

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of British Columbia, Alberta and Ontario, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of Adira Energy Ltd. at 120 Adelaide Street West, Suite 1204, Toronto, ON M5H 1T1, telephone 416-250-1955, and are also available electronically at www.sedar.com.

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws and, except to the extent permitted by the Agency Agreement (as hereinafter defined) may not be offered or sold within the United States or to, or for the account or benefit of, persons in the United States. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States or to, or for the account or benefit of, a person in the United States. See "Plan of Distribution."

Preliminary Short Form Prospectus

New Issue

April 3, 2012



● Common Shares

This short form prospectus qualifies the distribution of up to ● common shares (each, a "Common Share" and collectively, the "Common Shares") of Adira Energy Ltd. (the "Corporation" or "Adira") at a price of \$● (the "Issue Price") per Common Share for aggregate gross proceeds of up to \$● (the "Offering") pursuant to the agency agreement (the "Agency Agreement") dated ●, 2012 between the Corporation and GMP Securities L.P. ("GMP") and Cormark Securities Inc. (together, the "Co-Lead Agents"), and Clarus Securities Inc. and FirstEnergy Capital Corp. (collectively, the "Agents"). See "Plan of Distribution".

The Corporation's registered and head office is located at 120 Adelaide Street West, Suite 1204, Toronto, Ontario M5H 1T1.

Price: \$● per Common Share

	Price to the Public	Agents' Fee ⁽¹⁾	Net Proceeds to the Corporation ⁽²⁾
Per Common Share	\$●	\$●	\$●
Total ⁽³⁾	\$●	\$●	\$●

Notes:

- (1) The Corporation has agreed to pay the Agents a cash commission (the "Agents' Fee") of up to 6% of the gross proceeds of the Offering including, for greater certainty, the gross proceeds of any Over-Allotment Shares (as hereinafter defined) issued upon exercise of the Over-Allotment Option (as hereinafter defined) other than in respect of orders from "president's list" purchasers on which only a cash commission of 2% will be paid on such proceeds. The

Corporation will also issue to the Agents non-transferable common share purchase warrants (the “**Broker Warrants**”) equal to 6% of the total number of Common Shares sold under the Offering (including any Over-Allotment Shares issued upon exercise of the Over-Allotment Option) other than in respect of orders from certain “president’s list” purchasers on which no Broker Warrants will be issued. Each Broker Warrant will entitle the holder thereof to acquire one common share of the Corporation (each a “**Broker Share**” and collectively the “**Broker Shares**”) at the Issue Price at any time prior to 5:00 p.m. (Toronto time) on the date which is 24 months following the Closing Date (as hereinafter defined). This short form prospectus qualifies the grant and issue by the Corporation of the Broker Warrants. See “Plan of Distribution”.

- (2) Before deducting the expenses of the Offering (estimated at \$●) which, together with the Agents’ Fee, will be paid by the Corporation from the proceeds of the Offering.
- (3) The Corporation has granted to the Agents an over-allotment option (the “**Over-Allotment Option**”) exercisable, in whole or in part, in the sole discretion of the Agents, to purchase up to an additional ● Common Shares (the “**Over-Allotment Shares**”) at the Issue Price for a period of 30 days from and including the Closing Date, for market stabilization purposes and to cover the Agents’ over-allocation position, if any. A purchaser who acquires Over-Allotment Shares forming part of the Agents’ over-allocation position acquires such Over-Allotment Shares under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. If the Over-Allotment Option is exercised in full, the total price to the public, Agents’ Fee and net proceeds to the Corporation will be \$●, \$● and \$●, respectively. This short form prospectus qualifies both the grant of the Over-Allotment Option and the distribution of the Over-Allotment Shares. Unless the context otherwise requires, all references to Common Shares herein shall include the Over-Allotment Shares issuable upon exercise of the Over-Allotment Option. See “Plan of Distribution”.

The outstanding common shares of the Corporation are listed and posted for trading on the TSX Venture Exchange (the “**Exchange**”) under the symbol “ADL”. The Corporation has applied to list the Common Shares (including any Over-Allotment Shares) and the Broker Shares on the Exchange. Listing of the Common Shares, the Over-Allotment Shares and the Broker Shares will be subject to the Corporation fulfilling all of the listing requirements of the Exchange. The closing price of the common shares of the Corporation on the Exchange on April 2, 2012 was \$0.235.

The following table sets out the maximum number of Over-Allotment Shares and Broker Shares that may be issued by the Corporation:

<u>Agents’ Position</u>	<u>Maximum Size</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	● Over-Allotment Shares	Exercisable for a period of 30 days from and including the Closing Date	\$● per Over-Allotment Share
Broker Warrants	● Broker Shares	Exercisable for a period of 24 months following the Closing Date	\$● per Broker Share

The Agents have agreed to offer for sale and purchase, the Common Shares on a “best efforts” basis without underwriter liability, subject to prior sale, if, as and when issued by the Corporation and accepted by the Agents in accordance with the terms and conditions contained in the Agency Agreement. See “Plan of Distribution”. Certain Canadian legal matters on behalf of the Corporation have been passed upon by Aird & Berlis LLP and on behalf of the Agents by Cassels Brock & Blackwell LLP.

Investing in the Common Shares involves a high degree of risk that should be considered carefully by prospective investors before purchasing the Common Shares. See “Risk Factors” and “Forward-looking Statements” in this short form prospectus and the risk factors and forward-looking statements set out in documents incorporated by reference in this short form prospectus. Potential investors are advised to consult their own legal counsel and other professional advisors in order to assess income tax, legal and other aspects of the Offering.

Subscriptions will be received subject to rejection or allotment, in whole or in part, and the right is reserved by the Agents to close the subscription books at any time without notice. Closing of the Offering is expected to occur on or about ●, 2012 or such other date as the Corporation and the Agents may agree (the “**Closing Date**”), but in any event not later than ●, 2012. On the Closing Date, the Common Shares (other than those offered or sold in the United States, or to persons who are acting for the account or benefit of persons in the United States, which will be represented by individual definitive certificates bearing U.S. restrictive legends) will be issued in registered or

electronic form to CDS Clearing and Depository Services Inc. (“CDS”) or its nominee and will be deposited to CDS against payment of the aggregate purchase price for the Common Shares. Purchasers of Common Shares (other than those offered or sold in the United States, or to persons who are acting for the account or benefit of persons in the United States) will receive only a customer confirmation from the registered dealer that is a CDS participant and from or through which the Common Shares are purchased. See “Plan of Distribution”. The Agents, pending closing of the Offering, will hold all subscription funds received in trust subject to and pursuant to the provisions of the Agency Agreement. If the Closing Date does not occur within ninety (90) days from the date a receipt is issued for the (final) short form prospectus (or such later date as the securities regulatory authorities may permit), the Offering will be discontinued and all subscription funds received by the Agents in connection with the Offering will be returned to subscribers without interest, set-off or deduction. See “Plan of Distribution”.

Subject to applicable laws, the Agents may, in connection with the Offering, effect transactions intended to stabilize or maintain the market price of the common shares of the Corporation at levels above that which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. **In connection with the distribution of the Common Shares by the Agents, the Agents may sell the Common Shares at a price that is less than the Issue Price.** See “Plan of Distribution”.

Readers should rely only on the information contained in or incorporated by reference in this short form prospectus. The Corporation has not authorized anyone to provide the reader with different information. The Corporation is not offering to sell the Common Shares in any jurisdiction in which the offer and sale is not permitted. Readers should not assume that the information contained in this short form prospectus is accurate as of any date other than the date on the front of this short form prospectus.

Information contained on the Corporation’s website shall not be deemed to be a part of this short form prospectus or incorporated by reference herein and may not be relied upon by prospective investors for the purpose of determining whether to invest in the securities qualified for distribution under this short form prospectus.

The Chief Executive Officer of the Corporation and the Chief Financial Officer of the Corporation reside outside of Canada. Although the Chief Executive Officer of the Corporation and the Chief Financial Officer of the Corporation have each appointed Maxims CS Inc. as their respective agent for service of process in the Province of Ontario it may not be possible for investors to enforce judgments obtained in Canada against the Chief Executive Officer of the Corporation and the Chief Financial Officer of the Corporation.

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FORWARD-LOOKING STATEMENTS

Certain statements contained in this short form prospectus, and in certain documents incorporated by reference in this short form prospectus, constitute “forward-looking statements”. All statements other than statements of historical fact contained in this short form prospectus and in documents incorporated by reference in this short form prospectus, including, without limitation, those regarding the Corporation’s future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where the Corporation participates or is seeking to participate, and any statements preceded by, followed by or that include the words “believe”, “expect”, “aim”, “intend”, “plan”, “continue”, “will”, “may”, “would”, “anticipate”, “estimate”, “forecast”, “predict”, “project”, “seek”, “should” or similar expressions or the negative thereof, are forward-looking statements. These statements are not historical facts but instead represent only the Corporation’s expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “Risk Factors” in this short form prospectus and in documents incorporated by reference in this short form prospectus. Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives and cautions readers that the information may not be appropriate for other purposes. Consequently, all of the forward-looking statements made in this short form prospectus and in documents incorporated by reference in this short form prospectus are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Corporation. These forward-looking statements are made as of the date of this short form prospectus and the Corporation assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

The forward-looking statements in this short form prospectus and in documents incorporated by reference in this short form prospectus are based on numerous assumptions regarding the Corporation’s present and future business strategies and the environment in which the Corporation will operate in the future, including assumptions regarding expected yields, future prices, business and operating strategies, and the Corporation’s ability to operate its production facilities on a profitable basis.

Some of the risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein, including risks associated with the Corporation, such as lack of revenue, risks associated with the Corporation’s business, such as the failure to obtain or maintain necessary licenses, and risks associated with the common shares of the Corporation, such as stock market volatility.

CURRENCY PRESENTATION AND EXCHANGE RATES

Unless otherwise indicated, all dollar amounts in this short form prospectus are expressed in Canadian dollars.

The noon exchange rate on April 2, 2012, as reported by the Bank of Canada for the exchange of one Canadian dollar into United States dollars, was \$1.00 per US\$1.0084 and the noon exchange rate as reported by the Bank of Canada for the conversion of United States dollars into Canadian dollars was US\$1.00 per \$0.9917.

FINANCIAL INFORMATION

The audited consolidated financial statements as at and for the financial year ended December 31, 2010 and for the 267-day period from incorporation (April 8, 2009) to December 31, 2009, and the unaudited interim consolidated financial statements of the Corporation as at and for the nine-months ended September 30, 2011, incorporated by reference in this short form prospectus, are reported in United States dollars and have been prepared in accordance with International Financial Reporting Standards.

AVAILABLE INFORMATION

The Corporation currently files reports and other information with the securities commissions and similar regulatory authorities in each of the provinces of British Columbia, Alberta and Ontario. These reports and information are available to the public free of charge under the Corporation's profile at www.sedar.com.

ELIGIBILITY FOR INVESTMENT

In the opinion of Aird & Berlis LLP, counsel to the Corporation, and Cassels Brock & Blackwell LLP, counsel to the Agents, provided that either the Corporation is a "public corporation" (other than a mortgage investment corporation)(as defined in the *Income Tax Act* (Canada) (the "**Tax Act**"), or the Common Shares are listed on a "designated stock exchange" (as defined in the Tax Act), which currently includes the Exchange, the Common Shares, if issued on the date hereof, would be a qualified investment under the Tax Act for a trust governed by a registered retirement savings plan (an "**RRSP**"), registered retirement income fund (an "**RRIF**"), tax-free savings account (a "**TFSA**"), registered education savings plan, deferred profit sharing plan or registered disability savings plan.

