31/2023**	**Warrants Issued**	**Warrants Exercised**	**Warrants Expired**	**Outstanding Balance, 06/30/2024**
ZNWAA	$	2.00	01/31/2025	1,498,804	-	-	-	1,498,804
ZNWAG	$	1.00	01/08/2024	240,068	-	-	(240,068)	-
ZNWAM	$	0.05	12/31/2024	4,376,000	-	-	-	4,376,000
ZNWAQ	$	0.05	12/31/2024	23,428,348	-	-	-	23,428,348
ZNWAZ	$	0.25	07/17/2024	153,800	-	-	-	153,800
Outstanding warrants				29,697,020	-	-	(240,068)	29,456,952

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

Since we have limited capital resources, no revenue to date and a loss from operations, our 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. 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 for one year from the date the financials were issued. The consolidated condensed financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Israel-Hamas War

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

There is uncertainty as to how long the war inside the Gaza strip will last and whether the war will expand to other hostile parties in the region. While we acknowledge that uncertainty and its potential adverse effects on Zion's business, the Company is moving forward with its re-completion activities at the MJ-01 wellsite. It is important to note that Zion's license area is not located near any current combat zones.

Russia – Ukraine War

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

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.

Impairment of Oil and Gas Properties

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

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

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

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

During the three months ended June 30, 2024, and 2023, respectively, the Company recorded $nil and $48,000 in post-impairment charges.

During the six months ended June 30, 2024, and 2023, respectively, the Company recorded $nil and $93,000 post-impairment charges.

The total net book value of our unproved oil and gas properties under the full cost method is $17,815,000 and $16,637,000 at June 30, 2024 and at December 31, 2023, 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 use observable market data whenever available.

RESULTS OF OPERATIONS

	For the three months ended June 30,		For the six months ended June 30,	
	2024	**2023**	**2024**	**2023**
	(US $ in thousands)		**(US $ in thousands)**	
Operating costs and expenses:				
General and administrative expenses	**1,201**	**1,271**	**2,376**	**2,774**
Other	**882**	**1,016**	**1,481**	**1,599**
Impairment of unproved oil and gas properties	**-**	**48**	**-**	**93**
Subtotal Operating costs and expenses	**2,083**	**2,335**	**3,857**	**4,466**
Other expense (income), net	**(19)**	**(1)**	**(31)**	**7**
Net loss	**2,064**	**2,334**	**3,826**	**4,473**

Revenue. We currently have no revenue generating operations.

Operating costs and expenses. Operating costs and expenses for the three and six months ended June 30, 2024 were $2,083,000 and $3,857,000, respectively, compared to $2,335,000 and $4,466,000, respectively, for the three and six months ended June 30, 2023. Operating costs and expenses for the three months ended June 30, 2024 were $252,000 (10.8%) lower compared to the three months ended June 30, 2023. Operating costs for the six months ended June 30, 2024 were $609,000 (13.6%) lower compared to the six months ended June 30, 2023.

General and administrative expenses. General and administrative expenses ("G&A expenses") for the three and six months ended June 30, 2024 were $1,201,000 and $2,376,000, respectively, compared to $1,271,000 and $2,774,000, respectively, for the three and six months ended June 30, 2023. This expense grouping includes salaries, benefits, stock option expenses and professional fees. G&A expenses decreased $70,000, or 5.5%, during the most recent quarter versus the prior year primarily due to lower salaries expenses and expenses associated with stock option grants. G&A expenses decreased $398,000, or 14.3%, during the first six months of 2024 as compared to the six months of 2023, primarily due to lower expenses associated with stock option grants.

Other expense. Other expenses during the three and six months ended June 30, 2024 were $882,000 and $1,481,000, respectively, compared to $1,016,000 and $1,599,000, respectively, for the three and six months ended June 30, 2023. Other general and administrative expenses are comprised of non-compensation and non-professional expenses incurred. Other expenses decreased by $134,000, or about 13.2%, and by $118,000, or about 7.4%, for the three and six months ended June 30, 2024, respectively. Zion incurred lower annual meeting and insurance premium expenses, but this was partially offset by higher marketing and investor relations expenses.

Impairment of unproved oil and gas properties. Impairment of unproved oil and gas properties expenses during the three and six months ended June 30, 2024 were $nil and $nil compared to $48,000 and $93,000 for the three and six months ended June 30, 2024. The expenses recorded in 2023 are post impairment charges to the impairment recorded during 2023 related to the MJ-2 well.

Other expense (income), net. Other expenses (income) during the three and six months ended June 30, 2024 were ($19,000) and ($31,000), respectively, compared to ($1,000) and $7,000, respectively, for the three and six months ended June 30, 2023. The expenses in this category are comprised of foreign currency exchange costs, primarily the New Israeli Shekel (NIS) to the US dollar, and the financial expenses/income.

Net Loss. Net loss for the three and six months ended June 30, 2024 were $2,064,000 and $3,826,000 compared to $2,334,000 and $4,473,000 for the three and six months ended June 30, 2023.

