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

FORM 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) or 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 000-30087

ADIRA ENERGY LTD.
(Exact name of Registrant specified in its charter)

CANADA
(Jurisdiction of incorporation or organization)

120 Adelaide Street West, Suite 1204
Toronto, Ontario
Canada M5H 1T1
(Address of principal executive offices)

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(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

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

Title of Each Class	Name of each exchange on which registered
None	**Not applicable**

Securities registered or to be registered pursuant to Section 12(g) of the Act:

COMMON SHARES
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Number of outstanding shares of the Company's only class of capital or common stock as at December 31, 2011 was **101,768,453 common shares**.

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

If this is an annual report or a transition report, indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ☐ No ☒

Indicate by check mark whether Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☐ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Indicate by check mark which basis of accounting the Registrant has used to prepare the financial statements included in this filing:

U.S. GAAP	International Financial Reporting Standards as issued by the International Accounting Standards Board	Other
☐	☒	☐

If "other" has been checked in response to the previous question, indicate by check mark which financial statement item the Registrant has elected to follow:

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by checkmark whether the Registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

YES ☐ NO ☐

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GENERAL

This Form 20-F is being filed as an annual report under the Exchange Act.

In this Form 20-F, references to:

"**Adira**" means Adira Energy Ltd., a Canadian federal corporation (formerly AMG Oil Ltd.);

"**Adira Group**" means Adira Energy Ltd. (formerly AMG Oil Ltd.) together with: (a) its wholly-owned subsidiary, Adira Energy Holding Corp.; (b) its wholly-owned indirect (through Adira Energy) subsidiaries, Adira Energy Israel Ltd., Adira Energy Israel Services Ltd., Adira Oil Technologies Ltd., Adira Energy CBM Ltd., and Adira Energy Holdings (Barbados) Ltd., which wholly owns Adira Energy Investments (Barbados) Ltd.; and (c) Adira's 60% indirect (through Adira Energy) subsidiary, Adira Geo Global Ltd.;

"**Adira Energy**" means Adira Energy Holding Corp., an Ontario corporation (formerly Adira Energy Corp.);

"**Adira Israel**" means Adira Energy Israel Ltd., an Israeli corporation;

"**Adira Services**" means Adira Energy Israel Services Ltd., an Israeli corporation;

"**We**", "**us**", "**our**", and the "**Company**" mean Adira Group; and

"**AMG**" refers to AMG Oil Ltd. which was the name of the Company prior to its change of name to Adira Energy Ltd. on December 17, 2009.

Adira and Adira Energy have historically used U.S. dollar as their reporting currency. All references in this document to "dollars" or "$" are to United States dollars and all references to "CDN$" are to Canadian dollars, unless otherwise indicated.

Except as noted, the information set forth in this Form 20-F is as of December 31, 2011 and all information included in this document should only be considered correct as of such date.

NOTE REGARDING FORWARD LOOKING STATEMENTS

Much of the information included in this Form 20-F includes or is based upon estimates, projections or other "forward looking statements". Such forward looking statements include any projections or estimates made by us and our management in connection with our business operations. These statements relate to future events or our future financial performance. Generally, any statements contained herein that are not statements of historical facts may be forward–looking statements. In some cases you can identify forward-looking statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue or the negative of those terms or other comparable terminology. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. Such estimates, projections or other forward looking statements involve various risks and uncertainties and other factors, including the risks in the section titled "Risk Factors" below, that may cause our actual results, levels of activities, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. We caution the reader that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform those statements to actual results.

The statements contained in Item 4.B. – "Business Overview", Item 5 – "Operating and Financial Review and Prospects" and Item 11 – "Quantitative and Qualitative Disclosures About Market Risk" are inherently subject to a variety of risks and uncertainties that could cause actual results, performance or achievements to differ significantly.

PART I

ITEM 1 - IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2 - OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3 - KEY INFORMATION

A. Selected Financial Data

Adira Energy

On August 31, 2009, Adira acquired Adira Energy by issuing 39,040,001 common shares of Adira to Adira Energy's shareholders on a one-for-one basis. As the shareholders of Adira Energy obtained control of Adira, the share exchange is considered to be a reverse takeover transaction. Accordingly, for accounting purposes, Adira Energy is the acquirer.

Adira Energy's predecessor is Adira Israel, which was incorporated in Israel on October 26, 2008. In order to facilitate tax planning, all of the issued and outstanding shares of Adira Israel were registered in the name of Adira Africa Corp. ("**Adira Africa**"), a privately-owned Canadian corporation, as a trustee for and on behalf of a corporation to be incorporated in Ontario – namely, Adira Energy, which was subsequently incorporated on April 8, 2009 – pursuant to a Declaration of Trust dated November 16, 2008 (the "**Declaration of Trust**"). In December 2008, upon application to Ministry of Energy and Water Resources (formerly the Ministry of National Infrastructures) of the State of Israel (the "**Ministry**" or "**MNI**"), Adira Israel obtained Eitan License No. 356, covering 31,060 acres (125.7 square kilometres) in the Hula Valley in Northern Israel (the "**Eitan License**"), for no consideration other than the payment of a nominal stamp duty in the amount of $3,544. Upon the incorporation of

Adira Energy on April 8, 2009, Adira Africa transferred the shares of Adira Israel to Adira Energy for no consideration, as contemplated by the Declaration of Trust.

The only activity undertaken in Adira Israel from December 2008 to April 8, 2009 was the application for, and the receipt of, the Eitan License, and, pursuant to the Declaration of Trust, Adira Energy is in substance treated as the owner of the Adira Israel shares since the inception of Adira Israel. Further, the carrying amount of the single asset owned by Adira Israel, the Eitan License (there were no material liabilities), was recorded in the accounts of Adira Israel as of April 8, 2009 in its nominal amount of the stamp duty. Therefore, under International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board (the "**IASB**"), the carrying amount of the Adira Israel shares transferred to Adira Energy on that date was of the same nominal amount. Subsequent to April 7, 2009, all activities of the Company are reflected in the consolidated financial statements of Adira.

The selected historical information presented in the table below for the years ended December 31, 2011 and 2010 are derived from the audited consolidated financial statements of Adira for such period, and have been prepared in accordance with IFRS as issued by the IASB. The selected historical financial information presented in the table below for the 267-day period ended December 31, 2009 comprises the operating data of Adira Energy and its subsidiary companies from April 8, 2009 (date of incorporation of Adira Energy) and that of Adira (formerly AMG Oil Ltd) from September 1, 2009, and have also been prepared in accordance with IFRS as issued by the IASB. The selected financial information presented below should be read in conjunction with the audited consolidated financial statements and the notes thereto of Adira Group, and with the information appearing under each of Item 4 – "Information on the Company" and Item 5 – "Operating and Financial Review and Prospects" of this Form 20-F. All financial data presented in this Form 20-F are qualified in their entirety by reference to the consolidated financial statements and their notes.

U.S. dollars in thousands, except share and per share data

	Year Ended December 31,		
	2011	**2010**	**2009**
		($ thousands)	
Balance Sheet Data			
Cash and cash equivalents	8,094	8,686	2,044
Total Assets	10,247	18,610	2,437
Total Liabilities	1,421	7,373	227
Total Shareholders' Equity	8,826	11,237	2,437

	Year ended December 31		267-day period ended December 31
	2011 $	2010 $	2009 $
Operating Data			
Revenues and other income	1,323	1,707	-
Expenses:			
Exploration expenses	4,759	1,485	195
General and administrative expenses	5,290	3,206	1,639
Impairment charge	1,226	-	-
Total expenses	11,275	4,691	1,834
Operating loss	(9,952)	(2,984)	(1,834)
Financing income	43	-	15
Financing expense	(109)	(5)	-
Issuance expenses	-	-	(4,902)
Loss before income taxes	(10,018)	(2,989)	(6,721)
Income taxes	(33)	(15)	(1)
Net loss and comprehensive loss	(10,051)	(3,004)	(6,722)
Basic and diluted net loss per share attributable to equity holders of the parent	(0.10)	(0.05)	(0.14)
Weighted average number of Ordinary shares used in computing basic and diluted net loss per share	99,813,334	65,653,700	49,184,720

We previously prepared our financial statements in accordance with Canadian generally accepted accounting principles ("**Canadian GAAP**"). The consolidated financial statements included in our transition report on Form 20-F for the period from October 1, 2010 to December 31, 2010, as filed with the SEC on February 27, 2012, were our Company's first annual financial statements reported in accordance with IFRS. "IFRS 1, First-time Adoption of International Financial Reporting Standards," was applied to such consolidated financial statements; the impact of the transition to reporting in accordance with IFRS on our Company's financial statements was detailed in Note 19 to those financial statements.

The selected balance sheet data presented in the table below for Adira Israel as of April 7, 2009, and the related changes in equity for the 164-day period from its incorporation (October 26, 2008) to April 7, 2009, are derived from the audited financial statements of Adira Israel for such period, which are included in Amendment No. 1 to our annual report on Form 20-F for the year ended September 30, 2010, as filed with the SEC on November 21, 2011. Adira Israel's financial statements do not include a statement of operations and statement of cash flows for the 164-day period ended April 7, 2009, as there were no revenues, expenses or cash transactions during this period. The selected financial information presented below should be read in conjunction with the audited financial statements and the notes thereto of Adira Israel.

Under Israeli GAAP (U.S. dollars in thousands)

	As at April 7 2009
	$
Balance Sheet Data	
Exploration and evaluation asset	3,544
Total Assets	3,544
Total Liabilities	3,541
Total Shareholders' Equity	3

Changes in Equity	**Share Capital**		**Total**
	Number	**Amount**	**Equity**
Balance at October 26, 2008 (date of incorporation)	-	$ -	$ -
Shares issued	1,000	3	3
Balance at April 7, 2009	1,000	$ 3	$ 3

As noted in Note 4 to the audited financial statements of Adira Israel, which are included in Amendment No. 1 to our annual report on Form 20-F for the year ended September 30, 2010, as filed with the SEC on November 21, 2011, there are no differences between Israeli GAAP and US GAAP in respect of the financial position and results of operations of Adira Israel for the period presented.

We have never declared or paid any cash or other dividends.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

An investment in our securities is highly speculative and involves a high degree of risk. Our Company may face a variety of risks that may affect our operations or financial results and many of those risks are driven by factors that we cannot control or predict. Before investing in our Company's securities, investors should carefully consider the following risks. If any of the following risks actually occurs, our Company's business, prospects, financial condition and results of operations could be materially adversely affected. In that case, investors may lose all or a part of their investment.

Risks Associated with the Company

Our independent auditors have referred to circumstances which might result in doubt about our ability to continue as a going concern, which may hinder our ability to obtain future financing.

Adira incurred a net loss of $10 million for the year ended December 31, 2011. At December 31, 2011, Adira had an accumulated deficit of $19.2 million. These circumstances raise doubt about our ability to continue as a going concern, as described in the Note 1 to our consolidated financial statements for the period ended December 31, 2011, which are included herein. Although our consolidated financial statements refer to circumstances which

might raise doubt about our ability to continue as a going concern, they do not reflect any adjustments that might result if we are unable to continue our business.

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

We are an early-stage oil and gas exploration company without any significant revenues, and there can be no assurance of our ability to develop and operate our projects profitably. We have historically depended entirely upon capital infusion from the issuance of equity securities to provide the cash needed to fund our operations, but we cannot assure you that we will be able to continue to do so. Our ability to continue in business depends upon our continued ability to obtain significant financing from external sources and the success of our exploration efforts and any production efforts resulting therefrom. Any reduction in our ability to raise equity capital in the future would force us to reallocate funds from other planned uses and could have a significant negative effect on our business plans and operations, including our ability to continue our current exploration activities.

While we may in the future generate additional working capital through the development, operation, sale or possible syndication of our current property or any future properties, there is no assurance that our Company 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.

We have had negative cash flows from operations, and there is no assurance that our current resources will be sufficient to fund our operations on an ongoing basis. Our business operations may fail if our actual cash requirements exceed our estimates and we are not able to obtain further financing.

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

Since inception, we have 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, we do not anticipate earning significant revenues from operation in the near future. We have incurred and will continue to incur significant expenses. As at December 31, 2011, we had cash and equivalents on hand of $8.1 million. We will have to seek additional financing to fund the advanced exploration on our assets, if warranted. Further, we cannot assure you that our actual cash requirements will not exceed our estimates, and in any case we will require additional financing to bring our interests into commercial operation, finance working capital, meet our contractual minimum expenditures and pay for operating expenses and capital requirements until we achieve a positive cash flow. Additional capital also may be required in the event we incur any significant unanticipated expenses.

In light of our operating history, and under the current capital and credit market conditions, we may not be able to obtain additional equity or debt financing on acceptable terms if and when we need it. Even if financing is available, it may not be available on terms that are favorable to us or in sufficient amounts to satisfy our requirements.

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

As a holding company, our ability to make payments will eventually depend on the cash flows of our subsidiaries.

We are a holding company and conduct substantially all of our operations through our subsidiaries incorporated outside North America. We have no direct operations and no significant assets other than the shares of our subsidiaries and cash proceeds received from any financings, which cash is subsequently provided to our

subsidiaries. Assuming our holding company structure remains, we will be dependent on the cash flows from our subsidiaries to meet our obligations, including payment of principal and interest on any debt we incur. The ability of certain of our subsidiaries to provide us with payments may be constrained by the following factors:

- the cash flows generated by operations, investment activities and financing activities; and

- the level of taxation, particularly corporate profits and withholding taxes.

In addition, we cannot guarantee that the current fiscal regime that allows for repatriation of funds in each of the countries where we do business will remain in effect, nor can we guarantee that arbitrary changes in exchange controls in each of the countries where we do business will not take place, which may adversely impact on the ability of investors to recover their investment.

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

The majority of our assets are outside the United States, with the result that it may be difficult for investors to enforce within the United States any judgments obtained against us or some of our directors or officers.

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

We 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 our ability to obtain equity or debt financing in the future on favorable terms. Additionally, these factors, as well as other related factors, may cause decreases in our 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, our operations could be adversely impacted and the market value of our common shares may be adversely affected.

Currency fluctuations could have an adverse effect on our business.

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

Fluctuations in exchange rates between the U.S. dollar and other currencies may give rise to foreign exchange currency exposures, both favorable and unfavorable, which have impacted and in the future may materially impact our future financial results. We do not utilize a hedging program to limit the adverse effects of foreign exchange rate fluctuations.

Conditions in Israel may affect our operations.

Our 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 neighboring 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 our subsidiaries' operations. In addition, we 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, labor disputes and strike actions and political instability.

Our 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.

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

We believe that the costs used to prepare internal budgets are reasonable, however, there are assumptions, uncertainties, and risk that may cause our 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 Company's completion program and its ability to determine reserve potential.

Our lack of diversification increases the risk of an investment, and our financial condition and results of operations may deteriorate if we fail to diversify.

Our business focus is on oil and gas exploration on three properties in Israel within close proximity. As a result, we lack diversification, in terms of both the nature and geographic scope of our business. We will likely be impacted more acutely by factors affecting our industry or the regions in which we operate than we would if our business were more diversified. If we cannot diversify our operations, our financial condition and results of operations could deteriorate.

We may not effectively manage the growth necessary to execute our business plan.

Our business plan anticipates a significant increase in the number of our contractors, strategic partners and equipment suppliers. Such growth, if any, will place significant strain on our current personnel, systems and resources. We expect that we will be required to hire qualified consultants and employees to help manage our growth effectively. We believe that we will also be required to improve our management, technical, information and accounting systems, controls and procedures. We may not be able to maintain the quality of our operations, control our costs, continue complying with all applicable regulations and expand our internal management, technical information and accounting systems to support our desired growth. If we fail to manage our anticipated growth effectively, our business could be adversely affected.

We have agreed to indemnify our directors against liabilities incurred by them as directors.

We have agreed to indemnify our 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 Adira, provided that (a) they have acted honestly and in good faith with a view to the best interests of Adira; 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 our directors and may discourage or deter our shareholders from suing the directors.

Risks Associated with Our Business

We have not discovered any oil and gas reserves, and we cannot assure you that we or our venture ever will.

We are 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. We have not discovered any reserves, and we cannot guarantee you that we ever will. Even if we succeed in discovering oil or gas reserves, these reserves may not be in commercially viable quantities or locations. Until we discover such reserves, we will not be able to generate any revenues from their exploitation and development. If we are unable to generate revenues from the development and exploitation of oil and gas reserves, we will be forced to change our business or cease operations.

Our business will suffer if we cannot obtain or maintain necessary licenses.

Our operations require licenses, permits and in some cases renewals of licenses and permits from various governmental authorities. Specifically, the licenses awarded to us 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 certain licenses have received one extension, there can be no assurance that we will be able to secure any additional extensions, if necessary. Among other factors, our 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. Our inability to obtain, maintain or acquire extensions for these licenses or permits could hamper our ability to produce revenues from operations. Other oil and gas companies may seek to acquire property leases and licenses that we will need to operate our 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 us from obtaining licenses we deem necessary for our business, or it may substantially increase the cost of obtaining these licenses.

We may be liable to pay operating expenditures respecting our licenses exceeding our pro rata share of such expenditures.

We are a party to certain joint operation agreements respecting our licenses pursuant to which we have agreed to pay our 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, we may be liable to cover such defaulting party’s pro rata share of the expenditures based on our interest in the license to ensure compliance with the terms and expenditure requirements under the work plan. If we do not have sufficient funds to cover the defaulting party’s pro rata share of expenditures, we may not be able to maintain our licenses in good standing, causing them to be revoked, suspended or cancelled, which would have a material adverse effect on us.

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

It is possible that we might incur debt in order to fund our exploration and development activities, which would continue to reduce our financial flexibility and could have a material adverse effect on our business, operations and results of operations and financial condition. General economic conditions, oil and gas prices and financial, business and other factors affect our operations and future performance. Many of these factors are beyond our control. No assurances can be made that we 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 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 we need capital. No assurances can be made that we will have sufficient funds to make such payments. If we do not have

sufficient funds and are otherwise unable to negotiate renewals of our borrowings or arrange new financing, we might be required to sell significant assets. Any such sale could have a material adverse effect on our business, financial condition and results of operations.

Our assets and operations are subject to government regulation in Israel.

Our 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 Company and may adversely affect our business. Our 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 our business, financial conditions and results as our business matures.

Our future success depends upon our ability to find, develop and acquire additional oil and natural gas reserves that are economically recoverable.

In the event that we are 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, we must locate and develop or acquire new oil and natural gas reserves to replace those being depleted by production. We 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, our reserves and revenues will decline. We 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.

Our future success will depend on the success of our 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, we are uncertain as to the future cost or timing of drilling, completing and producing wells. Furthermore, our 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 we experience any of these problems, our ability to conduct operations could be adversely affected.

Our success depends on our ability to attract and retain qualified personnel.

Recruiting and retaining qualified personnel is critical to our 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 our business activity grows, it will require additional key financial, administrative and qualified technical personnel as well as additional operations staff. Although we believe that we will be successful in attracting, training and retaining qualified personnel, there can be no assurance of such success. If we are not successful in attracting and training qualified personnel, the efficiency of our operations could be affected, which could have an adverse impact on our future cash flows, earnings, results of operations and financial condition. Our 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 our business. We do not currently maintain key-man life insurance on any of our key employees.

We face strong competition from other energy companies that may negatively affect our ability to carry on operations.

We operate in the highly competitive area of oil and natural gas exploration, development and production. Factors which affect our 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.

Our 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 we do.

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

Although we believe we have reviewed and evaluated our 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 us. 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 we often assume 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 our 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 our operations may be adversely affected if we underestimate 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 we underestimate the costs of such programs, we 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 our business.