Notwithstanding the foregoing, a holder of a TFSA or the annuitant of an RRSP or RRIF will be subject to a penalty tax if the Common Shares are a "prohibited investment" (as defined in the Tax Act) for the TFSA, RRSP or RRIF (as the case may be). Common Shares will generally be a prohibited investment if the holder of the TFSA or the annuitant of the RRSP or RRIF: (i) does not deal at "arm's length" (as defined in the Tax Act) for the purposes of the Tax Act with Adira, or (ii) has a "significant interest" (as defined in the Tax Act) in either Adira or in any corporation, partnership or trust with which Adira does not deal at "arm's length". Generally, a holder or an annuitant will not have a significant interest in Adira provided the holder, together with persons with whom the holder does not deal at arm's length, does not directly or indirectly own 10% or more of the issued shares of any class of the capital stock of Adira or of a corporation "related" (as defined in the Tax Act) to Adira. **Holders of a TFSA and annuitants of an RRIF or RRSP should consult their own tax advisors in regards to the application of these rules in their particular circumstances.**

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, filed with the provincial securities commissions or similar authorities in Canada, are specifically incorporated by reference in and form an integral part of this short form prospectus:

- (a) the Form 20-F annual report of the Corporation for the financial year ended September 30, 2010, dated February 2, 2011 as amended by the Form 20-F/A on November 21, 2011, excluding the selected financial data contained in item 3.A., the financial information contained in item 5, the financial statements contained in item 17 and the exhibits listed in item 19 (collectively, the "**AIF**");
- (b) the transition report on Form 20-F of the Corporation for the financial year ended December 31, 2010, dated February 26, 2012, excluding the exhibits listed in item 19;
- (c) the Corporation's audited consolidated financial statements as at and for the financial year ended December 31, 2010 and for the 267-day period from incorporation (April 8, 2009) to December 31, 2009, together with the notes thereto and the auditors' report thereon, dated August 25, 2011;
- (d) management's discussion and analysis of the Corporation's financial condition and operations for the financial year ended December 31, 2010, dated August 29, 2011;
- (e) the Corporation's unaudited interim consolidated financial statements as at and for the nine-month period ending September 30, 2011, together with the notes thereto, dated November 24, 2011;

- (f) management’s discussion and analysis of the Corporation’s financial condition and results of operations for the nine-month period ended September 30, 2011, dated November 24, 2011;
- (g) material change report of the Corporation dated December 13, 2010 regarding the Corporation’s listing on the Exchange and the fulfilment of the conditions for the automatic exercise of 27,500,000 subscription receipts previously issued for gross proceeds of US\$11,000,000;
- (h) material change report of the Corporation dated January 17, 2011 regarding the appointment of Eli Barkat and Yael Reznik Cramer of the BRM Group Ltd. to the Corporation’s board of directors, Mr. Gadi Levin, Chief Financial Officer of the Corporation’s four Israeli operating subsidiaries, as Chief Financial Officer of Adira and the granting of options to purchase 1,650,000 common shares of the Corporation;
- (i) material change report of the Corporation dated February 25, 2011 regarding the completion of a \$6,500,000 non-brokered private placement;
- (j) material change report of the Corporation dated March 3, 2011 regarding the appointment of Yael Reznik Cramer as interim Chief Executive Officer;
- (k) material change report of the Corporation dated September 6, 2011 regarding the Corporation’s change of financial year-end from September 30 to December 31 in order to better coordinate reporting with its Israel operations, effective August 30, 2011;
- (l) material change report of the Corporation dated September 9, 2011 regarding the receipt of two independent reports disclosing resource estimates on each of the Corporation’s Gabriella License and Yitzhak License, both located offshore Israel;
- (m) material change report of the Corporation dated February 29, 2012 regarding the appointment of Jeffrey Walter as the new Chief Executive Officer of the Corporation;
- (n) material change report of the Corporation dated March 21, 2012 regarding the receipt of two new independent reports on the Gabriella and Yitzhak Licenses disclosing resource estimates;
- (o) the management information circular of the Corporation dated March 15, 2011 for the annual and special meeting of shareholders of the Corporation held on April 13, 2011;
- (p) the Corporation’s Form 51-101F1 and Form 51-101F3 for the financial year ended September 30, 2010, each dated January 28, 2011;
- (q) the report entitled “Estimates of Unrisked Contingent and Prospective Resources to the Adira Energy Ltd. Interest in Discoveries and Prospects Located in Block 378 (Gabriella) Offshore Israel as of March 1, 2012” effective March 1, 2012, prepared by Netherland, Sewell & Associates, Inc. (the “**Gabriella Report**”); and
- (r) the report entitled “Estimates of Unrisked Prospective Resources to the Adira Energy Ltd. Interest in Certain Prospective Reservoirs Located in Block 380 (Yitzhak) Offshore Israel as of March 1, 2012” effective March 1, 2012, prepared by Netherland, Sewell & Associates, Inc. (the “**Yitzhak Report**”).

A reference herein to this short form prospectus also means any and all documents incorporated by reference in this short form prospectus. Any documents of the type required by National Instrument 44-101 – *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus including all annual information forms, current annual financial statements and related management’s discussion and analysis, interim financial statements and related management’s discussion and analysis, material change reports (excluding confidential reports), business

acquisition reports, information circulars and certain other documents which are filed by the Corporation with a securities commission or any other similar authority in Canada after the date of this short form prospectus and prior to the termination of the Offering shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in this short form prospectus or a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein, or in any other subsequently filed document which also is incorporated or is deemed to be incorporated by reference herein, modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes.

The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except in its modified or superseded form, to constitute part of this short form prospectus.

SUMMARY DESCRIPTION OF THE BUSINESS

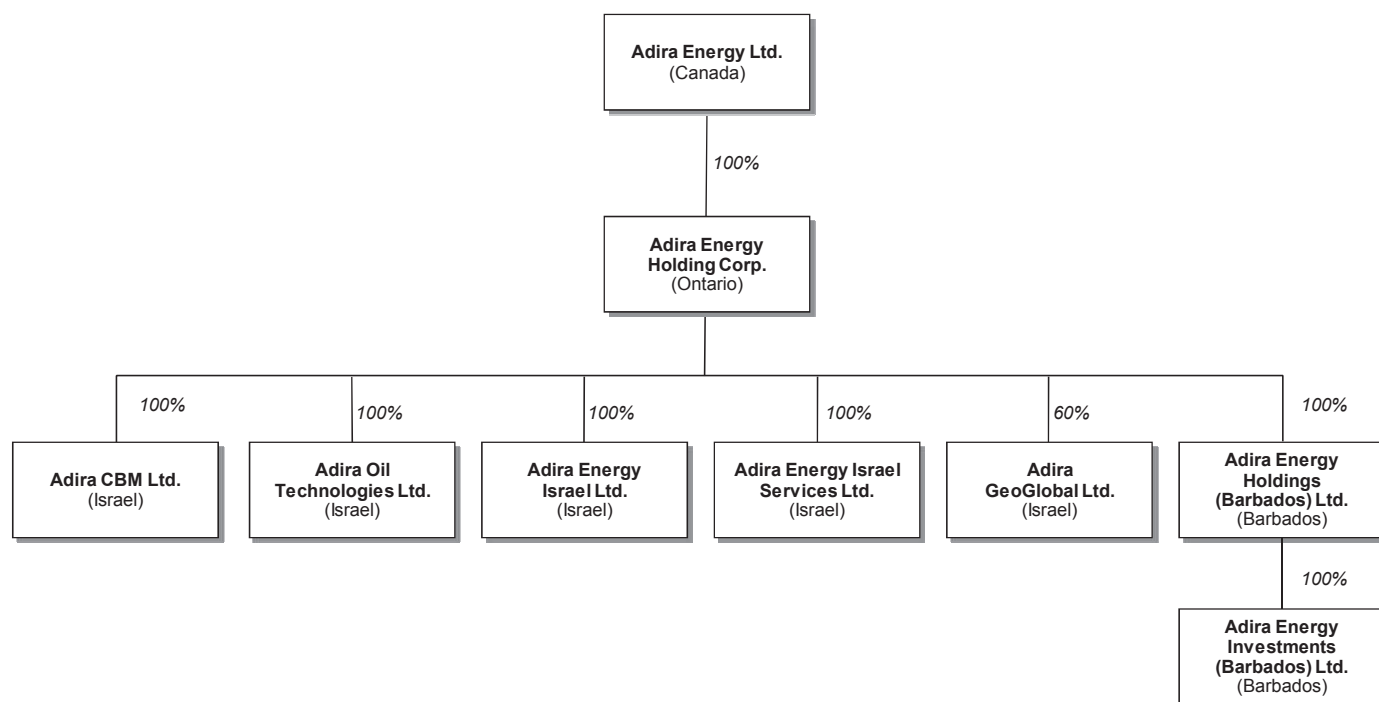
This summary does not contain all the information that may be important to an investor in deciding whether to invest in the Common Shares. Readers are cautioned to read the entire short form prospectus, including the section entitled “Risk Factors”, “Forward-Looking Statements” and any documents incorporated by reference herein, before making an investment decision.

Incorporation and Organization

The full corporate name of the Corporation is “Adira Energy Ltd.” The Corporation’s registered and head office is located at 120 Adelaide St. West, Suite 1204, Toronto, Ontario, Canada, M5H 1T1.

The Corporation was originally incorporated on February 20, 1997 under the name “Trans New Zealand Oil Company” by filing its Articles of Incorporation with the Secretary of State of Nevada. The Corporation changed its name to “AMG Oil Ltd.” on July 27, 1998. On November 25, 2008, the Corporation’s shareholders approved the change of the jurisdiction of AMG from the State of Nevada to the Federal jurisdiction of Canada by way of continuation. The Corporation completed the filing of its Articles of Conversion with the Nevada Secretary of State on November 25, 2008, and the Corporation’s Articles of Continuance were accepted for filing by Industry Canada effective November 27, 2008. The effect of these filings was to transfer the jurisdiction of incorporation of the Corporation from the State of Nevada to the Federal jurisdiction of Canada. At the Shareholder Meeting, shareholders passed the Name Change Resolution to change the Corporation’s name from “AMG Oil Ltd.” to “Adira Energy Ltd.” and articles of amendment were filed to implement this change.

The following sets out the current organizational structure of the Corporation and its subsidiaries:



Notes:

- (1) The other 40% of the shares of Adira GeoGlobal Ltd. are held by GeoGlobal Resources (India) Inc., a corporation that is not related to the Corporation, the Corporation's partner in the development of the Samuel License.
- (2) References herein to the Corporation includes the Corporation's subsidiaries, unless the context otherwise requires.

Development of the Business

On August 31, 2009, the Corporation acquired Adira Energy Corp. (“**Adira Energy**”) by issuing 39,040,001 common shares of the Corporation to Adira Energy shareholders on a one for one basis (the “**Acquisition**”). As the shareholders of Adira Energy obtained control of the Corporation, the share exchange is considered a reverse takeover transaction for accounting purposes.

Prior to the Acquisition, the Corporation had been inactive for approximately four years as it had no operations and its assets consisted solely of cash. In previous years, it had conducted oil and gas exploration activities in New Zealand but withdrew from its permit and assigned its interest to other participants in the permit during the 2003 fiscal year.

The common shares of the Corporation began trading on the Exchange on December 2, 2010. The Corporation's current trading symbol on the Exchange is “ADL”. The Corporation also trades on the OTC Bulletin Board with the trading symbol “ADENF” and on the Frankfurt Stock Exchange with the trading symbol “AORLB8”.

Business of the Corporation

The Corporation is an oil and gas exploration company with assets offshore Israel. The Corporation has been granted interests in the following offshore petroleum licenses from the State of Israel: the Gabriella License No. 378 (the “**Gabriella License**”), Yitzhak License No. 380 (the “**Yitzhak License**”) and Samuel License No. 388 (the “**Samuel**”).

License”). The Corporation's Gabriella License, Yitzhak License and Samuel License are collectively referred to as the Corporation's “**Offshore Licenses**”.

Gabriella License

The Gabriella License covers 97,000 acres (392 square kilometers (“**sq. km**”)) and is approximately 10 kilometers (“**km**”) offshore Israel between Netanya and Ashdod. The Gabriella License was issued on July 15, 2009 to the Corporation (100%) for an initial three year period and may be renewed for a further four year period with a further renewal option of two years in the case of a reserve discovery. On February 23, 2012, the Corporation received approval from the Petroleum Commissioner of Israel (the “**Commissioner**”) to update the expiration of the Gabriella License to February 28, 2013. Thereafter, a lease (30-50 years) can be sought if a “discovery” (as defined in the Israeli Petroleum Law 5712 & 1952 and the regulations promulgated thereunder (“**Israeli Petroleum Law**”)) is made.

