ZION OIL & GAS INC
Form 10-Q
August 14, 2008

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

MARK ONE

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarterly Period ended June 30, 2008; or

o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from
________ to ________

COMMISSION FILE NUMBER: 001-33228

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

Delaware	20-0065053
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6510 Abrams Rd., Suite 300, Dallas, Texas 75231

(Address of principal executive offices, including zip code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 x No o

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

Large accelerated filer o Accelerated filer o Non-accelerated filer o (Do not check if a smaller reporting company)
Smaller reporting company x

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

As of August 14, 2008, Zion Oil & Gas, Inc. had outstanding 10,120,893 shares of common stock, par value $0.01 per share.

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Zion Oil & Gas, Inc.
(A Development Stage Company)

Balance Sheets (unaudited) as of

	June 30 2008 US$ thousands	December 31 2007 US$ thousands
Current assets		
Cash and cash equivalents	**1,845**	4,590
Prepaid expenses and other	**232**	61
Deferred offering costs	**293**	-
Refundable Value-Added Tax	**23**	65
Total current assets	**2,393**	4,716
Unproved oil and gas properties, full cost method	**3,367**	2,590
Property and equipment		
Net of accumulated depreciation of $48 thousand and $33 thousand	**98**	73
Other assets		
Assets held for severance benefits	**40**	42
Total other assets	**40**	42
Total assets	**5,898**	7,421
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	**175**	128
Accrued liabilities	**261**	172
Deferred officers compensation	**1,429**	1,017
Total current liabilities	**1,865**	1,317
Provision for severance pay	**237**	316
Total liabilities	**2,102**	1,633
Commitments and contingencies (see Note 5)		
Stockholders' equity		
Common stock, par value $.01; 30,000,000 and 20,000,000 shares authorized: 2008 and 2007 – 10,120,893 shares issued and outstanding	**101**	101
Additional paid-in capital	**26,290**	26,074
Deficit accumulated in development stage	**(22,595)**	(20,387)
Total stockholders' equity	**3,796**	5,788
Total liabilities and stockholders' equity	**5,898**	7,421

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

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Zion Oil & Gas, Inc.
(A Development Stage Company)

Statements of Operations (unaudited)

	For the three month period ended June 30		For the six month period ended June 30		Period from April 6, 2000 (inception) to June 30
	2008	2007	2008	2007	2008
	US$ thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Revenues	-	-	-	-	-
General and administrative expenses					
Legal and professional	**277**	322	**600**	593	4,679
Salaries	**489**	174	**943**	410	4,988
Other	**429**	323	**722**	514	2,979
Impairment of unproved oil and gas properties	**-**	9,494	**-**	9,494	9,494
Loss from operations	**(1,195)**	(10,313)	**(2,265)**	(11,011)	(22,140)
Other expense, net					
Termination of initial public offering	**-**	-	**-**	-	(507)
Other income, net	**-**	4	**-**	4	4
Interest income(expense), net	**26**	46	**57**	77	48
Loss before income taxes	**(1,169)**	(10,263)	**(2,208)**	(10,930)	(22,595)
Income taxes	**-**	-	**-**	-	-
Net loss	**(1,169)**	(10,263)	**(2,208)**	(10,930)	(22,595)
Net loss per share of common stock - basic and diluted (in US$)	**(0.12)**	(1.03)	**(0.22)**	(1.15)	(4.10)
Weighted-average shares outstanding - basic and diluted (in thousands)	**10,121**	9,963	**10,121**	9,504	5,505

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

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Zion Oil & Gas, Inc.
(A Development Stage Company)

Statement of Changes in Stockholders' Equity (unaudited)

	Preferred Stock		Common Stock		Additional Paid-in capital	Deficit Accumulated in development stage	Total
	Shares Thousands	Amount US$ thousands	Shares Thousands	Amount US$ thousands	US$ thousands	US$ thousands	US$ thousands
Balances April 6, 2000	-	-	-	-	-	-	-
Issued for cash ($0.001 per share)	-	-	2,400	* -	2	-	2
Issuance of shares and warrants in a private offering ($1 per share)	-	-	100	* -	100	-	100
Costs associated with the issuance of shares	-	-	-	-	(24)	-	(24)
Waived interest on conversion of debt	-	-	-	-	* -	-	* -
Value of warrants granted to employees	-	-	-	-	2	-	2
Net loss	-	-	-	-	-	(5)	(5)
Balances, December 31, 2000	-	-	2,500	* -	80	(5)	75
Issuance of shares and warrants in a private offering in January 2001 ($1 per share)	-	-	135	* -	135	-	135
Issuance of shares and warrants in a private offering which closed in September 2001 ($1 per share)	-	-	125	* -	125	-	125
Payment of accounts payable through issuance of shares and warrants	-	-	40	* -	40	-	40
Payment of note payable through issuance of shares and warrants	-	-	25	* -	25	-	25
Issuance of shares and warrants in a private offering which closed in November 2001 ($1 per share)	-	-	175	* -	175	-	175
Costs associated with the issuance of shares	-	-	-	-	(85)	-	(85)

Waived interest on conversion of debt	-	-	-	-	1	-	1
Value of warrants granted to employees	-	-	-	-	37	-	37
Value of warrants granted to directors and consultants	-	-	-	-	3	-	3
Net loss	-	-	-	-	-	(207)	(207)
Balances, December 31, 2001	-	-	3,000	* -	536	(212)	324

* Represents an amount less than US$ 1 thousand.

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Zion Oil & Gas, Inc.
(A Development Stage Company)

Statement of Changes in Stockholders' Equity (unaudited)(cont'd)

	Preferred Stock		Common Stock		Additional Paid-in capital	Deficit Accumulated in development stage	Total
	Shares Thousands	Amount US$ thousands	Shares Thousands	Amount US$ thousands	US$ thousands	US$ thousands	US$ thousands
Change in par value of common shares from $ 0.0001 per share to $0.01 per share	-	-	-	30	(30)	-	-
Issuance of shares and warrants in a private offering which closed in January 2002 ($1 per share)	-	-	20	* -	20	-	20
Issuance of shares and warrants in a private offering which closed in November 2002 ($10 per share)	25	* -	22	* -	254	-	254
Payment of accounts payable through issuance of preferred shares and warrants	13	* -	-	-	127	-	127
Payment of accounts payable through issuance of common shares and warrants	-	-	111	1	131	-	132
Payment of note payable through issuance of shares and warrants	5	* -	-	-	50	-	50
Payment of accounts payable to employee through issuance of shares upon exercise of warrants	-	-	400	4	76	-	80
Costs associated with the issuance of shares	-	-	-	-	(160)	-	(160)
Waived interest on conversion of debt	-	-	-	-	3	-	3
Deferred financing costs on debt conversions / modifications	-	-	-	-	21	-	21
Value of warrants granted to employees	-	-	-	-	1	-	1
Value of warrants granted to directors and consultants	-	-	-	-	13	-	13
Net loss	-	-	-	-	-	(403)	(403)

Balances, December 31, 2002	43	* -	3,553	35	1,042	(615)	462

* Represents an amount less than US$ 1 thousand.

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Zion Oil & Gas, Inc.
(A Development Stage Company)

Statement of Changes in Stockholders' Equity (unaudited) (cont'd)

	Preferred Stock		Common Stock		Additional Paid-in capital	Deficit Accumulated in development stage	Total
	Shares Thousands	Amount US$ thousands	Shares Thousands	Amount US$ thousands	US$ thousands	US$ thousands	US$ thousands
Issuance of shares in connection with executive employment	-	-	50	1	49	-	50
Issuance of share on warrants exercise	-	-	165	2	31	-	33
Issuance of dividend shares to record holders as of December 31, 2002	4	* -	-	-	* -	-	-
Issuance of shares and warrants in a private offering which closed in February 2003 ($10 per share):							
for cash consideration	10	* -	-	-	105	-	105
for reduction of accounts payable	5	* -	-	-	45	-	45
Issuance of shares and warrants as compensation for extension of $100,000 line of credit	1	* -	-	-	10	-	10
Payment of account payable through issuance of shares and warrants	* -	* -	-	-	1	-	1
Conversion of preferred shares to common shares in reincorporation merger	(63)	*(-)	763	7	(7)	-	-
Issuance of shares in a private offering which closed in July 2003 ($3 per share):							
for cash consideration	-	-	33	* -	99	-	99
for reduction of accounts payable	-	-	3	* -	9	-	9
Issuance of shares upon exercise of warrants:							
for cash consideration	-	-	25	* -	25	-	25
for reduction of accounts payable	-	-	124	1	142	-	143
Issuance of shares upon exercise of warrants for cash consideration	-	-	63	1	82	-	83
Payment of account payable through issuance of shares	-	-	80	1	139	-	140
Costs associated with the issuance of shares	-	-	-	-	(58)	-	(58)
Value of warrants granted to employees	-	-	-	-	47	-	47
Deferred financing costs on debt conversions / modifications	-	-	-	-	(10)	-	(10)

Net loss	-	-	-	-	-	(873)	(873)
Balances as at December 31, 2003	-	-	4,859	48	1,751	(1,488)	311

* Represents an amount less than US$ 1 thousand.

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Zion Oil & Gas, Inc.
(A Development Stage Company)

Statement of Changes in Stockholders' Equity (unaudited)(cont'd)

	Common Stock		Additional paid-in capital	Deficit accumulated development stage	Total
	Shares	Amounts			
	Thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Issuance of shares on warrants exercise	123	1	183	-	184
Issuance of shares and warrants in a private offering	251	3	1,002	-	1,005
Payment of officer salaries through issuance of shares and warrants	46	1	184	-	185
Payment of accounts payable to officers and consultants upon exercise of warrants	80	1	99	-	100
Payment of director honorariums through issuance of shares and warrants	11	* -	45	-	45
Payment of account payable through issuance of shares and warrants	13	* -	50	-	50
Payment of bridge loan through issuance of shares and warrants	125	1	499	-	500
Payment of bridge loan interest and commitment fee through issuance of shares and warrants	8	* -	30	-	30
Payment of bridge loan finders fee through issuance of shares and warrants	2	* -	7	-	7
Payment of service bonus through issuance of shares and warrants	20	* -	20	-	20
Costs associated with the issuance of shares	-	-	(59)	-	(59)
Value of warrants granted to employees	-	-	41	-	41
Deferred financing costs on debt conversions / modifications	-	-	30	-	30
Net loss	-	-	-	(1,737)	(1,737)
Balances, December 31, 2004	5,538	55	3,882	(3,225)	712

* Represents an amount less than US$ 1 thousand.

Zion Oil & Gas, Inc.
(A Development Stage Company)

Statement of Changes in Stockholders' Equity (unaudited) (cont'd)

	Common Stock Shares	Common Stock Amounts	Additional paid-in capital	Deficit accumulated in development stage	Total
	Thousands	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Issuance of shares on warrants exercised:					
For cash	493	5	872	-	877
For payment of deferred officer salaries	17	* -	21	-	21
For exchange of shares of common stock	120	1	(1)	-	-
Issuance of shares and warrants in a private offering that closed in March 2005:					
For cash	519	5	2,070	-	2,075
For payment of deferred officer salaries	10	* -	40	-	40
For payment of accounts payable	6	* -	25	-	25
Issuance of shares and warrants in a private offering that closed in June 2005:					
For cash	259	3	1,292	-	1,295
For payment of directors honoraria	14	* -	70	-	70
For payment of accounts payable	3	* -	15	-	15
Issuance of shares in a private offering that closed in October 2005:					
For cash	584	6	2,914	-	2,920
For payment of deferred officer salaries	40	* -	200	-	200
For payment of accounts payable	22	* -	110	-	110
Issuance of shares in a private offering that closed in December 2005	80	1	439	-	440
Shares to be issued for services provided by director	-	-	42	-	42
Value of warrants and options granted to employees	-	-	216	-	216
Value of warrants granted to directors and consultants	-	-	16	-	16
Deferred financing costs on debt conversions /modifications	-	-	44	-	44
Costs associated with the issuance of shares	-	-	(275)	-	(275)

Net loss	-	-	-	(1,605)	(1,605)
Balances, December 31, 2005	7,705	76	11,992	(4,830)	7,238

* Represents an amount less than US$ 1 thousand.