If we develop and exploit 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. We cannot assure you that we will obtain insurance on reasonable terms or that any insurance we may obtain will be sufficient to cover any such accident or error. Our operations could be interrupted by natural disasters or other events beyond our control. Losses and liabilities arising from uninsured or under-insured events could have a material adverse effect on our 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. Our 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 our operating costs, as well as on the oil and natural gas industry in general.

Our existing property, and any future properties that we may acquire, may be subject to pre-existing environmental liabilities.

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

Penalties we may incur could impair our business.

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

Strategic relationships upon which we may rely are subject to change, which may diminish our ability to conduct our operations.

Our 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 our ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment. We may not be able to establish these strategic relationships, or if established, we may not be able to maintain them. In addition, the dynamics of our relationships with strategic partners may require us to incur expenses or undertake activities we would not otherwise be inclined to undertake in order to fulfill our obligations to these partners or maintain our relationships. If our strategic relationships are not established or maintained, our business prospects may be limited, which could diminish our ability to conduct our operations.

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

Our interests may be affected by political and economic upheavals. Although we currently operate 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 we operate to change the applicable resource laws, tax laws, foreign investment laws, or to revise their policies in a manner that renders our current and future projects non-economic.

Even if we discover and then develop oil and gas reserves, we may have difficulty distributing our production.

If our exploration activities result in the discovery of oil and gas reserves, and if we are able to successfully develop and exploit such reserves, we will have to make arrangements for storage and distribution of oil and gas. We 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 our 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 we or our venture will operate, or labor 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 our expenses to a degree that has a material adverse effect on operations.

Our inability to obtain necessary facilities could hamper our 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 our 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 we may be required to make efforts to standardize our facilities, which may entail unanticipated costs and delays. Shortages or the unavailability of necessary equipment or other facilities will impair our activities, either by delaying our activities, increasing our costs or otherwise.

Factors beyond our control affect our ability to market oil and gas.

Our ability to market oil and natural gas from our wells, in the event we discover and exploit oil and natural gas, depends upon numerous factors beyond our 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, our ability to market oil and natural gas or obtain favourable prices for our 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 our business if we or our ventures ever begin exploitation of reserves.

Our future financial condition, results of operations and the carrying value of our oil and natural gas properties depend primarily upon the prices we receive for our 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 we start exploiting oil and gas reserves, if we ever discover 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 we receive for oil and natural gas. This price volatility also affects the amount of our cash flow available for capital expenditures and our 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 our 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 we can produce economically and, as a result, could have a material adverse effect upon our financial condition, cash flows, results of operations, oil and natural gas reserves, the carrying values of our oil and natural gas properties and the amounts we can borrow under any bank credit facilities we may obtain in the future.

Operating hazards may adversely affect our ability to conduct business.

Our 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.

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

If we are able to discover commercially exploitable quantities of oil or gas and is able to enter into commercial production, from time to time we 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, we will not benefit from such increases. Similarly, from time to time we may enter into agreements to fix the exchange rate of certain currencies to US dollars in order to offset the risk of revenue losses if the other currencies increase in value compared to the US dollar; however, if other currencies decline in value compared to the US dollar, we 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 our hedging policies and procedures are not followed.

Our Company is organized under the laws of Canada.

Our Company is a Canadian corporation governed by the *Canada Business Corporations Act* and as such, its corporate structure, the rights and obligations of shareholders and its corporate bodies may be different from those of the home countries of international investors. Furthermore, non-Canadian residents may find it more difficult and

costly to exercise shareholder rights. International investors may also find it costly and difficult to effect service of process and enforce their civil liabilities against the Company or some of its directors, controlling persons and officers.

To the extent that we establish natural gas and oil reserves, we 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 we establish reserves, of which there is no assurance, and are not successful in its subsequent exploration and development activities or in subsequently acquiring properties containing proved reserves, our proved reserves will decline as reserves are produced. Our 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, our 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, our future exploration and development activities may not result in additional proved reserves, and we might not be able to drill productive wells at acceptable costs.

We may be treated as a U.S. corporation and taxed by the U.S. on our worldwide income.

We continued from Nevada to Canada in 2008. Such continuance is for corporate purposes a migration of us 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 our migration from Nevada to Canada, it would cause us to be subject to U.S. federal income taxation on our worldwide income. Section 7874(b) of the Code will apply to our migration unless we had substantial business activities in Canada when compared to our total business activities at the time of our migration.

Based on the fact that substantially all of our activities were taking place in Canada and all of our assets were located in Canada at the time of our migration, we have taken the position that we had substantial business activity in Canada in relation to our worldwide activities at the time of the migration and that Section 7874(b) did not apply to cause us, after the migration, to be subject to U.S. federal income tax on our worldwide income. There is limited guidance as to what "substantial business activity" is "when compared to our worldwide activities." Accordingly, the position adopted by us may be challenged by the U.S. tax authorities with the result that we may be subject to U.S. federal income taxes on our worldwide activities. In addition to U.S. federal income taxes, were Section 7874(b) to apply to us, we 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 us, our 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 us. Each shareholder should consult its own tax advisor regarding the foregoing rules.

Risks Associated with our Common Shares

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

The market price of our common shares may experience significant volatility. Numerous factors, including many over which we have no control, may have a significant impact on the market price of our common shares including, among other things: regulatory developments in target markets affecting us, our customers or our competitors; actual or anticipated fluctuations in our quarterly operating results; changes in financial estimates or other material comments by securities analysts relating to us, our 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 our executive officers; and sales or perceived sales of additional common shares of Adira.

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 Adira regardless of our 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 us might be affected by matters not related to our operating performance.

The value of securities issued by us may be affected by matters not related to our 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 our common shares; change in environmental and other governmental regulations; announcements relating to our business or the business of our competitors; our liquidity; and our 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. We might become involved in securities class action litigation in the future. Such litigation often result in substantial costs and diversion of management's attention and resources and could have a material adverse effect on our business, financial condition and results of operation.

An investment in our Company will likely be diluted.

We may issue a substantial number of our common shares without investor approval to raise additional financing and we may consolidate the current outstanding common shares. Any such issuance or consolidation of our securities in the future could reduce an investor's ownership percentage and voting rights in the Company and further dilute the value of your investment.

If we are a "passive foreign investment company" at any time that a U.S. shareholder holds our common shares, such U.S. shareholder may be subject to adverse U.S. federal income tax consequences

Acquiring, holding or disposing of our common shares may have tax consequences under the laws of Canada and the United States that are not disclosed in this Form 20-F. In particular, potential investors that are U.S. taxpayers should be aware that we may be considered a "passive foreign investment company" under Section 1297(a) of the U.S. Internal Revenue Code (a "**PFIC**") with respect to U.S. shareholders. If the Company is or becomes a PFIC during any time that a U.S. shareholder holds our common shares, any gain recognized on the sale of our common shares and any excess distributions paid on our common shares must be ratably allocated to each day in a U.S.

taxpayer's holding period for our common shares and any excess distributions paid on our common shares must be ratably allocated to each day in a U.S. taxpayer's holding period for our common shares. The amounts allocated to the taxable year of disposition and to years before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate applicable to ordinary income in effect for that taxable year for individuals or corporations, as appropriate, and an interest charge would be imposed on the tax attributable to the allocated amount, calculated as if such tax liability had been due in each such prior year. This risk factor is qualified in its entirety by the discussion set forth under the heading "Certain United States Federal Income Tax Considerations." Shareholders should consult their own tax advisors as to the PFIC rules and the other tax consequences of the acquisition, ownership, and disposition of our common shares.

We do not expect to pay dividends for the foreseeable future.

We do not intend to declare dividends for the foreseeable future, as we anticipate that we will reinvest any future earnings in the development and growth of our business. Therefore, investors will not receive any funds unless they sell their Common Shares, and shareholders may be unable to sell their shares on favorable terms or at all. We cannot assure you of a positive return on investment or that you will not lose the entire amount of your investment in our Common Shares. Prospective investors seeking or needing dividend income or liquidity should not purchase our Common Shares.

ITEM 4 INFORMATION ON THE COMPANY

We are a Canadian corporation existing under the *Canada Business Corporations Act* (the "**CBCA**") which conducts business as an oil and gas exploration company with operations in the State of Israel. We have been granted certain petroleum licenses from the State of Israel, as more particularly described below in Item 4B – "Business Overview".

The Company presently does not produce any oil or gas and does not earn any significant revenues.

A. History and Development of the Company

Name

Our legal and commercial name is Adira Energy Ltd.

Principal Office

Our principal office is located at 120 Adelaide Street West, Suite 1204S, Toronto, Ontario, Canada, M4V 3A1. Our telephone number is (416) 250-6500.

Incorporation and Continuation

We are a Canadian corporation existing under the CBCA.

We were incorporated on February 20, 1997 under the name "Trans New Zealand Oil Company" by filing our Articles of Incorporation with the Secretary of State of Nevada. We changed our name to "AMG Oil Ltd." on July 27, 1998. On December 17, 2009, we changed our name to "Adira Energy Ltd." Our fiscal year end is December 31.

On November 25, 2008, our shareholders approved the change of our jurisdiction of incorporation from the State of Nevada to the Canadian federal jurisdiction under the CBCA by way of continuation. The Company completed the filing of its Articles of Conversion with the Nevada Secretary of State on November 25, 2008, and the Company'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 Company from the State of Nevada to the Canadian federal jurisdiction under the CBCA. Copies of the Articles of Conversion, Articles of Continuance, Certificate of Continuance and By-Laws, are incorporated by reference into this Form 20-F as exhibits.

The Company's common shares remain registered under Section 12(g) of the Exchange Act after completion of the continuation as a result of the operation of Rule 12g-3 of the Exchange Act. The Company's current trading symbol on the OTC Bulletin Board (the "**OTCBB**") is "ADENF". The Company's current trading symbol on the TSX Venture Exchange (the "**TSXV**") is "ADL".

Acquisition of Adira Energy

We completed the acquisition of Adira Energy, a company incorporated in the Province of Ontario, on August 31, 2009. As a result of the completion of this acquisition, we are now the owner of all the issued and outstanding shares of Adira Energy and we ceased to be a "shell company", as defined in Rule 12b-2 of the Exchange Act. The acquisition was completed pursuant to a securities exchange agreement dated August 4, 2009 among Adira, Adira Energy and Dennis Bennie, Ilan Diamond and Alan Friedman, as principal shareholders, and concurrent securities exchange agreements among Adira and each of the minority shareholders of Adira Energy. We issued an aggregate of 39,040,001 common shares to the shareholders of Adira Energy as consideration for the acquisition of Adira Energy.

Immediately prior to the acquisition, Adira Energy completed a private placement ("**Adira Energy Private Placement**") of 7,600,000 units ("**Units**") at a price of $0.25 per Unit. Sandfire Securities Inc. acted as lead agent to Adira Energy in connection with the Adira Energy Private Placement. Each Unit was comprised of one common share of Adira Energy and one-half of one share purchase warrant. The common shares and share purchase warrants issued by Adira Energy were exchanged concurrently with the closing of the Acquisition. Each resulting share purchase warrant entitled the holder to purchase one additional common share of the Company at the exercise price of $0.50 per share for a two year period following closing, which expired on August 31, 2011. In connection with the Adira Energy Private Placement, 500,770 compensation warrants were issued to agents which entitled the holders thereof to purchase an equal amount of common shares of the Company at the exercise price of $0.25 per common share for a two year period following closing, which expired on August 31, 2011.

On September 23, 2009, Adira completed a private placement of an additional 400,000 Units on a non-brokered basis (the "**September Private Placement**") at a price of $0.25 per Unit. After deducting commissions payable in connection with the September Private Placement, we raised an aggregate of $100,000 in the September Private Placement.

On November 22, 2010 we completed a financing for gross proceeds of $11,000,000 ("**Adira Financing**"). Pursuant to the Adira Financing, we issued 27,500,000 subscription receipts which upon fulfillment of certain conditions were automatically exercised into 27,500,000 of our common shares and 13,750,000 of our share purchase warrants. Each whole warrant will be exercisable for a term of three years from the date of issuance at an exercise price of $0.55. In addition, we issued 1,307,375 share purchase warrants to certain parties in conjunction with the Adira Financing. Each such warrant is exercisable into one common share for up to three years from the date of closing of the Adira Financing at an exercise price of $0.40.

On December 2, 2010, our common shares commenced trading on the TSXV following approval of its listing in November 2010.

On February 16, 2011, we completed a private placement of 10,483,871 of our common shares at a price of CDN$ 0.62 per share for gross proceeds of CDN$ 6.5 million.

Prior Operations of Adira

We were previously engaged in the acquisition and, formerly, exploration of resource properties.

We were inactive for approximately four years prior to our acquisition of Adira Energy in 2009 and were considered a "shell" company within the meaning assigned to that term in Rule 12b-2 of the Exchange Act because we had no operations and our assets consisted solely of cash. Prior to this four-year period, we had conducted oil and gas exploration activities in New Zealand but withdrew from the permit and assigned our interest to other participants in the permit during the 2003 fiscal year.

We do not receive any revenue from our discontinued oil and gas operations in New Zealand, and had no significant assets, tangible or intangible except for cash on hand. We have no history of earnings and there is no assurance that our business will be profitable. We expect to continue incurring operating losses and accumulating deficits in future periods.

Reporting Issuer Status under Canadian Securities Laws

On February 1, 2006, the British Columbia Securities Commission granted our application to be designated as a reporting issuer under the *Securities Act* (British Columbia). Accordingly, we and our insiders became subject to the continuous disclosure requirements under the securities laws of the Province of British Columbia, Canada. The Company received final approval for listing on the TSXV on December 1, 2010, and on December 2, 2010, our common shares commenced trading on the TSXV. The Company is also a reporting issuer under the securities legislation of the provinces of Alberta and Ontario.

Capital Expenditures and Divestitures

During the year ended December 31, 2011, the Company incurred capital expenditures of approximately $954,000 which relates to costs incurred to set up a drilling rig site on the Eitan License, and office and computer equipment for our Tel-Aviv office. The Company did not make any capital divestitures.

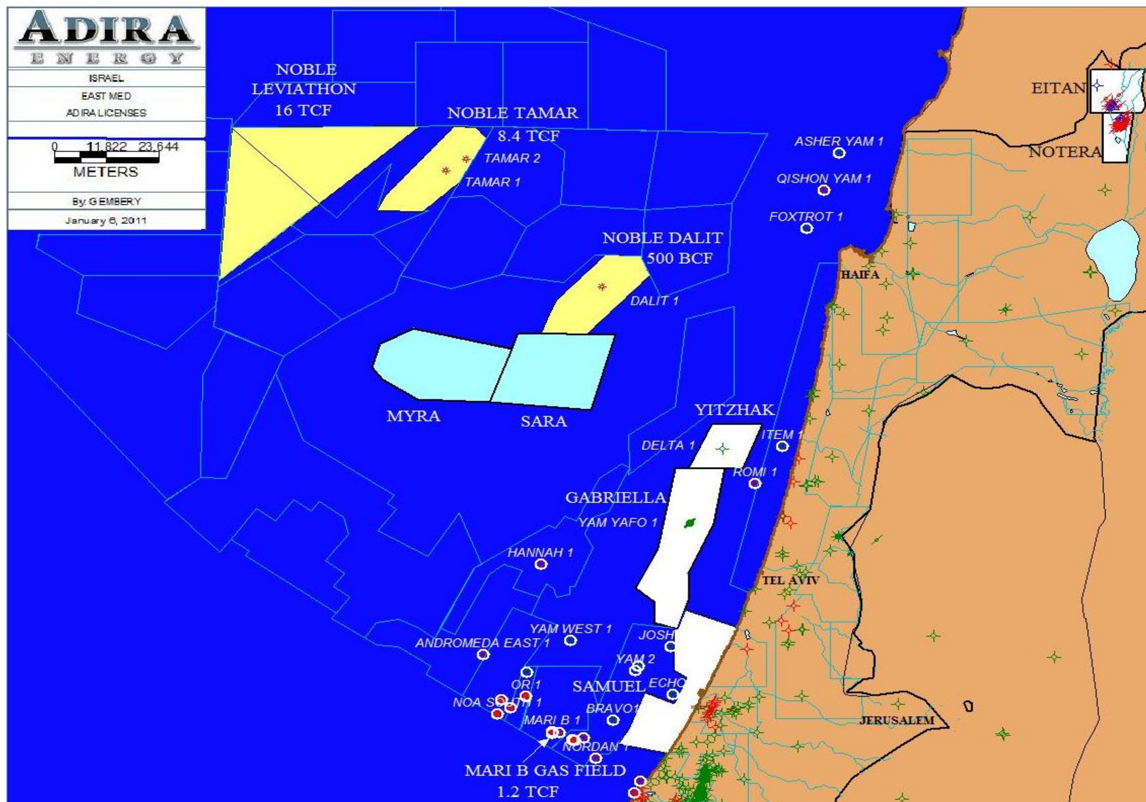
Takeover Offers

We are not aware of any indication of any public takeover offers by third parties in respect of our common shares during our last and current financial years.

B. Business Overview

We have 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 Gabriella License, the Yitzhak License and the Samuel License are collectively referred to herein as the "**Offshore Licenses**".

Below is a map showing the locations of the Offshore Licences, each of which is more particularly discussed below. As also discussed below, we relinquished our interests in two onshore licenses (collectively, the "**Onshore Licences**") during the year ended December 31, 2011.



Offshore Licences

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 Company (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. 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. On February 23, 2012, we received approval from the Petroleum Commissioner of Israel (the "**Commissioner**") to extend the expiration of the Gabriella License to February 28, 2013.

In January 2010, we, through our 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 we 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 we understand have not been registered in the name of Brownstone with 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. We are 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 acquire 15% of MELP's 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.

Our 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. We previously received a monthly fee of $12,500 from MELP, which payments ended on February 1, 2012. In addition, we are 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 Company, 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 following work program must be completed in order to maintain the Gabriella License:

1. filing a prospect to MNI for the first well which shall include a description of the geological background, the targets for drilling and the petroleum systems related thereto, as well as a geological forecast and engineering planning of the proposed drilling by June 1, 2012;

2. signing a drilling agreement with a drilling contractor by July 1, 2012;

3. commencement of drilling by December 1, 2012;

4. preparation of a summary report to MNI of the drilling activity, and transfer of all of the findings, including tests, samples, pits (if taken), electrical logs and results of tests (if performed) within three months from completion of the drilling; and

5. submission to MNI of a work plan for continuation of the work in the license within four months from completion of the drilling.

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. Thereafter, a lease (30-50 years) can be sought if a "discovery" (as defined in the Israeli Petroleum Law) is made. On February 23, 2012, the Company received approval from the Commissioner to extend the expiration of the Yitzhak License to February 28, 2013.

On January 10, 2012, the Company 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 Company 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 Company and AGR Petroleum Services Holdings AS are currently the co-operators of the Yitzhak License. The Company, 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 Company 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 Company 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 Company as co-operator; and (d) AGR has been appointed as engineering services contractor on the Yitzhak License with continued involvement of the Company as part of the core professional team led by AGR.

The farm-out agreement between the Company and Ellomay dated November 29, 2011 (the “**Ellomay Farm-Out Agreement**”) provides, among other things, that: (a) Ellomay will reimburse the Company for its proportionate share of the costs incurred by the Company on the Yitzhak License, plus interest at LIBOR plus 1%; and (b) Ellomay will also pay the Company 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 following work program must be completed in order to maintain the Yitzhak License:

1. submission of a first drilling prospect to MNI which includes a description of the geological background, the drilling targets and the petroleum systems related thereto, as well as a geological forecast and engineering planning of the proposed drilling by June 1, 2012;

2. signing of a drilling agreement with a drilling contractor by July 1, 2012;

3. commencement of drilling by December 1, 2012;

4. preparation of a summary report to MNI of the drilling activity, and transfer of all of the findings, including tests, samples, pits (if taken), electrical logs and results of tests (if performed) within three months from completion of the drilling; and

5. submission to MNI of a work plan for continuation of the work in the license within four months from completion of the drilling.