In January 2010, the Corporation, through its subsidiary Adira Energy Israel Ltd. (“**Adira Israel**”), entered into an agreement with Modi'in Energy – Limited Partnership (“**MELP**”) and Modi'in Energy Management (1992) Ltd. (“**MEGP**”) whereby the Corporation transferred 70% of the participation interests in the Gabriella License to MELP. In addition, in January 2010, a subsidiary of Brownstone Energy Inc. (formerly Brownstone Ventures Inc.) (“**Brownstone**”) exercised its option to purchase 15% of the participation interests in the Gabriella License, which interests the Corporation understands have not been registered in the name of Brownstone with the Ministry of Energy and Water (Israel) (formerly the Ministry of National Infrastructures) (the “**Ministry**”). Pursuant to an agreement dated July 7, 2011 between Adira Israel and Brownstone, Adira Israel confirmed to Brownstone that it is holding 15% of the participation interests in the Gabriella License on Brownstone's behalf. The Corporation is currently the operator of the Gabriella License.

In addition to its 15% of the remaining participation interests in the Gabriella License, Adira Israel also has an option to require MELP to sell 15% of its participation interests in the Gabriella License at any time until the earlier of six months after a discovery or the end of the license period, including all renewals, which 15% will be deducted out of the 70% participation interest held by MELP. As at the date hereof, Adira Israel's option has not been registered with the Ministry.

The Corporation's pro rata share of exploration expenditures, being 15% of the costs up to the first US\$8 million of expenditures have been paid by MELP. The Corporation previously received a monthly fee of \$12,500 from MELP, which payments ended on February 1, 2012. In addition, the Corporation is entitled to receive: (a) 4.25% of the 7.5% management fees payable by MELP to MEGP; and (b) a royalty in the aggregate amount of 4.5% (2.25% from each of MELP and MEGP) from any resources extracted from the Gabriella License until MELP recovers the pro rata exploration expenditures incurred by it on behalf of the Corporation, after which time the royalty increases to an aggregate of 10.5% (5.25% from each of MELP and MEGP).

On the Gabriella License and Yitzhak License, Western Geco, a business segment of Schlumberger Limited, has completed a dual azimuth 511 sq. km and 129 sq. km 3D survey, respectively, which will help define the anticipated oil targets on both licenses.

The most recent estimations of resources related to the Gabriella License, based on the Gabriella Report, an independent report from Netherland, Sewell & Associates, Inc., on a gross (100%) unrisks basis is 110.1 million barrels of contingent oil (2C Best Estimate), 110.1 billion cubic feet of contingent gas (2C Best Estimate), 209.3 billion cubic feet of prospective gas (P50 Best Estimate) on the Gevar Am prospective reservoir, 257.1 billion cubic feet of prospective gas (P50 Best Estimate) on the Miocene prospective reservoir, 174.7 billion cubic feet of prospective gas (P50 Best Estimate) on the Talme Yafe prospective reservoir, 5.7 million barrels of prospective condensate (P50 Best Estimate) on the Gevar Am prospective reservoir, 7.0 million barrels of prospective condensate (P50 Best Estimate) on the Miocene prospective reservoir and 4.7 million barrels of prospective condensate (P50 Best Estimate) on the Talme Yafe prospective reservoir. The Gabriella Report was prepared by in accordance with National Instrument 51-101, *Standards of Disclosure for Oil and Gas Activities* (“**NI 51-101**”).

Yitzhak License

The Yitzhak License covers 31,555 acres (127.7 sq. km) and is located approximately 17 km offshore Israel between Hadera and Netanya, directly to the north of and contiguous to the Gabriella License. The Yitzhak License was issued in October 2009 to Adira Energy (85% working interest) and Brownstone (15% working interest, which interest has been registered with the Ministry) for an initial three year period and may be renewed upon fulfillment of certain conditions for a further four year period with a further renewal option of two years in the case of a reserve discovery. On February 23, 2012, the Corporation received approval from the Commissioner to update the expiration of the Yitzhak License to February 28, 2013. Thereafter, a lease (30-50 years) can be sought if a “discovery” (as defined in the Israeli Petroleum Law) is made.

On January 10, 2012, the Corporation announced that it received approval from the Commissioner for the farm-out of an aggregate of 25% of its interest in the Yitzhak License to two new partners, 5% to AGR Group ASA (“**AGR**”) and 20% to Ellomay Oil and Gas 2011 LP, a limited partnership (“**Ellomay**”) whose general partner is a wholly-owned subsidiary of Ellomay Capital Ltd. (“**Ellomay Capital**”). Accordingly, as at the date hereof, the Corporation continues to have a 60% interest in the Yitzhak License, Brownstone has a 15% working interest in the license, AGR has a 5% working interest in the license and Ellomay has a 20% working interest in the license. The Corporation and AGR Petroleum Services Holdings AS are currently the co-operators of the Yitzhak License. The Corporation, Brownstone, AGR and Ellomay are currently negotiating a joint operating agreement to regulate their commercial relationship in respect of the Yitzhak License.

The farm-out agreement between the Corporation and AGR dated November 29, 2011 (the “**AGR Farm-Out Agreement**”) provides, among other things, that: (a) AGR’s 5% working interest is to be carried by the remaining holders of the Yitzhak License through the exploration period; (b) AGR will pay the Corporation a 3% overriding royalty interest (“**ORRI**”) on AGR’s share of revenues from sold petroleum, until repayment of AGR’s expenditures in the work program and 4.5% ORRI from that date forward; (c) AGR will be designated lead operator in accordance with Israeli regulations defining “Operator”, with the continued involvement of the Corporation as co-operator; and (d) AGR has been appointed as engineering services contractor on the Yitzhak License with continued involvement of the Corporation as part of the core professional team led by AGR.

The farm-out agreement between the Corporation and Ellomay dated November 29, 2011 (the “**Ellomay Farm-Out Agreement**”) provides, among other things, that: (a) Ellomay will reimburse the Corporation for its proportionate share of the costs incurred by the Corporation on the Yitzhak License, plus interest at LIBOR plus 1%; and (b) Ellomay will also pay the Corporation a 3% ORRI on Ellomay’s share of revenues from sold petroleum, until repayment of Ellomay’s expenditures in the work program and 4.5% ORRI from that date forward.

The most recent estimations of resources related to the Yitzhak License, based on the Yitzhak Report, an independent report from Netherland, Sewell & Associates, Inc., on a gross (100%) unrisks basis is 79.1 million barrels of prospective oil (P50 Best Estimate) on the Jurassic prospective reservoir, 79.1 billion cubic feet of prospective gas (P50 Best Estimate) on the Jurassic prospective reservoir, 457.4 billion cubic feet of prospective gas (P50 Best Estimate) on the Gevar Am prospective reservoir, 486.7 billion cubic feet of prospective gas (P50 Best Estimate) on the Talme Yafe prospective reservoir, 12.4 million barrels of prospective condensate (P50 Best Estimate) on the Gevar Am prospective reservoir and 13.2 million barrels of prospective condensate (P50 Best Estimate) on the Talme Yafe prospective reservoir. The Yitzhak Report was prepared by in accordance with NI 51-101.

Samuel License

The Samuel License covers 88,708 acres (361 sq. km) and is located approximately 17 km offshore Israel adjacent to the shoreline between the City of Ashkelon in the South and the City of Rishon Le’zayon in the North. The Samuel License was issued on August 1, 2010 to Adira GeoGlobal Ltd. (“**Adira GeoGlobal**”) (30% interest), GeoGlobal Resources (India) Inc. (“**GGRI**”) (30% interest), Adira Oil Technologies Ltd. (“**Adira Oil**”) (23.25% interest), Pinetree Capital Ltd. (“**Pinetree**”) (10% interest) and Brownstone (6.75% interest) for an initial three year period and may be renewed for a further four year period and a further renewal option of two years in the case of a

reserve discovery. Thereafter, a lease (30-50 years) can be sought if a “discovery” (as defined in the Israeli Petroleum Law) is made. The Corporation’s net interest in the Samuel License is 41.25%, of which 23.25% is held through its 100% owned Canadian subsidiary Adira Oil and 18% of which is held through its 60% held subsidiary Adira GeoGlobal.

The exploration and extraction activity in the Samuel License is performed in the framework of a joint operating agreement (the “**JOA**”) between GGRI, Adira GeoGlobal, Adira Oil, Brownstone and Pinetree, whereby Adira GeoGlobal and GGRI are designated as joint operators of the Samuel License. In accordance with the JOA, the Corporation is entitled to receive one-half of an aggregate operating fee equal to 7.5% of the cumulative direct costs incurred in connection with operating the Samuel License and one-half of 3% ORRI.

Pursuant to an option agreement between GGRI and the holders of the Myra and Sara Licenses (as hereinafter defined), the holders of the Myra and Sara Licenses are entitled to acquire up to a 20% interest in the Samuel License, contingent on the Myra and Sara Option (as hereinafter defined).

In March 2011, a contract with ARIS Neftorazvedka LLC., a Russian geophysical contractor specializing in Ocean Bottom Deployed Cables (“**OBC**”), was signed for a system which provides high resolution recording of targets with little impact with surface traffic. The OBC system provides an excellent quality survey for shallow transient zones. The survey was completed in July, 2011 and the Corporation has engaged GX Technology EAME Ltd. to commence the processing of the 3D data, which the Corporation currently expects will be completed during the second quarter of 2012.

Myra and Sara Licenses

The Corporation also has an option (the “**Myra and Sara Option**”) to acquire up to a 5% participating interest in each of two deep water licenses offshore Israel, namely the Myra License and the Sara License (collectively, the “**Myra and Sara Licenses**”). The Myra and Sara Licenses are located offshore Israel approximately 60 km west of the City of Hadera. These license areas total 800 sq. km. In August 2010, the Corporation announced that it has signed a definitive co-operation agreement with GeoGlobal Resources Inc., and its wholly-owned subsidiary, GGRI (together, “**GGR**”) confirming the terms whereby GGR has agreed to assign an option it has to acquire up to a 5% participating interest in the Myra and Sara Licenses, to the Corporation.

The Myra and Sara Licenses are each subject to a separate joint operating agreement among the holders of the participating interests in the respective licenses (collectively, the “**M&S Operating Agreements**”). The M&S Operating Agreements govern the operations with respect to the exploration work on the Myra and Sara Licenses, and the acquisition or transfer of any interests in these licenses. As a condition to the exercise of the Myra and Sara Option, the Corporation will be required to become a signatory to the M&S Operating Agreements, which will require (i) the approval of existing signatories to the M&S Operating Agreements, and (ii) the approval of the Commissioner. Upon the exercise of the Myra and Sara Option, and upon receipt of the required approvals, the Corporation will be required to pay US\$1.2 million in one lump sum payment to certain parties of the M&S Operating Agreements. Additionally, the Corporation will be expected to pay its pro rata share of expenditures, pursuant to the M&S Operating Agreements.

In addition, under the terms of a cooperation agreement in respect of the Sara, Myra, Michal and Samuel Licenses between GGR, GGRI and Adira (the “**Cooperation Agreement**”), the parties agreed, among other things, that upon receipt of the approval of the partners in the Myra and Sara Licenses to transfer the Myra and Sara Option to the Corporation, and following registration of the Corporation as the owner of the rights under the option with the Ministry, the following provisions will apply in relation to the Samuel License: (a) in the event the partners in the Myra and Sara Licenses would be interested in exercising the first option for a 12.5% interest in the Samuel License or the second option for an additional 7.5% interest in the Samuel License, the respective interests of the Corporation and GGR in the Samuel License would be diluted proportionately, and (b) GGR and the Corporation would act to increase the level of the participation interests of GGR in the Samuel License by 3%, with appropriate dilution of the level of participation rights of Adira Oil, such that the rate of the holdings in the Samuel License would be: GGR – 45% (from 42%); Adira – 38.25% (from 41.25%); Brownstone – 6.75%; and Pinetree – 10%.