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Zion Oil & Gas, Inc.
(A Development Stage Company)

Statement of Changes in Stockholders' Equity (unaudited) (cont'd)

	Common Stock Shares Thousands	Amounts US$ thousands	Additional paid-in capital US$ thousands	Deficit accumulated in development stage US$ thousands	Total US$ thousands
Issuance of shares on warrants exercised:					
For cash	253	3	1,151	-	1,154
For debt	60	1	276	-	277
Issuance of shares and warrants in private offering closings in first quarter 2006:					
For cash	66	1	362	-	363
For payment of accounts payable	3	* -	14	-	14
Shares issued for services provided by officer	200	2	248	-	250
Issuance of shares and warrants in a private offering that closed in September 2006 for cash	23	* -	126	-	126
Value of options granted to employees	-	-	162	-	162
Value of warrants granted to underwriter	-	-	20	-	20
Value of shares gifted to directors, employees and service providers	-	-	147	-	147
Costs associated with the issuance of shares	-	-	(681)	-	(681)
Funds received from public offering for subscription shares:					
For cash	410	4	2,867	-	2,871
For debt	27	* -	188	-	188
Net loss	-	-	-	(2,510)	(2,510)
Balances December 31, 2006	8,747	87	16,872	(7,340)	9,619

* Represents an amount less than US$ 1 thousand.

Zion Oil & Gas, Inc.
(A Development Stage Company)

Statement of Changes in Stockholders' Equity (unaudited) (cont'd)

	Common Stock		Additional paid-in capital	Deficit accumulated in development stage	Total
	Shares Thousands	Amounts US$ thousands	US$ thousands	US$ thousands	US$ thousands
Funds received from public offering for subscription shares:					
For cash	1,336	14	9,338	-	9,352
For debt	33	* -	235	-	235
Compensation in respect of shares previously issued for services provided by officer	-	-	208	-	208
Value of options granted to employees	-	-	337	-	337
Value of warrants granted to underwriter	-	-	79	-	79
Value of shares granted to employees	5	*-	25	-	25
Value of shares gifted to employees	-	-	7	-	7
Costs associated with the issuance of shares	-	-	(1,027)	-	(1,027)
Net loss	-	-	-	(13,047)	(13,047)
Balances December 31, 2007	10,121	101	26,074	(20,387)	5,788

* Represents an amount less than US$ 1 thousand.

Zion Oil & Gas, Inc.
(A Development Stage Company)

Statement of Changes in Stockholders' Equity (unaudited) (cont'd)

	Common Stock		Additional paid-in capital	Deficit accumulated in development stage	Total
	Shares Thousands	Amounts US$ thousands	US$ thousands	US$ thousands	US$ thousands
Value of options granted to employees	-	-	216	-	216
Net loss	-	-	-	(2,208)	(2,208)
Balances June 30, 2008	10,121	101	26,290	(22,595)	3,796

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

Zion Oil & Gas, Inc.
(A Development Stage Company)

Statement of Cash Flows (unaudited)

	For the six month period ended June 30		Period from April 6, 2000 (inception) to June 30
	2008	**2007**	**2008**
	US$ thousands	**US$ thousands**	**US$ thousands**
Cash flows from operating activities			
Net loss	**(2,208)**	(10,930)	(22,595)
Adjustments required to reconcile net loss to net cash used in operating activities:			
Depreciation	**14**	8	51
Officer, director and other fees, paid via common stock	**-**	63	2,061
Cost of warrants issued to employees, directors & others	**216**	93	1,268
Interest paid through issuance of common stock	**-**	-	17
Write-off of costs associated with public offering	**-**	-	507
Loss on disposal of equipment	**-**	-	4
Impairment of unproved oil and gas properties	**-**	9,494	9,494
Change in assets and liabilities, net:			
Decrease in inventories	**-**	(195)	150
Prepaid expenses and other	**(171)**	(106)	(232)
Increase in deferred offering costs	**(293)**	-	(293)
Decrease/(increase) in Refundable value-added tax	**42**	(85)	(23)
Severance pay, net	**25**	102	299
Accounts payable	**47**	(145)	818
Accrued liabilities	**(13)**	(101)	160
Increase in deferred officers' compensation	**412**	(389)	1,429
Net cash used in operating activities	**(1,929)**	(2,191)	(6,710)
Cash flows from investing activities			
Acquisition of property and equipment	**(39)**	(13)	(153)
Investment in unproved oil and gas properties	**(777)**	(1,996)	(13,011)
Net cash used in investing activities	**(816)**	(2,009)	(13,164)
Cash flows from financing activities			
Deferred financing costs on debt conversions and modification	**-**	-	89
Loan proceeds – related party	**-**	-	259
Loan principal repayments – related party	**-**	(107)	(259)
Loan proceeds – other	**-**	-	500
Proceeds from sale of stock	**-**	9,352	23,775
Financing costs of issuing stock	**-**	(1,025)	(2,470)
Net cash provided by financing activities	**-**	8,220	21,894
Net increase(decrease) in cash	**(2,745)**	4,020	1,845
Cash and cash equivalents– beginning of period	**4,590**	3,370	-

Cash and cash equivalents– end of period	**1,845**	7,390	1,845

Zion Oil & Gas, Inc.
(A Development Stage Company)

Statement of Cash Flows (unaudited) (cont'd)

	For the six month period ended June 30		Period from April 6, 2000 (inception) to June 30
	2008	2007	2008
	US$ thousands	US$ thousands	US$ thousands
Supplemental information			
Cash paid for interest	**-**	1	58
Cash paid for income taxes	**-**	-	-
Non-cash operating, investing and financing activities:			
Payment of accounts payable through issuance of preferred and common stock	**-**	235	1,186
Payment of note payable through issuance of common stock	**-**	-	575
Payment of accounts payable through issuance of note payable	**-**	-	35
Financing costs paid through issuance of common stock	**-**	-	25
Increase in accounts payable for financing costs	**-**	-	382
Waived interest on debt conversions	**-**	-	4
Shares issued for debt conversion	**-**	-	188
Shares issued for services provided by officer	**-**	125	500
Value of warrants and options granted to employees	**216**	(48)	1,058
Value of warrants granted to directors and consultants	**-**	-	33
Value of warrants granted to underwriters	**-**	79	79
Value of shares granted to employees	**-**	-	20
Value of shares gifted to directors, employees and service providers	**-**	-	154
Deferred financing costs	**-**	-	89
Transfer of inventory to oil and gas properties	**-**	-	150

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

Note 1 - Nature of Operations and Basis of Presentation

A. Nature of Operations

Effective July 9, 2003, Zion Oil & Gas, Inc., a Florida corporation ("Zion Florida") was merged into its wholly owned Delaware subsidiary, Zion Oil & Gas, Inc. (the "Company"), the purpose of which was solely to reincorporate from Florida to Delaware in anticipation of a public offering. Upon the reincorporation, all the outstanding shares of common stock in Zion Florida were converted into common stock, par value $0.01 (the "Common Stock") of the Company on a one-to-one basis and all the outstanding shares of preferred stock in Zion Florida were converted into Common Stock of the Company at the ratio of twelve shares of Common Stock for each share of preferred stock. All of the outstanding warrants and options of Zion Florida were converted into equivalent warrants and options of the Company.

The Company currently holds two petroleum exploration licenses granted pursuant to the Israeli Petroleum Law as follows:

(1) The "Asher-Menashe License," which covers an area of approximately 78,824 acres located on the Israeli coastal plain and the Mt. Carmel range between Caesarea in the south and Haifa in the north. The Asher-Menashe License has a three-year term, which commenced on June 10, 2007 and runs through June 9, 2010, and may be extended for additional periods up to a maximum of seven years as provided by the Israeli Petroleum Law. The Asher-Menashe License was issued following the Company's successful completion of the work program under the 121,000 acre Asher Permit, originally granted to the Company effective August 1, 2005, in the course of which the Company developed three leads. Under the terms of the Asher-Menashe License, the Company must commence the drilling of a well to a depth of at least 4,000 meters (about 13,200 feet) by July 1, 2009, which date may be extended by the Israeli Petroleum Commissioner.

(2) The "Joseph License," which covers approximately 83,272 acres on the Israeli coastal plain south of the Asher-Menashe License between Caesarea in the north and Netanya in the south. The Joseph License has a three-year term which commenced on October 11, 2007 and runs through October 10, 2010 and may be extended for additional periods up to a maximum of seven years as provided by the Israeli Petroleum Law. The area covered by the Company's Joseph License covers approximately 85% of the area subject to the 98,100 acre Ma'anit-Joseph License, which had been held by the Company until it was formally surrendered on June 22, 2007 in accordance with the provisions of the Israeli Petroleum Law following the abandonment of the Ma'anit #1 well drilled by the Company. The areas covered by the Joseph License include the Ma'anit structure, on which the company drilled the Ma'anit #1 well and the Joseph lead developed by the Company under the Ma'anit-Joseph License and it's previously held Joseph Permit. Under the terms of the Joseph License, the Company must commence the drilling of a well to a depth of at least 4,500 meters (about 14,850 feet) by July 1, 2009, which date may be extended by the Israeli Petroleum Commissioner.

In the event of a discovery on either of the Licenses held, Zion will be entitled to convert the relevant portions of the license to a 30-year production lease, extendable to 50 years, subject to compliance with a field development work program and production.

Note 1 - Nature of Operations and Basis of Presentation (cont'd)

A. Nature of Operations (cont'd)

In 2005, in accordance with terms of the Ma'anit-Joseph License, the Company drilled the Ma'anit #1 well on the Ma'anit prospect. Drilling breaks and shows of hydrocarbons were recorded from approximately 12,000 feet to the total depth of approximately 15,500 feet. Due to mechanical problems that prevented the Company from isolating highly conductive water bearing zones from the tighter hydrocarbon bearing formations, the shows were never successfully tested. Despite the encouraging, but inconclusive results, the Company determined that the well was incapable of producing oil and/or gas in commercial quantities. As a result, the well was abandoned in June 2007, following analysis of the results of the remedial workover operations conducted between April and June 2007 (See Note 2A).

On June 18, 2008, the Company signed a memorandum of understanding with Aladdin Middle East ("AME") confirming both parties intent to sign a drilling contract no later than July 31st, 2008, to drill Zion's planned Ma'anit-Rehoboth #2 well and other wells in Israel, in accordance with the Company's business plan. Upon execution of the instrument, the Company paid AME a down payment of $175 thousand on account of mobilization fees in the aggregate amount of $675 thousand. On July 31, 2008, the Company and AME amended this memorandum to extend to September 1, 2008 the date by which they are to sign a drilling contract. This extension was necessary due to delays encountered in preparing and filing applications necessary to enable AME to obtain certain permits and requisite authorization so that the rig can be brought into Israel. The amendment also extended to October 30, 2008, from September 30, 2008, the date by which AME has to complete this process. If AME is unable to obtain such permits by October 30, 2008, AME is entitled to terminate the contract, whereupon AME is to refund to the Company all amounts paid to date, less a 15% retention to cover AME's costs and expenses (See Note 6).