Exploration History

The Yitzhak (formally called Delta) structure is a carbonate build-up on a structurally elevated block. This structure was tested by Belpetco, in their Delta-1 well (total depth of 4423 meters) in 1970, in the Upper Jurassic Delta Formation. Recent seismic reprocessing, seismic interpretation and log analysis demonstrate a highly potential closure at the Zohar limestone level encompassing approximately 20 square kilometres.

Most of the exploration efforts conducted to the date of this Annual Report concentrated on large structural features with little attention given to direct hydrocarbon indicators (“**DHI**”) and amplitude with offset related imaging (“**AVO**”/“**AVAZ**”) to identify and quantify reservoir zones. Based on recent advances in reprocessing and interpretation, it became apparent that each of the Gabriella License and the Yitzhak License structures show an abundance of minor faulting/fracturing which most likely play an important role in fluid dynamics and transmissibility of the primary target reservoir (Zohar).

In May 2011, the Company formally contracted Gustavson Associates LLC as an independent contractor, to provide professional, geophysical, petrophysical, geological and engineering services for resource interpretation and evaluation on the first phase of processing (often termed “Fast Track”) for each of the Gabriella License and the Yitzhak License. In September 2011, the Company received two independent reports disclosing resource estimates on the Gabriella License and the Yitzhak License. The reports were prepared by Gustavson Associates LLC in accordance with National Instrument 51-101, *Standards of Disclosure for Oil and Gas Activities* (“**NI 51-101**”), as adopted by the Canadian Securities Administrators, and describe a probabilistic distribution of each of the Gabriella License’s and the Yitzhak License’s “Contingent Resources” in respect of oil on the Gabriella License and “Prospective Resources” in respect of gas for both the Gabriella License and the Yitzhak License and the oil on the Yitzhak License.

In March 2012, the Company received two further independent reports from Netherland, Sewell & Associates, Inc. disclosing resource estimates on each of the Gabriella License and the Yitzhak License. The reports were prepared by Netherland, Sewell & Associates, Inc. in accordance with NI 51-101 and also describe a probabilistic distribution of each of the Gabriella License’s and the Yitzhak License’s “Contingent Resources” in respect of oil on the

Gabriella License and "Prospective Resources" in respect of gas for both the Gabriella License and the Yitzhak License and the oil on the Yitzhak License. Copies of the reports are available on www.sedar.com.

Readers should note that "Contingent Resources" and "Prospective Resources" are as defined by the Canadian Oil and Gas Evaluation Handbook, and do not represent an estimate of reserves. Readers are cautioned that in contrast to disclosure permitted by NI 51-101, under applicable SEC rules, the disclosure of estimates of oil or gas resources other than reserves, and any estimated values of such resources, is not permitted to be disclosed in any document publicly filed with the SEC.

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 Palmachim. The Samuel License was issued on August 1, 2010 to Adira Geo Global Ltd. ("**Adira GeoGlobal**") (30% interest), Geo Global 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 Company'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, pursuant to which Adira GeoGlobal has been designated as the operator of the Samuel License. In accordance with the JOA, the Company 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 Nefterazvedka 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 Company has engaged GX Technology EAME Ltd. to commence the processing of the 3D data, which the Company currently expects will be completed during the second quarter of 2012.

On April 4, 2012, GGRI announced that Emanuelle Energy Ltd., a wholly-owned subsidiary of The Israel Land Development Company-Energy Ltd., had given notice that it elects to exercise its participating option interest of 7.128% in the Samuel License. GGRI's interest would therefore decrease to 22.872%.

Work Program

The following work program must be completed in order to maintain the Samuel License:

1. submission of a first drilling prospect to MNI which includes a description of the geological background, the drilling targets and the petroleum system/s related thereto, as well as a geological forecast and engineering planning of the proposed drilling by June 1, 2012;

2. execution of a contract with a drilling contractor by July 1, 2012;

3. commencement of performance of first drilling by October 1, 2012;

4. preparation of a summary report to MNI of the drilling activity, and transfer of all of the findings, including tests, samples, pits (if taken), electrical logs and results of tests (if performed) within three months from completion of the drilling; and

5. submission of a work plan to MNI for continuation of the work on the license within four months from completion of the drilling.

Myra and Sara Licenses

In August 2010, the Company signed a definitive co-operation agreement with Geo Global Resources Inc., and its wholly-owned subsidiary, GGRI (together, "**GGR**") confirming the terms whereby GGR has agreed to assign an option (the "**Myra and Sara Option**") it has to acquire up to a 5% participating interest in each of two deep water licenses offshore Israel known as Petroleum License No's 347 "Myra" and 348 "Sara" (collectively, the "**Myra and Sara Licenses**") to the Company. The Myra and Sara Licenses are each subject to a JOA among the holders of the participating interests in the respective licenses (collectively, the "**M&S Operating Agreements**"), which M&S Operating Agreements govern the operations with respect to the exploration work on the Myra and Sara Licenses and the change of any interest holders in the Myra and Sara Licenses.

On October 28, 2010, by notice to the other joint holders of interests under the M&S Operating Agreements, namely MELP and ILDC Energy Ltd. (the "**M&S Consortium**"), and with the consent of the Company, GGR gave notice of its intent to exercise the Myra and Sara Option pursuant to the terms of the M&S Operating Agreements but has to date not formally exercised the Myra and Sara Option nor have funds been paid on behalf of any party for such exercise.

GGR has agreed to hold the Myra and Sara Option in the Myra and Sara Licenses (and all rights pursuant thereto) in trust for the Company (the "**Beneficiary M&S Interest**").

As a condition to the Company obtaining title to the Beneficiary M&S Interest, the Company will (i) be required to become a signatory to the M&S Operating Agreements; and (ii) obtain the approval of the Commissioner. Upon obtaining the Company's interest and receipt of the approvals, the Company will be required to pay $1,200,000 in one lump sum payment to certain parties of the M&S Operating Agreements. Additionally, GGR granted to the partners in the Myra and Sara Licenses an option to purchase up to 12.5% of the participation rights in the Samuel License not later than the sending of a processed three-dimensional seismic survey including analysis of the information relating to the Samuel License (the "**First Option**"). Subject to the exercise of the First Option, GGR granted to the partners in the Myra and Sara Licenses an additional option to purchase an additional 7.5% until commencement of the first drilling in the area of the Samuel License (the "**Second Option**" and together with the First Option, the "**Options**")).

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 Company, and following registration of the Company as the owner of the rights under the Myra and Sara 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 exercise either or both of the Options, the rate of the holdings of the Company and GGR in the Samuel License would be diluted proportionately to their holdings, (b) GGR and the Company would act to increase the level of the participation rights of GGR in the Samuel License by 3%, with appropriate dilution of the level of participation rights of Adira Oil Technologies Ltd., such that the rate of the holdings in the Samuel License would be: GGR - 45%; Adira - 38.25%; Brownstone - 6.75%; Pinetree - 10%.

Additionally, the Company will be expected to pay its pro rata share of expenditures, pursuant to the M&S Operating Agreements. The Beneficiary M&S Interest is dependent upon a number of circumstances beyond the control of the Company and there is no assurance that the Company will be able to take title of this asset.

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. On December 8, 2011, GGR reported that the Myra and Sara Option expired due to failure of the Company to meet the conditions of the Myra and Sara Option. On December 8, 2011, the Company notified GGR that it believes the Myra and Sara Option is valid and exercisable. Accordingly, there is no assurance that the Company will be able to exercise the Myra and Sara Option.

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

Former Onshore Licences

On December 15, 2011, following the Company's findings from the drilling of the Eitan#1 well and further analysis by the Company's geoscientists in consultation with outside consultants, the Company determined that the continuation of exploration activities on the Company'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 Company. Accordingly, the Company announced that it has relinquished the Eitan License and has commenced the process of surrendering the Eitan License in accordance with Israeli Petroleum Law.

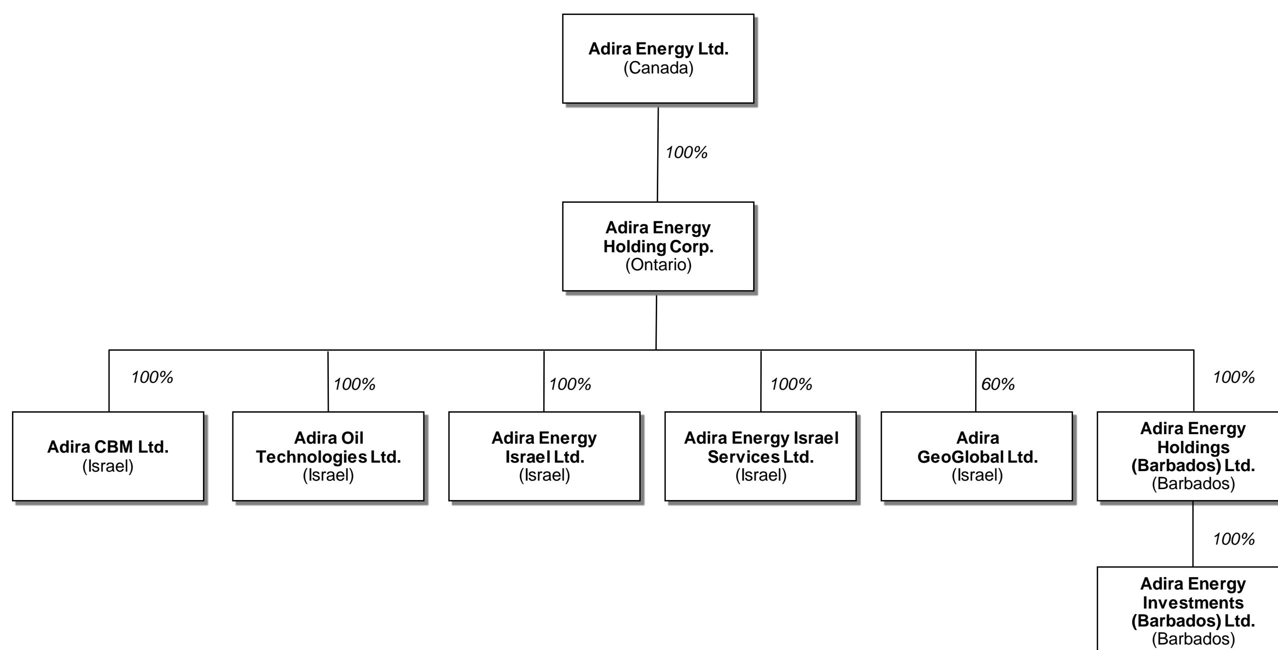
The Company had a right to farm into 70% of the Notera License which is approximately 19,000 acres and contiguous and directly to the south of the Eitan License (the "**Notera License**"). In July 2011, the Company waived its right to farm into the Notera License. The Company has therefore terminated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

Drilling Activity

As of the date of this Form 20-F, no drilling activity is being carried out. During the past three fiscal years, we have had no productive wells and have had only one dry exploratory well - namely, the Eitan #1 well which was drilled on lands in the Hula Valley in Northern Israel covered by the Eitan License. As defined in Item 1205(b)(1) of Regulation S-K, a "dry well" is an exploratory, development, or extension well that proves to be incapable of producing either oil or gas in sufficient quantities to justify completion as an oil or gas well.

C. Organizational Structure

As December 31, 2011, we operate in Canada through our wholly owned subsidiary Adira Energy, an Ontario corporation incorporated on April 8, 2009; and in Israel, through Adira Energy's subsidiaries. The following sets out the current organizational structure of the Company and its subsidiaries:



Notes:

(1) The other 40% of the shares of Adira Geo Global are held by GGRI, a corporation that is not related to the Company, the Company's partner in the development of the Samuel License.

(2) Adira Energy Ltd. (Canada) is a holding corporation and is the registered and beneficial owner of 100% of

Adira Energy Holding Corp. (Ontario).

(3) Adira Energy Holding Corp. (Ontario) is a holding corporation and is the registered and beneficial owner of foreign subsidiaries: (i) 60% of Adira GeoGlobal Ltd., a holding corporation created to hold certain licenses that Adira may acquire. It currently holds a 30% interest in the Samuel License; (ii) 100% of Adira Energy CBM Ltd. (Israel), an inactive corporation; (iii) 100% of Adira Oil Technologies Ltd. (Israel), a holding corporation created to hold licenses. It currently holds a 23.25% interest in the Samuel License; (iv) 100% of Adira Energy Israel Ltd. (Israel), a holding corporation created to hold certain licenses that Adira may acquire. It currently holds the Gabriella License and Yitzhak License; (v) 100% of Adira Energy Israel Services Ltd. (Israel), a corporation created to provide services to the Company's other Israeli subsidiaries; (vi) 100% of Adira Energy Holdings (Barbados) Ltd. (Barbados), a holding corporation created to hold certain licenses that the Company may acquire, which wholly owns Adira Energy Investments (Barbados) Ltd. (Barbados) ("**AEIB**"); and (vii) AEIB, a holding corporation created to hold certain licenses that the Company may acquire. It currently holds the Myra and Sara Option.

D. Property, Plant and Equipment

(a) Corporate Offices

Our executive offices are comprised of approximately 784 square feet at 120 Adelaide Street West, Suite 120, Toronto, Ontario, Canada, M4V 3A1 for which the lease cost is CDN$1,372 per month and 424 square meters at Aba Hillel Silver 12, Ramat Gan, Israel, for which the lease cost is $12,917 per month.

(b) Special Skill and Knowledge

Our ability to complete drilling and exploration is dependent on the availability of well-trained, experienced crews to operate our field equipment and qualified management. We believe that our strategic arrangement with certain oil and gas exploration companies provides us with access to the special skills and knowledge required to assist us in the evaluation of our exploration properties.

(c) Foreign Operations

During the fiscal years ended December 31, 2011 and 2010, all of our oil and gas exploration activities were in the State of Israel.

(d) Competitive Conditions

The oil and gas industry in the State of Israel is, and will continue to be, competitive. Most contracts are awarded on the basis of competitive bids. We believe that our early entry into oil and gas exploration in Israel will provide us with a competitive advantage in the exploration and evaluation of our licenses. Our joint venture with Brownstone is anticipated to allow us to access to new projects while limiting our financial exposure. We also expect to benefit from Brownstone's operational knowledge and experience, given its established oil and gas exploration and development operations.

(e) Dependence on Customers and Suppliers

We are not dependent upon a concentration of customers or suppliers for revenues, or our operations.

(f) Environmental Protection and Policies

We are subject to various state and district environmental laws and regulations enacted in Israel, which primarily govern the manufacture, processing, importation, transportation, handlings and disposal of certain materials used in operations, as well as limits on emissions into the air and discharges into surface and sub-surface waters. We adhere to all such laws and regulations. We may be required to increase operating expenses or capital expenditures in order to comply with any new restrictions or regulations.

We do not expect that environmental protection requirements will have a significant financial or operational effect on our capital expenditures, earnings or competitive position. Environmental requirements have not had a significant effect on such matters in fiscal year 2011 nor are they currently anticipated in the future.

To date, all of our operations have been in compliance in all material respects with applicable corporate standards and environmental regulations and there were no material notices of violations, fines or convictions relating to environmental matters at any of our operations.

We believe that we are in substantial compliance with all material current government controls and regulations for each of our licenses.

See also Item 3D - "Risk Factors".

ITEM 5 OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following is a discussion and analysis of the activities, consolidated results of operations and financial condition of the Company for the year ended December 31, 2011. Our management's discussion and analysis of financial conditions and results of operations for the year ended December 31, 2011 should be read in conjunction with our audited consolidated financial statements and related notes for the year ended December 31, 2011. Our financial statements have been prepared in accordance with IFRS as issued by the IASB.

A. Operating Results

Summary

We are an oil and gas exploration company. Through our wholly-owned subsidiary, Adira Energy, and its wholly owned subsidiary, Adira Israel, we have been granted three offshore petroleum licenses - namely, the Gabriella License held by Adira Israel, the Yitzhak License, held by Adira Israel and the Samuel License - which we own through our other wholly owned subsidiary, Adira Oil Technologies Limited, and our partially owned 60% subsidiary, Adira Geo Global Ltd. ("**Adira Geo Global**"). Our business plan is to undertake evaluation work on each of the offshore licenses to establish whether exploration is justified. We also previously held one onshore petroleum license in Israel, the Eitan License, which we relinquished in December 2011 after we determined that exploration work was not warranted.

In addition, the Company has an option (referred to elsewhere in this annual report as the "Myra and Sara Option"), subject to the fulfillment of certain conditions, to acquire a 5% participating interest in each of two deep water licenses offshore Israel called the Myra and Sara Licenses. On December 6, 2011, two of the Partners in Myra and Sara announced that the Myra and Sara Option had expired. Adira was not party to the relevant contract upon which the two Partners in Myra and Sara have based their position, and therefore believes that the Myra and Sara Option remains validly exercisable. However, there is no assurance that the Company will be able to exercise the Myra and Sara Option. We do not currently consider the Myra and Sara Option material to our operations.

We presently do not produce any oil or gas and do not earn any significant revenues.

Our activities on each of the Offshore Licenses are conducted jointly with others. Our financial statements reflect our proportionate interest in these activities.

Results of Operations

Consolidated results of operations for the year ended December 31, 2011 compared to the year ended December 31, 2010.

Revenues and Other Income

	Year ended December 31,	
	2011	2010
	U.S. dollars in thousands	
Consulting	$ 771	$ 810

Operator fees	312	455
Income from farm-out	240	330
Other income	-	112
	$ 1,323	$ 1,707

Consulting fees relates to consulting services in respect of the Offshore Licenses on a "time and materials" basis.

Operator fees relate to fees we received as the operator on our three Offshore Licenses, at a fixed rate of the total exploration costs incurred by the respective Unincorporated Joint Ventures ("**UJVs**").

Income from farm-out relates mainly to fees received from MELP and MEGP, in respect of our agreement with them relating to the farm out of 70% of the Company's interest in the Gabriella License.

For the year ended December 31, 2011 the Company earned revenues of $1,323,000, as compared to $1,707,000 for the year ended December 31, 2010. Revenues in 2011 relate to operator, and consulting fees, which are a function of the level of exploration activity in 2011 and income from our farm out agreement with MELP and MEGP. The higher revenues in 2010 relate to higher management and operator fees received, mainly due to higher exploration expenses in 2010 following the execution of the 3D seismic program in the Gabriela License, which took place in 2010. As the Company's portion of these expenses was carried by MELP, no exploration expenses were recorded.

Expenses

Share-based compensation

Stock based compensation during the years ended December 31, 2011 and 2010 was attributable to stock options granted to our directors, officers, employees and other service providers during these periods.

The Company has sixteen categories of stock options that have different vesting periods:

(i) Type A stock options vest over 2 years, with 12.5% vesting each quarter with the initial amount vesting on the date three months after the grant date.

(ii) Type B stock options vest 8.5% at the end of each quarter for the first two years and 8% at the end of each quarter thereafter. The initial amount will vest three months after the grant date.

(iii) Type C stock options vest over 4 years, with 6.25% vesting at the end of each quarter with the initial amount vesting on the date three months after the grant date.

(iv) Type D stock options vest at 12.5% each quarter and the initial amount vests on the business day immediately on which each of the optionees is elected or appointed as a director of the Company. In the event they are not elected as a director, all options granted expire immediately.

(v) Type E stock options vest over 2 years, with 12.5% vesting at the end of each quarter with the initial amount vesting on the date three months after the grant date.

(vi) Type F stock options vest over 4 years, with 6.25% vesting at the end of each quarter with the initial amount vesting on the date three months after the grant date.