On November 30, 2011, one of the partners in the Myra and Sara Licenses, an existing signatory to the M&S Operating Agreements, announced that an agreement had been reached with GGR in which GGR would transfer the required funds in order to exercise its 5% option. On December 6, 2011, two of the partners in the Myra and Sara Licenses announced that GGR did not transfer the funds required and therefore the option had expired. Accordingly, there is no assurance that the Corporation will be able to exercise the Myra and Sara Option.

The Corporation does not currently consider the Myra and Sara Option material to its operations.

Onshore Licenses

On December 15, 2011, following the Corporation's determination that the continuation of exploration activities on the Corporation's Eitan License No. 356, covering 31,060 acres (125.7 sq. km.) in the Hula Valley in Northern Israel (the "**Eitan License**") would not lead to an economically viable project for the Corporation, the Corporation announced that it had relinquished the Eitan License and has commenced the process of surrendering the Eitan License in accordance with Israeli Petroleum Law.

The Corporation had a right to farm into 70% of the Notera License which is approximately 19,000 acres and contiguous and directly to the south of the Eitan License (the "**Notera License**"). In July 2011, the Corporation waived its right to farm into the Notera License. The Corporation has therefore terminated all agreements with Coalbed Gas Hachula Ltd, an Israel-based coalbed methane development company relating to the Notera License.

Corporate Developments

On February 27, 2012, Mr. Jeffrey Walter was appointed Chief Executive Officer.

On June 1, 2011, Mr. Hezi Kugler was appointed Chief Executive Officer and ceased to act as Chief Executive Officer on February 27, 2012.

In March 2011, Kost Forer Gabbay and Kasierer, a member firm of Ernst & Young Global, was appointed the new auditors of the Corporation.

USE OF PROCEEDS

The net proceeds from the Offering are estimated to be approximately \$● (or \$● in the event the Over-Allotment Option is exercised in full), after deduction of the Agents' Fee (assuming no participation by any "president's list" purchasers) and estimated expenses of the Offering of \$●. The Corporation intends to use the net proceeds from the Offering for the following purposes:

Purpose	Allocation of Proceeds
Advance the Corporation's exploration activities on the Gabriella License and Yitzhak License and actively continue with the Corporation's 2012 exploration and development program in a manner consistent with the Corporation's stated business objectives as follows:	
Securing drill rig contractors	\$●
Secure drill rig inventory that customarily requires an extended delivery time	\$●
Other exploration and development costs prior to drilling	\$●
General corporate purposes	\$●
Total:	\$●

If the Over-Allotment Option is exercised in full, the Corporation will receive additional net proceeds of \$● after deducting the Agents' Fee (assuming no participation by any "president's list" purchasers). The net proceeds from the exercise of the Over-Allotment Option, if any, will be applied to general corporate purposes.

Upon completion of the Offering, the Corporation will be better positioned to further its business objectives of exploration, appraisal and development of its oil and natural gas assets, which include focusing on exploration of oil and natural gas resources from the Offshore Licenses based on Adira's use of seismic data and geological reports. The Corporation intends to spend the proceeds of the Offering available to it as stated in this short form prospectus for a period of 12 months, based on current knowledge and planning by management of the Corporation. Pending the use of the net proceeds, the funds will be invested in guaranteed investment certificates and other quality short term investments at the discretion of management.

The foregoing use of proceeds represents management's current intentions with respect to the use of the net proceeds from the Offering and the allocation of such net proceeds as set out above is based on the Corporation's current plans and anticipated expenditures as of the date of this short form prospectus. In addition, the timing and amount of planned spending with respect to activities planned for the latter stages of exploration will depend upon the results of the exploration to such date. Actual allocation of net proceeds may vary from the foregoing discussion as management may find it necessary or advisable to reallocate the net proceeds within the categories described above or to use such proceeds for other purposes. See "Risk Factors".

The Corporation has no history of significant revenues from its operating activities. The Corporation reported negative operating cash flow in its most recently completed financial year for which financial statements have been incorporated by reference in this short form prospectus. See "Risk Factors". The Corporation anticipates that it will continue to have negative cash flow from operating activities in future periods until production is achieved on its Offshore Licenses. Accordingly, certain of the net proceeds of the Offering will be used to fund the Corporation's ongoing operations. See "Risk Factors".

PRIOR SALES

The following table sets forth the date on, number of and prices at which the Corporation has issued common shares of the Corporation or securities that are convertible or exercisable into common shares of the Corporation in the 12 months preceding the date of this short form prospectus:

Date	Issuance Type	Total Number	Issuance/Exercise Price per Security
May 3, 2011	Stock options	505,000	Exercise price of \$0.60 per common share
May 23, 2011	Common shares	437,936	Issued for \$0.25 pursuant to exercise of stock options
June 1, 2011	Stock options	2,276,218	Exercise price of \$0.50 per common share ⁽¹⁾
June 27, 2011	Stock options	100,000	Exercise price of \$0.50 per common share
July 21, 2011	Common shares	16,000	Issued for \$0.50 pursuant to exercise of warrants
August 17, 2011	Common shares	14,875	Issued for \$0.25 pursuant to exercise of stock options
August 25, 2011	Common shares	75,000	Issued for \$0.25 pursuant to exercise of stock options
August 31, 2011	Common shares	500,770	Issued for \$0.25 pursuant to exercise of warrants
September 8, 2011	Stock options	250,000	Exercise price of \$0.49 per common share
December 1, 2011	Stock options	625,000	Exercise price of \$0.50 per common share ⁽²⁾
March 14, 2012	Stock options	2,000,000	Exercise price of \$0.25 per common share

Notes:

- (1) Of these 2,276,218 stock options issued, only 1,138,109 stock options remaining outstanding.
- (2) Of these 625,000 stock options issued, only 590,000 stock options are remaining outstanding.

TRADING PRICE AND VOLUME

The following table sets forth, for the 12 months preceding the date of this prospectus, the reported high and low prices and the volume of trading of the common shares of the Corporation on the Exchange.

<u>Calendar Period</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume</u>
April 2011	0.71	0.57	1,014,151
May 2011	0.65	0.45	537,758
June 2011	0.67	0.43	1,441,888
July 2011	0.58	0.45	643,559
August 2011	0.56	0.30	476,161
September 2011	0.53	0.30	1,141,201
October 2011	0.435	0.27	565,169
November 2011	0.36	0.295	530,006
December 2011	0.31	0.20	840,014
January 2012	0.34	0.245	307,179
February 2012	0.30	0.155	2,467,812
March 2012	0.31	0.16	3,438,700

DIVIDEND RECORD AND POLICY

The Corporation has never declared nor paid dividends on its common shares. Currently, the Corporation intends to retain its future earnings, if any, to fund the development and growth of its business, and the Corporation does not anticipate declaring or paying any dividends on the common shares of the Corporation in the near future, although the Corporation reserves the right to pay dividends if and when it is determined to be advisable by the board of directors of the Corporation. As a result, shareholders will have to rely on capital appreciation, if any, to earn a return on investment in the common shares of the Corporation in the foreseeable future.

CONSOLIDATED CAPITALIZATION OF THE CORPORATION

The following table sets out the consolidated capitalization of the Corporation as of September 30, 2011 on an actual basis and on an as-adjusted basis after giving effect to the Offering. The following table should be read in conjunction with the most recent unaudited consolidated financial statements of the Corporation as at and for the nine-month period ended September 30, 2011, as well as the related management's discussion and analysis, which are incorporated by reference herein.

	As of September 30, 2011	
	Actual	As Adjusted for the Offering⁽¹⁾
	(Unaudited)	(Unaudited)
Share Capital ⁽²⁾ (Authorized – unlimited)	-	-
	101,768,453 Common Shares	● Common Shares
Common share purchase warrants ⁽³⁾	13,750,000	13,750,000
Common share purchase warrants ⁽⁴⁾	1,307,375	1,307,375
Broker Warrants	Nil	●

	As of September 30, 2011	
	Actual	As Adjusted for the Offering⁽¹⁾
	(Unaudited)	(Unaudited)
Additional Paid in Capital	US\$27,639,000	US\$ ●
Accumulated Deficit	(US\$16,871,000)	(US\$16,871,000)
Total shareholders' equity	US\$10,844,000	US\$ ●
Total liabilities and equity	US\$11,348,000	US\$ ●

Notes:

- (1) Based on the issuance of ● Common Shares for total gross proceeds of \$● before deducting the Agents' Fee and estimated expenses of the Offering and assuming no exercise of the Over-Allotment Option. See "Plan of Distribution".
- (2) As of September 30, 2011, the Corporation had outstanding options to acquire an aggregate of 8,759,218 common shares of the Corporation pursuant to its stock option plan at prices ranging between \$0.25 and \$0.80 per common share with expiry dates to June 26, 2016.
- (3) On December 3, 2010, the Corporation issued certain third parties an aggregate of 13,750,000 common share purchase warrants, which warrants had an exercise price of \$0.55 per share with an expiry date of December 3, 2013.
- (4) On December 3, 2010, the Corporation issued certain third parties an aggregate of 1,307,375 common share purchase warrants, which warrants had an exercise price of \$0.40 per share with an expiry date of December 3, 2013.

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

Common Shares

This short form prospectus qualifies the distribution of common shares of the Corporation, the material attributes of which are described below. The authorized capital of the Corporation consists of an unlimited number of common shares of the Corporation. As of April 2, 2012, 101,768,453 common shares of the Corporation are issued and outstanding.

Holders of common shares of the Corporation are entitled to receive notice of any meetings of shareholders, and to attend and to cast one vote per common share at all such meetings. Shareholders do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the common shares of the Corporation entitled to vote in any election of directors may elect all directors standing for election. Shareholders are entitled to receive on a pro rata basis such dividends, if any, as and when declared by the Board at its discretion from funds legally available therefor, and upon the liquidation, dissolution or winding up of the Corporation are entitled to receive on a pro rata basis the net assets of the Corporation after payment of debts and other liabilities. The common shares of the Corporation do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions or material restrictions or requirements to contribute additional capital.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Corporation has appointed the Agents and the Agents have agreed to offer for sale and purchase on a "best efforts" basis, without underwriter liability, subject to prior sale and if, as and when issued by the Corporation in accordance with the terms and conditions set out in the Agency Agreement, up to ● Common Shares at a price of \$● per Common Share, for aggregate gross proceeds of up to \$●. The Issue Price was

determined based on arm's length negotiations between the Agents and the Corporation with reference to the prevailing market price of the common shares of the Corporation. It is anticipated that the size of the Offering will be for approximately \$15 million (not including the exercise of the Over-Allotment Option), however the definitive size of the Offering will be determined by the Corporation and the Agents in the context of the market.

The Corporation has granted to the Agents the Over-Allotment Option, exercisable, in whole or in part, in the sole discretion of the Agents, to purchase up to an additional ● Over-Allotment Shares, at the Issue Price for a period of 30 days from and including the Closing Date, for market stabilization purposes and to cover the Agents' over-allocation position, if any. A purchaser who acquires Over-Allotment Shares forming part of the Agents' over-allocation position acquires such Over-Allotment Shares under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. If the Over-Allotment Option is exercised in full, the total price to the public, Agents' Fee and net proceeds to the Corporation will be \$●, \$● and \$●, respectively, before deducting expenses of the Offering. This short form prospectus qualifies both the grant of the Over-Allotment Option and the distribution of the Over-Allotment Shares.

The Agency Agreement provides that the Corporation shall pay the Agents the Agents' Fee equal to 6% of the gross proceeds of the Offering, including, for greater certainty, on the gross proceeds of any Over-Allotment Shares issued upon the exercise of the Over-Allotment Option, other than in respect of orders from "president's list" purchasers on which only a cash commission of 2% will be paid on such proceeds. As additional compensation, the Corporation will issue to the Agents that number of non-transferable Broker Warrants equal to 6% of the total number of Common Shares sold under the Offering (including any Over-Allotment Shares issued upon exercise of the Over-Allotment Option), other than in respect of orders from certain "president's list" purchasers on which no Broker Warrants will be issued. Each Broker Warrant will be exercisable for one Broker Share at the Issue Price for a period of 24 months following the Closing Date. This short form prospectus qualifies the distribution of the Common Shares and the grant and distribution of the Broker Warrants.