Operations in Israel are conducted through a branch office. The Asher-Menashe License and Joseph License are held directly in the name of the Company. At present, it is expected that, other than investment income, any and all future income will be derived from Israeli operations.

B. Management Presentation and Liquidity

On February 17, 2004, a registration statement filed by the Company with the Securities and Exchange Commission was declared effective to offer 7,000,000 shares of the Company's common stock to the public. The minimum offering requirement of $6,500 thousand was not subscribed by the offering termination date of August 30, 2004. As a result, no securities were sold to the public, all escrow subscription funds that had been received pursuant to the offering were sent back to the subscribers by the escrow agent, and the Company removed from registration the 7,000,000 shares of the Company's common stock.

Between September 2004 and through September 2006, the Company raised capital through debt and private offerings and the exercise of outstanding warrants. During 2006, $1,934 thousand was raised in private equity financings and warrant exercises, as described below.

Note 1 - Nature of Operations and Basis of Presentation (cont'd)

B. Management Presentation and Liquidity (cont'd)

On January 25, 2006 the Company filed a registration statement for a public offering on a "best efforts" basis (the "Public Offering") of between 350,000 and 2,000,000 shares of common stock at $7.00 per share with a minimum offering requirement of $2,450 thousand (350,000 shares) and a maximum of $14,000 thousand (2,000,000 shares). The registration statement was declared effective by the Securities and Exchange Commission on September 26, 2006. On December 29, 2006, the Company completed the first closing of its Public Offering in which it accepted subscriptions in the amount of $3,059 thousand in consideration of the issuance of 436,907 shares of common stock. Between January 1, 2007 and May 25, 2007, the Company completed additional closings in which it accepted additional subscriptions for 1,369,428 shares of its common stock in the amount of $9,587 thousand bringing the total amount raised in the Public Offering through its termination following the May 25, 2007 closing to $12,645 thousand.

On February 1, 2008, the Company filed a registration statement with the Securities and Exchange Commission (the "2008 Registration Statement") in connection with a public offering (the "Follow on Offering") of 2,500,000 units (the "Units) consisting of one share of the Company's common stock and one common share purchase warrant (exercisable at $7 per share), with each Unit priced at $10 (the "Unit Offering"). The Unit Offering has a minimum closing requirement of $3,250,000 (325,000 units) (the "Minimum Unit Offering"). On April 22, 2008, the Company filed Amendment No. 1 to the 2008 Registration Statement and on May 2, 2008, filed Amendment No. 2 to the 2008 Registration Statement. The 2008 Registration Statement was declared effective on May 14, 2008. Under the terms of the Unit Offering, an initial closing will be scheduled as soon as possible following the acceptance of subscriptions in the amount of the Minimum Unit Offering, which must be a date no later than October 11, 2008. The Unit Offering will remain open until the earlier to occur of (i) November 10, 2008 (which date may be extended by up to 60 days), (ii) the date on which 2,500,000 Units have been subscribed and accepted, and (iii) such date as announced by the Company on no less than two trading days' prior notice. As of the filing of this Quarterly Report on Form 10-Q, the closing on the Minimum Unit Offering has not occurred.

We believe that additional funds will be required for us to carry out our plan of operations through December 31, 2008 as the funds currently available to us will not be sufficient. To carry out our plan of operations, we must complete the Minimum Unit Offering in sufficient time to commence the drilling of the Ma'anit-Rehoboth #2 prior to the end of October 2008, and the deferring officers and employees must continue to defer the monies due them and continue to accept partial payment of their currently due salaries.

In the opinion of management, all adjustments considered necessary for a fair presentation of financial position, results of operations, and changes in financial position have been included. See Note 2A for a discussion of the Company's recording an impairment of unproved oil and gas properties following the cessation of operations on the Ma'anit #1 well and the formal relinquishment of the Ma'anit-Joseph License in June 2007.

Note 1 - Nature of Operations and Basis of Presentation (cont'd)

C. Basis of Presentation

The unaudited interim 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. Since the Company is in the development stage, it has limited capital resources, no revenue, and a loss from operations. The appropriateness of using the going concern basis is dependent upon the Company's ability to obtain additional financing or equity capital to finance its current operations and, ultimately, to achieve profitable operations. The uncertainty of these conditions raises substantial doubt about the Company's ability to continue as a going concern. The unaudited interim financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The accompanying unaudited interim financial statements were prepared in accordance with accounting principles generally accepted in the United States for the preparation of interim financial statements and, therefore, do not include all disclosures necessary for a complete presentation of financial condition, results of operations, and cash flows in conformity with generally accepted accounting principles used in annual financial statements. All adjustments, which are, in the opinion of management, of a normal recurring nature and are necessary for a fair presentation of the interim financial statements, have been included. Nevertheless, these financial statements should be read in conjunction with the financial statements and related notes included in the Company's annual financial statements for the year ended December 31, 2007. The results of operations for the period ended June 30, 2008 are not necessarily indicative of the results that may be expected for the entire fiscal year or any other interim period.

Note 2 - Summary of Significant Accounting Policies

A. 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 income from continuing operations before income taxes and the adjusted carrying amount of the unproved properties is amortized on the unit-of-production method.

The Company's oil and gas property represents an investment in an unproved property and a major development project on that property. 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.

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

A. Oil and Gas Properties and Impairment (cont'd)

The amount of any impairment is charged to expense as a reserve base has not yet been established. An 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.

In June 2007, following the analysis of the results of the testing of the Company's Ma'anit #1 well workover and an evaluation of the mechanical condition of the well, the Company determined that the well was incapable of producing oil and/or gas in commercial quantities. Considering the desire to optimize drilling operations on the Company's planned Ma'anit-Rehoboth #2, the Company decided to cease operations on the Ma'anit #1 well and, as required by the Israeli Petroleum Law, formally relinquish the Ma'anit-Joseph License. It is the current intent of the Company to use the Ma'anit #1 wellbore, down to approximately 3,200 meters, as the upper part of the wellbore for the planned Ma'anit-Rehoboth #2 well. Plans are that this well will be directionally drilled from that point to penetrate the middle and the lower Triassic, which is still considered highly prospective by the Company. In addition, the Company intends to drill down to the Permian section of the upper Paleozoic formation.

Immediately after the relinquishment of the Ma'anit-Joseph License, the Company filed an application with the Petroleum Commissioner for a petroleum exploration license, the Joseph License, covering approximately 83,272 acres of the original Ma'anit-Joseph License including the Ma'anit structure on which the Ma'anit #1 well was drilled, which License was subsequently granted on October 11, 2007. As a result of the unsuccessful Ma'anit #1 well and formal relinquishment of the Ma'anit-Joseph License, the Company recorded an impairment of $9,494 thousand to its unproved oil and gas properties.

The Company's ability to maintain present operations is dependent on two petroleum exploration licenses: (a) The Joseph License, in respect of which the planning of and preparations for the drilling of a well are under way (See Note 1A); and (b) the Asher-Menashe License, in respect of which a geophysical program commenced in December 2007. (See Note 5I)

The Company has no economically recoverable reserves and no amortization base. Excluding the $9,494 thousand impairment recorded after the formal surrender of the Ma'anit-Joseph License, the Company's unproved oil and gas properties consist of capitalized exploration costs of $3,367 thousand at June 30, 2008

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

A. Oil and Gas Properties and Impairment (cont'd)

Comprised as follows:

	June 30 2008 US$ thousands	December 31 2007 US$ thousands
Excluded from amortization base:		
Drilling operations, completion costs and other related costs	**2,128**	2,035
Capitalized salary costs	**381**	145
Legal costs and license fees	**627**	220
Other costs	**231**	190
	$ 3,367	$ 2,590

Impairment of unproved oil and gas properties comprised as follows:

	Period ended June 30 2008 US$ thousands	Year ended December 31 2007 US$ thousands	Period from April 6, 2000 (inception) to June 30, 2008 US$ thousands
Drilling operations, completion costs and other related costs	**-**	7,959	7,959
Capitalized salary costs	**-**	683	683
Legal costs and license fees	**-**	509	509
Other costs	**-**	343	343
	-	9,494	9,494

B. Recently Issued Accounting Pronouncements

1. SFAS 141R - Business Combinations (SFAS 141R)

In December 2007, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 141R, Business Combinations ("SFAS 141R"). SFAS 141R requires most identifiable assets, liabilities, noncontrolling interests, and goodwill acquired in a business combination to be recorded at "full fair value". SFAS 141R is effective for periods beginning on or after December 15, 2008, and earlier adoption is prohibited. SFAS 141R will be applied to business combinations occurring after the effective date.

The Company does not expect the adoption of SFAS 141R to have a material impact on its balance sheet or statement of operations.

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

B. Recently Issued Accounting Pronouncements (cont'd)

2. SFAS 160 – Noncontrolling Interest in Consolidated Financial Statements (SFAS 160)

In December 2007, the FASB issued FASB Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements - an amendment to ARB No. 51 ("SFAS 160"). SFAS 160 requires noncontrolling interests (previously referred to as minority interests) to be reported as a component of equity, which changes the accounting for transactions with noncontrolling interest holders. SFAS 160 is effective for periods beginning on or after December 15, 2008, and earlier adoption is prohibited. SFAS 160 will be applied prospectively to all non-controlling interests, including any that arose before the effective date.

The Company does not expect the adoption of SFAS 160 to have a material impact on its balance sheet or statement of operations.

3. SFAS 161 – Disclosures about Derivative Instruments and Hedging Activities (SFAS 161)

In March 2008, the FASB issued FASB Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities ("SFAS 161"). SFAS 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand the effects of the derivative instruments on an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning on or after November 15, 2008, with early adoption encouraged.

The Company does not expect the adoption of SFAS 161 to have a material impact on its balance sheet or statement of operations.

4. SFAS 162 – The Hierarchy of Generally Accepted Accounting Principles (SFAS 162)

In May 2008, the FASB issued FASB Statement No. 162, The Hierarchy of Generally Accepted Accounting Principles ("SFAS 162"). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of non-governmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). It shall be effective 60 days following the approval by the Securities and Exchange Commission of the Public Company Accounting Oversight Board (PCAOB) amendments to AU Section 411, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles.

The Company does not expect the adoption of SFAS 162 to have a material impact on its balance sheet or statement of operations.

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

B. Recently Issued Accounting Pronouncements (cont'd)

5. FSP FAS 142-3 – Determination of the Useful Life of Intangible Assets (FSP 142-3)

In April 2008, FASB Staff Position ("FSP") FAS 142-3, Determination of the Useful Life of Intangible Assets ("FSP 142-3") was issued. FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, Goodwill and Other Intangible Assets. FSP 142-3's intent is to improve the consistency between the useful life of a recognized intangible asset under Statement 142 and the period of expected cash flows used to measure the fair value of the asset under FASB Statement No. 141, Business Combinations, and other U.S. generally accepted accounting principles. It shall be effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited.

The Company does not expect the adoption of FSP 142-3 to have a material impact on its balance sheet or statement of operations.