(vii) Type G stock options vest 8.5% at the end of each quarter over two years and 8.0% at the end of each quarter thereafter with the initial amount vesting on the date three months after the grant date.

(viii) Type H stock options vest 12.5% each quarter over two years with the initial amount vesting on the grant date.

(ix) Type I stock options vest 12.5% every six months over four years with the initial amount vesting on the date three months after the grant date;

(x) Type J stock options vest 12.5% every six months over four years with the initial amount vested on September 18, 2011;

(xi) Type K stock options vest over six months and were fully vested six months after the date of grant;

(xii) Type L stock options vest 12.5% every six months over four years with the initial amount vested on

September 3, 2011;

(xiii) Type M stock options vest 12.5% every six months over four years with the initial amount vested on December 1, 2011;

(xiv) Type N stock options vest 12.5% every six months over four years with the initial amount vested on December 27, 2011;

(xv) Type O stock options vest 12.5% every six months over four years with the initial amount vested on February 1, 2012; and

(xvi) Type P stock options vest 12.5% every six months over four years with the initial amount vesting on May 1, 2012.

We have a stock option plan whereby options may be granted to eligible directors, officers and employees, provided that the number of shares issued under the plan does not exceed 10% of issued and outstanding common shares of the Company. Stock options may be issued at a term and exercise price to be determined by the Company's Board of Directors (the "**Board**" or the "**Board of Directors**") provided that the exercise price is no less than the market price at the date of the grant.

Exploration Expenses

For the year ended December 31, 2011, exploration expenses amounted to $4,759,000 as compared to $1,485,000 for year ended December 31, 2010. The increase in exploration expenses in 2011 is a result of the Company's continued exploration work on the Offshore Licenses, specifically, the execution of the 3D seismic program on each of the Yitzhak License and the Samuel License, compared with less exploration activities in 2010.

Impairment Charge

For the year ended December 31, 2011, the write off amounted to $1,226,000 in respect of the Company's Eitan #1 well as well as consumables and equipment related to the Eitan License relinquished in 2011, as compared to $0 for the year ended December 31, 2010.

General and Administrative Expenses

For the year ended December 31, 2011, general and administration expenses amounted to $5,290,000 as compared to $3,206,000 for year ended December 31, 2010. The increase in operating expenses results primarily from increased activity in Israel since late 2010, including the hiring of additional staff and the opening of the Company's new office in Israel as well as increased legal, accounting, travel and marketing expenses.

Part of the expenses relates to share based compensation of $1,023,000 as compared to $1,277,000 in 2010. The decrease of $254,000 is mainly due to employee stock options that were forfeited during 2011.

Financing Income/Expense

For the year ended December 31, 2011, financial income amounted to $43,000 as compared to a financial income of $0 for the year ended December 31, 2010. Financing income represents interest earned on short-term deposits, primarily held in Canadian dollars and US dollars.

For the year ended December 31, 2011, financial expenses amounted to $109,000 as compared to a financial expense of $5,000 for the year ended December 31, 2010. The amounts in 2011 and in 2010 are a result of fluctuations in NIS and Canadian dollar rates against the US dollar.

Net Loss

The Company reported a net loss and comprehensive loss for the year ended December 31, 2011 of $10.0 million as compared to a net loss and comprehensive loss of $3 million for year ended December 31, 2010. The reason for the increase in the loss is as a result of an increase in exploration and operating activities, offset by revenues generated from management, operator and consulting fees.

Inflation

During the years ended December 31, 2011 and 2010, inflation has not had a material impact on our operations.

Government Regulation

The Offshore Licenses held by us have been granted to us by the State of Israel under the Israeli Petroleum Law, and our evaluation and exploration activities in the areas covered by the Offshore Licenses must be undertaken in compliance with work plans approved by the Commissioner.

Consolidated results of operations for the year ended December 31, 2010 compared to the 267 day period ended December 31, 2009.

Revenues and Other Income

For the year ended December 31, 2010 we earned revenues and other income of $1.7 million as compared to $0 for the 267 day period ended December 31, 2009. The breakdown of revenues for the year ended December 31, 2010 is as follows:

Revenue Categories		**Year ended December 31, 2010 (in thousands)**	**% of Total Income**
Consulting	$	810	47
Operator fees		455	27
Other income		442	26
Total Revenues and other income	$	1,707	100%

Consulting fees relates to consulting services in respect of the Offshore Licenses on a "time and materials" basis.

Operator fees relate to fees we received as the operator on our three Offshore Licenses, on a fixed rate (i.e. 7.5%) of the total exploration costs incurred by the respective UJVs.

Other income relates mainly to management fees received from MELP and MEGP, in respect of our agreement with them relating to the farm-out of 70% of the Company interest in the Gabriella License.

Expenses

Exploration Expenses

For the year ended December 31, 2010, exploration expenses amounted to $1,485,000 as compared to $195,000 for the 267 day period ended December 31, 2009. The increase in exploration expenses is a result of the Company having commenced its offshore exploration program in 2010 compared with minimal exploration activities in 2009.

General and Administrative Expenses

For the year ended December 31, 2010, general and administrative expenses amounted to $3,206,000 as compared to $1,639,000 for the 267 day period ended December 31, 2009. The increase in general and administrative expenses results primarily from increased activity in Israel, including the hiring of additional staff and the opening of the Company's new office in Israel, as well as increased legal, accounting travel and marketing expenses. In addition, share-based compensation increased by $340,000.

Financing expense (income)

During the year ended December 31, 2010, the Company recorded net exchange rate loss of $5,000 as compared to a gain of $15,000 for the 267 day period ended December 31, 2009.

Income Taxes

For the year ended December 31, 2010, we incurred Israeli taxes on income on one of our Israeli subsidiaries, Adira Services in an amount of $15,000 as compared to $1,000 for the 267 day period ended December 31, 2009.

Net Loss

The Company reported a net loss and comprehensive loss for the year ended December 31, 2010 of $3,004,000 as compared to a net loss and comprehensive loss of $6,722,000 for the 267 day period ended December 31, 2009. The reason for the decrease in the loss despite higher exploration and operating activities in 2010 is a result of (i) increased revenues in 2010, and (ii) the one-time charge in 2009 in respect of issuance expenses related to the reverse takeover consummated in August 2009.

B. Liquidity and Capital Resources

Liquidity

Liquidity is a measure of a company's ability to meet potential cash requirements. The Company has historically met its capital requirements through the issuance of common shares.

The Company has an accumulated deficit of $19.2 million as of December 31, 2011, and the Company had negative cash flows from operations of $6.4 million for the year ended December 31, 2011 ($3 million for the year ended December 31, 2010). The ability of the Company to continue as a going concern depends upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development, and upon future profitable operations from the properties or proceeds from their disposition. The Company is an exploration stage company and has not earned any revenues from its oil and gas properties to date.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. The Company is considering various alternatives with respect to raising additional capital to remedy any future shortfall in capital, but to date has made no specific plans or arrangements. Because of the early stage of the Company's operations and the Company's absence of any material oil and natural gas reserves, there can be no assurance this capital will be available and if it is not, the Company may be forced to substantially curtail or cease exploration, appraisal and development expenditures.

Year ended December 31, 2011 compared to year ended December 31, 2010

During the year ended December 31, 2011, the Company's overall position of cash and cash equivalents decreased by $592,000. This decrease in cash can be attributed to the following activities:

The Company's net cash used in operating activities during the year ended December 31, 2011 was $6,414,000 as compared to $3,010,000 for the year ended December 31, 2010. This increase is attributable to and consistent with the increase in the Company's exploration and operating activities for the current year, compared to the prior year.

Cash used in investing activities during the year ended December 31, 2011 was $657,000 as compared to cash used in investing activities of $1,087,000 during the year ended December 31, 2010. The investment in 2011 relates primarily to the capitalization of drilling costs in respect of the Eitan #1 well as well as purchase of furniture, computers and office equipment for the Israeli office, offset by the release of restricted cash. The amount invested in 2010 relates primarily to investment in restricted cash and to the purchase of the drilling rig and related equipment for the Eitan License.

Cash provided by financing activities for the year ended December 31, 2011 was $6,617,000 as compared to $10,754,000 during the year ended December 31, 2010. The cash provided in 2011 a result of the completion of a private placement for net proceeds of $6,152,000 (gross proceeds: CAN$6.5 million), and the exercise of warrants and employee stock options during the period. The cash provided in 2010 is a primarily as a result of the completion of a private placement for net proceeds of $10,077,000 (gross proceeds: US$11 million) in November 2010.

There are no legal restrictions on transferring funds between Canada and Israel.

Year ended December 31, 2010 compared to the 267-day period ended December 31, 2009

During the year ended December 31, 2010, the Company's overall position of cash and cash equivalents increased by $6,642,000. This increase in cash can be attributed to the following activities:

The Company's net cash used in operating activities during the year ended December 31, 2010 was $3,010,000 as compared to $683,000 for the 267 day period ended December 31, 2009. This increase is attributable to and consistent with the increase in the Company's exploration and operating activities for the current period, compared to the prior period.

Cash used in investing activities during the year ended December 31, 2010 was $1,087,000 as compared to net cash used of $365,000 during the 267 day period ended December 31, 2009. The investment in 2010 relates primarily to restricted cash held by the bank in respect of a letter of credit and the purchase of computers and equipment for the Israeli office. The amount in 2009 relates primarily to a deposit made on the purchase of drilling equipment for the Eitan License.

Cash provided by financing activities for the year ended December 31, 2010 was $10,754,000 as compared to $3,093,000 during the 267 day period ended December 31, 2009. The increase is a result of the completion of an $11 million private placement in November 2010, as compared to a $2.4 million financing from two offerings in 2009 and off-set by $897,000 in cash and cash equivalents acquired as part of the Company's RTO in August 2009.

Capital Resources

At December 31, 2011, the Company's cash and cash equivalents were $8.1 million (December 31, 2010 - $8.7 million), The majority of this balance is being held in US Dollars. The Company's working capital at December 31, 2011 was $8 million as compared to $10.7 million at December 31, 2010.

Commitments

The Company has commitments to the Ministry to complete the work programs on all of the Company's licenses as set out above under Item 4B – "Offshore Licences".

In order to maintain the current licenses, the Company will be required to expend amounts in respect of exploration expenditure. The Company intends to meet all of its drilling and related expenditures as they become due to maintain the Company's interests in its oil and gas properties. These oil and gas expenditure obligations are not fixed and cannot be pre-determined with certainty. Failure to meet the obligations may result in the loss of the Company's ownership interests.

The Company's share of the funding commitment for 2012 for the above-mentioned licenses amounts to approximately $6.0 million.

Critical Accounting Policies and Estimates

Our results of operation and financial condition are based on our consolidated financial statements, which are presented in accordance with IFRS. Certain accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at that time. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the periods presented. To the extent there are material differences between these estimates, judgments or assumptions and actual results, our financial statements will be affected. The significant accounting policies that we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

- Share-based payment transactions;
- Joint oil and gas ventures;

- Farm out arrangements in the exploration and evaluation phase;
- Exploration and evaluation assets; and
- Revenue recognition.

Share-based payment transactions

The Company's employees and other service providers are entitled to remuneration in the form of equity-settled share-based payment transactions.

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using the Black Scholes pricing model. As for other service providers, the cost of the transactions is measured at the fair value of the goods or services received as consideration for equity instruments. In cases where the fair value of the goods or services received as consideration of equity instruments cannot be measured, they are measured by reference to the fair value of the equity instruments granted.

The cost of equity-settled transactions is recognized in profit or loss, together with a corresponding increase in equity, during the period which the performance and service conditions are to be satisfied, ending on the date on which the relevant employees become fully entitled to the award (the "**vesting period**"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or income recognized in profit or loss represents the movement in the cumulative expense recognized at the end of the reporting period.

If the Company modifies the conditions on which equity-instruments were granted, an additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee/other service provider at the modification date. If a grant of an equity instrument is cancelled, it is accounted for as if it had vested on the cancellation date, and any expense not yet recognized for the grant is recognized immediately. However, if a new grant replaces the cancelled grant and is identified as a replacement grant on the grant date, the cancelled and new grants are accounted for as a modification of the original grant, as described above.

Joint oil and gas ventures

The Company conducts petroleum and natural gas exploration activities jointly with other partners who each have direct ownership in the assets and each are directly obligated for the liabilities of the ventures. Consequently, these financial statements reflect only the Company's proportionate interest in such activities.

The Company accounts for its share of the joint venture's assets, liabilities it has incurred, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture and any expenses it incurs in relation to its interest in the joint venture.

Farm-out arrangements in the exploration and evaluation phase

A farm out is the transfer of part of oil and gas interest in consideration for an agreement by the transferee (the "**farmee**") to meet, absolutely, certain expenditures which would otherwise have to be undertaken by the owner (the "**farmor**"). Farm-out transactions generally occur in the exploration or development phase and are characterized by the transferor (i.e. farmor) giving up future economic benefits, in the form of reserves, in exchange for a reduction in future funding obligations.

Accordingly, the farmee recognizes its expenditure under the arrangement in respect of its interest and that retained by the farmor, as and when the costs are incurred.

The Company, as the farmor, accounts for the farm-out arrangement as follows:

- the Company does not record any expenditure made by the farmee on its behalf;

- the Company does not recognize a gain or loss on the farm out arrangement, but rather redesignates any costs capitalized in relation to the whole interest as relating to the partial interest retained; and
- any cash consideration received is credited against costs previously capitalized in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

Exploration and evaluation assets

Prelicense costs

Pre-license costs are expensed in the period in which they are incurred.

Exploration and evaluation costs

Oil and natural gas exploration and development expenditure is accounted for using the successful efforts method of accounting.

During the geological and geophysical exploration phase, costs are charged against income as incurred. Costs directly associated with an exploration well in its drilling phase, for which it has not yet been determined whether there are proved reserves or it is not commercially viable, are capitalized as exploration and evaluation intangible assets until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. If no reserves are found, the exploration asset is tested for impairment. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., by drilling further wells), are likely to be developed commercially, the costs continue to be carried as an intangible assets while sufficient and continued progress is made in assessing the commerciality of the hydrocarbons. All such costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proved reserves of oil are determined and development sanctioned, the relevant expenditure is transferred to oil and gas properties after impairment is assessed and any resulting impairment loss is recognized.

As of December 31, 2011, substantially all exploration costs have been expensed.

Revenue recognition

Revenues are recognized in the statement of comprehensive loss when the revenues can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company's revenues are derived from:

1. **Operator fees** - The Company acts as the operator or joint operator on the Offshore Licenses and is entitled to operator fees at a fixed rate of 7.5% of the total exploration costs incurred by the respective UJV's. Revenues from operator fees are recognized in accordance with the terms of the JOAs, as exploration expenses are incurred in the UJV's.

2. **Consulting fees** – The Company provides consulting services in respect of the Offshore Licenses on a "time and materials" basis. Consulting fees are recognized as revenues as the services are rendered to the respective UJV's.

C. Research and Development, Patents and Licences

Not applicable.

D. Trend Information

We are not aware of any trends that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

E. Off-Balance Sheet Arrangements

Except for the Myra and Sara Option, we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

F. Tabular Disclosure of Contractual Obligations

The following sets forth our contractual obligations as of December 31, 2011:

	Payments due by period (U.S. dollars in thousands)				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Operating Lease Obligations	339	171	168	0	0
Approved funding commitment regarding our licenses	6,004	6,004	0	0	0
Total	6,343	6,175	168	0	0

G. Safe Harbor

Not applicable.

ITEM 6 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The size of Adira's Board of Directors is currently set at 6. All of our directors are elected annually by the shareholders and hold office until our next annual general meeting or until their successors are duly elected and qualified, unless their office is earlier vacated in accordance with the CBCA and our articles of incorporation. Pursuant to an agreement with BRM Group Ltd. ("**BRM**"), for as long as BRM exercises control over 10% or more of our issued and outstanding common shares, we will nominate, at each annual shareholders meeting of the Company, two nominees of BRM to Adira's Board of Directors, and one nominee in the event that BRM exercises control over common shares in an amount less than 10% but equal to or greater than 7% of our issued and outstanding common shares. Further this to arrangement, Eli Barkat and Yael Reznik Cramer were appointed as directors to the Board of Directors as of January 11, 2011.

The following table sets forth information relating to the directors and senior management of Adira as at the date of this Form 20-F:

Name[1]	**Position**
Dennis Bennie [2][3]	Director (Chairman)
Sheldon Inwentash [2][3]	Director
Eli Barkat [3]	Director

Name[1]	Position
Yael Reznik-Cramer [2][3]	Director
Colin Kinley	Director
Alan Friedman	Director and Executive Vice-President, Corporate Development
Hezi Kugler [4]	Chief Executive Officer from June 1, 2011 to February 24, 2012 Strategic Consultant from February 27, 2012
Gadi Levin [5]	Chief Financial Officer from January 11, 2011 Secretary from August 23, 2010 Acting Principal Executive Officer from February 24 to February 27, 2012
Jeffrey E. Walter[6]	Chief Executive Officer from February 27, 2012
Alon Polishuk	Vice-President, Contracts Administration and Regulations, from August 15, 2012
Mosh Politi	Chief Geologist

(1) Neither age nor date of birth of directors or senior managers is required to be reported in the Company's home country (Canada) nor otherwise publicly disclosed.
(2) Member of Audit Committee.
(3) "Independent" for purposes of National Instrument 52-110.
(4) Mr. Kugler's employment as the Chief Executive Officer of the Company was terminated effective February 24, 2012 in accordance with the terms of the Kugler Service Agreement, as defined and more particularly discussed under Item 6B of this Form 20-F. Mr. Kugler continues to assist the Company as a strategic consultant effective February 27, 2012.
(5) Mr. Levin was appointed the Chief Financial Officer of the Company effective January 11, 2011 and served as the Acting Principal Executive Officer of the Company during the interim period from the effective date of the termination of Mr. Kugler as the Chief Executive Officer of the Company (February 24, 2012) to the effective date of Mr. Walter's employment as the Chief Executive Officer of the Company (February 27, 2012).
(6) Mr. Walter was appointed the Chief Executive Officer of the Company effective February 27, 2012 following the termination of Mr. Kugler's employment as the Chief Executive Officer.

Directors and Senior Management of the Subsidiaries

The following table sets out the directors and senior management of Adira's subsidiaries as of the date of this Form 20-F, provides the person's name, location of residence, position(s) held with the entity, principal occupation during the last five years and if a director, the date on which the person became a director. None of the directors and senior management listed below beneficially own, control or direct, directly or indirectly, any common shares of any subsidiary listed below.

Adira Energy Holding Corp. (Ontario)

Name and Residence	Position	Date First Elected	Principal Occupation During Last 5 Years
Jeffrey E. Walter Annaopolis MD, USA	Chief Executive Officer	February 27, 2012	Chief Executive Officer of White Birch Energy. Principal at Energy Consultant International. Vice President Europe and Mediterranean for Noble Energy Inc.