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. As disclosed on our Balance Sheet, the company has 1,200,000,000 shares of authorized common stock and 818,873,764 shares issued as of June 30, 2024. We are considering increasing our authorized shares during the next proxy season in 2025. However, we are presently engaged on our MJ-01 re-entry project and, pending the discovery of hydrocarbons later this year, may decide to forego increasing authorized shares if our ZNOG share price increases sufficiently so as to reduce the monthly issuance of common shares. In the event of a hydrocarbon discovery, the company would consider raising capital outside of our DSPP program.

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 impaired. Our financial statements for the six months ended June 30, 2024 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 for one year from the date the financials were issued.

At June 30, 2024, we had approximately $2,461,000 in cash and cash equivalents compared to $615,000 at December 31, 2023, which does not include any restricted funds. Our working capital (current assets minus current liabilities) was $2,000,000 at June 30, 2024 and ($349,000) at December 31, 2023.

As of June 30, 2024, we provided bank guarantees to various governmental bodies (approximately $970,000) and others (approximately $89,000) in respect of our drilling operation in the aggregate amount of approximately $1,059,000. 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 fixed short-term bank deposits restricted.

During the six months ended June 30, 2024, cash used in operating activities totaled $3,775,000. Cash provided by financing activities during the six months ended June 30, 2024 was $6,547,000 and is primarily attributable to proceeds received from the Dividend Reinvestment and Stock Purchase Plan (the "DSPP" or the "Plan"). Net cash used in investing activities such as unproved oil and gas properties, equipment and spare parts was $882,000 for the six months ended June 30, 2024.

During the six months ended June 30, 2023, cash used in operating activities totaled $2,392,000. Cash provided by financing activities during the six months ended June 30, 2023 was $2,565,000 and is primarily attributable to proceeds received from the Dividend Reinvestment and Stock Purchase Plan (the "DSPP" or the "Plan"). Net cash used in investing activities such as unproved oil and gas properties, equipment and spare parts was $1,729,000 for the six months ended June 30, 2023.

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 $1,797,000 during the period July 1, 2024 through August 6, 2024, we will need to raise additional funds in order to continue our exploration and development activities in our license area. Of this amount, approximately $1,122,000 represents cash received for receivables on our books at June 30, 2024. The difference of $675,000 represents new investments during July and August 2024. 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 October 2024.

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

Similar uncertainties are posed by the Israel Hamas war and its duration and whether the war expands regionally to include other hostile parties. It is important to note that Zion's license area is not located near any current combat zone.

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-Hamas war, the potential actions of other hostile parties in the region, unexpected or unforeseen cost overruns in planned non-drilling 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

The Company does not believe that the adoption of any recently issued accounting pronouncements in 2024 had a significant impact on our financial position, results of operations, or cash flow.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Foreign Currency Exchange Rate Risks. A portion of our expenses, primarily labor expenses and certain supplier contracts, are denominated in New Israeli Shekels ("NIS"). As a result, we have significant exposure to the risk of fluctuating exchange rates with the U.S. Dollar ("USD"), our primary reporting currency. During the period January 1, 2024 through June 30, 2024, the USD has fluctuated by approximately 3.6% against the NIS (the USD strengthened relative to the NIS). Also, during the period January 1, 2023 through December 31, 2023, the USD fluctuated by approximately 3.1% against the NIS (the USD strengthened relative to the NIS). Continued strengthening of the US dollar against the NIS will result in lower operating costs from NIS denominated expenses. To date, we have not hedged any of our currency exchange rate risks, but we may do so in the future.

Interest Rate Risk. Our exposure to market risk relates to our cash and investments. We maintain an investment portfolio of short-term bank deposits and money market funds. The securities in our investment portfolio are not leveraged, and are, due to their very short-term nature, subject to minimal interest rate risk. We currently do not hedge interest rate exposure. Because of the short-term maturities of our investments, we do not believe that a change in market interest rates would have a significant negative impact on the value of our investment portfolio except for reduced income in a low interest rate environment. At June 30, 2024 we had cash, cash equivalents and short-term and long-term bank deposits of approximately $3,525,000. The weighted average annual interest rate related to our cash and cash equivalents for the three and six months ended June 30, 2024, exclusive of funds at US banks that earn no interest, was approximately 2.8% and 2.9% 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.

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 June 30, 2024, 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 June 30, 2024.

Changes in Internal Control over Financial Reporting

There were no changes in internal controls over financial reporting that occurred during the quarter ended June 30, 2024 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

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

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

ITEM 1A. RISK FACTORS

During the quarter ended June 30, 2024, there were no material changes to the risk factors previously reported in our Annual Report on Form 10-K for the year ended December 31, 2023.

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	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 under the Exchange Act
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 under the Exchange Act
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished only)
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished only)
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)

Date: August 6, 2024

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

Date: August 6, 2024