6. FSP APB 14-1 – Accounting for Convertible Debt Instruments That May be Settled in Cash upon Conversion (Including Partial Cash Settlement) (FSP 14-1)

In May 2008, FASB Staff Position ("FSP") APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) ("FSP 14-1") was issued clarifying that convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) are not addressed by paragraph 12 of APB Opinion No. 14, Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants. Additionally, it specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years.

The Company is evaluating the effect, if any, of the adoption of APB 14-1 on its balance sheet or statement of operations

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

C. Recently adopted accounting pronouncements

1. SFAS 157 – Fair Value Measurements (SFAS 157)

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurement ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for the measurement of fair value, and enhances disclosures about fair value measurements. The Statement does not require any new fair value measures. SFAS 157 is effective for fair value measures already required or permitted by other standards for fiscal years beginning after November 15, 2007. The Company adopted SFAS 157 beginning on January 1, 2008. SFAS 157 is required to be applied prospectively, except for certain financial instruments. Any transition adjustment will be recognized as an adjustment to opening retained earnings in the year of adoption. In February 2008, the FASB issued SFAS No. 157-2, which grants a one-year deferral of SFAS 157's fair-value measurement requirements for nonfinancial assets and liabilities, except for items that are measured or disclosed at fair value in the financial statements on a recurring basis.

The adoption of SFAS 157 did not have a material effect on the Company's balance sheet or results of operations.

2. SFAS 159 – Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159)

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities ("SFAS 159"). SFAS 159 permits all entities the option to measure most financial instruments and certain other items at fair value at specified election dates and to report related unrealized gains and losses in earnings. The fair value option will generally be applied on an instrument-by-instrument basis and is generally an irrevocable election. SFAS 159 is effective for fiscal years beginning after November 15, 2007.

The adoption of SFAS 159 on January 1, 2008 did not have a material effect on the Company's balance sheet of results of operations.

D. Certain prior year's amounts have been reclassified to conform to the current year presentation.

Note 3 - Stockholders' Equity

A. Increase in Authorized Common Stock

On June 23, 2008, the Company's stockholders approved an increase in the authorized shares of common stock that the Company is authorized to issue from time to time to up to 30,000 thousand shares.

Note 3 - Stockholders' Equity (cont'd)

B. Private Placement Offerings

During 2000, John Brown purchased 2,400,000 shares at the then current par value ($0.001 per share) on his behalf and on behalf of 25 other founding shareholders. Between January 1, 2001 and December 31, 2004, the Company raised $3,125 thousand in private placements from the sale (adjusted for the reincorporation merger on July 9, 2003) of 1,830,298 shares of common stock and: (i) warrants with an original expiration date of December 31, 2004 to purchase 275,833 shares of common stock at $1.00 per share; (ii) warrants with an original expiration date of December 31, 2004 to purchase 411,770 shares of common stock at $1.50 per share; and (iii) warrants with an original expiration date of December 31, 2006 to purchase 181,500 shares of common stock at $5.00 per share. The December 31, 2004 warrant expiration date was extended to January 31, 2005 by which date the warrants were exercised.

Between January 1, 2005 and March 31, 2005, the Company raised $2,140 thousand through the sale of 535,000 shares of common stock and warrants to purchase 214,000 shares of the Company's common stock in a private placement offering. The warrants designated as "E warrants" were exercisable at $5.00 per share through December 31, 2006. Between April 22 and June 10, 2005, the Company raised $1,380 thousand through the sale of 276,000 shares of common stock and 55,200 E Warrants. Between June 20, 2005 and October 24, 2005, the Company raised $3,230 thousand through the sale of 646,000 shares of common stock.

During December 2005, the Company raised $440 thousand from the sale of 80,000 shares of common stock and warrants to purchase 12,500 shares of common stock at $5.50 per share at any time from July 1, 2007 through December 31, 2008, such warrants being designated as "G" warrants.

During 2006, the Company (i) raised $489 thousand from the sale of 89,000 shares of common stock and 7,125 G warrants; (ii) issued 62,493 shares of common stock for $291 thousand in consideration of services; (iii) issued 175,357 shares of common stock for $877 thousand upon the exercise of E warrants; (iv) issued 35,000 shares of common stock for $105 thousand upon the exercise of $3.00 warrants; and (v) issued 42,957 shares of common stock for $172 thousand upon the exercise of "D" warrants (See Note 3D).

C. Initial Public Offering

On December 29, 2006, the Company completed its first closing of the Public Offering in which it accepted subscriptions in the amount of $3,059 thousand in consideration of the planned issuance of 436,907 shares of common stock. Between January 1, and May 25, 2007, the Company completed additional closings in which it accepted additional subscriptions for 1,369,428 shares of its common stock in the amount of $9,587 thousand, bringing the total amount raised in the Public Offering through May 25, 2007 to $12,645 thousand. The offering terminated on May 25, 2007 (See Note 5G).

Note 3 - Stockholders' Equity (cont'd)

D. 2005 Stock Option Plan

During 2005, a stock option plan (the "Plan") was adopted by the Company, pursuant to which 1,000,000 shares of common stock are reserved for issuance to officers, directors, employees and consultants. The Plan is administered by the Board of Directors or one or more committees appointed by the board (the "Administrator").

The Plan contemplates the issuance of stock options by the Company both as a private company and as a publicly traded company and is available to residents of the United States, the State of Israel and other jurisdictions as determined by the Administrator. Awards of stock options under the Plan are made pursuant to an agreement between the Company and each grantee. The agreement will, among other provisions, specify the number of shares subject to the option, intended tax qualifications, the exercise price, any vesting provisions and the term of the stock option grant, all of which are determined on behalf of the Company by the Administrator. The Plan will remain in effect for a term of ten years unless terminated or extended according to its provisions.

On July 5, 2006, award agreements under the 2005 Stock Option Plan were entered into as follows: (a) with two directors each for the purchase of 25,000 shares of common stock at an exercise price of $5.00 per share (50,000 shares in the aggregate) through December 31, 2008 at a value of $59 thousand in the aggregate (the rights to these options vested on the date the award agreement was signed, and the options became exercisable commencing on July 1, 2007); (b) with one employee (who resigned effective June 1, 2007) for the purchase of 80,000 shares of common stock at an exercise price of $5.00 per share through December 31, 2010 (of these, options to purchase 26,667 shares of common stock vested on January 1, 2007 at a value of $65 thousand charged to the Company according to the vesting period, with an adjustment recorded at the termination date of June 1, 2007; the remaining non-vested options to purchase 53,333 shares of common stock were cancelled upon the resignation of the officer in accordance with the terms of the award agreement; the vested options were not able to be exercised prior to July 1, 2007); and (c) with one employee for the purchase of 40,000 shares of common stock at an exercise price of $5.00 per share through December 31, 2010 (these options will vest in four equal tranches of four vesting periods of 10,000 shares each, on the date the award agreement was signed, and on October 1, 2006, on October 1, 2007 and October 1, 2008 at a value of $97 thousand that will be charged according to the vesting periods, and the options exercisable commencing July 1, 2007). Although award agreements with respect to these options were signed in July 2006: (a) their issuance was authorized and their terms, including their exercise price, were fixed by resolution of the board of directors taken on October 27, 2005; (b) the commencement of the service period for the options preceded the grant date and (c) the value of the options were initially accounted for during December 2005. Compensation expense was recorded commencing December 2005 based on the fair value of the options at that time.

On July 1, 2007, an award agreement under the 2005 Stock Option Plan was entered into with one employee for the purchase of 50,000 shares of common stock at an exercise price of $5.60 per share through December 31, 2012 (these options will vest in three tranches – 20,000 on June 30, 2008; 15,000 on June 30, 2009 and 15,000 on June 30, 2010, at a value of $126 thousand that will be charged according to the vesting periods).

Note 3 - Stockholders' Equity (cont'd)

D. 2005 Stock Option Plan (cont'd)

On December 4, 2007, award agreements under the 2005 Stock Option Plan were entered into as follows: (a) with one employee for the purchase of 40,000 shares of common stock at an exercise price of $0.01 per share through December 3, 2017 at a value of $257 thousand (these options vest in four equal tranches of four vesting periods of 10,000 shares each, on January 29, 2008, April 28, 2008, July 27, 2008 and October 25, 2008); (b) with one employee for the purchase of 40,000 shares of common stock at an exercise price of $0.01 per share through December 3, 2017 at a value of $257 thousand (the rights to these options vested on the date of the award); and (c) with one employee for the purchase of 3,882 shares of common stock at an exercise price of $0.01 per share through December 3, 2017 at a value of $25 thousand (the rights to these options vested on the date of the award).

E. Fair Value of Warrants and Options

The Company has reserved 411,795 shares of common stock as of June 30, 2008 for the exercise of warrants and options to employees and non-employees. These warrants and options have been excluded from earnings per share calculations because they are anti-dilutive at June 30, 2008 and 2007 and the period from April 6, 2000 (inception) to June 30, 2008. These warrants and options could potentially dilute basic earnings per share in future years. The warrants and options exercise prices and expiration dates are as follows:

	Exercise price	Number of shares	Expiration Date	Warrants or Options
To non-employees				
	5.00	**10,000**	December 31, 2008	Warrants
	8.75	**46,621**	September 26, 2009	Warrants
To employees and directors				
	5.00	**85,000**	December 31, 2008	Warrants
	5.00	**50,000**	December 31, 2008	Options
	5.00	**66,667**	December 31, 2010	Options
	5.60	**50,000**	December 31, 2012	Options
	0.01	**83,882**	December 3, 2017	Options
To investors				
	5.50	**19,625**	December 31, 2008	Warrants
	4.50*	**411,795**		

* Weighted Average

Zion Oil & Gas Inc
(A Development Stage Company)

Notes to the Unaudited Interim Financial Statements as of June 30, 2008

Note 3 - Stockholders' Equity (cont'd)

E. Fair Value of Warrants and Options (cont'd)

The warrant and option transactions since April 6, 2000 (inception) are shown in the table below:

	Number of shares	**Weighted Average exercise price US$**
Granted from April 6, 2000 (inception) to December 31, 2006 to:		
Employees, officers and directors	1,750,936	1.73
Underwriters (in connection with IPO)	11,590	8.75
Private placement investors and others	1,105,492	2.84
Expired/canceled	(587,726)	2.68
Exercised	(1,984,077)	1.59
Outstanding, December 31, 2006	296,215	5.18
Granted to:		
Employees, officers and directors as part compensation	133,882	2.10
Underwriters (in connection with IPO)	35,031	8.75
Private placement investors and others	-	-
Expired/Canceled	(53,333)	5.00
Exercised	-	-
Outstanding, December 31, 2007	411,795	4.50
Outstanding, June 30, 2008	**411,795**	4.50
Exercisable, June 30, 2008	**351,795**	**4.65**

The following table summarizes information about stock warrants and options outstanding as of June 30, 2008:

Shares underlying outstanding Warrants and options (nonvested)				**Shares underlying outstanding Warrants and options (all fully vested)**			
Range of exercise price US$	**Number outstanding**	**Weighted average remaining contractual life (years)**	**Weighted Average exercise price US$**	**Range of exercise price US$**	**Number Outstanding**	**Weighted average Remaining contractual life (years)**	**Weighted Average exercise price US$**
0.01	20,000	9.43	0.01	0.01	63,882	9.43	0.01
5.00	10,000	2.50	5.00	5.00	201,667	0.99	5.00
-	-	-	-	5.50	19,625	0.50	5.50