Name and Residence	Position	Date First Elected	Principal Occupation During Last 5 Years
Gadi Levin Lev Hasharon, Israel	Chief Financial Officer	January 11, 2011	VP and Chief Financial Officer for two Israeli investment houses in the fields of private equity, hedge funds and real estate. Prior to that, financial consultant to the Prime Minister's Office of the State of Israel
Alan Friedman Toronto, Canada	President, Secretary and Director	April 4, 2008	Founder, President and Chief Executive Officer of Rivonia Capital Inc., South African lawyer
Dennis Bennie Toronto, Canada	Director	April 4, 2008	Founder, XDL Venture Capital Fund and XDL Capital Invest

Adira Energy CBM Ltd. (Israel)

Name and Residence	Position	Date First Elected	Principal Occupation During Last 5 Years
Jeffrey E. Walter Annaopolis MD, USA	Chief Executive Officer	February 27, 2012	Chief Executive Officer of White Birch Energy. Principal at Energy Consultant International. Vice President Europe and Mediterranean for Noble Energy Inc.
Gadi Levin Lev Hasharon, Israel	Chief Financial Officer and Director	February 17, 2011	VP and Chief Financial Officer for two Israeli investment houses in the fields of private equity, hedge funds and real estate. Prior to that, financial consultant to the Prime Minister's Office of the State of Israel
Yael Reznik-Cramer Lapid, Israel	Director	February 17, 2011	VP Business Development with BRM Group. Prior to BRM Group, Chief Financial Officer of STAR Ventures, Israel

Adira Oil Technologies Ltd. (Israel)

Name and Residence	Position	Date First Elected	Principal Occupation During Last 5 Years
Jeffrey E. Walter Annaopolis MD, USA	Chief Executive Officer	February 27, 2012	Chief Executive Officer of White Birch Energy. Principal at Energy Consultant International. Vice President Europe and Mediterranean for Noble Energy Inc.

Name and Residence	Position	Date First Elected	Principal Occupation During Last 5 Years
Gadi Levin Lev Hasharon, Israel	Chief Financial Officer and Director	March 1, 2011	VP and Chief Financial Officer for two Israeli investment houses in the fields of private equity, hedge funds and real estate. Prior to that, financial consultant to the Prime Minister's Office of the State of Israel
Yael Reznik-Cramer Lapid, Israel	Director	March 1, 2011	VP Business Development with BRM Group. Prior to BRM Group, Chief Financial Officer of STAR Ventures, Israel

Adira Energy Israel Ltd. (Israel)

Name and Residence	Position	Date First Elected	Principal Occupation During Last 5 Years
Jeffrey E. Walter Annaopolis MD, USA	Chief Executive Officer	February 27, 2012	Chief Executive Officer of White Birch Energy. Principal at Energy Consultant International. Vice President Europe and Mediterranean for Noble Energy Inc.
Gadi Levin Lev Hasharon, Israel	Chief Financial Officer and Director	January 11, 2011	VP and Chief Financial Officer for two Israeli investment houses in the fields of private equity, hedge funds and real estate. Prior to that, financial consultant to the Prime Minister's Office of the State of Israel
Yael Reznik-Cramer Lapid, Israel	Director	January 11, 2011	VP Business Development with BRM Group. Prior to BRM Group, Chief Financial Officer of STAR Ventures, Israel

Adira Energy Israel Services Ltd. (Israel)

Name and Residence	Position	Date First Elected	Principal Occupation During Last 5 Years
Jeffrey E. Walter Annaopolis MD, USA	Chief Executive Officer	February 27, 2012	Chief Executive Officer of White Birch Energy. Principal at Energy Consultant International. Vice President Europe and Mediterranean for Noble Energy Inc.

Name and Residence	Position	Date First Elected	Principal Occupation During Last 5 Years
Gadi Levin Lev Hasharon, Israel	Chief Financial Officer and Director	April 4, 2011	VP and Chief Financial Officer for two Israeli investment houses in the fields of private equity, hedge funds and real estate. Prior to that, financial consultant to the Prime Minister's Office of the State of Israel
Yael Reznik-Cramer Lapid, Israel	Director	April 4, 2011	VP Business Development with BRM Group. Prior to BRM Group, Chief Financial Officer of STAR Ventures, Israel

Adira Geo Global Ltd. (Israel)

Name and Residence	Position	Date First Elected	Principal Occupation During Last 5 Years
Jeffrey E. Walter Annaopolis MD, USA	Chief Executive Officer	February 27, 2012	Chief Executive Officer of White Birch Energy. Principal at Energy Consultant International. Vice President Europe and Mediterranean for Noble Energy Inc.
Gadi Levin Lev Hasharon, Israel	Chief Financial Officer	April 4, 2011	VP and Chief Financial Officer for two Israeli investment houses in the fields of private equity, hedge funds and real estate. Prior to that, financial consultant to the Prime Minister's Office of the State of Israel
Yael Reznik-Cramer Lapid, Israel	Director	April 4, 2011	VP Business Development with BRM Group. Prior to BRM Group, Chief Financial Officer of STAR Ventures, Israel
Paul Miller Calgary, AB, Canada	Director	December 17, 2010	President and Chief Executive Officer of GeoGlobal Resources Inc. Prior to that, worked with Talisman Energy and Matrikon Inc. in various management capacities

Adira Energy Holdings (Barbados) Ltd. (Barbados)

Name and Residence	Position	Date First Elected	Principal Occupation During Last 5 Years
Dr. J. Gordon Murphy Lascelles, St. James, Barbados Barbados	President and Director	June 30, 2011	Self Employed Business and Technology Consultant since 1994. President and Director of Brownstone Ventures (Barbados) Inc. since December 2007 and of Pinetree (Barbados) Inc. since July 2000.

Name and Residence	Position	Date First Elected	Principal Occupation During Last 5 Years
Gadi Levin Lev Hasharon, Israel	Director	June 30, 2011	VP and Chief Financial Officer for two Israeli investment houses in the fields of private equity, hedge funds and real estate. Prior to that, financial consultant to the Prime Minister's Office of the State of Israel
Joseph William Ward Falmouth House, Belair, St. Philip, Barbados	Director	August 11, 2011	Chartered Accountant and partner, BDO Barbados (formerly Ward, Patel & Co.). Director of Barbados Insurance Managers Limited

Adira Energy Investments (Barbados) Ltd. (Barbados)

Name and Residence	Position	Date First Elected	Principal Occupation During Last 5 Years
Dr. J. Gordon Murphy Lascelles, St. James, Barbados Barbados	President and Director	June 30, 2011	Self Employed Business and Technology Consultant since 1994. President and Director of Brownstone Ventures (Barbados) Inc. since December 2007 and of Pinetree (Barbados) Inc. since July 2000.
Gadi Levin Lev Hasharon, Israel	Director	June 30, 2011	VP and Chief Financial Officer for two Israeli investment houses in the fields of private equity, hedge funds and real estate. Prior to that, financial consultant to the Prime Minister's Office of the State of Israel
Joseph William Ward Falmouth House, Belair, St. Philip, Barbados	Director	August 11, 2011	Chartered Accountant and partner, BDO Barbados (formerly Ward, Patel & Co.). Director of Barbados Insurance Managers Limited

The following is biographical information on each of the persons listed above:

Mr. Dennis Bennie. Mr. Bennie became Chairman and a director of Adira on August 31, 2009. Prior to that, Mr. Bennie was a founding member of Adira Holding Co., now a wholly-owned subsidiary of the Company and its Chairman since inception in April 2009. Over the past 25 years, Mr. Bennie has founded and managed several successful companies. In 1997, he founded the XDL Venture Capital Fund. One of its most noteworthy investments was a 1997 start-up, Delano Technology Corporation (NASD:DTEC). XDL Intervest, a $150 million fund was started in 1999 and is now fully invested. From 1988 to 1996, Mr. Bennie was Chairman and Chief Executive Officer of Delrina Corporation, which was listed on both the Toronto Stock Exchange and NASDAQ. Mr. Bennie serves on several boards and also regularly serves on various charitable boards.

Sheldon Inwentash. Mr. Inwentash has been a director of Adira since April 14, 2011. He has been the Chief Executive Officer and Chairman of Pinetree, a company he founded, since February 1992. Mr. Inwentash also serves as the Chairman and Chief Executive Officer of Brownstone, an energy-focused company with direct interests in oil and gas properties around the world. He serves as an Advisor of PowerOne Capital Markets Limited and has been the Chief Executive Officer of Mega Uranium Ltd. since May 30, 2000, also serving as its Chairman. He has over 25 years of experience in the investment industry and a deep understanding of progressive investment and financial management strategies. Mr. Inwentash served as the President of Mega Precious Metals Inc. (formerly, Mega Silver Inc. and Treat Systems Inc. Bc). He was a Partner at KBL Capital Partners Inc. and has been the Chairman of Titan Uranium Inc. since January 25, 2011. He has been a Director of X-Terra Resources Corporation since March 2009, U3O8 Corp. since April 2010, and of Brownstone, since 1988. In addition, he serves as a director of Alpha North General Partner Inc., the General Partner of AlphaNorth 2010 Flow-Through Limited Partnership. He has been a Director of Mega Uranium Ltd. since 1996 and a Director of Terreno Resources Corp. since November 2010. He has also been a Director of U308 Corp. since August 2010 and is a current Director of NSI Communications Inc. He has served as a Director of Pinetree Capital Corp. since February 1992, Unigold Inc. from October 9, 2003 to April 11, 2005, Brainhunter Inc. (formerly, Treklogic Technologies Inc.) since August 27, 2003, Aurelian Resources Inc. since June 2003, Enghouse Systems Ltd. since May 23, 1996, Visible Genetics Inc. since April 1994 and Akela Pharma Inc. (formerly, Lab International Inc.) since May 1, 2002. Mr. Inwentash served as a Director of Mega Precious Metals Inc. from October 31, 2001 to January 2008. He served as an Independent Director of Southern Star Resources Inc. since April 22, 2003, served as a Director of Manitex Capital, Inc. since June 1995 and served as a Director of Octagon Industries Inc. until May 2001. Mr. Inwentash is a Chartered Accountant and holds a Bachelor of Commerce from the University of Toronto.

Mr. Eli Barkat. Mr. Barkat became a director of Adira on January 11, 2011. He is the CEO, chairman and co-founder of BRM. In 1988, Mr. Barkat co-founded BRM, an anti-virus software start-up sold to Symantec. Under Mr. Barkat's leadership, BRM has been involved, either directly or via venture capital funds under its control, in some of the prominent exits including Checkpoint (NASDAQ: CHKP); Backweb (NASDAQ: BWEB); Passave (sold to PMC-Sierra); Oplus Technologies (sold to Intel); Whale Communications (sold to Microsoft) and Fraud Sciences (sold to eBay). Mr. Barkat is also the Chairman of DS-APEX and he currently sits on the board of Mediamind, GigaSpaces, SupportSpace and Pando Networks. Together with his wife, Alona, he founded the BRM Institute of Technology and Society at Tel Aviv University, and serves on the Tel Aviv University's Board of Governors. He holds a B.Sc in Computer Science and Mathematics from the Hebrew University of Jerusalem.

Ms. Yael Reznik-Cramer. Ms. Reznik-Cramer became a director of Adira on January 11, 2011. She is responsible for BRM's new business opportunities and BRM Capital's financial operations, financial reporting, taxation, information systems and administration. Prior to joining BRM, Ms. Reznik-Cramer was Chief Financial Officer of STAR Ventures in Israel for over nine years. Before joining STAR, Ms. Reznik-Cramer was Controller at Lannet Data Communications Ltd. (NASDAQ: LANTF) and an Audit Team Manager at Bavli Milner, one of Israel's leading accounting firms. She currently sits on the boards of directors of each of Backweb Ltd. and Schema Ltd. Ms. Reznik-Cramer is a Certified Public Accountant in Israel and holds a B.A degree in Accounting and Economics from the Hebrew University in Jerusalem and an MBA from Tel-Aviv University.

Mr. Colin Kinley. Mr. Kinley became a director of Adira on August 31, 2009 and was a Senior Advisor of the Company from August 23, 2010 to December 15, 2011. He also served as President and Chief Operating Officer of the Company from July 22, 2010 to June 27, 2011. Mr. Kinley is Chief Executive Officer of Kinley Exploration LLC, a specialized exploration company providing integrated program exploration and development management for both new and established oil and gas plays. Mr. Kinley has over 30 years of international experience in the exploration of frontier resource plays, 26 years as a senior executive for Layne Christensen and its predecessor companies. During his tenure at Layne he had executive oversight of multiple service companies and exploration and production operations, both domestically and internationally. More recently, Mr. Kinley was President of a Toronto based Botswana unconventional gas project, exploring and drilling numerous wells from a base he established in the Kalahari Desert. He is experienced and practiced in both public and private company disciplines.

Mr. Alan Friedman. Mr. Friedman became Executive Vice-President and a director of Adira on August 31, 2009. Prior to joining the Company, Mr. Friedman was a founding member of Adira Holding Co. and had been its President since its inception in April 2009. Mr. Friedman is a South African attorney and a director of the Canada-South Africa Chamber of Business. He is the founder, President and Chief Executive Officer of Rivonia Capital Inc.,

a firm that identifies opportunities in emerging markets, and enhances value through combining quality assets, management and financial and marketing support for early stage companies in the resource sector. He was formerly the Executive Vice-President for a Canadian finance firm, through which he facilitated significant capital raising for a number of public companies.

Mr. Hezi Kugler. Mr. Kugler served as the Chief Executive Officer and director of Adira from June 2, 2011 to February 24, 2012 and continues to assist the Company as a Strategic Consultant effective February 27, 2012. Mr. Kugler replaced Ilan Diamond who served as the Company's Chief Executive Officer from September 1, 2009 until March 1, 2011. Mr. Kugler has extensive experience in the energy infrastructure field in general and in Israel's hydrocarbons market in particular. Prior to his position as Director General of MNI from 2006 – 2009, he was a leading project finance lawyer on major projects in the energy and water sectors in Israel. During his tenure as Director General of MNI, he was responsible for overseeing Israel's power sector and oil and gas exploration and development on behalf of the government. Mr. Kugler led Israel's negotiations with BG on development of the Gaza Marine natural gas reservoir off shore from Israel / the Palestinian Authority; he initiated Israel's first LNG project and served as co-chairman of the government tender committee; he supervised closely development of Israel's natural gas transmission system; and was responsible for development of Israel's oil and LPG imports networks carried out through government-owned companies under his supervision. He holds a BA in Political Science from Bar-Ilan University and an LLB from Tel-Aviv University.

Mr. Gadi Levin. Mr. Levin became Chief Financial Officer of Adira's Israeli subsidiaries in July 2010, Secretary of Adira in August 2010 and was appointed as Adira's Chief Financial Officer in January 2011. He served as the Acting Principal Executive Officer of Adira during the interim period from the effective date of the termination of Mr. Kugler as the Chief Executive Officer of Adira (February 24, 2012) to the effective date of Mr. Walter's employment as the Chief Executive Officer of Adira (February 27, 2012). Mr. Levin previously served as the Vice President of Finance and Chief Financial Officer for two Israeli investment houses in the fields of private equity, hedge funds and real estate (July 2008 to December 2009 and January 2010 to June 2010, respectively). For the five years prior to that he worked as a financial consultant to the Prime Minister's Office of the State of Israel. Mr. Levin began his career at the accounting firm, Arthur Andersen, where he worked in the Cape Town, London and Tel Aviv offices for nine years. He has a Bachelor of Commerce degree in Accounting and Information Systems from the University of the Cape Town, South Africa, and a post graduate diploma in Accounting from the University of South Africa. He received his Chartered Accountant designation in South Africa and has an MBA from Bar Ilan University in Israel.

Mr. Paul Miller. Mr. Miller became director of Adira GeoGlobal Ltd. (Israel) on December 17, 2010. As of March 1, 2010, he joined GGRI as an Executive Officer and effective August 17, 2010, he became its President and Chief Executive Officer. Mr. Miller is a professional engineer licensed in Ontario and Alberta. He has a depth of experience working in the oil and gas industry all over the world. Originally from the east coast of Canada, Mr. Miller has lived and worked throughout Canada having started his career in Alberta in 1997 working for Talisman Energy from 1997 to 2000 before moving on to Matrikon Inc., a global engineering consulting company, where he was employed in various management capacities from 2000 to 2010. During his ten year tenure with Matrikon, he headed up business units in Australia, Eastern North America, and the Middle East prior to returning to Alberta. Mr. Miller holds a Bachelor of Science degree in Chemical Engineering from the University of Alberta and in 2009 graduated from the Kellogg-Schulich Executive MBA program.

Mr. J. Gordon Murphy. Dr. Murphy became President and Director of Adira Energy Holdings (Barbados) Ltd. and Adira Energy Investments (Barbados) Ltd. on June 30, 2011. Educated in Canada, Dr. Murphy has a B.Sc. in Physics, an M.Sc. in Engineering Physics and a Ph.D. in Mining and Metallurgical Engineering. He was employed as a scientist and laboratory manager from 1977-1984 before accepting an appointment as a Professor at the Technical University of Nova Scotia. In 1989 he re-entered the private sector as cofounder of a Massachusetts based aerospace manufacturing firm specializing in advanced materials. In 1994 he sold that firm and moved from Canada to Barbados where he has since operated as a business and technology consultant. He has served as President and Director of Adira's business partners Brownstone Ventures (Barbados) Inc. and Pinetree (Barbados) Inc. since 2007 and 2000 respectively.

Mr. Jeffrey Walter. Mr. Walter became Chief Executive Officer of Adira and was appointed to the applicable positions with Adira's subsidiaries on February 27, 2012. Immediately prior to joining the Company, Mr. Walter was

the Chief Executive Officer of White Birch Energy, a start up oil and gas company focussed on energy exploration in the Eastern Mediterranean (April 2010 to February 2012). Prior to his role at White Birch Energy, from April 2009 to February 2012, Mr. Walter was a principal at Energy Consultant International where he acted as a consultant for various oil and gas clients. From 2006 to 2009, Mr. Walter was Vice President Europe and Mediterranean for Noble Energy Inc. where he lead the Noble Energy Inc. team response for the Tamar field offshore Israel discovery and increased Noble Energy Inc.'s Eastern Mediterranean portfolio, including the discovery of the Leviathan Basin and Block 12 in Cyprus. Mr. Walter has a BS in Geology from The University of New Mexico.

Mr. Alon Polishuk. Mr. Polishuk became the Vice President, Contracts and Administration and Regulations of Adira on August 15, 2011. He has over five years of experience in Government Services of Israel, managing and co-coordinating mission critical programs and projects. He has experience in project management, business development and expertise in legal analysis and critical examination. Mr. Polishuk specializes in Law and was admitted to the Israel Bar in 2001. He holds a BA, Business (Finance) from the Arison School of Business, as well as LLE, Radzyner School of Law, Interdisciplinary Center, Herzliya.

Mr. Moshe Politi. Mr. Politi became the Chief Geologist of the Company on March 9, 2010. He has 39 years of experience, specializing in the integration of multi-disciplinary aspects and methodologies of geology and geophysics into viable prospects in various environments: onshore, offshore, shallow and deep prospects, structurally complex (overthrust) and stratigraphic plays. Mr. Politi received his Bachelor and Master Degrees in Geology from the Hebrew University in Jerusalem and is currently engaged in his PhD studies in Jerusalem. Mr. Politi has taught Petroleum geology and geophysical methods courses for graduate and post graduate students at the Hebrew University in Jerusalem.

Mr. Joseph W. Ward. Mr. Ward became a director of Adira Energy Holdings (Barbados) Ltd. and of Adira Energy Investments (Barbados) Ltd. on August 11, 2011. He has practised as a CPA in the United Kingdom and Barbados since 1978. He is a Member of the Institute of Chartered Accountants of England and Wales and of the Institute of Chartered Accountants of Barbados. In 1994 he founded a sole practitioner accounting practice in Barbados which provided audit, accounting, taxation and corporate secretarial services to Barbadian and international clients. That firm became Ward, Patel & Co. in January 2002 and BDO Barbados on April 1, 2012. Mr. Ward is joint managing partner of BDO Barbados which provides accounting and management services to Adira's Barbados subsidiaries.

Alan Friedman's wife is the niece of Dennis Bennie. Other than that relationship, no director or any member of senior management has any family relationships with any other director or manager.

Except for the nominee agreement with BRM noted above, there is no arrangement with any major shareholder, customer, supplier or other party pursuant to which any person was selected as a director or member of senior management.