In addition, the Corporation has agreed to pay all costs and expenses of the Agents in connection with the Offering, including their reasonable out-of-pocket expenses and the reasonable fees and disbursements of their respective counsel and consultants.

The Common Shares are being offered in each of the provinces of British Columbia, Alberta and Ontario through the Agents or their respective affiliates who are registered to offer the Common Shares for sale in such provinces and such other registered dealers as may be designated by the Co-Lead Agents, on behalf of the Agents. Subject to applicable law, the Agents may offer the Common Shares outside of Canada. No securities will be offered or sold in any jurisdiction except by or through brokers or dealers duly registered under applicable laws of that jurisdiction, or in circumstances where an exemption from such registered dealer requirements is available.

The obligations of the Agents under the Agency Agreement are subject to certain closing conditions and may be terminated at their sole discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events. The Corporation has agreed to indemnify the Agents and their respective affiliates, directors, officers, shareholders, employees and agents against certain liabilities and expenses and to contribute to payments that the Agents may be required to make in respect thereof.

Subscriptions will be received subject to rejection or allotment, in whole or in part, and the right is reserved by the Agents to close the subscription books at any time without notice. On the Closing Date, the Common Shares (other than those offered or sold in the United States, or to persons who are acting for the account or benefit of persons in the United States, which will be represented by individual definitive certificates bearing U.S. restrictive legends) will be issued in registered or electronic form to CDS or its nominee and will be deposited to CDS against payment of the aggregate purchase price for the Common Shares. Purchasers of Common Shares (other than those offered or sold in the United States, or to persons who are acting for the account or benefit of persons in the United States) will receive only a customer confirmation from the registered dealer that is a CDS participant and from or through which the Common Shares are purchased. The Agents, pending closing of the Offering, will hold all subscription funds received in trust subject to and pursuant to the provisions of the Agency Agreement. If the Closing Date does not

occur within ninety (90) days from the date a receipt is issued for the (final) short form prospectus (or such later date as the securities regulatory authorities may permit), the Offering will be discontinued and all subscription funds received by the Agents in connection with the Offering will be returned to subscribers without interest, set-off or deduction.

Provided the Offering is completed, the Corporation agrees not to issue any additional common shares or securities convertible into common shares for a period of 90 days from the Closing Date without the prior written consent of GMP, such consent not to be unreasonably withheld, except in conjunction with: (i) the grant or exercise of stock options and other similar issuances pursuant to the existing share incentive plan of the Corporation and other existing share compensation arrangements; and (ii) currently outstanding convertible securities. Notwithstanding the foregoing, the Corporation shall be entitled to issue additional common shares or securities convertible into common shares within the 90 day period following the Closing Date pursuant to a financing in connection with a listing on the Tel Aviv Stock Exchange (the “**TASE Financing**”), provided that the Corporation receives the consent of GMP prior to committing to the TASE Financing, such consent not to be unreasonably withheld.

In addition, the Corporation has also agreed to use reasonable best efforts to cause its executive officers to enter into lock-up agreements on terms and conditions satisfactory to the Agents, in which they will covenant and agree that they will not for a period of 90 days following the Closing Date, directly or indirectly, issue, sell, offer, or otherwise dispose of or deal with, or publicly announce any intention to do any of the foregoing, Common Shares or other securities of the Corporation held by them, directly or indirectly, other than as permitted pursuant to the terms of the lock-up agreements.

The Agents propose to offer the Common Shares to the public initially at the Issue Price. After the Agents have made reasonable efforts to sell the Common Shares at the Issue Price, the Issue Price to the public may be decreased, and further changed from time to time to an amount not greater than the Issue Price. The compensation realized by the Agents will be decreased by the amount that the aggregate price paid by purchasers for the Common Shares is less than the gross proceeds paid by the Agents to the Corporation. The Agents will inform the Corporation if the Issue Price is decreased.

Pursuant to the rules and policy statements of certain Canadian securities regulators, the Agents may not, at any time during the distribution period under this short form prospectus, bid for or purchase any common shares of the Corporation. The foregoing restriction is, subject to certain exceptions, including: (a) a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities and stock exchanges, including the Universal Market Integrity Rules for Canadian Marketplaces administered by the Investment Industry Regulatory Organization of Canada, relating to market stabilization and passive market-making activities; (b) a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution; and (c) a bid or purchase to cover a short position entered into prior to the period of distribution as prescribed by the rules. Any such trades are permitted only on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of the common shares of the Corporation. Subject to the foregoing and to applicable laws, in connection with the Offering, the Agents may over-allot the common shares of the Corporation or effect transactions intended to stabilize or maintain the market price of the common shares of the Corporation at a higher level than that which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time during the Offering.

The Corporation has applied to list the Common Shares (including any Over-Allotment Shares) and the Broker Shares on the Exchange. Listing of the Common Shares, the Over-Allotment Shares and the Broker Shares will be subject to the Corporation fulfilling all of the listing requirements of the Exchange.

This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy Common Shares in the United States. The Common Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”), or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, any person in the United States, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Agents have agreed that they (or their respective U.S. affiliates which conduct U.S. offers) will not offer or sell the

Common Shares within the United States, or to, or for the account or benefit of, any person in the United States, except that it (or such U.S. affiliate) may offer the Common Shares to certain “accredited investors” (as such term as defined in Rule 501(a) of Regulation D under the U.S. Securities Act), for sale directly thereto by the Corporation, in accordance with Rule 506 of Regulation D and in compliance with applicable state securities laws. The Agency Agreement provides that the Agents will offer and sell the Common Shares outside the United States only in accordance with Regulation S under the U.S. Securities Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Common Shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from such registration requirements.

The common shares of the Corporation are registered under Section 12(g) of the United States Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), and, accordingly, the Corporation is currently subject to the reporting requirements imposed by Section 13 of the Exchange Act.

No action has been taken in any jurisdiction by the Corporation or the Agents that would permit a public offering of the Common Shares, other than in Canada. No offer or sale of the Common Shares may be made in any jurisdiction except in compliance with the applicable laws thereof. Persons receiving this short form prospectus are responsible for informing themselves about and observing any restrictions as to the Offering and the distribution of this short form prospectus.

RISK FACTORS

An investment in the Common Shares is subject to a number of risks. You should consider the risks described below carefully and all of the information contained in this short form prospectus (including all documents incorporated by reference herein) before deciding whether to purchase the Common Shares. The risks and uncertainties described below are not the only risks and uncertainties that the Corporation faces or that an investment in the Common Shares entails. Additional risks and uncertainties not presently known to the Corporation or that the Corporation currently deems immaterial may also impair its business operations. Any of the following risks could materially and adversely affect the Corporation’s business, financial condition, prospects and results of operations. In that event, the price of the Common Shares could decline and you may lose all or part of your investment in the Common Shares. The risks discussed below also include forward-looking statements and the Corporation’s actual results may differ substantially from those discussed in these forward-looking statements. See “Forward-Looking Statements.”

Risks Associated with the Corporation

The Corporation’s independent auditors have referred to circumstances which might result in doubt about the Corporation’s ability to continue as a going concern, which may hinder the Corporation’s ability to obtain future financing.

Adira incurred a net loss of US\$7.8 million for the nine-month period ended September 30, 2011. At September 30, 2011, Adira had an accumulated deficit of US\$16.8 million. These circumstances raise doubt about the Corporation’s ability to continue as a going concern, as described in the Note 1 to the Corporation’s audited financial statements for the period ended December 31, 2010, which are incorporated by reference herein. Although the Corporation’s audited financial statements refer to circumstances which might raise doubt about the Corporation’s ability to continue as a going concern, they do not reflect any adjustments that might result if the Corporation is unable to continue its business.

The Corporation is an early-stage oil and gas exploration company without significant revenues. The Corporation’s ability to continue in business depends upon its continued ability to obtain significant financing from external sources and the success of the Corporation’s exploration efforts and any production efforts resulting therefrom, none of which can be assured.

The Corporation is an early-stage oil and gas exploration company without any significant revenues, and there can be no assurance of the Corporation's ability to develop and operate its projects profitably. It has historically depended entirely upon capital infusion from the issuance of equity securities to provide the cash needed to fund its operations, but there is no assurance that it will be able to continue to do so. The Corporation's ability to continue in business depends upon its continued ability to obtain significant financing from external sources and the success of its exploration efforts and any production efforts resulting therefrom. Any reduction in the Corporation's ability to raise equity capital in the future would force it to reallocate funds from other planned uses and could have a significant negative effect on the Corporation's business plans and operations, including its ability to continue its current exploration activities.

While the Corporation may in the future generate additional working capital through the development, operation, sale or possible syndication of its current property or any future properties, there is no assurance that the Corporation will be successful in generating positive cash flow, or if successful, that any such funds will be available for distribution to shareholders or to fund further exploration and development programs.

The Corporation has had negative cash flows from operations, and there is no assurance that its current resources will be sufficient to fund its operations on an ongoing basis. The Corporation's business operations may fail if its actual cash requirements exceed its estimates and it is not able to obtain further financing.

The Corporation will require significant capital to complete its drill test wells, and to build the necessary infrastructure to commence operations if its exploration activities result in the discovery of sufficient oil and gas reserves to justify exploitation and development.

Since inception, the Corporation has not earned any significant revenues from operations, and due to the length of time between the discovery of oil and gas reserves and their exploitation and development, it does not anticipate earning significant revenues from operation in the near future. The Corporation has incurred and will continue to incur significant expenses. As at September 30, 2011, the Corporation had cash and equivalents on hand of US\$8.8 million. The Corporation will have to seek additional financing to fund the advanced exploration on its assets, if warranted. Further, the Corporation cannot provide any assurance that its actual cash requirements will not exceed its estimates, and in any case it will require additional financing to bring its interests into commercial operation, finance working capital, meet its contractual minimum expenditures and pay for operating expenses and capital requirements until it achieves a positive cash flow. Additional capital also may be required in the event that the Corporation incurs any significant unanticipated expenses.

In light of the Corporation's operating history, and under the current capital and credit market conditions, it may not be able to obtain additional equity or debt financing on acceptable terms if and when needed. Even if financing is available, it may not be available on terms that are favourable to the Corporation or in sufficient amounts.

If the Corporation requires, but is unable to obtain, additional financing in the future, it may be unable to implement its business plan and growth strategies, respond to changing business or economic conditions, withstand adverse operating results, and compete effectively. More importantly, if it is unable to raise further financing when required, the Corporation's planned exploration activities may have to be scaled down or even ceased, and the Corporation's ability to generate revenues in the future would be negatively affected.

As a holding company, the Corporation's ability to make payments will eventually depend on the cash flows of its subsidiaries.

The Corporation is a holding company that conducts substantially all of its operations through its subsidiaries incorporated outside North America. The Corporation has no direct operations and no significant assets other than the shares of its subsidiaries and cash proceeds received from any financings, which cash is subsequently provided to the Corporation's subsidiaries. Assuming this holding company structure remains, the Corporation will be dependent on the cash flows from its subsidiaries to meet its obligations, including payment of principal and interest on any debt the Corporation incurs. The ability of certain of the Corporation's subsidiaries to provide the Corporation with payments may be constrained by the following factors:

- the cash flows generated by operations, investment activities and financing activities;
- the level of taxation, particularly corporate profits and withholding taxes; and
- the introduction of exchange controls and repatriation restrictions or the availability of hard currency to be repatriated.

If the Corporation is unable to receive sufficient cash from its subsidiaries, it may be required to refinance any indebtedness it incurs, raise funds in a public or private equity or debt offering or sell some or all of its assets. The Corporation can provide no assurances that an offering of its debt or equity or a refinancing of its debt can or will be completed on satisfactory terms or that it would be sufficient to enable the Corporation to make payment with respect to its debt. The foregoing events could have an adverse impact on its future cash flows, earnings, results of operations and financial condition.