5.60	30,000	4.50	5.60	5.60	20,000	4.50	5.60
-	-	-	-	8.75	46,621	1.24	8.75
0.01-5.60	**60,000**		**3.64**	**0.01-8.75**	**351,795**		**4.65**

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Zion Oil & Gas Inc
(A Development Stage Company)

Notes to the Unaudited Interim Financial Statements as of June 30, 2008

Note 3 - Stockholders' Equity (cont'd)

E. Fair Value of Warrants and Options (cont'd)

Granted to employees

The following table sets forth information about the weighted-average fair value of warrants granted to employees and directors during the six month periods ended June 30, 2008 and 2007, and the period from April 6, 2000 (inception) to June 30, 2008, using the Black Scholes option-pricing model and the weighted-average assumptions used for such grants:

	For the six month period ended June 30, 2008 US$	2007 US$	Period from April 6, 2000 (inception) to June 30, 2008 US$
Weighted-average fair value of underlying stock at grant date	-	-	3.00 – 6.13
Dividend yields	-	-	-
Expected volatility	-	-	28.2% – 40.0%
Risk-free interest rates	-	-	2.1% – 5.15%
Expected lives	-	-	1.74 – 4.63 years
Weighted-average grant date fair market value	-	-	0.76 - 2.83

Granted to non-employees

The following table sets forth information about the weighted-average fair value of warrants granted to non-employees during the six month periods ended June 30, 2008 and 2007 and the period from April 6, 2000 (inception) to June 30, 2008, using the Black Scholes option-pricing model and the weighted-average assumptions used for such grants:

	For the six month period ended June 30, 2008 US$	2007 US$	Period from April 6, 2000 (inception) to June 30, 2008 US$
Weighted-average fair value of underlying stock at grant date	-	8.75	1.00 – 8.75
Dividend yields	-	-	-
Expected volatility	-	40.0%	32.2% – 99.8%
Risk-free interest rates	-	5.50%	2.8% – 5.50%
Contractual lives	-	2.34 – 2.67 years	0.56 – 3.17 years

Weighted-average grant date fair market value	-	1.35 – 2.74	0.68 – 2.74

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

Note 3 - Stockholders' Equity (cont'd)

E. Fair Value of Warrants and Options (cont'd)

The expected life represents the weighted average period of time that options granted are expected to be outstanding. The expected life of the options granted to employees and directors during 2007 is calculated based on the Simplified Method as allowed under Staff Accounting Bulletin No. 107 ("SAB 107"), giving consideration to the contractual term of the options and their vesting schedules. The expected life of the option granted to non-employees equals their contractual term.

Due to the lack of sufficient history of the Company's stock volatility, the Company estimates its own expected stock volatility based on the historic volatility for other oil exploration companies.

F. Compensation Cost for Warrant and Option Issuances

The compensation cost of warrant and option issuances recognized for the three and six month periods ended June 30, 2008 and 2007 and from April 6, 2000 (inception) to June 30, 2008 amounted to $77 thousand, $(66) thousand, $216 thousand, $(48) thousand and $1,111 thousand, respectively.

As of June 30, 2008, there was $76 thousand of unrecognized compensation cost, related to nonvested stock options granted under the Company's various stock option plans. That cost is expected to be recognized as follows:

	US$ thousands
July 1 - December 31, 2008	**48**
For the year ended December 31, 2009	**22**
For the year ended December 31, 2010	**6**
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G. Warrant Descriptions

Through the balance sheet date the Company issued nine different series of warrants to employees, non-employees and investors. The price and the expiration dates are as follows:

	Period of Grant	**US$**	**Expiration Date**
A Warrants	January 2001 – December 2001	1.00	January 31, 2005
B Warrants	November 2001 – February 2003	1.50	January 31, 2005
C Warrants	July 2003 – March 2004	3.00	December 31, 2005
$3.00 Warrants	June 2004 – August 2004	3.00	December 31, 2006
D Warrants	September 2004 – April 2005	4.00	December 31, 2006

E Warrants	September 2004 – June 2005	5.00	December 31, 2006
F and FF Warrants	October 2005	5.00	December 31, 2008
G Warrants	December 2005 – January 2006	5.50	December 31, 2008
H Warrants	December 2006 –May 2007	8.75	September 26, 2009

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Note 3 - Stockholders' Equity (cont'd)

G. Warrant Descriptions (cont'd)

Other than price and date details, all of the warrants were issued on the same conditions, except that the F, FF and G Warrants were not exercisable before July 1, 2007, which date the Company had the right to extend for up to six months (which right was not exercised by the Company), and H warrants were not exercisable before November 25, 2007, which was six months following the final closing date of the Public Offering (See Note 3C).

H. Gift Shares

As part of the Public Offering, 150,000 shares of common stock held by four executive officers were registered and given by the officers to individuals and entities. 21,000 of the gift shares were given to directors, employees and service providers. The related cost of $147 thousand was charged to the statement of operations and credited as additional paid in capital during 2006.

Note 4 - Related Party Transactions

The Company had $1,429 thousand of deferred officers' compensation at June 30, 2008 which represents payables to officers and directors of the Company. Such officers had previously committed to defer payments of these sums until at least July 1, 2008, through letter agreement. As of August 3, 2008, amounts of $1,145 thousand of deferred officers' compensation was deferred until December 31, 2008. On June 24, 2008, the Company's Board of Directors approved a resolution setting a company-wide policy on officer deferrals to defer amounts previously due until such time, if any, as the Company raises $15 million from the Follow on Offering, whereupon all deferred amounts owed as of July 1, 2008 will be paid and the rate of deferral on salaries thereafter will be decreased to 30% (from the current 40%). The policy further provides that if and when the Company raises $20 million from the Follow on Offering, the deferral rate decreases to 20% and if the Company raises $25 million, then all deferred amounts not then paid will be remitted and there will no longer be any deferrals to salary payments. Until such time as the Company raises the threshold $15 million, monthly salary payments for officers continue to be fixed at 60% of the contractual payment, not to exceed $10,000 per month.

A. Cimarron Resources, Inc.

Notes payable to related parties as at December 31, 2006, included $32 thousand under a loan facility with Cimarron Resources, Inc. (Cimarron), a company owned by the former Chief Executive Officer of the Company, Cimarron obtained the monies to lend to the Company through a loan facility with Bank One. The note accrued interest at Bank One's Prime Rate (8.25% at December 31, 2006) plus 2.5%. During the month of January 2007, the loan was repaid in full.

Note 4 - Related Party Transactions (cont'd)

B. Rappaport loan

Notes payable to related parties as at December 31, 2006, included $75 thousand under a line of credit loan agreement with a shareholder of the Company. Through July 31, 2006, outstanding balances accrued interest at 10% per annum. At the direction of the shareholder, a commitment fee of $10 thousand in the aggregate was paid to two children of the shareholder in the form of 12,000 shares of common stock (in the aggregate) and warrants to purchase 5,000 shares (in the aggregate) of the Company's common stock. On July 31, 2006, the Rappaport loan was further extended to a date 15 days following the initial closing of a public offering. In connection with this extension the shareholder and the Company agreed to increase the interest rate on the facility to 12% per annum. During the month of January 2007 the loan was repaid in full.

C. Robert E. Render

Mr. Render provided consulting services to the Company totaling $20 thousand during the eight months ended August 31, 2006. Mr. Render has not provided any consulting services to the Company since September 1, 2006.

D. Richard J. Rinberg

In October 2005 Mr. Rinberg was elected President of the Company and effective November 1, 2005, entered into a two year Retention and Management Agreement with the Company (the "Retention Agreement"). Pursuant to the Retention Agreement, Mr. Rinberg was awarded 200,000 shares of common stock of the Company valued at $500,000 as compensation for his services during the two year period beginning November 1, 2005, subject to restrictions and vesting requirements. The company received a valuation from an independent appraisal firm supporting this valuation. The Rinberg shares were subject to repurchase by the Company at $0.01 per share if Mr. Rinberg had left his position with the Company prior to October 31, 2007. In May 2006, the Company issued the referenced 200,000 shares of common stock to a trust company for the benefit of Mr. Rinberg.

In March 2007, upon the resignation of the previous Chief Executive Officer ("CEO") of the Company, Mr. Rinberg was appointed to the position of CEO under his existing Retention Agreement. Effective November 1, 2007, the Company entered into an employment agreement with Mr. Rinberg, effective through December 31, 2008.

E. Other issuances

In respect of issuances to John Brown (related party) see Note 3B.

Note 5 - Commitments and Contingencies

A. Environmental Matters

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 as they relate to the drilling of oil and gas wells or the operation thereof.

Should it be determined that a liability exists with respect to any environmental clean up or restoration, the liability to cure such a violation could fall upon the Company. No claim has been made, nor is the Company aware of any contingent demands relating thereto. Liabilities for expenditures are recorded when environmental assessment and/or remediation is probable and the costs can be reasonably estimated.

B. Royalty Commitments

The Company is obligated, according to the Israeli Petroleum Law, 5712-1952 (the "Petroleum Law"), to pay royalties to the Government of Israel on the gross production of oil and gas from the oil and gas properties of the Company located in Israel (except those reserves serving to operate the wells and related equipment and facilities). The royalty rate stated in the Petroleum Law is 12.5% of the produced reserves. At June 30, 2008 or December 31, 2007, the Company did not have any outstanding obligation in respect to royalty payments, since it is at the "exploration stage" and, to this date, no proved reserves have been found.

C. Long-term Incentive Plan

The Company has initiated the establishment of a long-term management incentive plan for key employees whereby a 1.5% overriding royalty or equivalent interest in the Asher-Menashe License and Joseph License and such other oil and gas exploration and development rights as may in the future be acquired by the Company shall be assigned to key employees. At June 30, 2008 or December 31, 2007, the Company did not have any outstanding obligation in respect of the long-term incentive plan, since it is at the "exploration stage" and, to this date, no proved reserves have been found.

D. Charitable Foundations

The Company is establishing two charitable foundations for the purpose of supporting charitable projects and other charities in Israel, the United States and internationally. A 3% overriding royalty or equivalent interest in any Israeli oil and gas interests as may now be held or, in the future be acquired, by the Company shall be assigned to each charitable organization (6% overriding interest in the aggregate).

Note 5 - Commitments and Contingencies (cont'd)

D. Charitable Foundations (cont'd)

The worldwide foundation, the "Abraham Foundation", was established in Geneva, Switzerland on June 20, 2008, with the articles being executed and filed by the Swiss Notary in the Commercial Registrar in Geneva with publication on June 23, 2008. The federal authorities in Bern have approved the establishment of an international foundation, with a preliminary tax ruling having been received by the Canton of Geneva for complete tax exemption with a formal letter following within several months. Preliminary approval has been received at the federal level for tax exemption, with a formal letter expected within several months.

The founding members of the Israeli foundation, the "Avraham Foundation", met on June 23, 2008 in Caesarea, Israel, to execute and notarize the articles of the foundation, which were filed as an Amuta in the Registrar of the Amuta in Israel.

At June 30, 2008 or December 31, 2007, the Company did not have any outstanding obligation in respect of the charitable foundations other than incorporation costs, since it is at the "exploration stage" and, to this date, no revenues have been generated.