Cease trade orders, bankruptcies, penalties or sanctions

For the purposes of this section, "order" means a cease trade order; an order similar to a cease trade order; or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

Other than as disclosed below, no director or executive officer of the Company is, as at the date hereof, or has been, within the 10 years before the date hereof, a director, chief executive officer or chief financial officer of any corporation (including the Company) that:

(a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

(a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any corporation (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) as, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of the Company, or a shareholder holding a sufficient number of the Company's securities to affect materially the control of the Company, has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

In October 2002, trading in the shares of Treat Systems Inc. ("**Treat**") was halted by the TSXV for failure to meet the exchange's tier maintenance requirements under TSXV Policy 2.5 – *Tier Maintenance Requirements and Inter-Tier Movement* and for having been designated as an inactive issuer for a period in excess of 18 months. In August 2003, Treat's shares were listed for trading on the NEX board of the TSXV. In January 2008, Treat completed a "change of business" pursuant to the policies of the TSXV. The corporation's name was changed to Mega Silver Inc. (now known as Mega Precious Metals Inc.) and its shares commenced trading on the Exchange on January 31, 2008. Mr. Inwentash was a director of the corporation from October 2001 until his resignation in January 2008 concurrently with the completion of Treat's change of business.

Conflicts of Interest

Certain officers and directors of the Company are directors or officers of other oil and gas exploration companies. Consequently, potential conflicts of interest may arise in the event that these companies compete in respect of the sale or option of oil and gas properties in which the Company is or may be interested.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors and officers conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the CBCA and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

Promoters

Alan Friedman, Ilan Diamond, former Chief Executive Officer and Director of the Company, and Dennis Bennie took the initiative in organizing the Company and may be considered to have been promoters of the Company. See Item 6E - *Share Ownership* for details of the shareholdings of such individuals.

B. Compensation

During the year ended December 31, 2011, we paid aggregate remuneration to our directors and officers as a group who served in the capacity of director or executive officer during such year of approximately $1,967,000, of which $911,000 relates to salaries to executive officers and $1,056,000 relates to share based compensation to executive officer and directors.

Executive Compensation

Compensation Discussion and Analysis

In assessing the compensation of our Company's executive officers, we do not have in place any formal objectives, criteria or analysis; instead, we rely mainly on Board discussion. Currently, any material commitments, inclusive of remuneration, are required to be pre-approved by the Board.

Our executive compensation program has three principal components: base salary, incentive bonus plan and stock options. Base salaries for all our employees are established for each position through comparative salary surveys of similar type and size companies. Both individual and corporate performances are also taken into account. Incentive bonuses, in the form of cash payments, are designed to add a variable component of compensation based on corporate and individual performances for executive officers and employees. No bonuses were paid to executive officers or employees during the most recently completed financial year.

We have no other forms of compensation, although payments may be made from time to time to individuals or companies they control for the provision of consulting services. Such consulting services are paid for by the Company at competitive industry rates for work of a similar nature by reputable arm's length services providers.

We have no compensatory plan, contract or arrangement where an executive officer is entitled to receive more than $100,000 to compensate such executive officers in the event of resignation, retirement or other termination, a change of control of the Company or a change in responsibilities following a change in control, other than as described in this Form 20-F.

Summary Compensation Table

The following table provides a summary of compensation paid to the senior management employed by our Company as of December 31, 2011 during the fiscal year then ended (in thousands of US Dollars):

				Non-Equity Incentive Plan Compensation ($)				
Names and Principal Position	**Salary ($)**	**Share-Based Awards ($)**	**Option-Based Awards ($)**	**Annual incentive plans**	**Long-term incentive plans**	**Pension Value ($)**	**All Other Compensation ($)**	**Total Compensation ($)**
Hezi Kugler, Chief Executive	182	314	-	-	-	-	-	496

Names and Principal Position	Salary ($)	Share-Based Awards ($)	Option-Based Awards ($)	Non-Equity Incentive Plan Compensation ($)		Pension Value ($)	All Other Compensation ($)	Total Compensation ($)
				Annual incentive plans	Long-term incentive plans			
Officer [1]								
Gadi Levin, Chief Financial Officer [2]	177	76	-	-	-	-	-	253
Alan Friedman, Executive Vice President, Corporate Development	152	104	-	-	-	-	-	256
Colin Kinley Former Senior Advisor, President and Chief Operating Officer [3]	102	358	-	-	-	-	-	460
Alon Polishuk, Vice President, Contracts Administration and Regulations [4]	68	28	-	-	-	-	-	96
Moshe Politi Chief Geologist	160	49	-	-	-	-	-	209

(1) Mr. Kugler served as the Chief Executive Officer and Director of the Company from June 2, 2011 to February 24, 2012 and continues to assist the Company as a Strategic Consultant effective February 27, 2012. Mr. Walter was appointed the Chief Executive Officer of the Company effective February 27, 2012.

(2) Mr. Levin was appointed the Chief Financial Officer of the Company effective January 11, 2011, replacing Alan Rootenberg.

(3) Mr. Kinley was a Senior Advisor of the Company from August 23, 2010 to December 15, 2011 and President and Chief Operating Officer of the Company from July 22, 2010 to June 27, 2011. He continues to serve as a Director of the Company.
(4) Mr. Polishuk was appointed the Vice President, Contracts and Administration and Regulations of the Company on August 15, 2011.

Option Based Awards

Stock options are granted to provide an incentive to the directors, officers, employees and consultants of the Company to achieve the longer-term objectives of the Company; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Company; and to attract and retain persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Company. The Company awards stock options to its executive officers based upon the recommendation of the Board, which recommendation is based upon the Compensation Committee's review of a proposal from the President and CEO. Previous grants of incentive stock options are taken into account when considering new grants.

The Company has a stock option plan for the granting of incentive stock options to the officers, employees, consultants and directors. See Item 6E - "Share Ownership – Equity Compensation Plans" for more information.

Director Compensation

The Company has no arrangements, standard or otherwise, pursuant to which Directors are compensated by the Company for their services in their capacity as Directors, or for committee participation, involvement in special assignments or for services as consultant or expert during the most recently completed financial year or subsequently, up to and including the date of this Form 20-F, except for the consulting fees described in Item 7.B – "Related Party Transactions" of this Form 20-F.

Long-Term Incentive Plan Awards

The Company did not make any long-term incentive plan awards during the years ended December 31, 2011 and 2010.

Pension, Retirement or Similar Benefits

We have amounts set aside to provide for pension, retirement or similar benefits.

Employment Agreements

We have entered into employment agreements with certain of our senior officers. The agreements contain, among other things, confidentiality, non-solicitation and non-competition covenants that will apply during the term of each officer's employment and for a specific period of time after termination of their employment.

Each employment agreement provides for certain compensation arrangements upon termination on the occurrence of specified circumstances as described below. Generally, on a termination without cause or resignation for good reason, the officer will be entitled to a severance payment based on past salary and bonus levels, and outstanding and unvested incentives and other equity entitlements will accelerate to immediately vest and become exercisable. "Good reason" generally means (i) a material and adverse change in the officer's status or position or a material reduction in his duties and responsibilities; (ii) a reduction in the officer's base compensation; (iii) a relocation of the officer's place of employment; (iv) the failure to pay material compensation when due; or (v) a change of control of the Company as defined below.

The employment agreements also provide for certain benefits in the event of a change of control of the Company. Generally, a "change of control" is defined in the employment agreements as (i) a tender or take-over offer (or series of related offers) completed for 50% or more of the Company's outstanding voting securities; (ii) the amalgamation, merger or consolidation of the Company or the entry into an arrangement, as a result of which less than 50% of the

outstanding voting securities of the surviving or resulting entity are owned by the former securityholders of the Company or its subsidiaries and affiliates; (iii) the sale or disposition by the Company of all or substantially all of its assets to another entity that is not wholly owned by the Company; or (iv) the acquisition by a person of 50% or more of the outstanding voting securities of the Company (whether directly, indirectly, beneficially or of record).

As of the date of this Annual Report, we have employment agreements with the following senior officers of the Company:

Mr. Hezi Kugler – Chief Executive Officer from June 1, 2011 to February 24, 2012

Effective June 1, 2011, we entered into an employment agreement with Kugler Development and Investments Ltd. (the "**Kugler Service Company**"), a company wholly owned by Mr. Kugler, pursuant to which Mr. Kugler agreed to provide his services to us in the capacity of Chief Executive Officer for a term to continue until terminated (the "**Kugler Service Agreement**"). Mr. Kugler's employment as the Chief Executive Officer of the Company was terminated effective February 24, 2012 in accordance with the terms and conditions of the Kuguler Service Agreement.

Pursuant to the Kugler Service Agreement, Mr. Kugler reported to the Board of Directors. Under the Kugler Service Agreement, Mr. Kugler was paid a monthly fee of 94,000 Israeli shekel ("**NIS**") ($25,701[*]), excluding value added tax ("**VAT**"), and was entitled to, among other things, a vehicle allowance. In addition, in accordance with the terms and conditions of the Kugler Service Agreement, the Board of Directors were to determine, on an annual basis, Mr. Kugler's entitlement to a bonus.

The Kugler Service Agreement contained certain representations, warranties and covenants, including, among other things, standard confidentiality, non-competition and non-solicitation covenants that will apply during the term of the Kugler Service Agreement and for a period of six months thereafter.

Pursuant to the Kugler Service Agreement, each party thereto was entitled to terminate the Kugler Service Agreement at any time during the first year following the effective date of the Service Agreement, by one month's written notice, and during each year thereafter, by three months' written notice. In addition, the Company was entitled to terminate the Kugler Service Agreement immediately without notice and/or payment in lieu thereof if the Kugler Service Company or Mr. Kugler materially breached the Kugler Service Agreement and such breach was not cured within 30 days from the date on which the Company informs the party of such breach. If the Kugler Service Agreement was terminated on or after June 2, 2012 due to a change of control in the Company (as defined in the Kugler Service Agreement), the Kugler Service Company was entitled to a payment equal to six months salary.

Mr. Hezi Kugler – Strategic Consultant effective February 27, 2012

Effective February 27, 2012, we entered into an employment agreement with Kugler Service Company pursuant to which Mr. Kugler agreed to provide his services to us in the capacity of Strategic Consultant on a part-time basis of 93 hours per month as directed by the Company's CEO for a term to continue until terminated (the "**Kugler Consulting Agreement**").

Pursuant to the Kugler Consulting Agreement, Mr. Kugler is paid a monthly fee of $8,000, excluding VAT, and $1,000 for each additional day (9 hours a day) should the Company request Mr. Kugler's services for additional hours.

The Kugler Consulting Agreement contains certain representations, warranties and covenants, including, among other things, standard confidentiality, non-competition and non-solicitation covenants that will apply during the term of the Kugler Consulting Agreement.

Pursuant to the Kugler Consulting Agreement, each party thereto is entitled to terminate the Kugler Consulting Agreement at any time by one month's written notice. In addition, the Company may terminate the Kugler

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[*] Based on the exchange rate provided by the International Monetary Fund as at February 17, 2012.

Consulting Agreement immediately without notice and/or payment in lieu thereof if, among other things, the Kugler Service Company or Mr. Kugler materially breach the Kugler Consulting Agreement and such breach is not cured within 30 days from the date on which the Company informs the party of such breach.

Notwithstanding the foregoing, those options which vested on behalf of the Kugler Service Company as of the date of the Kugler Consulting Agreement, and those options which will vest on behalf of the Kugler Service Company on May 31, 2012, November 30, 2012 and May 31, 2013 (collectively, the "**Committed Vested Options**"), will belong to the Kugler Service Company in any event of termination of the Kugler Consulting Agreement prior to the last of the dates mentioned above and will be exercisable by the Kugler Service Company. In any event of termination of the Kugler Consulting Agreement prior to said last dates, the Kugler Service Company will be entitled to exercise the Committed Vested Options within 30 (thirty) days of the last date mentioned above, unless Kugler Consulting Agreement is terminated for cause (as defined therein) in which case the Committed Vested Options will be exercisable within 30 (thirty) days of said date of termination.

Pursuant to the Kugler Consulting Agreement, all other options (that is: except for the Committed Vested Options) that were exercisable by the Kugler Service Company by February 27, 2012, being 1,138,109 options, were cancelled as of that date.

Mr. Alan Friedman – Executive Vice President, Corporate Development

Effective May 1, 2011, we entered into an employment agreement with Rivonia Capital Inc (the "**Friedman Service Company**"), a company wholly owned by Mr. Friedman, pursuant to which Mr. Friedman agreed to provide his services to us in the capacity of Chief Business Development Officer for a term to continue until terminated (the "**Friedman Service Agreement**"). Mr. Friedman reports to the Company's CEO.

Under the Friedman Service Agreement, Mr. Friedman is paid a monthly salary of CDN$12,000 (excluding HST).

The Friedman Service Agreement contains certain representations, warranties and covenants, including, among other things, standard confidentiality, non-competition and non-solicitation covenants that will apply during the term of the Friedman Service Agreement and for a period of six months thereafter.

Pursuant to the Friedman Service Agreement, each party thereto is entitled to terminate the Friedman Service Agreement at any time during the first year following the date of the Friedman Service Agreement, by one month's written notice, and during each year thereafter, by three months' written notice. In addition, the Company is entitled to terminate the Friedman Service Agreement immediately without notice and/or payment in lieu thereof if the Friedman Service Company or Mr. Friedman materially breach the Friedman Service Agreement and such breach is not cured within 30 days from the date on which the Company informs the party of such breach. If the Friedman Service Agreement is terminated due to a change of control in the Company (as defined in the Friedman Service Agreement), the Friedman Service Company is entitled to a payment equal to six months salary and a pro rata portion of Mr. Friedman's annual bonus entitlement, if any.

Furthermore, in accordance with the terms and conditions of the Friedman Service Agreement, on Mr. Friedman's termination without cause or resignation for good reason, the Friedman Service Company is entitled to a severance payment equal to six months salary.

Mr. Jeffery Walter – Chief Executive Officer from February 27, 2012

Effective February 27, 2012, we entered into an employment agreement with Mr. Walter pursuant to which Mr. Walter agreed to provide his services to us in the capacity of Chief Executive Officer for a term to continue until terminated (the "**Walter Employment Agreement**"). Mr. Walter will report to the Company's board of directors.

Under the Walter Employment Agreement, Mr. Walter is paid a monthly salary of CDN$28,000, excluding VAT and is entitled to, among other things, remuneration for his transportation and accommodation expenses while physically present in the State of Israel.

The Walter Employment Agreement contains certain representations, warranties and covenants, including, among other things, standard confidentiality, non-competition and non-solicitation covenants that will apply during the term of the Walter Employment Agreement and for a period of six months thereafter.

Pursuant to the Walter Employment Agreement, each party thereto will be entitled to terminate the Walter Employment Agreement at any time by one month's written notice, and during each year thereafter, by three months' written notice. In addition, the Company is entitled to terminate the Walter Employment Agreement immediately without notice and/or payment in lieu thereof if Mr. Walter has materially breached the Walter Employment Agreement. If the Walter Employment Agreement is terminated due to a change of control in the Company (as defined in the Walter Employment Agreement), Mr. Walter is entitled to a payment equal to up to twelve months salary and a pro rata portion of Mr. Walter's annual bonus entitlement, if any. In addition, subject to the approval of the Board and subject to the Company's stock option plan, upon the occurrence of a change of control, 50% of each portion of unvested options which have been granted to Mr. Walter will be accelerated and be vested upon such change of control, and the remaining 50% of each portion of unvested option will vest on the earlier of the first anniversary of the change of control or upon the termination of the Walter Employment Agreement by the Company without cause during the 12-month period following the change of control.

Furthermore, in accordance with the terms and conditions of the Walter Employment Agreement, on Mr. Walter's termination without cause or resignation for good reason, Mr. Walter will be entitled to a severance payment equal to twelve months salary.

Mr. Gadi Levin – Chief Financial Officer

Effective July 21, 2010, we entered into an employment agreement with Mr. Levin pursuant to which Mr. Levin agreed to provide his services to us in the capacity of Chief Financial Officer for a term to continue until terminated (the " **Levin Employment Agreement**"). Mr. Levin reports to the Company's CEO.

Under the Levin Employment Agreement, Mr. Levin is paid a monthly salary of NIS 40,000 ($10,701[*]) and is entitled to, among other things, a vehicle allowance.

The Levin Employment Agreement contains certain representations, warranties and covenants, including, among other things, standard confidentiality, non-competition and non-solicitation covenants that will apply during the term of the Levin Employment Agreement and for a period of six months thereafter.

Pursuant to the Levin Employment Agreement, each party thereto is entitled to terminate the Levin Employment Agreement at any time by two months' written notice. In addition, the Company is entitled to terminate the Levin Employment Agreement immediately without notice and/or payment in lieu thereof if Mr. Levin has materially breached the Levin Employment Agreement and such breach is not cured within 30 days from the date on which the Company informs Mr. Levin of such breach. If the Levin Employment Agreement is terminated due to a change of control in the Company (as defined in the Levin Employment Agreement), Mr. Levin is entitled to a payment equal to six months salary and a pro rata portion of Mr. Levin's annual bonus entitlement, if any. Also, in case the Levin Employment Agreement is terminated due to change of control (as such term is defined in the Levin Employment Agreement) the vesting period of the options granted to Mr. Levin shall be accelerated according to the provisions of the Levin Employment Agreement.

Furthermore, in accordance with the terms and conditions of the Levin Employment Agreement, on Mr. Levin's termination without cause or resignation for good reason, Mr. Levin is entitled to a severance payment equal to six months salary.

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[*] Based on the exchange rate provided by the International Monetary Fund as at February 17, 2012.

Mr. Alon Polishuk – Vice President Contracts and Regulation

Effective August 1, 2011, we entered into an employment agreement with Mr. Polishuk pursuant to which Mr. Polishuk agreed to provide his services to us in the capacity of Vice President Contracts and Regulation for a term to continue until terminated (the "**Polishuk Employment Agreement**"). Mr. Polishuk reports to the Company's CEO.

Under the Polishuk Employment Agreement, Mr. Polishuk is paid a monthly salary of NIS 35,000 ($9,363[*]), excluding VAT, and is entitled to, among other things, a vehicle allowance.

The Polishuk Employment Agreement contains certain representations, warranties and covenants, including, among other things, standard confidentiality, non-competition and non-solicitation covenants that will apply during the term of the Polishuk Employment Agreement and for a period of six months thereafter.

Pursuant to the Polishuk Employment Agreement, each party thereto is entitled to terminate the Polishuk Employment Agreement at any time during the first year following the date of the Polishuk Employment Agreement, by one month's written notice, and during each year thereafter, by three months' written notice. In addition, the Company is entitled to terminate the Polishuk Employment Agreement immediately without notice and/or payment in lieu thereof if Mr. Polishuk materially breaches the Polishuk Employment Agreement and such breach is not cured within 30 days from the date on which the Company informs Mr. Polishuk of such breach. If the Polishuk Employment Agreement is terminated due to a change of control in the Company (as defined in the Polishuk Employment Agreement), Mr. Polishuk is entitled to a payment equal to six months salary and a pro rata portion of Mr. Polishuk's annual bonus entitlement, if any.

Furthermore, in accordance with the terms and conditions of the Polishuk Employment Agreement, on Mr. Polishuk's termination without cause or resignation for good reason, Mr. Polishuk is entitled to a severance payment equal to six months salary.

Mr. Moshe Politi – Chief Geologist

Effective August 1, 2011, we entered into a revised employment agreement with Mr. Politi pursuant to which Mr. Politi agreed to provide his services to us in the capacity of Chief Geologist for a term to continue until terminated (the "**Politi Employment Agreement**"). Mr. Politi reports to the Company's CEO.

Under the Politi Employment Agreement, Mr. Politi is paid a monthly salary of NIS 33,000 ($8,828[*]), excluding VAT, and is entitled to, among other things, a vehicle allowance.