The majority of the Corporation's assets are outside of Canada, with the result that it may be difficult for investors to enforce within Canada any judgments obtained against it or some of the Corporation's directors or officers.

The majority of the Corporation's assets are located outside of Canada. In addition, some of the Corporation's directors and officers are nationals and/or residents of countries other than Canada, and all or a substantial portion of such persons' assets are located outside of Canada. As a result, it may be difficult for investors to enforce within Canada any judgments obtained against the Corporation or the Corporation's officers or directors, including judgments predicated upon the civil liability provisions of the securities laws of Canada or any province thereof. Consequently, investors may be effectively prevented from pursuing remedies against the Corporation under Canadian securities laws.

The Corporation may be adversely affected by current global financial conditions.

Current global financial conditions have been characterized by increased volatility and several financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing and bank credit has been negatively impacted by both the rapid decline in value of sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These and other factors may affect the Corporation's ability to obtain equity or debt financing in the future on favourable terms. Additionally, these factors, as well as other related factors, may cause decreases in the Corporation's asset values that may be other than temporary, which may result in impairment losses. If such increased levels of volatility and market turmoil continue, or if more extensive disruptions of the global financial markets occur, the Corporation's operations could be adversely impacted and the market value of the common shares of the Corporation may be adversely affected.

Currency fluctuations could have an adverse effect on the Corporation's business.

The Corporation's earnings and cash flow may also be affected by fluctuations in the exchange rate between the United States dollar and other currencies, such as the New Israeli Shekel ("NIS"), the Canadian dollar and to a limited extent, the Euro. The Corporation's consolidated financial statements are expressed in United States dollars. The Corporation's sales of oil and gas, if any, will be denominated in United States dollars, while exploration costs and operating costs are, in part, denominated in NIS, United States dollars and Canadian dollars.

Fluctuations in exchange rates between the Canadian dollar and other currencies may give rise to foreign exchange currency exposures, both favourable and unfavourable, which have materially impacted and in the future may materially impact the Corporation's future financial results. The Corporation does not utilize a hedging program to limit the adverse effects of foreign exchange rate fluctuations.

Conditions in Israel may affect the Corporation's operations.

The Corporation's subsidiaries conduct their principal operations in Israel, and therefore are directly affected by the political, economic, and military conditions affecting Israel and the Middle East. Armed conflicts between Israel and its neighbouring countries and territories occur periodically and a protracted state of hostility, varying in degree and intensity over time, has in the past led to security and economic difficulties for Israel. These hostilities, any escalation thereof or any future armed conflict or violence in the region, could adversely affect the Corporation's operations. In addition, the Corporation could be adversely affected by other events or factors affecting Israel such as the interruption or curtailment of trade between Israel and its present trading partners, a significant downturn in the economic or financial condition of Israel, a significant downgrading of Israel's international credit rating, labour disputes and strike actions and political instability.

The Corporation's financial reporting may be subject to weaknesses in internal controls.

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

The Corporation cannot be certain that current expected expenditures and completion/testing programs will be realized.

The Corporation believes that the costs used to prepare internal budgets are reasonable, however, there are assumptions, uncertainties, and risk that may cause the Corporation's allocated funds on a per well basis to change as a result of having to alter certain activities from those originally proposed or programmed to reduce and mitigate uncertainties and risks. These assumptions, uncertainties, and risks are inherent in the completion and testing of wells and can include but are not limited to: pipe failure, casing collapse, unusual or unexpected formation pressure, environmental hazards, and other operating or production risk intrinsic in oil and/or gas activities. Any of the above may cause a delay in the Corporation's completion program and its ability to determine reserve potential.

The Corporation's lack of diversification increases the risk of an investment in the Corporation, and its financial condition and results of operations may deteriorate if the Corporation fails to diversify.

The Corporation's business focus is on oil and gas exploration on a single property in Israel. As a result, the Corporation lacks diversification, in terms of both the nature and geographic scope of its business. The Corporation will likely be impacted more acutely by factors affecting its industry or the regions in which the Corporation operates than it would if its business were more diversified. If the Corporation cannot diversify its operations, its financial condition and results of operations could deteriorate.

The Corporation may not effectively manage the growth necessary to execute its business plan.

The Corporation's business plan anticipates a significant increase in the number of its contractors, strategic partners and equipment suppliers. This growth will place significant strain on its current personnel, systems and resources. The Corporation expects that it will be required to hire qualified consultants and employees to help it manage its growth effectively. The Corporation believes that it will also be required to improve its management, technical, information and accounting systems, controls and procedures. The Corporation may not be able to maintain the quality of its operations, control its costs, continue complying with all applicable regulations and expand its internal management, technical information and accounting systems to support its desired growth. If the Corporation fails to manage its anticipated growth effectively, its business could be adversely affected.

The Corporation has agreed to indemnify its directors against liabilities incurred by them as directors.

The Corporation has agreed to indemnify its directors from and against all costs, charges and expenses reasonably incurred by them in respect of any civil, criminal or administrative action or proceeding to which they are made a

party or with which they are threatened by reason of being or having been a director of the Corporation, provided that (a) they have acted honestly and in good faith with a view to the best interests of the Corporation; and (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, they had reasonable grounds for believing that their conduct was lawful. This indemnity may reduce the likelihood of derivative litigation against its directors and may discourage or deter the Corporation's shareholders from suing its directors.

Risks Associated with the Corporation's Business

The Corporation has not discovered any oil and gas reserves, and there is no assurance that it ever will.

The Corporation is in the business of exploring for oil and natural gas, and the development and exploitation of any significant reserves that are found. Oil and gas exploration involves a high degree of risk that the exploration will not yield positive results. These risks are more acute in the early stages of exploration. The Corporation has not discovered any reserves, and it cannot guarantee that it ever will. Even if the Corporation succeeds in discovering oil or gas reserves, these reserves may not be in commercially viable quantities or locations. Until the Corporation discovers such reserves, it will not be able to generate any revenues from exploitation and development. If the Corporation is unable to generate revenues from the development and exploitation of oil and gas reserves, the Corporation will be forced to change its business or cease operations.

The Corporation's business will suffer if it cannot obtain or maintain necessary licenses.

The Corporation's operations require licenses, permits and in some cases renewals of licenses and permits from various governmental authorities. Specifically, the licenses awarded to the Corporation by the Government of Israel have terms of three years and must be renewed in order to extend the license beyond this initial term. Although the licenses have received one extension, there can be no assurance that the Corporation will be able to secure any additional extensions, if necessary. Among other factors, the Corporation's ability to obtain, sustain or renew such licenses and permits on acceptable terms is subject to change in regulations and policies and to the discretion of the applicable governments. The Corporation's inability to obtain, maintain or acquire extensions for these licenses or permits could hamper its ability to produce revenues from operations. Other oil and gas companies may seek to acquire property leases and licenses that the Corporation will need to operate its business. This competition has become increasingly intense as the price of oil on the commodities markets has risen in recent years. This competition may prevent the Corporation from obtaining licenses the Corporation deems necessary for its business, or it may substantially increase the cost of obtaining these licenses.

The Corporation may be liable to pay operating expenditures respecting its licenses exceeding its pro rata share of such expenditures.

The Corporation is a party to certain joint operation agreements respecting its licenses pursuant to which it has agreed to pay its pro rata share of operating expenditures in connection with the licenses. In accordance with the terms and conditions of such joint operation agreements, if a party to such joint operation agreement fails to pay its pro rata share of the expenditures, the Corporation may be liable to cover such defaulting party's pro rata share of the expenditures based on the Corporation's interest in the license to ensure compliance with the terms and expenditure requirements under the work plan. If the Corporation does not have sufficient funds to cover the defaulting party's pro rata share of expenditures, the Corporation may not be able to maintain its licenses in good standing, causing them to be revoked, suspended or cancelled, which would have a material adverse effect on the Corporation.

The Corporation might incur debt in order to fund its exploration and development activities, which would continue to reduce the Corporation's financial flexibility and could have a material adverse effect on its business, financial condition or results of operation.

It is possible that the Corporation might incur debt in order to fund exploration and development activities, which would continue to reduce the Corporation's financial flexibility and could have a material adverse effect on the Corporation's business, operations and results of operations and financial condition. General economic conditions,

oil and gas prices and financial, business and other factors affect the Corporation's operations and future performance. Many of these factors are beyond the Corporation's control. No assurances can be made that the Corporation will be able to generate sufficient cash flow to pay the interest on its debt or that future working capital, borrowings or equity financing will be available to pay or refinance such debt. Factors that will affect its ability to raise cash through an offering of common shares of the Corporation or other types of equity securities, or a refinancing of debt include financial market conditions, the value of its assets and performance at the time the Corporation needs capital. No assurances can be made that the Corporation will have sufficient funds to make such payments. If the Corporation does not have sufficient funds and is otherwise unable to negotiate renewals of the Corporation's borrowings or arrange new financing, the Corporation might be required to sell significant assets. Any such sale could have a material adverse effect on the Corporation's business, financial condition and results of operations.

The Corporation's assets and operations are subject to government regulation in Israel.

The Corporation's interests and operations in Israel may be affected in varying degrees by government regulations relating to the oil and gas industry. Any changes in regulations or shifts in political conditions are beyond the control of the Corporation and may adversely affect the Corporation's business. The Corporation's operations may be affected in varying degrees by new government regulations and changes to existing regulations, including those with respect to restrictions on exploration and production, price controls, export controls, income taxes, employment, land use, water use, environmental legislation and safety regulations. On April 10, 2011, the Petroleum Profits Taxation Law, 5771-2011 (the "**Petroleum Taxation Law**") was published based largely on the conclusions and recommendations of the Sheshinski Committee, a government appointed committee in Israel which was tasked with examining the fiscal system prevailing in Israel in respect of petroleum and gas resources and proposing an updated fiscal policy. The Petroleum Taxation Law imposes a progressive levy (the "**Levy**") on profits derived from petroleum reserve, in addition to the 12.5% royalty payable under the old tax regime which remains unchanged. The Levy is designed to capitalize on the economic benefits from each individual reservoir and is imposed only after the investment in exploration, development and construction are fully returned, plus a yield that reflects, among other things, the developer's risk and required financial expenses. As a result of the Levy, the aggregate government take from oil and gas revenue is expected to increase from approximately 33% to about 52% to 62%. The implementation of the Petroleum Taxation Law may have an adverse effect on the Corporation's business, financial conditions and results as the Corporation's business matures.

The Corporation's future success depends upon its ability to find, develop and acquire additional oil and natural gas reserves that are economically recoverable.

In the event that the Corporation is able to find and develop oil and natural gas reserves which are economically recoverable, the rate of production from those reservoirs will decline as reserves are depleted. As a result, the Corporation must locate and develop or acquire new oil and natural gas reserves to replace those being depleted by production. The Corporation must do this even during periods of low oil and natural gas prices when it is difficult to raise the capital necessary to finance activities. Without successful exploration or acquisition activities, the Corporation's reserves and revenues will decline. The Corporation may not be able to find and develop or acquire additional reserves at an acceptable cost or have necessary financing for these activities.

Oil and natural gas drilling is a high-risk activity.

The Corporation's future success will depend on the success of its exploration and drilling programs. In addition to the numerous operating risks described in more detail below, these activities involve the risk that no commercially productive oil or natural gas reservoirs will be discovered. In addition, the Corporation is uncertain as to the future cost or timing of drilling, completing and producing wells. Furthermore, the Corporation's drilling operations may be curtailed, delayed or cancelled as a result of a variety of factors, including, but not limited to, the following: unexpected drilling conditions; pressure or irregularities in formations; equipment failures or accidents; adverse weather conditions; inability to comply with governmental requirements; and shortages or delays in the availability of drilling rigs and the delivery of equipment. If the Corporation experiences any of these problems, its ability to conduct operations could be adversely affected.

The Corporation's success depends on its ability to attract and retain qualified personnel.