E. Surface Rights of Drilling Operations

The surface rights to the drill site from which the Company drilled the Ma'anit #1 and plans to drill the Ma'anit-Rehoboth #2 are held under long-term lease by Kibbutz Ma'anit. The rights are owned by the State of Israel and administered by the Israel Lands Authority. Permission necessary to reenter and use the drill site to conduct petroleum operations was previously granted to the Company by the Kibbutz in consideration for a monthly fee of $350. Permission of the Israel Lands Authority for the use of the surface rights is also required, which permission the Authority is required to grant under the Petroleum Law. On April 12, 2007, the Authority granted the required permission for a one year period (which period could be extended), subject to the Company's paying a surface use fee and signing a land use agreement. The use fee through April 2008 was paid, but the agreement was not finalized pending receipt from the Israel Lands Authority of the land use agreement. Recently, the Israel Lands Authority adopted new procedures for the grant of surface rights for oil exploration (including drilling) activities and adopted a form of land use agreement for such purpose, which procedures include requirements for special approval if the applicant is a non-Israeli entity. With the expiration on April 12, 2008 of the Company's previously granted permission, the Company applied for an extension under the new procedures. The Israel Lands Authority is currently reviewing the file in light of the new procedures. The Company does not know when or pursuant to what conditions it will obtain permission from the Israel Lands Authority for use of the drill site.

Note 5 - Commitments and Contingencies (cont'd)

F. Payments to executives and deferral of compensation

Under existing compensation agreements, the Company is committed to pay certain of its executive officers and other employees an aggregate amount of $1,602 thousand on an annual basis. Previously, all of these officers and employees have agreed to defer a portion of their pay through at least July 1, 2008, with a Board resolution implementing a company wide officer deferral policy (See Note 4) following such date. On August 3, 2008, additional letter agreements were signed which extended the deferral date on $1,145 thousand until December 31, 2008. During the six month period ended June 30, 2008, no amounts previously deferred were paid to executives and employees.

G. Underwriting Agreement

Pursuant to an underwriting agreement, the Company agreed to pay to Network 1 Financial Securities, Inc., the underwriter of the Company's Public Offering (the "Underwriter"), a financial advisory and investment banking fee for an aggregate amount of $60 thousand ("the advisory fee") pursuant to a two year investment banking/consulting agreement to be entered following and effective upon the closing of the Public Offering in a minimum aggregate amount of $4,000 thousand (the "effective date). The advisory fee was due in full upon the effective date. Following the second closing of the Public Offering on January 29, 2007, this fee was paid in full.

In addition, pursuant to the Underwriting Agreement, the Underwriter was to receive warrants ("H" warrants) to purchase a number of shares of the Company's common stock in an amount equal to 3% of the number of shares of common stock sold in the Public Offering by it and other placement agents appointed by it pursuant to the Underwriting Agreement at a price of $8.75 per share (or 125% of the offering price). The H warrants are exercisable beginning six months after the final closing of the Public Offering and expire on September 26, 2009. Pursuant to this undertaking, the Company issued 46,621 H Warrants (See Note 3F) to purchase shares at a price of $8.75 of the Company's common stock.

In January 2008, in connection with the filing of the 2008 Registration Statement, the Company entered into an underwriting agreement with Network 1 Financial Securities, Inc. (the "January 2008 Underwriting Agreement"). The January 2008 Underwriting Agreement provided for a two year extension to the existing investment banking/consultant agreement for an additional fee of $60 thousand, payable upon the closing of the offering in a minimum aggregate amount of $5,000 thousand. Under the terms of the January 2008 Underwriting Agreement, the Company was required to, and did, remit an advance payment of $50 thousand against the non-accountable expense allowance to be paid to Network 1 Financial Securities ("Network 1") in connection with services to be rendered in the course of the Follow on Offering. In addition to a 6% underwriting commission and a 3% non-accountable expense allowance, under the January 2008 Underwriting Agreement, Network 1, was entitled to certain underwriters warrants. During March 2008, the Board decided to terminate the agreement with Network 1. In April 2008, the January 2008 Underwriting Agreement with Network 1 was terminated in accordance with its terms. On April 2, 2008, a new underwriting agreement, as subsequently amended, (the "April 2008 Underwriting Agreement") was entered into with Brockington Securities, Inc. The April 2008 Underwriting Agreement, as amended, does not include provisions relating to an investment banking/consultant agreement nor does it contain underwriters warrants.

Note 5 - Commitments and Contingencies (cont'd)

G. Underwriting Agreement (cont'd)

Additionally, the April 2008 Underwriting Agreement, as amended, provides for a 5% underwriting commission and a 3% non-accountable expense allowance. Upon the decision to terminate the January 2008 Underwriting Agreement, the advance payment of $50 thousand was recorded as an expense by the Company.

H. Lease Commitments

The Company leases approximately 3,600 square feet of office space in Dallas under a lease which expires on October 31, 2008. Negotiations for a new lease have recently commenced. The monthly rent is $4 thousand for each of the twelve-month periods ending October 31, 2006, 2007 and 2008 respectively, less any sublease payments received. Until mid-July 2006 approximately 800 square feet (and access to the common areas) were subleased month-to-month for payments of $1 thousand per month.

The Company also leases office premises in the industrial area of Caesarea, Israel under a lease agreement through January 31, 2009, with two additional six-month options, at a monthly rental cost of $3 thousand throughout both the additional year and the two option periods. The monthly rent has been $3 thousand per month since the inception of the lease in July 2005.

The future minimum lease payments are as follows:

	US$ thousands
July 1 – December 31 2008	34
2009	3
	37

I. Contract with Geophysical Institute of Israel

In connection with planned seismic, magnetic and gravimetric surveys, on September 17, 2007, the Company entered into an agreement with the Geophysical Institute of Israel ("GII") that provided for the Company to acquire the necessary data from GII. The agreement provided for a 40-kilometer program subject to increase or decrease (but not to less than 20 kilometers) by the Company. Under the agreement, the Company submitted a program originally designed for the acquisition of about 60 kilometers of data, later reduced to approximately 52 kilometers. The agreement provided for the survey to be performed by GII on a per kilometer basis at a rate of NIS 40 thousand (approximately $11 thousand at the representative rate of NIS 3.607 per US dollar published on February 5, 2008) per kilometer. In addition, the agreement provided for an NIS 80 thousand (approximately $22 thousand) mobilization and demobilization fee and for the Company to reimburse GII certain payments made to third parties, including permitting fees and damages other than those caused by fault of GII. Under the agreement, the Company paid NIS 160 thousand (approximately $44 thousand) on signing and made an additional payment of NIS 690 thousand (approximately $190 thousand) prior to the commencement of field acquisition work on December 24, 2007.

Note 5 - Commitments and Contingencies (cont'd)

I. Contract with Geophysical Institute of Israel (cont'd)

The remaining amount of NIS 1,431 thousand (approximately $397 thousand at the representative rate of NIS 3.607 per US dollar published on February 5, 2008) was paid on February 5, 2008 following the completion of the survey on January 23, 2008. In the survey a total of 52.5 kilometers of new seismic data were acquired.

Note 6 - Subsequent Events

On July 31, 2008, the Company entered into an Amendment to Protocol, originally executed on June 18, 2008, pursuant to which the parties agreed to extend to September 1, 2008 the date by which they are to sign a drilling contract. This extension was necessary due to delays encountered in preparing and filing applications necessary to enable the drilling contractor to bring its drilling rig and crews into Israel and otherwise complete the necessary permitting process to drill Zion's planned Ma'anit-Rehoboth #2 well. The amendment also extends to October 30, 2008, the date by which the contractor has to complete the process of acquiring the necessary permits to bring its rig and crews into Israel.

On August 3, 2008, additional letter agreements were signed by certain officers and employees of the Company which extended the deferral of $1,145 thousand of deferred officers' compensation until December 31, 2008.

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

THE FOLLOWING DISCUSSION SHOULD BE READ IN CONJUNCTION WITH OUR UNAUDITED INTERIM 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 DESCRIPTION OF BUSINESS SECTION OF OUR ANNUAL REPORT ON FORM 10-KSB FOR THE YEAR ENDED DECEMBER 31, 2007 FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.

Forward-Looking Statements

The preceding discussion should be read in conjunction with the consolidated financial statements and related notes contained elsewhere in this Form 10-Q. 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", "anticipate "believes", "estimates", "predicts", or "continue" or the negative of these terms or other comparable terminology and include without limitation, statements regarding:

- exploration, development, and drilling plans;
- future general and administrative expenses;
- future exploration;
- future geophysical and geological data;
- generation of additional properties, reserves;
- new prospects and drilling locations;
- future capital expenditures;
- sufficiency of working capital;
- plans regarding and ability to raise additional capital;
- Follow- on Offering;
- drilling plans;
- availability and costs of drilling rigs;
- timing or results of any wells;
- interpretation and results of seismic surveys or seismic data;
- permit, license and lease rights;
- Participation of operating partners;
- legislative and regulatory initiatives, their potential results and effects; and
- any other statements regarding future operations, financial results, opportunities, growth, business plans, and strategies.

Because forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. Although we believe that expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. We undertake no duty to update any forward-looking statements after the date of this report to conform such statements to actual results

Overview

Zion Oil & Gas, Inc. has been engaged in oil and natural gas exploration on approximately 219,000 acres, and currently holds 162,000 acres, onshore in the State of Israel between Netanya in the south and Haifa in the north. The areas have been subject to a series of exploration permits and licenses that have been granted to and held by us pursuant to the Israeli Petroleum Law. We currently hold two exploration licenses. One license, named the “Asher-Menashe License”, covers an area of approximately 78,824 acres which is located on the Israeli coastal plain and the Mt. Carmel range between Caesarea in the south and Haifa in the north; the Asher-Menashe License has a three-year term that commenced on June 10, 2007 and runs through June 9, 2010, which term may be extended for additional periods up to a maximum of 7 years. The second license, named the “Joseph License”, covers approximately 83,272 acres located on the Israeli coastal plain south of the Asher-Menashe License between Caesarea in the north and Netanya in the south; the Joseph License also has a three-year term that commenced on October 11, 2007 and runs through October 10, 2010, which term may be extended for up to a maximum of 7 years. Under the terms of both licenses, we are under an obligation to commence the drilling a well to a depth of at least 4,000 meters (approximately 13,200 feet) in the case of the Asher-Menashe License and 4,500 meters (approximately 14,850 feet) in the case of the Joseph License by July 2009, as such date may be extended with respect to either or both licenses by the Petroleum Commissioner. In the event of a discovery, we will be entitled to convert the relevant portions of our licenses to 30-year production leases, extendable to up to 50 years.

In 2005, in accordance with terms of the Ma’anit-Joseph License, the predecessor of our Joseph License, we drilled the Ma’anit #1 well on the Ma’anit prospect. Drilling breaks and shows of hydrocarbons were recorded from approximately 12,000 feet to the total depth of approximately 15,500 feet. Due to mechanical problems that prevented us from isolating highly conductive water bearing zones from the tighter hydrocarbon bearing formations, the shows were never successfully tested and the well was abandoned in June 2007, following unsuccessful remedial workover operations conducted between April and June 2007.

Currently, we are developing one prospect and four leads in its license areas. The prospect and one lead are located in the Joseph License area and three of the leads are located in the Asher-Menashe License area. We are utilizing an Israeli country-wide seismic database so as to better understand and interpret the geology of our license areas. The database consists of 219 seismic sections totaling 3,100 kilometers of coverage and also includes the stratigraphic sections from all the wells drilled in Israel.

The company’s geological team recently completed the processing of seven seismic lines (totaling over fifty two kilometers) acquired last winter and also the reprocessing of an additional ten seismic lines (of over one hundred and ten kilometers) in two prospective areas.