The Politi Employment Agreement contains certain representations, warranties and covenants, including, among other things, standard confidentiality and non-competition and non-solicitation clauses effective during the term of the Politi Employment Agreement and for a period of six months thereafter.

Pursuant to the Politi Employment Agreement, each party thereto is entitled to terminate the Politi Employment Agreement at any time during the first year following the date of the Politi Employment Agreement, by one month's written notice, and during each year thereafter, by three months' written notice. In addition, the Company is entitled to terminate the Politi Employment Agreement immediately without notice and/or payment in lieu thereof if Mr. Politi materially breaches the Politi Employment Agreement and such breach is not cured within 30 days from the date on which the Company informs them of such breach. If the Politi Employment Agreement is terminated due to a change of control in the Company (as defined in the Politi Employment Agreement), Mr. Politi is entitled to a payment equal to six months salary and a pro rata portion of Mr. Politi's annual bonus entitlement, if any.

Furthermore, in accordance with the terms and conditions of the Politi Employment Agreement, on Mr. Politi's termination without cause or resignation for good reason, Mr. Politi is entitled to a severance payment equal to six months salary.

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[*] Based on the exchange rate provided by the International Monetary Fund as at February 17, 2012.

C. Board Practices

Our Directors have served in their respective capacities since their election or appointment and will serve until our next annual general meeting or until a successor is duly elected and qualified, unless their office is earlier vacated in accordance with the CBCA and our articles of incorporation. Our officers serve at the discretion of the board.

The Board is responsible for, among other things, identifying suitable candidates to be recommended for election to the Board by shareholders or appointment by the Directors, subject to the limits in the Company's articles and the CBCA. One of the objectives of the Board with respect to the nomination is to maintain the composition of the Directors in a way that provides the best mix of skills and experience to guide our long-term strategy and ongoing business operations.

The Board conducts an annual review and assessment of the performance of the Chairman and Chief Executive Officer and the other senior executive officers of the Company.

The Board also reviews and monitors our executive development programs and the long-range plans and personnel policies for recruiting, developing and motivating our executives. The Board has reviewed and approved the qualifications of each of the Board nominees standing for election.

The Board is responsible for conducting an annual review of the performance of the Company and the Chief Executive Officer as measured against objectives established in the prior year by the Board and the CEO and approved by the Board. The evaluation is to be used by the Board in its deliberations concerning the CEO's annual compensation. The evaluation of performance against objectives forms part of the determination of the entire compensation of senior employees. The Board is also responsible for reviewing the compensation of the Directors on an annual basis, taking into account such matters as time commitment, responsibility and compensation provided by comparable organizations. The compensation committee will make an annual review of such matters and make a recommendation to the Board.

The Board is responsible for making an annual assessment of the overall performance of the Directors as a group and to reporting its findings to the full Board. The assessment examines the effectiveness of the Directors as a whole and specifically reviews areas that the Directors and/or management believe could be improved to ensure the continued effectiveness of the Directors in the execution of their responsibilities

Term of Office

All directors have a term of office expiring at our next annual general meeting, unless a director's office is earlier vacated in accordance with our Articles or the provisions of the CBCA. All officers serve at the discretion of the Board.

Audit and Compensation Committees

We have an audit committee and audit committee charter. A copy of our audit committee charter was filed as an exhibit to our Form 10-KSB filed for the Company's 2003 fiscal year. The function of the audit committee is to monitor the veracity of the financial and regulatory reports produced by the Company, and the controls that are in place to ensure the opportunities for fraud or material error in our financial statements are minimized. The current audit committee is comprised of Dennis Bennie, Sheldon Inwentash and Yael Reznik-Cramer.

The Board has determined that all members of the Audit Committee meet the SEC's definition of an "audit committee financial expert", as defined in Item 16 of Form 20-F. The Board has also determined that all members of the Audit Committee meet the definition of an "independent director", as defined in Rule 121A of the American Stock Exchange Company Guide.

We have a compensation committee comprised of Dennis Bennie, Yael Reznik-Cramer and Sheldon Inwentash. Currently, any material commitments, inclusive of remuneration, are required to be pre-approved by the Board, following recommendation of the compensation committee

We have a disclosure committee and a disclosure committee charter. Our disclosure committee is comprised of all of our officers and directors. The purpose of the committee is to provide assistance to the Chief Executive Officer and the Chief Financial Officer in fulfilling their responsibilities regarding the identification and disclosure of material information about us, and the accuracy, completeness and timeliness of our financial reports.

D. Employees

As of December 31, 2011, we and our subsidiaries together employed a total of 14 full-time employees, out of which 9 are employed in Israel and 5 in North America, as well as engaged the services of 7 consultants who performed management and professional functions.

None of the Company's employees are part of a collective bargaining unit. Management believes that its relations with its employees and consultants are good.

Israeli Employment Law and Practices

The Company's employees are located in Israel. Certain provisions of Israeli employment laws and of extension orders based upon provisions of the collective bargaining agreements between the Histadrut (i.e., the General Federation of Labor in Israel) and the Coordination Bureau of Economic Organizations (including the Industrialists' Associations) are applicable to employees in Israel by order of the Israeli Ministry of Labor. These provisions concern principally the length of the work day, minimum daily wages for professional workers, insurance for work-related accidents, procedures for dismissing employees, determination of severance pay and other conditions of employment.

Israeli law generally requires severance pay, which may be funded by Managers' Insurance described below in this section upon the retirement or death of an employee or termination of employment without cause (as defined in the law). The payments thereto amount to approximately 8.33% of wages. Furthermore, Israeli employees and employers are required to pay predetermined sums to the National Insurance Institute, which is similar to the United States Social Security Administration. Such amounts also include payments for national health insurance. The payments to the National Insurance Institute are equal to approximately 16.3% of the wages, of which the employee contributes approximately 66% and the employer contributes approximately 34%. In addition, Israeli law requires employers to make mandatory pension payments on behalf of their employees.

A general practice followed, although not legally required, is the contribution of additional funds on behalf of employees to a fund known as Managers' Insurance. This fund provides a combination of savings plan, insurance and severance pay benefits to the employee, giving the employee a lump sum payment upon retirement and securing the severance pay, if legally entitled, upon termination of employment. The employer decides which employees are entitled to participate in the plan, and each employee who agrees to participate, contributes an amount equal to 5% of his or her salary, and the employer contributes between 13.3% and 15.8% of the employee's salary which also includes the mandatory pension payments required by applicable law.

E. Share Ownership

Shares

The shareholdings of our officers and directors are set forth below as of the date hereof.

Holder name	No. of Shares held	Percentage of holding		Percentage of holding in full dilution (1)	
		% in capital	% in voting	% in capital	% in voting
Dennis Bennie(2)	6,261,068	6.15%	6.15%	4.96%	4.96%
Alan Friedman(3)	5,988,267	5.88%	5.88%	4.74%	4.74%
Colin Kinley(4)	50,000	0.05%	0.05%	0.04%	0.04%
Sheldon Inwentash(5)	4,956,267	4.87%	4.87%	3.93%	3.93%
Eli Barkat(6)	10,000,000	9.83%	9.83%	7.92%	7.92%

(1) In full dilution means with the exercise of non negotiable warrants and options which were allotted to the Company's employees and officers and to private investors.

(2) Mr. Dennis Bennie is an interested party in the Company by virtue of his share holdings and by virtue of him serving as the chairman of the Board. Mr. Bennie indirectly holds all of the shares through companies controlled by himself and through his spouse.

(3) Mr. Allan Friedman is an interested party in the Company by virtue of his share holdings and by virtue of him serving as a director and as the Company's chief business development officer. Mr. Friedman holds directly 4,953,600 shares and 150,000 options, and indirectly, through his spouse, 1,034,667 shares and 75,000 warrants.

(4) Mr. Colin Kinley is an interested party in the Company by virtue of his share holdings and by virtue of him serving as a director in the Company.

(5) Mr. Sheldon Inwentash is an interested party in the Company by virtue of his holdings and by virtue of serving as a director in the Company. Mr. Sheldon Inwentash holds directly 1,528,000 shares of the Company and indirectly 2,000,000 through companies held thereby and 1,428,267 through his spouse.

(6) Mr. Eli Barkat beneficially owns his shares through BRM, a private investment company controlled by him.

Options

The stock options, exercisable into common shares of the Company, held by our officers and directors are set forth below as of the date hereof.

Name	Position	Allotment date	Expiration date	Exercise price (US Dollar)(1)	Vesting date(2)	Total
Dennis Bennie	Chairman of the board	Aug. 20, 2009	Aug. 19, 2014	$0.25	A	396,000
		Jan. 28, 2010	Jan. 28, 2015	$0.60	E	250,000
		Jan 11, 2011	Jan. 11, 2016	$0.81	I	100,000

Name	Position	Allotment date	Expiration date	Exercise price (US Dollar)[1]	Vesting date[2]	Total
Sheldon Inwentash	Director	June 27, 2011	June 24, 2016	$0.51	N	100,000
Alan Friedman	Executive Vice President, Corporate Development and Director	Aug. 20, 2009	Aug. 19, 2014	$0.25	A	396,000
		Aug. 20, 2009	Aug. 19, 2014	$0.25	C	250,000
		Jan. 28, 2010	Jan. 28, 2015	$0.60	E	250,000
		Jan 11, 2011	Jan 11, 2016	$0.81	I	150,000
Colin Kinley	President, Chief Operating Officer and Director	Aug. 20, 2009	Aug. 19, 2014	$0.25	B	400,000
		Sep. 23, 2009	Sep. 23, 2014	$0.25	D	250,000
		Jan. 28, 2010	Jan. 28, 2015	$0.60	E	250,000
		Jan 11, 2011	Jan. 11, 2016	$0.81	I	800,000
		Mar. 17, 2011	Sep. 17, 2017	$0.73	J	100,000
Gadi Levin	Chief Financial Officer	July 22, 2010	July 22, 2015	$0.60	H	250,000
		May 3, 2011	May 2, 2016	$0.61	L	250,000
Yael Reznik Cramer	Director, Former Interim Chief Executive Officer	Jan. 11, 2011	Jan. 11, 2016	$0.81	I	100,000
		Mar. 17, 2011	Mar. 17, 2016	$0.73	K	200,000
Eli Barkat	Director	Jan. 11, 2011	Jan. 10, 2016	$0.81	I	100,000
Jeffery Walter	Chief Executive Officer	Mar. 14, 2012	Mar. 13, 2017	$0.25	Q	2,000,000

(1) The exercise price of employee stock options in 2010 were set in US Dollars and in 2011 in Canadian Dollars. The tables shows all amounts in US Dollars.
(2) For specification of the vesting dates in accordance with the option class refer to Item 5A of this Annual Report.

Each option may be exercised to purchase one of our common shares at the exercise price.

Warrants

The share purchase warrants held by our officers and directors are set forth below as of the date hereof.

Name	Position	Allotment date	Expiration date	Exercise price	Total
Dennis Bennie	Chairman of the Board	Dec. 3, 2010	Dec. 3, 2013	$0.55	157,000
Alan Friedman	Executive Vice President, Corporate Development and Director	Dec. 3, 2010	Dec. 3, 2013	$0.55	75,000
Colin Kinley	President, Chief Operating Officer, and Director	Dec. 3, 2010	Dec. 3, 2013	$0.55	25,000
Sheldon Inwentash	Director	Dec. 3, 2010	Dec. 3, 2013	$0.55	500,000

Name	Position	Allotment date	Expiration date	Exercise price	Total
Eli Barkat[1]	Director	Dec. 3, 2010	Dec. 3, 2013	$0.55	5,000,000

(1) Mr. Barkat beneficially owns his share purchase warrants through BRM.

Each warrant may be exercised to purchase one of our common shares at the exercise price.

Equity Compensation Plans

The following table summarizes our compensation plans under which equity securities are authorized for issuance as at December 31, 2011.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans[1] (excluding securities reflected in the second column)
Equity compensation plans approved by securityholders	9,384,218	0.52	792,627
Equity compensation plans not approved by securityholders	NIL	N/A	N/A
Total:	9,384,218	0.52	792,627

(1) The number of securities remaining available for future issuance under our 10% rolling stock option plan as at the end of our most recently completed financial year is calculated on the basis of 10% of the Company's issued and outstanding shares as at such date (being 10% of 101,768,453 - 9,384,218 = 792,627).

On August 31, 2009, our board of directors adopted a new 10% rolling stock option plan (the "**New Stock Option Plan**") to replace the existing plan. The New Stock Option plan was ratified by the shareholders of the Company on December 17, 2009.

The purpose of the New Stock Option Plan continues to be to allow the Company to grant options to directors, officers, employees and consultants, as additional compensation, and as an opportunity to participate in the success of the Company. The granting of such options is intended to align the interests of such persons with that of the shareholders. Options will be exercisable over periods of up to ten years as determined by the Board and are required to have an exercise price no less than the fair market value of the Company's common shares, as determined in accordance with the New Stock Option Plan. Pursuant to the New Stock Option Plan, the Board may from time to time authorize the issue of options to directors, officers, employees and consultants of the Company and its subsidiaries or employees of companies providing management or consulting services to the Company or its subsidiaries.

The maximum number of common shares which may be issued pursuant to options previously granted and those granted under the New Stock Option Plan will be a maximum of 10% of the issued and outstanding common shares at the time of the grant. In addition, the number of shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis or 2% if the optionee is engaged in investor relations activities or is a consultant. The New Stock Option Plan contains no vesting requirements, but permits the Board to specify a vesting schedule in its discretion.

As of the date of this Form 20-F, 14,435,218 options had been granted under the New Stock Option Plan as follows (527,811 options have been exercised and 3,936,298 options have been cancelled):

1. On August 31, 2009, 3,334,000 options were granted to the former holders of Adira Energy stock options, in exchange for previously outstanding Adira Energy options. The exercise price per common share of these options is $0.25. These options will expire on August 19, 2014 and are subject to various vesting terms.

2. On September 23, 2009, 650,000 options were granted to certain directors and officers of the Company. The exercise price per common share of these options is $0.25. These options will expire on September 23, 2014 and are subject to various vesting terms.

3. On January 27, 2010, 1,820,000 options were granted to certain directors and officers of the Company. The exercise price per common share of these options is $0.60. These options will expire on January 26, 2015 and are subject to various vesting terms

4. In March 2010, 270,000 options with an exercise price of $0.25 were cancelled and in June 2010, 250,000 Options with an exercise price of $0.25 and 550,000 options with an exercise price of $0.60 were cancelled.

5. On July 22, 2010, 925,000 options were granted to certain directors and officers of the Company. The exercise price per common share of these options is $0.60. These options will expire on July 22, 2015 and are subject to various vesting terms.

6. On January 11, 2011, 1,650,000 options were granted to certain directors and officers of the Company. The exercise price per common share of these options is CDN$0.80. These options will expire on January 11, 2016 and are subject to various vesting terms.

7. On March 17, 2011, 300,000 options were granted to two officers of the Company. Terms of the options include an exercise price of CDN$0.72 per common share. 100,000 of the options vest as follows: 12.5% of the options granted every six months with the initial amount vested on September 17, 2011, resulting in the options being fully vested on September 17, 2015. These options expire on March 17, 2016. 200,000 of the options were fully vested on September 17, 2011 and expire on March 17, 2016.

8. On May 3, 2011, 505,000 options were granted to a certain officer and a number of employees of the Company. The exercise price per common share of these options is CDN$0.60. Terms of these options include an exercise price of CDN$0.60 per common share, a vesting schedule allowing for 12.5% of the options to vest by November 2, 2011with an additional 12.5% vesting each subsequent 6 month period until the options are fully vested on December 2, 2015. The options expire on May 2, 2016.

9. On June 1, 2011, 2,276,218 options were granted to Mr. Hezi Kugler concurrent with his appointment as Chief Executive Officer of the Company. Terms of these options include an exercise price of CDN$0.50 per common share, a vesting schedule allowing for the vesting of 12.5% of the options granted every six months with the initial amount vested on December 1, 2011. Pursuant to the Kugler Consulting Agreement, all options other than the Committed Vested Options that were granted to Mr. Kugler (through the Kugler Service Company), being 1,422,636 options, were cancelled as of February 27, 2012. The Committed Vested Options, being 853,582 options, are beneficially held by Mr. Kugler (through the Kugler Service Company). In accordance with the terms and conditions of the Kugler Consulting Agreement, in the event of termination of the Kugler Consulting Agreement prior to November 30, 2012, the Kugler Service Company will be entitled to exercise the Committed Vested Options by December 30, 2012, unless the Kugler Consulting Agreement is terminated for cause (as defined in the Kugler Consulting Agreement), in which case the Committed Vested Options will be exercisable within 30 (thirty) days of the date of such termination.

10. On June 27, 2011, 100,000 options were granted to a certain director of the Company. Terms of these options include an exercise price of CDN$0.50 per common share, a vesting schedule allowing for the vesting of 12.5% of the options granted every six months with the initial amount vested on December 24, 2011, resulting in the options being fully vested on December 24, 2015. The options expire on June 24, 2016.

11. On September 8, 2011, 250,000 options were granted to a certain employee of the Company. Terms of these options include an exercise price of CDN$0.49 per common share, and a vesting schedule allowing for the vesting of 12.5% of the options granted every six months with the initial amount vesting on February 1, 2012, resulting in the options being fully vested on August 1, 2015. The options expire on August 31, 2016.

12. On December 1, 2011, 625,000 options were granted to certain employees of the Company. Terms of the options include an exercise price of CDN$0.50 per common share, a vesting schedule allowing for the vesting of 12.5% of the options granted every six months with the initial amount vesting on June 1, 2012, resulting in the options being fully vested on December 1, 2015. The options expire on December 1, 2016.

13. On March 14, 2012, 2,000,000 options were granted to the Chief Executive Officer of the Company. Terms of the options include an exercise price of CDN$0.25 per common share, a vesting schedule allowing for the vesting of 12.5% of the options granted every six months with the initial amount vesting on September 14, 2012, resulting in the options being fully vested on March 14, 2016. The options expire on March 14, 2017.

On January 11, 2011, the Board of Directors adopted an annex to the New Stock Option Plan applicable to optionees who are residents of the State of Israel at the date of grant or those who are deemed to be residents of the state of Israel for the payment of tax at the date of grant. The provisions specified therein form an integral part of the New Stock Option Plan and is to be read as a continuation of the New Stock Option Plan and only modifies options granted to Israeli optionees so that they comply with the requirements set by the Israeli law in general, and in particular with the provisions of Section 102 of the Israeli Income Tax Ordinance, as may be amended or replaced from time to time. In connection with options granted to Israeli optionees under the New Stock Option Plan, the Board of Directors selected the capital gains tax track pursuant to the Israeli tax legislation which came into effect on January 1, 2003.

ITEM 7 MAJOR SHAREHOLDER AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

Major Shareholders

We are a publicly-held corporation, with our shares held by residents of the United States, Canada and other countries. To the best of our knowledge, no person, corporation or other entity beneficially owns, directly or indirectly, or controls more than 5% of our common shares, except as follows:

Name	Number of Common Shares Owned[(1)]	Percentage[(2)]
Dennis Bennie	6,261,068[(3)]	6.15%
Alan Friedman	5,988,267[(5)]	5.88%
BRM Group Ltd.[(6)]	10,000,000	9.83%
Lapidoth Israel Oil Prospectors Corp. Ltd.[(7)]	6,250,000	6.14%
Quantum Fund L.P.[(8)]	10,438,871	10.26%

(1) Based on beneficial share ownership data as of the date hereof. For these purposes, “beneficial ownership” means the sole or shared power to vote or direct the voting or to dispose or direct the disposition of any security. Unless otherwise indicated, each shareholder listed has sole voting or dispositive power with respect to such common shares.
(2) Based on 101,768,453 of our common shares issued and outstanding as of the date of this filing.
(3) Includes 100,000 shares held by spouse.
(4) Includes 140,000 shares held by spouse.
(5) Includes 884,667 held by spouse.
(6) BRM is a private investment company beneficially owned by Mr. Eli Barkat, Mr. Nir Barkat and Mr. Yuval Rakav.
(7) Lapidoth Israel Oil Prospectors Corp. Ltd. is beneficially owned by Mr. Yaakov Luxembourg.