Recruiting and retaining qualified personnel is critical to the Corporation's success. The number of persons skilled in the acquisition, exploration and development of oil and gas properties is limited and competition for such persons is intense. As the Corporation's business activity grows, it will require additional key financial, administrative and qualified technical personnel as well as additional operations staff. Although the Corporation believes that it will be successful in attracting, training and retaining qualified personnel, there can be no assurance of such success. If it is not successful in attracting and training qualified personnel, the efficiency of the Corporation's operations could be affected, which could have an adverse impact on its future cash flows, earnings, results of operations and financial condition. The Corporation's development now and in the future will also depend on the efforts of key management figures. The loss of any of these key people could have a material adverse effect on the Corporation's business. It does not currently maintain key-man life insurance on any of its key employees.

The Corporation faces strong competition from other energy companies that may negatively affect its ability to carry on operations.

The Corporation operates in the highly competitive areas of oil and natural gas exploration, development and production. Factors which affect the Corporation's ability to successfully compete in the marketplace include, but are not limited to, the following: the availability of funds and information relating to a property; the standards established by us for the minimum projected return on investment; the availability of alternate fuel sources; and the transportation of gas.

The Corporation's competitors include major integrated oil companies, substantial independent energy companies, affiliates of major pipeline companies, and national and local natural gas gatherers. Many of these competitors possess greater financial and other resources than the Corporation does.

The Corporation might not be able to determine reserve potential, identify liabilities associated with the properties or obtain protection from sellers against them, which could cause it to incur losses.

Although the Corporation believes it has reviewed and evaluated its properties in Israel in a manner consistent with industry practices, such review and evaluation might not necessarily reveal all existing or potential problems. This is also true for any future acquisitions made by the Corporation. Inspections may not always be performed on every well, and environmental problems, such as groundwater contamination, are not necessarily observable even when an inspection is undertaken. Even when problems are identified, a seller may be unwilling or unable to provide effective contractual protection against all or part of those problems, and the Corporation often assumes environmental and other risks and liabilities in connection with the acquired properties.

You should not place undue reliance on reserve information because reserve information represents estimates.

There are numerous uncertainties inherent in estimating quantities of proved reserves and cash flows from such reserves, including factors beyond the Corporation's control and the control of engineers. Reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact manner. The accuracy of an estimate of quantities of reserves, or of cash flows attributable to these reserves, is a function of many factors, including, but not limited to, the following: available data; assumptions regarding future oil and natural gas prices; estimates of future production rates; expenditures for future development and exploitation activities; and engineering and geological interpretation and judgment.

Reserves and future cash flows may also be subject to material downward or upward revisions based upon production history, development and exploitation activities and oil and natural gas prices. Actual future production, revenue, taxes, development expenditures, operating expenses, quantities of recoverable reserves and value of cash flows from those reserves may vary significantly from the estimates. In addition, reserve engineers may make different estimates of reserves and cash flows based on the same available data.

The nature of oil and gas exploration makes the estimates of costs uncertain, and the Corporation's operations may be adversely affected if it underestimates such costs.

It is difficult to project the costs of implementing an exploratory drilling program. Complicating factors include the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions, such as over-pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof. If the Corporation underestimates the costs of such programs, it may be required to seek additional funding, shift resources from other operations or abandon such programs.

Losses and liabilities arising from uninsured or under-insured hazards could have a material adverse effect on the Corporation's business.

If the Corporation develops and exploits oil and gas reserves, those operations will be subject to the customary hazards of recovering, transporting and processing hydrocarbons, such as fires, explosions, gaseous leaks, migration of harmful substances, blowouts and oil spills. An accident or error arising from these hazards might result in the loss of equipment or life, as well as injury, property damage or other liability. The Corporation cannot provide any assurance that it will obtain insurance on reasonable terms or that any insurance it may obtain will be sufficient to cover any such accident or error. The Corporation's operations could be interrupted by natural disasters or other events beyond its control. Losses and liabilities arising from uninsured or under-insured events could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Compliance with environmental and other government regulations could be costly and could negatively impact production.

All phases of the oil and gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of laws and regulations. The Corporation's operations are subject to laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. The recent trend toward stricter standards in environmental legislation and regulation is likely to continue. The enactment of stricter legislation or the adoption of stricter regulation could have a significant impact on the Corporation's operating costs, as well as on the oil and natural gas industry in general.

The Corporation's existing property, and any future properties that it may acquire, may be subject to pre-existing environmental liabilities.

Pre-existing environmental liabilities may exist on the property in which the Corporation currently holds an interest or on properties that may be subsequently acquired by it which are unknown to the Corporation and which have been caused by previous or existing owners or operators of the properties. In such event, the Corporation may be required to remediate these properties and the costs of remediation could be substantial. Further, in such circumstances, it may not be able to claim indemnification or contribution from other parties. In the event the Corporation were required to undertake and fund significant remediation work, such event could have a material adverse effect upon the Corporation and the value of the common shares of the Corporation, including the Common Shares.

Penalties the Corporation may incur could impair its business.

Failure to comply with government regulations could subject the Corporation to civil and criminal penalties, could require the Corporation or the Corporation's venture to forfeit property rights or licenses, and may affect the value of the Corporation's assets. The Corporation may also be required to take corrective actions, such as installing additional equipment, which could require substantial capital expenditures. It could also be required to indemnify its employees in connection with any expenses or liabilities that they may incur individually in connection with regulatory action against them. As a result, the Corporation's future business prospects could deteriorate due to regulatory constraints, and its profitability could be impaired by its obligation to provide such indemnification to its employees.

Strategic relationships upon which the Corporation may rely are subject to change, which may diminish the Corporation's ability to conduct its operations.

The Corporation's ability to successfully acquire additional licenses, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements depends on developing and maintaining close working relationships with industry participants and government officials and on its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment. It may not be able to establish these strategic relationships, or if established, it may not be able to maintain them. In addition, the dynamics of the Corporation's relationships with strategic partners may require it to incur expenses or undertake activities it would not otherwise be inclined to undertake in order to fulfill its obligations to these partners or maintain its relationships. If the Corporation's strategic relationships are not established or maintained, its business prospects may be limited, which could diminish its ability to conduct its operations.

Political instability or fundamental changes in the leadership or in the structure of the governments in the jurisdictions in which the Corporation operates could have a material negative impact on the Corporation.

The Corporation's interests may be affected by political and economic upheavals. Although the Corporation currently operates in jurisdictions that welcome foreign investment and are generally stable, there is no assurance that the current economic and political situation in these jurisdictions will not change drastically in coming years. Local, regional and world events could cause the jurisdictions in which it operates to change the applicable resource laws, tax laws, foreign investment laws, or to revise their policies in a manner that renders its current and future projects non-economic.

Even if the Corporation discovers and then develops oil and gas reserves, it may have difficulty distributing its production.

If the Corporation's exploration activities result in the discovery of oil and gas reserves, and if it is able to successfully develop and exploit such reserves, it will have to make arrangements for storage and distribution of oil and gas. The Corporation would have to rely on local infrastructure and the availability of transportation for storage and shipment of oil and gas products, but any readily available infrastructure and storage and transportation facilities may be insufficient or not available at commercially acceptable terms. The marketability of the Corporation's production, if any, will depend in part upon the availability, proximity, and capacity of oil and natural gas pipelines, crude oil trucking, natural gas gathering systems and processing facilities. This could be particularly problematic to the extent that operations are conducted in remote areas that are difficult to access, such as areas that are distant from shipping or pipeline facilities. Furthermore, weather conditions or natural disasters, actions by companies doing business in one or more of the areas in which the Corporation or the Corporation's venture will operate, or labour disputes may impair the distribution of oil and gas. In addition, Israel has little or no storage capacity and the currently available distribution infrastructure is limited. These factors may affect the ability to explore and develop properties and to store and transport oil and gas and may increase the Corporation's expenses to a degree that has a material adverse effect on operations.

The Corporation's inability to obtain necessary facilities could hamper its operations.

Oil and gas exploration activities depend on the availability of equipment, transportation, power and technical support in the particular areas where these activities will be conducted, and the Corporation's access to these facilities may be limited. Demand for such limited equipment and other facilities or access restrictions may affect the availability of such equipment to us and may delay exploration and development activities. The quality and reliability of necessary facilities may also be unpredictable and the Corporation may be required to make efforts to standardize its facilities, which may entail unanticipated costs and delays. Shortages or the unavailability of necessary equipment or other facilities will impair the Corporation's activities, either by delaying its activities, increasing its costs or otherwise.

Factors beyond the Corporation's control affect its ability to market oil and gas.

The Corporation's ability to market oil and natural gas from its wells, in the event it discovers and exploits oil and natural gas, depends upon numerous factors beyond the Corporation's control. These factors include, but are not limited to, the following: the level of domestic production and imports of oil and gas; the volatility of both oil and natural gas pricing; the proximity of natural gas production to natural gas facilities, pipelines and other means of transportation; the availability of pipeline capacity or other means of transportation; the demand for oil and natural gas by utilities and other end users; the availability of alternate fuel sources; the effect of inclement weather; and government regulation of oil and natural gas marketing.

If these factors were to change dramatically, the Corporation's ability to market oil and natural gas or obtain favourable prices for its oil and natural gas could be adversely affected.

Prices and markets for oil are unpredictable and tend to fluctuate significantly, which could reduce profitability, growth and the value of the Corporation's business if the Corporation's venture ever begins exploitation of reserves.

The Corporation's future financial condition, results of operations and the carrying value of the Corporation's oil and natural gas properties depend primarily upon the prices it receives for the Corporation's oil and natural gas production, if any. Oil and natural gas prices historically have been volatile and likely will continue to be volatile in the future, especially given current world economic conditions. Significant changes in long-term price outlooks for crude oil could by the time that the Corporation starts exploiting oil and gas reserves, if it ever discovers and exploits such reserves, have a material adverse effect on revenues as well as the value of licenses or other assets.

Future cash flow from operations, if any, will be highly dependent on the prices that the Corporation receives for oil and natural gas. This price volatility also affects the amount of the Corporation's cash flow available for capital expenditures and the Corporation's ability to borrow money or raise additional capital. The prices for oil and natural gas are subject to a variety of additional factors that are beyond the Corporation's control. These factors include: the level of consumer demand for oil and natural gas; the domestic and foreign supply of oil and natural gas; the ability of the members of the Organization of Petroleum Exporting Countries to agree to and maintain oil price and production controls; the price of foreign oil and natural gas; the price and availability of alternative fuel sources; governmental regulations; weather conditions; market uncertainty; political conditions in oil and natural gas producing regions, including Israel and the Middle East; war, or the threat of war, in oil producing regions; and worldwide economic conditions.

These factors and the volatility of the energy markets generally make it extremely difficult to predict future oil and natural gas price movements with any certainty. Also, oil and natural gas prices do not necessarily move in tandem. Declines in oil and natural gas prices would not only reduce revenue, but could reduce the amount of oil and natural gas that the Corporation can produce economically and, as a result, could have a material adverse effect upon the Corporation's financial condition, cash flows, results of operations, oil and natural gas reserves, the carrying values of the Corporation's oil and natural gas properties and the amounts it can borrow under any bank credit facilities it may obtain in the future.

Operating hazards may adversely affect the Corporation's ability to conduct business.

The Corporation's future operations, if any, will be subject to risks inherent in the oil and natural gas industry, including, but not limited to, the following: blowouts; cratering; explosions; uncontrollable flows of oil, natural gas or well fluids; fires; pollution; and other environmental risks.

These risks could result in substantial losses to us from injury and loss of life, damage to and destruction of property and equipment, pollution and other environmental damage and suspension of operations. Governmental regulations may impose liability for pollution damage or result in the interruption or termination of operations.

The Corporation may enter into hedging agreements but may not be able to hedge against all such risks.

If the Corporation is able to discover commercially exploitable quantities of oil or gas and is able to enter into commercial production, from time to time it may enter into agreements to receive fixed or a range of prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, it will not benefit from such increases. Similarly, from time to time the Corporation may enter into agreements to fix the exchange rate of certain currencies to United States dollars in order to offset the risk of revenue losses if the other currencies increase in value compared to the United States dollar; however, if other currencies decline in value compared to the United States dollar, it will not benefit from the fluctuating exchange rate. In addition to the potential of experiencing an opportunity cost, other potential costs or losses associated with hedging include the risk that the other party to a hedge transaction does not perform its obligations under a hedge agreement, the hedge is imperfect or the Corporation's hedging policies and procedures are not followed.