The interpretation of the seismic data, coupled with geologic, gravity and magnetic data has resulted in the development of the first drillable prospect on Zion's Asher-Menashe license. A site for the new well, named the Elijah #3, has been selected on a ten thousand acre structure, comprising both Triassic and Permian targets.

Zion is obligated, by the terms of its Asher-Menashe License, to commence the drilling of a well no later than July 2009 and like the Ma'anit-Rehoboth #2 well on Zion's Joseph License (scheduled to commence in September 2008), most of the long lead items for the well have been sourced, purchased and delivered and are now in secure storage, in Israel.

During the eight years between our formation and June 30, 2008, we have received net proceeds from the issuance of our equity securities of $23,775 thousand and have invested in unproved oil and gas properties $13,011 thousand in order to satisfy our work commitments under the terms of our permits and licenses received from the State of Israel, of which $9,494 thousand was written off during 2007. As of June 30, 2008, our officers and key employees have deferred a substantial portion of their salaries and other compensation due through July 2008, extended to December 31, 2008. One Executive Vice President has requested that his salary be paid in full and that deferred amounts be paid to him in accordance with a mutually agreeable payment schedule. We are in discussions with the officer in order to reach a mutually agreeable resolution, but there can be no assurance that we will reach a mutually acceptable resolution. From time to time, they have all exchanged portions of the deferred compensation for our equity securities, which (with four exceptions relating to employee stock options) were priced at the same price as concurrent sales of our equity securities. (Deferred compensation has been paid to our officers upon their retirement or resignation.)

Planned Drilling Activities/Business Plan

Our current plans are to re-enter the Ma'anit #1 well (Ma'anit-Rehoboth #2) and then 'sidetrack' and drill directionally to a distance approximately 2,500 feet northeast of the present location to at least a total vertical depth of 15,400 feet to the Triassic formation in fulfillment of the terms of the Joseph License. We would ultimately like to deepen the well to a projected true vertical depth of 18,040 feet in the Permian section of the Paleozoic Age. The purpose of the well is both to appraise the apparent findings of the Ma'anit #1 in the Triassic at a depth of between approximately 12,000 and 15,400 feet and to test the deeper Permian horizons at a depth of between approximately 16,000 and 18,000 feet. The bottom hole location for the second well on the Ma'anit structure has been chosen in an attempt to maximize the chance of being in localized fracturing in both the Triassic and the Permian sections.

Preparations for drilling the Ma'anit-Rehoboth #2 well are continuing. All long lead-time items have arrived and the equipment on hand to be used for future wells reflects a cost of approximately $1,500 thousand (all of which sum is reflected in the figure shown for Unproved Oil and Gas Properties on the Balance Sheet for June 30, 2008). The estimated dry hole cost of the planned Ma'anit-Rehoboth #2 well if drilled to the Triassic is $4,500 thousand, and $6,600 thousand if drilled to the Permian. The completed hole costs of the well if drilled to the Triassic is currently estimated as $5,300 thousand, and $7,400 thousand if drilled to the Permian. These amounts include $1,500 thousand that has been already expended.

On June 18, 2008, the Company signed a memorandum of understanding with Aladdin Middle East Ltd ("AME") confirming both parties intent to sign a drilling contract no later than July 31st, 2008, to drill Zion's planned Ma'anit-Rehoboth #2 well and other wells in Israel, in accordance with Zion's business plan. The Company paid AME a down payment of $175 thousand on account of mobilization fees in the aggregate amount of $675 thousand. On July 31, 2008, the Company and AME entered into an amendment to the afore-mentioned memorandum of understanding, extending until September 1, 2008, the date by which the drilling contract must be signed. This extension was necessary due to delays encountered in preparing and filing applications necessary to enable AME to obtain certain permits and requisite authorization before the rig can be brought into Israel. If AME is unable to obtain such permits by October 31, 2008, extended from September 30, 2008, AME is entitled, to terminate the contract, whereupon, AME is to refund to the Company the sums paid, less a 15% retention to cover AME's costs and expenses. It is anticipated that the rig will arrive in Israel in October 2008.

AME is an independent oil and gas exploration and production company, incorporated in Delaware in 1962, with its head office in Wichita, Kansas. AME has drilled more than 130 exploration and development wells in Turkey and Egypt for major oil companies, including Exxon, Mobil, Wintershall AG MOL, Placid Oil, Neste Oy, Burren Energy Inc. and Edison International spa. Its rig inventory includes 11 drilling and workover rigs.

To enable us to drill the Ma'anit-Rehoboth #2 to the Permian, the Asher-Menashe test well required to be drilled under the terms of the Asher-Menashe License and possibly commit to drill at least one additional well in a multi-well drilling program being developed both in context of our plans to explore our Asher-Menashe and Joseph Licenses, we will need to raise additional funds through equity offerings or loans during 2008 and/or sell a portion of our rights in all or part of our licenses.

The surface rights to the drill site on which we plan to drill the Ma'anit Rehoboth #2 well are held under a long-term lease by Kibbutz Ma'anit. The rights are owned by the State of Israel and administered by the Israel Lands Authority. Permission necessary to re-enter and use the drill site to conduct petroleum operations has been granted to Zion by the Kibbutz in consideration for a monthly fee of $350. Permission of the Israel Lands Authority for the use of the surface rights is also required, which permission the Israel Lands Authority is required to grant under the Petroleum Law. On April 12, 2007, the Authority granted the required permission for a one year period (which period could be extended), subject to our paying an annual surface use fee and signing a land use agreement. The use fee through April 2008 was paid, but the agreement was not finalized pending receipt from the Israel Lands Authority of the land use agreement. Recently the Israel Lands Authority adopted new procedures for the grant of surface rights for oil exploration (including drilling) activities and adopted a form of land use agreement for such purpose, which procedures include requirements for special approval if the applicant is a non-Israeli entity. With the expiration on April 12, 2008 of our previously granted permission, we applied for an extension under the new procedures. The Israel Lands Authority is currently reviewing our file in light of the new procedures. We cannot give any assurance when or pursuant to what conditions we will obtain formal permission from the Israel Lands Authority for the use of the drill site.

On February 1, 2008, we filed a Form S-3 registration statement (the "Registration Statement") with the SEC for an offering (the "Follow-On Offering") of a minimum of 325,000 "Units", on a "best efforts, all or none" basis (the "Minimum Offering"), and an additional 2,175,000 Units on a "best efforts" basis, for a maximum of 2,500,000 Units (the "Maximum Offering"), at $10.00 per Unit for aggregate gross proceeds to us of $3,250 thousand and $25,000 thousand, respectively. On April 22, 2008, we filed Amendment No. 1 to the Registration Statement. Each Unit to be offered in the Follow-On Offering consists of (i) one share of common stock, par value $.01 per share and (ii) one warrant (the "Unit Warrant") to purchase one share of common stock at a per share exercise price equal to $7.00. On May 2, 2008, we filed Amendment No. 2 to the Registration Statement. The Follow-On Offering is being made through Brockington Securities, Inc. and other licensed broker/dealers. The Registration Statement was declared effective by the SEC on May 14, 2008. As of the date of the filing of this report on Form 10-Q, we have not closed on the Minimum Offering and there can be no assurance that we will be able to raise funds through this offering.

We intend to use most of the net proceeds of this offering for appraisal and exploratory drilling on our Israeli licenses. Our work program calls for the drilling of an appraisal and/or exploratory well (the Ma'anit-Rehoboth #2) on our Joseph License at an estimated "dry hole" cost of $4,500 thousand to a total measured depth of approximately 4,700 meters (15,400 feet) to the Triassic formation in fulfillment of the terms of the Joseph License, and an estimated $6,600 thousand to drill the Ma'anit-Rehoboth #2 to a total measured depth of approximately 5,550 meters (18,040 feet) to the Permian. Our work program also calls for the drilling of a well to a minimum depth of approximately 4,500 meters (14,800 feet) at an estimated cost of approximately $7,800 thousand on the Asher-Menashe License. Drilling a subsequent well on the Joseph License area to 5,500 meters (18,040 feet) would cost approximately $9,300 thousand. We intend to evaluate the new wells through a combination of electrical wireline tool investigations, recovery of samples from the target formations (coring) and testing. A "dry hole" is a well that for either geological or mechanical reasons is judged by us to be incapable of producing oil or gas in commercial quantities. If any well is not a "dry hole," a completion attempt would be made at an estimated completion cost of between $800 thousand and $1,500 thousand in order to set production casing, perforate, install the production tubing and wellhead and conduct extended tests of the well. We cannot assure you that any well will be completed or produce oil and/or gas in commercial quantities.

If only the minimum of approximately $2,700 thousand net proceeds are raised from this offering, we intend to drill the Ma'anit-Rehoboth #2 to a total measured depth of approximately 4,700 meters (15,400 feet) to the Triassic formation and appraise the apparent findings of the Ma'anit #1 well in that formation. Drilling the Ma'anit-Rehoboth #2 to the Triassic formation will fulfill our obligations under the Joseph License. Amounts raised in the Follow-On Offering in excess of the Minimum Offering will be applied to deepen the Ma'anit-Rehoboth #2 well to its designed total depth of approximately 5,500 meters (18,040 feet) to the Permian formation and evaluate the well. If the maximum of approximately $ 22,635 thousand net proceeds are raised, we intend to drill the Ma'anit-Rehoboth #2 well to the Permian, drill a well on the Asher-Menashe License to a minimum depth of 4,500 meters (14,800 feet), and prepare to drill a third well to a depth of between 4,500 to 5,400 meters (14,800 to 17,700 feet) on one of our two licenses.

There can be no guarantees that we will be successful in the Follow-On Offering or otherwise in raising the capital necessary for us to complete our plan of operations and drill the Menashe-Rehoboth #2 well to either the Triassic or the Permian target or that capital will be available on terms acceptable to us.

We might also enter into negotiations to sell a portion of the Joseph Project (and our petroleum rights and prospect data) in order to spread our risk, conserve our capital and raise additional funds necessary to drill the planned Ma'anit-Rehoboth #2 well and/or the Asher-Menashe test well and additional wells on the Asher-Menashe and Joseph Licenses and to obtain co-venturers with technical and financial capability to supplement our efforts. There is no assurance that we will be able to attract any parties to join our drilling operations to enable the completion of our plan of operation. We cannot predict the terms and conditions upon which any joint venture agreement might be reached.

Going Concern Basis

Our unaudited interim financial statements for the period ended June 30, 2008 have been prepared on a going concern basis, which contemplates realization of assets and liquidation of liabilities in the ordinary course of business. Since we are in the development stage, we have limited capital resources, no revenue, and a loss from operations. Our ability to continue as a going concern is dependent upon our ability to obtain additional financing or equity capital and, ultimately, to achieving profitable operations. The uncertainty of these conditions raises substantial doubt about our ability to continue as a going concern. The unaudited financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Critical Accounting Policies

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

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.

Based upon the encouraging but inconclusive results of the drilling and testing of the Ma'anit #1, the Company's oil and gas operations represent an investment in an unproved property including additional drilling on that property. 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 as a reserve base has not yet been established. An impairment requiring a charge to expense may be indicated through evaluation of drilling results, relinquishing drilling rights or other information.

We record an investment impairment charge when we believe an investment has experienced a decline in value that is other than temporary. Future adverse changes in market conditions or poor operating results of underlying investments could result in losses or an inability to recover the carrying value of the investment that may not be reflected in an investment's current carrying value, thereby possibly requiring an impairment charge in the future.

In June 2007, following the analysis of the results of the testing of our Ma'anit #1 well workover, evaluation of the mechanical condition of the well and the desire to optimize drilling operations on our planned Ma'anit-Rehoboth #2 well, we decided to cease operations on the Ma'anit #1 well and, as required by the Israeli Petroleum Law, formally relinquish the Ma'anit-Joseph License. It is our current intent to use the Ma'anit #1 wellbore, down to approximately 3,200 meters, as the upper part of the wellbore for the planned Ma'anit-Rehoboth #2 well. We plan to directionally drill this well from that point to penetrate the middle and the lower Triassic, which we still consider highly prospective by the Company. In addition, we intend to drill down to the Permian section of the upper Paleozoic formation.

Immediately after the relinquishment of the Ma'anit-Joseph License, we filed an application with the Petroleum Commissioner for a petroleum exploration license, the Joseph License, covering approximately 85,000 acres of the original Ma'anit-Joseph License including the Ma'anit structure on which the Ma'anit #1 well was drilled. This license was subsequently granted. As a result of the unsuccessful Ma'anit #1 well and formal relinquishment of the Ma'anit-Joseph License, we recorded an impairment of $9,494 thousand to its unproved oil and gas properties.

Although our properties are in Israel and our principal operations are also expected to be there, we report all our transactions in United States dollars. Certain of the dollar amounts in the financial statements may represent the dollar equivalent of other currencies, including the New Israeli Shekel ("NIS"), and may not be exchangeable for dollars.

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

We do not participate in, nor have we created, any off-balance sheet special purpose entities or other off-balance sheet financing. In addition, we do not enter into any derivative financial instruments.

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.

Liquidity and Capital Resources

Our working capital (current assets minus current liabilities) was $528 thousand at June 30, 2008 and $3,399 thousand at December 31, 2007.

During the six month period ended June 30, 2008, $1,929 thousand was used for operating activities versus $2,191 thousand for the six month period ended June 30, 2007. The decrease in for 2008 is related to the payment in 2007 of deferred officer's salaries. No cash was provided by financing activities during the six month period ended June 30, 2008. Net cash provided was $8,220 thousand for the six month period ended June 30, 2007, of which the substantial majority was from the sale of equity securities, net of equity sales costs. Net cash used in investing activities was $991 thousand for the six months ended June 30, 2008 and $2,009 thousand for the six month period ended June 30, 2007, which was used for exploration costs on the license, including a seismic study and purchasing equipment to be used in our future wells.

On June 30, 2008, we had cash and cash equivalents in the amount of $1,845 thousand. On August 14, 2008, we had cash and cash equivalents in the amount of $1,236 thousand.

As discussed above, on February 1, 2008 we filed a Registration Statement for a Follow-On Offering on a best efforts minimum-maximum basis, of a minimum of 325,000 Units at $10.00 per Unit for an aggregate gross proceeds to us of $3,250 thousand and a maximum of 2,500,000 Units for an aggregate gross proceeds to us of $25,000 thousand. The Registration Statement relating to the Follow-on Offering was declared effective on May 14, 2007. As of the date of the filing of this quarterly report on Form 10-Q, we have not closed on the minimum.

We believe that, in the event we are successful in closing the Minimum Offering in the Follow-on Offering, the proceeds of the Minimum Offering together with the funds currently available will be sufficient to enable us to meet our needs in carrying out our Plan of Operations described above through to December 31, 2008. In the event we do not succeed in closing the Minimum Offering, we will have to attract additional investments in our company or additional parties to join our drilling operations in order to carry out our Plan of Operations described above through December 31, 2008, and we and the sole officer who has requested payment of deferred amounts (as noted above) will need to reach a mutually acceptable agreement. There can be no guarantees that we will be successful in any of these efforts.

Results of Operations

COMPARISON OF THE THREE AND SIX MONTHS ENDED JUNE 30, 2008 COMPARED TO THE THREE AND SIX MONTHS ENDED JUNE 30, 2007

Revenue. We have no revenue generating operations as we are still an exploration stage company.

General and administrative expenses. General and administrative expenses for the three and six month periods ended June 30, 2008 were $1,195 thousand and $2,265 thousand, respectively, compared to $10,313 thousand and $11,011 thousand for the corresponding periods in 2007. This decrease in general and administrative expenses is due to the recording of a $9,494 thousand impairment charge in June 2007. Legal and professional fees for the three and six month periods ended June 30, 2008 were $277 thousand and $600 thousand compared to $322 thousand and $593 thousand for the corresponding periods in 2007. This decrease in legal and professional fees is related primarily to the deferral of certain costs directly related to the Follow-on Offering that will be recorded against the offering proceeds instead of being expensed during the 2008 periods. These amounts will be expensed if the minimum threshold is not met. Salary expenses for the three and six month periods ended June 30, 2008 were $489 thousand and $943 thousand respectively, compared to $174 thousand and $410 thousand for the corresponding periods in 2007. The increase in salary expenses are related to the addition to the Company’s payroll of senior management personnel. Other general and administrative expenses for the three and six month periods ended June 30, 2008 were $429 thousand and $722 thousand respectively, compared to $323 thousand and $514 thousand for the corresponding periods in 2007. This increase is related primarily to increased investor relations activities during the 2008 periods.

Interest income, net. Interest income for the three and six month periods ended June 30, 2008 was $26 thousand and $57 thousand respectively, compared to $46 thousand and $77 thousand for the corresponding periods in 2007. This decrease is related to the declining bank balances as funds have been expended.

Net Loss. Net loss for the three and six month periods ended June 30, 2008 was $1,169 thousand and $2,208 thousand compared to $10,263 thousand and $10,930 thousand for the corresponding periods in 2007. The difference is related to the $9,494 impairment charge recorded in June 2007.

ITEM 4 (T). 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 rules and forms of the Securities and Exchange Commission. As of June 30, 2008, 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, 2008.

During the quarter ended June 30, 2008, there have been no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, these controls.

PART II—OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF SECURITIES AND USE OF PROCEEDS

Sales and Other Disposition of Registered Securities – Use of Proceeds

The Public Offering was underwritten on a “best efforts minimum/maximum” basis by Network 1 Financial Securities, Inc. (“Underwriter”). On December 29, 2006, following receipt and acceptance of subscriptions and payment for a number of shares in excess of the required minimum, we scheduled an initial closing of the Public Offering which took place on December 29, 2006 (the “initial closing”). Through May 25, 2007, we completed a total of eight (8) closings of the Public Offering, including the initial closing. In those closings, we issued instructions to our transfer agent to issue a total of 1,806,335 shares of common stock in consideration of a total of $12,645 thousand, of which $12,221 thousand was cash and $424 thousand was debt conversion.

From the effective date of the Registration Statement and through June 30, 2008, we incurred for our account in connection with the issuance and distribution of shares of our common stock in the Public Offering expenses as follows:

		In US$ 000
Underwriting Commissions	$	653
Expenses Paid to Underwriter		326
Other expenses as follows:		
Accounting Fees and Expenses		111
Legal Fees and Expenses		167
Printing Fees and Advertising		207
Listing Fees (including SEC filing fees)		82
Transfer and Escrow Agent Fees		42
Other Expenses		120
TOTAL EXPENSES	$	1,708

Except for a $100 thousand bonus awarded to an executive officer and director of the Company for services rendered as outside General Counsel in connection with the Initial Public Offering prior to his joining the Company as an employee (which bonus is reflected as part of “Legal Fees and Expenses”), none of the above payments was made to any officer or director of Zion or to any person owning 10% or more of any class of Zion’s securities.

The net offering proceeds to Zion from the Public Offering through June 30, 2008 after deduction of the total expenses set forth above was $10,937 thousand (the "net public offering proceeds").

Through June 30, 2008, we used the net public offering proceeds as follows:

		In US$ 000
a. Completion of Ma'anit #1 well	$	1,242(1)
b. Preparation for drilling of Ma'anit-Rehoboth well	$	2,351
c. Exploration Costs	$	948
d. Compensation to officers and directors	$	2,682(2)
e. Repayment of indebtedness	$	144(3)
f. Temporary investments	$	1,823(4)
g. Other	$	1,735(5)

(1) The $900 thousand originally (exclusive of contingencies) estimated for the Ma'anit #1 well completion costs was exceeded as a result of the loss and partial recovery of tubing and an isolation packer that were stuck in the well.
(2) Includes repayment of indebtedness in an amount of $1,053 thousand, including $434 thousand previously deferred compensation paid to the company's former Chief Executive Officer (in the amount of $352 thousand) and to the company's former Chief Financial Officer (in the amount of $82 thousand) in the connection with their retirement and resignation, respectively. Also includes conversions of deferred compensation into shares by certain officers in the IPO in an amount of $204 thousand, along with normal payments to officers in the amount of $983 thousand and to directors in an amount of $157 thousand. The other amounts are related to normal payments to officers and directors.
(3) Does not include repayment of indebtedness to officers and directors which is included in note (2) above.
(4) U.S. money market account balances and Israeli interest bearing deposits at June 30, 2008.
(5) Including a $60 thousand financial advisory and investment banking fee to Underwriter pursuant to an investment banking/consulting agreement entered into pursuant to the Underwriting Agreement, $293 thousand in deferred offering costs related to the follow-on offering , and working capital.

The remaining $12 thousand of the net operating proceeds were, on June 30, 2008, on deposit in our operating bank accounts in the U.S. and Israel.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Our Annual Meeting of Stockholders was held on June 23, 2008. The following matters were voted on: (1) election of Class III directors; (2) amendment of Certificate of Incorporation to increase the number of authorized shares of common stock from 20,000,000 to 30,000,000; and (3) the appointment of an independent registered public accounting firm for 2008. The vote tally was as follows:

(1) Proposal to Elect Class III Directors to Serve until the 2011 Annual Meeting of Stockholders.

	FOR	WITHHELD
William H. Avery	7,432,247 (84%)	9,108 (0.001%)
Yehezkel Druckman	7,432,611 (84%)	8,744 (0.001%)
Paul Oroian	7,428,346 (84%)	13,009 (0.001%)

(2) Proposal to amend the Company's Certificate of Incorporation to increase the number of shares of common stock that the Company is authorize to issue from 20 million to 30 million.

FOR	AGAINST	ABSTAIN	BROKER NON VOTES
7,331,838 (72%)	65,199 (0.007%)	0.00 (0.00%)	0

(3) Proposal to ratify the appointment of Somekh Chaikin, Certified Public Accountants (Isr.), a member of KPMG International for the year ending December 31, 2008.

FOR	AGAINST	ABSTAIN	BROKER NON VOTES
7,400,202 (84%)	31,623 (0.003%)	0.00 (0.00%)	0

All proposals received the requisite number of votes and were approved.

ITEM 6. EXHIBITS

Exhibit Index :

1.1 Amended and Restated Underwriting Agreement, attached as an exhibit to Amendment No.2 to the Registration Statement on Form S-3 (File No. 333-148982) filed on May 2, 2008

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

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).

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/ Richard J. Rinberg Richard J. Rinberg Chief Executive Officer (Principal Executive Officer)	By:	/s/ Martin M. Van Brauman Martin M. Van Brauman, Senior Vice-President and Chief Financial Officer (Principal Financial Officer)
Date:	August 14, 2008	Date:	August 14 , 2008

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