To the extent that the Corporation establishes natural gas and oil reserves, it will be required to replace, maintain or expand these natural gas and oil reserves in order to prevent reserves and production from declining, which could adversely affect cash flows and income.

In general, production from natural gas and oil properties declines over time as reserves are depleted, with the rate of decline depending on reservoir characteristics. If the Corporation establishes reserves, of which there is no assurance, and is not successful in its subsequent exploration and development activities or in subsequently acquiring properties containing proved reserves, its proved reserves will decline as reserves are produced. The Corporation's future natural gas and oil production is highly dependent upon its ability to economically find, develop or acquire reserves in commercial quantities.

To the extent cash flow from operations, if any, is reduced, either by a decrease in prevailing production volume prices for natural gas and oil or an increase in finding and development costs, and external sources of capital become limited or unavailable, the Corporation's ability to make the necessary capital investment to maintain or expand its asset base of natural gas and oil reserves would be impaired. Even with sufficient available capital, its future exploration and development activities may not result in additional proved reserves, and it might not be able to drill productive wells at acceptable costs.

The Corporation may be treated as a U.S. corporation and taxed by the U.S. on the Corporation's worldwide income.

The Corporation continued from Nevada to Canada in 2008. Such continuance is for corporate purposes a migration of it from Nevada to Canada. Transactions whereby a U.S. corporation migrates to a foreign jurisdiction are considered by the U.S. Congress to be a potential abuse of the U.S. tax rules because thereafter the foreign entity is not subject to U.S. tax on its worldwide income. As a result, Section 7874(b) of the Internal Revenue Code of 1986, as amended, was enacted to address this potential abuse. Section 7874(b) provides generally that a corporation that migrates from the U.S. will nonetheless remain subject to U.S. tax on its worldwide income unless the migrating entity has substantial business activities in the foreign country in which it is migrating when compared to its total business activities.

If Section 7874(b) were to apply to the Corporation's migration from Nevada to Canada, it would cause the Corporation to be subject to U.S. federal income taxation on the Corporation's worldwide income. Section 7874(b) of the Code will apply to the Corporation's migration unless it had substantial business activities in Canada when compared to its total business activities at the time of its migration.

Based on the fact that substantially all of the Corporation's activities were taking place in Canada and all of its assets were located in Canada at the time of its migration, the Corporation has taken the position that it had substantial business activity in Canada in relation to its worldwide activities at the time of the migration and that Section 7874(b) did not apply to cause it, after the migration, to be subject to U.S. federal income tax on the its worldwide income. There is limited guidance as to what "substantial business activity" is "when compared to the

Corporation's worldwide activities." Accordingly, the position adopted by the Corporation may be challenged by the U.S. tax authorities with the result that the Corporation may be subject to U.S. federal income taxes on its worldwide activities. In addition to U.S. federal income taxes, were Section 7874(b) to apply to the Corporation, it could be subject to penalties for failure to file U.S. federal income tax returns, late fees and interest on past due taxes. Furthermore, if Section 7874(b) were to apply to the Corporation, its non-U.S. shareholders may be subject to adverse U.S. federal income tax consequences such as the assessment of U.S. federal income withholding taxes on dividends paid by the Corporation. Each shareholder should consult its own tax advisor regarding the foregoing rules.

Risks Associated with the Common Shares

The Corporation may use the proceeds of the Offering for purposes other than those set out in this Prospectus.

The Corporation currently intends to allocate the proceeds received from the Offering as described under "Use of Proceeds" in this short form prospectus. However, management will have discretion in the actual application of the proceeds, and may elect to allocate proceeds differently from that described in "Use of Proceeds" if it is believed it would be in the best interests of the Corporation to do so as circumstances change, subject to contractual obligations including the Agency Agreement. The failure by management to apply these funds effectively could have a material adverse effect on the business of the Corporation.

The market price of the common shares of the Corporation may be volatile

The market price of the common shares of the Corporation may experience significant volatility. For the 12 months preceding the date of this prospectus, the trading price of the common shares of the Corporation on the Exchange has ranged from a low of \$0.155 per share to a high of \$0.90 per share. Numerous factors, including many over which the Corporation has no control, may have a significant impact on the market price of the common shares of the Corporation including, among other things: regulatory developments in target markets affecting the Corporation, its customers or its competitors; actual or anticipated fluctuations in the Corporation's quarterly operating results; changes in financial estimates or other material comments by securities analysts relating to the Corporation, its competitors or the industry in general; announcements by other companies in the industry relating to their operations, strategic initiatives, financial condition or financial performance or to the industry in general; announcements of acquisitions or consolidations involving industry competitors or industry suppliers; addition or departure of the Corporation's executive officers; and sales or perceived sales of additional common shares of the Corporation.

In addition, the stock market in recent years has experienced extreme price and trading volume fluctuations that often have been unrelated or disproportionate to the operating performance of individual companies. These broad market fluctuations may adversely affect the price of the common shares of the Corporation regardless of the Corporation's operating performance. There can be no assurance that an active market for the Common Shares will be established or persist and the share price may decline.

The value of securities issued by the Corporation might be affected by matters not related to the Corporation's operating performance.

The value of securities issued by the Corporation may be affected by matters not related to the corporation's operating performance or underlying value for reasons that include the following: general economic conditions in Canada, the US, Israel and globally; industry conditions, including fluctuations in the price of oil and natural gas; governmental regulation of the oil and gas industry, including environmental regulation; fluctuation in foreign exchange or interest rates; liabilities inherent in oil and natural gas operations; geological, technical, drilling and processing problems; unanticipated operating events which can reduce production or cause production to be shut-in or delayed; failure to obtain industry partner and other third party consents and approvals, when required; stock market volatility and market valuations; competition for, among other things, capital, acquisition of reserves, undeveloped land and skilled personnel; the need to obtain required approvals from regulatory authorities; worldwide supplies and prices of and demand for natural gas and oil; political conditions and developments in

Israel, Canada, the US, and globally; political conditions in natural gas and oil producing regions; revenue and operating results failing to meet expectations in any particular period; investor perception of the oil and gas industry; limited trading volume of the common shares of the Corporation; change in environmental and other governmental regulations; announcements relating to the Corporation's business or the business of its competitors; the Corporation's liquidity; and the Corporation's ability to raise additional funds.

In the past, companies that have experienced volatility in their value have been the subject of securities class action litigation. The Corporation might become involved in securities class action litigation in the future. Such litigation often results in substantial costs and diversion of management's attention and resources and could have a material adverse effect on the Corporation's business, financial condition and results of operation.

An investment in the Corporation will likely be diluted.

The Corporation may issue a substantial number of its common shares of the Corporation without investor approval to raise additional financing and it may consolidate the current outstanding common shares of the Corporation, including the Common Shares. Any such issuance or consolidation of the Corporation's securities in the future could reduce an investor's ownership percentage and voting rights in the Corporation and further dilute the value of your investment.

The Corporation does not expect to pay dividends for the foreseeable future.

The Corporation does not intend to declare dividends for the foreseeable future, as it anticipates that it will reinvest any future earnings in the development and growth of the Corporation's business. Therefore, investors will not receive any funds unless they sell their common shares of the Corporation, and shareholders may be unable to sell their shares on favourable terms or at all. The Corporation cannot provide any assurance of a positive return on investment or that you will not lose the entire amount of your investment in the Common Shares. Prospective investors seeking or needing dividend income or liquidity should not purchase the Common Shares.

INTEREST OF EXPERTS

The technical information relating to the Corporation's Eitan License incorporated by reference into this short form prospectus was derived from a technical report (the "**Eitan Technical Report**") prepared in compliance with NI 51-101, entitled "Evaluation of the Interests of Adira Energy Corp. in License No. 356 "Eitan" in Hula Valley, Israel" produced by Petrotech Engineering Ltd., with an effective date of June 1, 2009 as supplemented by a letter dated October 8, 2009 issued to the Corporation by Petrotech Engineering Ltd., both of which are available under the Corporation's profile at www.sedar.com. As of the date hereof, and as of the date the Eitan Technical Report was prepared, neither Petrotech Engineering Ltd. nor any partner, employee or consultant thereof has ever received a direct or indirect interest in any property of the Corporation or any of its associates or affiliates. In addition, as of the date hereof, and as of the date the reports were prepared, Petrotech Engineering Ltd., and the directors, officers, employees and consultants thereof, as a group, beneficially own, directly and indirectly, less than 1% of the outstanding common shares of the Corporation.

The technical information relating to the Corporation's Gabriella License and Yitzhak License contained in this short form prospectus have been derived from the Gabriella Report and the Yitzhak Report, respectively, prepared by Netherland, Sewell & Associates, Inc., which have been incorporated by reference herein and which are available at www.sedar.com. As of the date hereof, and as of the date the reports were prepared, neither Netherland, Sewell & Associates, Inc., nor any partner, employee or consultant thereof has ever received a direct or indirect interest in any property of the Corporation or any of its associates or affiliates. In addition, as of the date hereof, and as of the date the reports were prepared, neither Netherland, Sewell & Associates, Inc. nor its officers or employees have any direct or indirect interests in any properties or securities of the Corporation.

The external auditor of the Corporation whose audit report is incorporated by reference herein, Kost Forer Gabbay & Kasierer, has confirmed they are independent of the Corporation in accordance with Public Company Accounting Oversight Board (PCAOB) rules.

Certain legal matters in connection with the Offering will be passed upon by each of Aird & Berlis LLP on behalf of the Corporation and Cassels Brock & Blackwell LLP on behalf of the Agents. None of Aird & Berlis LLP, Cassels Brock & Blackwell LLP or any partner, employee or consultant thereof has ever received a direct or indirect interest in any property of the Corporation or any of its associates or affiliates, other than stock options granted to Daniel Bloch in his capacity as an officer of the Corporation. As of the date hereof, Aird & Berlis LLP and the partners, employees and consultants thereof, as a group, beneficially own, directly and indirectly, less than 1% of the outstanding common shares of the Corporation.

AUDITORS, TRANSFER AGENT AND REGISTRAR

For the Corporation's audited consolidated financial statements for the year ended December 31, 2010 and for the 267-day period from incorporation (April 8, 2009) to December 31, 2009, the Corporation's auditors were Kost Forer Gabbay and Kasierer, member firm of Ernst and Young Global, Tel-Aviv, Israel.

The registrar and transfer agent of the common shares of the Corporation is Computershare Investor Services Inc. at its principal office in Vancouver, British Columbia.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

AUDITORS' CONSENT

We have read the short form prospectus of Adira Energy Ltd. (the "**Corporation**") dated April ●, 2012 relating to the sale and issuance of ● common shares of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the short form prospectus of our report dated August 25, 2011 with respect to the consolidated financial statements of the Corporation as of December 31, 2010 and 2009 and for the year ended December 31, 2010 and for the 267-day period from incorporation (April 8, 2009) to December 31, 2009.

Toronto, Ontario
●, 2012

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CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

CERTIFICATE OF THE CORPORATION

Dated: April 3, 2012

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of British Columbia, Alberta and Ontario.

(Signed) JEFFREY WALTER
Chief Executive Officer

(Signed) GADI LEVIN
Chief Financial Officer

On behalf of the Board of Directors of
Adira Energy Ltd.

(Signed) DENNIS BENNIE
Director

(Signed) ALAN FRIEDMAN
Director

CERTIFICATE OF THE AGENTS

Dated: April 3, 2012

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of British Columbia, Alberta and Ontario.

GMP SECURITIES L.P.

(Signed) MARK WELLINGS
Managing Director

CORMARK SECURITIES INC.

(Signed) CHRIS BURCHELL
Director, Investment Banking

CLARUS SECURITIES INC.

(Signed) ROD CAMPBELL
President and Chief Executive
Officer

FIRSTENERGY CAPITAL CORP.

(Signed) ROBYN HEMMINGER
Director, Corporate Finance