(8) Quantum Fund LP is a foreign investment fund managed by Soros Fund Management LLC.

Each of our common shares entitles the holder thereof to one vote.

Geographic Breakdown of Shareholders

As of December 31, 2011, our shareholder register indicates that our common shares are held as follows:

Location	Number of Shares	Percentage of Total Shares	Number of Registered Shareholders of Record
United States	466,490	0.46	52
Canada	83,109,067	81.66	46
Other	18,192,896	17.88	15
Total	101,768,453	100	113

Shares registered in intermediaries were assumed to be held by residents of the same country in which the clearing house was located.

Transfer Agent

Our securities are recorded in registered form on the books of our transfer agent, Computershare Trust Company of Canada, located at 3rd Floor, 510 Burrard Street, Vancouver, BC V6C 3B9. However, the majority of such shares are registered in the name of intermediaries such as brokerage houses and clearing houses (on behalf of their respective brokerage clients). We do not have knowledge or access to the identities of the beneficial owners of such shares registered through intermediaries.

Control

To the best of our knowledge, we are not directly or indirectly owned or controlled by any other corporation, by any foreign government or by any other natural or legal person, severally or jointly.

Insider Reports under the British Columbia Securities Act

Under the Canadian Securities laws, "insiders" (generally officers, directors and holders of 10% or more of our shares) are required to file insider reports of changes in their ownership in the first 5 days following a trade in our securities. Copies of such reports are available publically at www.sedi.ca.

B. Related Party Transactions

No director or senior officer of the Company, and no associate or affiliate of the foregoing persons, and no insider has or has had any material interest, direct or indirect, in any transactions, or in any proposed transaction, which in either such case has materially affected or will materially affect us or our predecessors during the years ended December 31, 2011 and 2010 except as follows:

(a) During the year ended December 31, 2011, the Company incurred $906,000 in consulting fees and operating expenses to private companies which are controlled by directors or officers of the Company (year ended December 31, 2010 - $574,000).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(b) Compensation of key management personnel:

For the purpose of related party disclosure in accordance with IASB 24, directors, the CEO, CFO, COO and executive vice president are considered key management personnel.

	Year ended December 31, 2011	Year ended December 31, 2010	267-day period ended December 31, 2009
	U.S. dollars in thousands		
Short-term employee benefits	$ 911	$ 481	$ 61
Share based compensation	850	595	250
	$ 1,761	$ 1,076	$ 311

Benefits in respect of key management persons (including directors) who are not employed by the Company:

	Year ended December 31, 2011	Year ended December 31, 2010	267-day period ended December 31, 2009
	U.S. dollars in thousands		
Share based compensation	$ 206	$ 243	$ 55

C. Interests of Experts and Counsel

Not applicable.

ITEM 8 FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

Financial Statements

The financial statements required as part of this Annual Report on Form 20-F are filed under Item 18 of this Annual Report.

Legal Proceedings

We are not a party to any legal or arbitration proceedings nor, to our knowledge, are any such proceedings contemplated.

Dividends

We have not paid any dividends on our common shares since incorporation. Our management anticipates that we will retain all future earnings and other cash resources for the future operation and development of our business. We do not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends will be at our board of directors' discretion, subject to applicable law, after taking into account many factors including our operating results, financial condition and current and anticipated cash needs.

B. Significant Changes

We have not experienced any significant changes since the date of the financial statements included with this Form 20-F except as disclosed in this Form 20-F.

ITEM 9 THE OFFER AND LISTING

Common Shares

Our authorized capital consists of an unlimited number of common shares without par value, of which 101,768,453 common shares are issued and outstanding as of December 31, 2011 and 90,140,001 as of December 31, 2010. All shares are initially issued in registered form. Except for the escrowed shares (see below) there are no restrictions on the transferability of our common shares imposed by our constituting documents.

The common shares entitle their holders to: (i) vote at all meetings of our shareholders except meetings at which only holders of specified classes of shares are entitled to vote, having one vote per common share, (ii) receive dividends at the discretion of our board of directors; and (iii) receive our remaining property on liquidation, dissolution or winding up.

A. Offer and Listing Details – Price History

Trading Markets

The Company's current trading symbol on the TSXV is "ADL". The Company also trades on the OTCBB with the trading symbol "ADENF" and on the Frankfurt Stock Exchange with the trading symbol "AORLB8".

The following table shows the progression in the high and low closing trading prices of our common shares on the OCTBB for the periods listed.

	High ($)	Low ($)
Annual (fiscal year)		
2011	0.90	0.21
2010	0.90	0.25
2009	0.54	0.05
2008	0.50	0.03
2007	0.90	0.27
Quarterly		
Fiscal 2011		
Fourth Quarter	0.46	0.21
Third Quarter	0.62	0.29
Second Quarter	0.79	0.46
First Quarter	0.90	0.55
Fiscal 2010		
Fourth Quarter	0.90	0.33
Third Quarter	0.50	0.25
Second Quarter	0.60	0.31
First Quarter	0.74	0.39
Monthly		
December 2011	0.31	0.21
November 2011	0.36	0.29
October 2011	0.46	0.23
September 2011	0.56	0.29

	High ($)	Low ($)
August 2011	0.62	0.30

The following table shows the progression in the high and low closing trading prices of our common shares on the TSXV for the periods listed.

	High ($)	Low ($)
Annual (fiscal year)		
2011	0.90	0.20
2010(1)	0.90	0.55
2009(1)	N/A	N/A
2008(1)	N/A	N/A
2007(1)		
Quarterly		
Fiscal 2011		
Fourth Quarter	0.435	0.20
Third Quarter	0.58	0.30
Second Quarter	0.71	0.43
First Quarter	0.90	0.60
Fiscal 2010		
Fourth Quarter (1)	0.90	0.55
Third Quarter (1)	N/A	N/A
Second Quarter(1)	N/A	N/A
First Quarter (1)	N/A	N/A
Monthly		
March 2012	0.355	0.140
February 2012	0.300	0.155
January 2012	0.340	0.245
December 2011	0.310	0.200
November 2011	0.360	0.295
October 2011	0.435	0.260

(1) We commenced trading on the TSXV on December 2, 2010. Therefore, information may not be available for all periods listed.

Escrowed Securities

Pursuant to our listing on the TSXV in December 2011, a number of our common shares are subject to escrow pursuant to the policies of the TSXV. As of December 31, 2011, the following securities were subject to escrow:

Designation of Class	Number of Securities held in escrow or that are subject to a contractual restriction on transfer	% of Class(1)
Common Shares	21,959,165	21.6%
Options	2,166,110	23.0%
Warrants	94,560	0.6%

(1) Based on 101,768,453 Common Shares, 9,384,218 Options and 15,057,375 Warrants issued and outstanding as at December 31, 2011.

B. Plan of Distribution

Not applicable.

C. Markets

Our common shares are traded on the TSXV under the symbol "ADL", in the United States on the OTC Bulletin Board under the symbol "ADENF" and on the Frankfurt Stock Exchange under the symbol "AORLB8".

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10 ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Incorporation

We were incorporated on February 20, 1997 as "Trans New Zealand Oil Company" under the laws of the State of Nevada, U.S.A. We changed our name to "AMG Oil Ltd." on July 27, 1998.

On November 27, 2008, we changed our jurisdiction of incorporation from Nevada to the Canadian federal jurisdiction under the *Canada Business Corporation Act* (the "**CBCA**") through a process known as a conversion under Nevada corporate law, and known as a continuation under Canadian corporate law. A continuance or continuation is a process by which a corporation which is not incorporated under the laws of Canada may change its jurisdiction of incorporation to Canada. Under the CBCA, if the laws of its home jurisdiction allow for it, a company may be "continued" as a Canadian corporation by filing Articles of Continuance with the Director under the CBCA. In order to give effect to the continuation, our board of directors adopted a plan of conversion under Chapter 92A of the Nevada Revised Statutes which was subsequently approved and adopted by our shareholders. After the completion of the continuation, we became a Canadian corporation governed by the CBCA.

With effect from our continuation under the CBCA, our corporate constituting documents are comprised of our Articles of Continuance ("**Articles**") and our By-Laws ("**By-Laws**"). Information regarding our Articles and By-laws is incorporated by reference from Amendment No. 3 to our registration statement on Form S-4, which was filed with the SEC on October 10, 2010. The forms of our Articles and By-Laws were included as Appendices C and D, respectively, to the proxy statement/prospectus included in the registration statement, and the proxy statement/prospectus contained a summary, under the heading "Comparative Rights of Stockholders," of the more significant differences between the Nevada Revised Statutes and the CBCA which resulted in various changes in the rights of our shareholders as a result of our continuance.

We changed our name to "Adira Energy Ltd." pursuant to Articles of Amendment dated December 17, 2009, and filed with the Director under the CBCA. Such amendment to our Articles was certified by a Certificate of Amendment dated December 17, 2009. The Certificate and Articles of Amendment were filed as Exhibit 1.4 to our annual report on Form 20-F for the year ended September 30, 2009, filed with the SEC on January 1, 2010.

C. Material Contracts

The material contracts to which we are a party which were entered into not in the ordinary course of business during the last two years are as follows:

- Agency Agreement between Adira Energy and DS Apex and Mergers Ltd. dated November 22, 2010 in connection with the part of the Adira Financing placed by DS Apex Mergers & Acquisitions Ltd. in certain jurisdictions, excluding Canada and the United States of America. , as described in Item 4.A of this Form 20-F. A copy of this Agency agreement is attached hereto as Exhibit 4.4.
- Nominee agreement with BRM relating to the appointment of directors on behalf of BRM. A copy of the Nominee agreement is attached hereto as Exhibit 4.5.

The Company is also party to executive employment agreements with certain of its officers, which are disclosed under Item 6.B – "Directors, Senior Management and Employees- Compensation".

D. Exchange Controls

There is no limitation imposed by Canadian law or by the charter or other constituent documents of the Company on the right of a non-resident to hold or vote common shares of the Company. However, the Investment Canada Act (Canada) (the "**Investment Act**") has rules regarding certain acquisitions of shares by non-residents, along with other requirements under that legislation.

The following discussion summarizes the principal features of the Investment Act for a non-resident who proposes to acquire common shares of the Company. The discussion is general only; it is not a substitute for independent legal advice from an investor's own advisor; and it does not anticipate statutory or regulatory amendments.

The Investment Act is a federal statute of broad application regulating the establishment and acquisition of Canadian businesses by non-Canadians, including individuals, governments or agencies thereof, corporations, partnerships, trusts or joint ventures (each an "**entity**"). Investments by non-Canadians to acquire control over existing Canadian businesses or to establish new ones are either reviewable or notifiable under the Investment Act. If an investment by a non-Canadian to acquire control over an existing Canadian business is reviewable under the Investment Act, the Investment Act generally prohibits implementation of the investment unless, after review, the Minister of Industry, is satisfied that the investment is likely to be of net benefit to Canada.

A non-Canadian would acquire control of the Company for the purposes of the Investment Act through the acquisition of common shares if the non-Canadian acquired a majority of the common shares of the Company.

Further, the acquisition of less than a majority but one-third or more of the common shares of the Company would be presumed to be an acquisition of control of the Company unless it could be established that, on the acquisition, the Company was not controlled in fact by the acquirer through the ownership of common shares.

For a direct acquisition that would result in an acquisition of control of the Company, subject to the exception for "WTO-investors" that are controlled by persons who are resident in World Trade Organization ("**WTO**") member nations (there are currently 153 WTO members), a proposed investment would be reviewable where the value of the acquired assets is CAD $5 million or more, or if an order for review was made by the federal cabinet on the grounds that the investment related to Canada's cultural heritage or national identity, where the value of the acquired assets is less than CAD $5 million.

For a proposed indirect acquisition that is not a so-called WTO transaction and that would result in an acquisition of control of the Company through the acquisition of a non-Canadian parent entity, the investment would be reviewable where (a) the value of the Canadian assets acquired in the transaction is CAD $50 million or more, or (b) the value of the Canadian assets is greater than 50% of the value of all of the assets acquired in the transaction and the value of the Canadian assets is CAD $5 million or more.

In the case of a direct acquisition by or from a "WTO investor", the threshold is significantly higher, and is adjusted for inflation each year. The 2012 threshold is CAD$330 million. Other than the exception noted below, an indirect acquisition involving a WTO investor is not reviewable under the Investment Act.

The higher WTO threshold for direct investments and the exemption for indirect investments do not apply where the relevant Canadian business is carrying on a "cultural business". The acquisition of a Canadian business that is a "cultural business" is subject to lower review thresholds under the Investment Act because of the perceived sensitivity of the cultural sector.

In 2009, amendments were enacted to the Investment Act concerning investments that may be considered injurious to national security. If the Industry Minister has reasonable grounds to believe that an investment by a non-Canadian "could be injurious to national security," the Industry Minister may send the non-Canadian a notice indicating that an order for review of the investment may be made. The review of an investment on the grounds of national security may occur whether or not an investment is otherwise subject to review on the basis of net benefit to Canada or otherwise subject to notification under the Investment Canada Act. To date, there is neither legislation nor guidelines published, or anticipated to be published, on the meaning of "injurious to national security." Discussions with government officials suggest that very few investment proposals will cause a review under these new sections.

Certain transactions, except those to which the national security provisions of the Investment Act may apply, relating to common shares of the Company are exempt from the Investment Act, including

(a) acquisition of common shares of the Company by a person in the ordinary course of that person's business as a trader or dealer in securities,

(b) acquisition of control of the Company in connection with the realization of security granted for a loan or other financial assistance and not for a purpose related to the provisions on the Investment Act, and

(c) acquisition of control of the Company by reason of an amalgamation, merger, consolidation or corporate reorganization following which the ultimate direct or indirect control in fact of the Company, through the ownership of common shares, remained unchanged.

E. Taxation

Material Canadian Federal Income Tax Consequences for United States Residents

The following summarizes the material Canadian federal income tax consequences generally applicable to the holding and disposition of our shares by a holder (in this summary, a "**U.S. Holder**") who, (a) for the purposes of the *Income Tax Act* (Canada) (the "**Tax Act**") and at all relevant times, is not resident in Canada, deals at arm's length with us, holds our shares as capital property and does not use or hold our shares in the course of carrying on, or otherwise in connection with, a business in Canada, and (b) for the purposes of the Canada-United States Income Tax Convention, 1980 (the "**Treaty**") and at all relevant times, is a resident solely of the United States, has never been a resident of Canada, is a "qualifying person" and has not held or used (and does not hold or use) our shares in connection with a permanent establishment or fixed base in Canada. This summary does not apply to traders or dealers in securities, limited liability companies, tax-exempt entities, insurers, financial institutions (including those to which the mark-to-market provisions of the Tax Act apply), or any other holder in special circumstances.

This summary is based on the current provisions of the Tax Act, all regulations thereunder, the Treaty, all proposed amendments to the Tax Act, the regulations and the Treaty publicly announced by the Government of Canada prior to the date hereof, and our understanding of the current administrative practices of the Canada Revenue Agency. It has been assumed that all currently proposed amendments will be enacted as proposed and that there will be no other relevant change in any governing law or administrative practice, although no assurances can be given in this respect.

The summary does not take into account Canadian provincial, U.S. federal (which follows further below), state or other foreign income tax law or practice. **The tax consequences to any particular U.S. Holder will vary according to the status of that holder as an individual, trust, corporation, partnership or other entity, the jurisdictions in which that holder is subject to taxation, and generally according to that holder's particular circumstances. Accordingly, this summary is not, and is not to be construed as, Canadian tax advice to any**

particular U.S. Holder. All U.S. Holders are advised to consult with their own tax advisors regarding their particular circumstances. The discussion below is qualified accordingly.

Dividends

Dividends paid or credited or deemed to be paid or credited to a U.S. Holder by us will be subject to Canadian withholding tax. The Tax Act requires a 25% withholding unless reduced under a tax treaty. Under the Treaty, provided that a holder can demonstrate that it is a qualifying U.S. Holder, the rate of withholding tax on dividends paid to a U.S. Holder is generally limited to 15% of the gross amount of the dividend (or 5% if the U.S. Holder is a corporation and beneficially owns at least 10% of our voting shares). We will be required to withhold the applicable withholding tax from any dividend and remit it to the Canadian government for the U.S. Holder's account.

Disposition

For purposes of the following discussion, we have assumed that our shares will remain listed on the TSXV. A U.S. Holder is not subject to tax under the Tax Act in respect of a capital gain realized on the disposition of our shares in the open market unless the shares are "taxable Canadian property" to the holder thereof and the U.S. Holder is not entitled to relief under the Treaty. Our shares will be taxable Canadian property to a U.S. Holder (a) if, at any time during the 60-month period preceding the disposition: (i) the U.S. Holder, alone or together with persons with whom the U.S. Holder did not deal at arm's length, owned 25% or more of our issued shares of any class or series, and (ii) more than 50% of the fair market value of the shares was derived, directly or indirectly, from one or any combination of real property situated in Canada, timber resource properties, Canadian resource properties, or an option in respect of, or an interest in, or for civil law a right in, any of the foregoing, or (b) in other specific circumstances, including where shares were acquired for other securities in a tax-deferred transaction for Canadian tax purposes. If our shares constitute taxable Canadian property to the holder, the holder will (unless relieved under the Treaty) be subject to Canadian income tax on any gain. The taxpayer's capital gain or loss from a disposition of the share is the amount, if any, by which the proceeds of disposition exceed (or are exceeded by) the aggregate of the adjusted cost base of the share and reasonable expenses of disposition. One-half of a capital gain ("**taxable capital gain**") from the disposition of taxable Canadian property (other than treaty protected properties) is included in computing the income of a U.S. Holder and one-half of a capital loss ("**allowable capital loss**") is deductible from taxable capital gains from dispositions of taxable Canadian property realized in the same year. Unused allowable capital losses from previous taxation years generally may be carried back three taxation years or forward indefinitely and applied to reduce net taxable capital gains realized in those years by a U.S. Holder from the disposition of a taxable Canadian property.

A U.S. Holder whose shares constitute taxable Canadian property should consult with the holder's own tax advisors regarding any possible relief (if any) from Canadian tax under the Treaty based on applicable circumstances at the relevant time.

Israeli Tax Consequences

The following is a summary of the material provisions of the current tax law applicable to companies in Israel and does not discuss all the aspects of Israeli tax law. To the extent that the discussion is based on tax legislation that has not been subject to judicial or administrative interpretation, we cannot assure you that the views expressed in the discussion will be accepted by the tax authorities in question. The discussion is not intended, and should not be construed, as legal or professional tax advice and is not exhaustive of all possible tax considerations.

General Corporate Tax Structure

In December 2011, the Knesset passed the Law for Adjustment of the Tax Burden (Amended Legislation) – 2011, which amends the Law for Economic Efficiency (Amended Legislation for Implementing the Economic Plan for 2009 and 2010) – 2009 which prescribed, among other provisions, a gradual reduction in the rates of the Israeli corporate tax and real capital gains tax starting in 2011. Following the amendment, corporate tax rates and capital gains rates are: 2011 – 24%, 2012 – and thereafter – 25%. The cancellation of the gradual reduction in the corporate

tax rate, will decrease the Levy per the Petroleum Taxation Law from 2016 and thereafter to a maximum rate of 45.52% from the Company's oil and gas revenues.

Israeli Transfer Pricing Regulations

On November 29, 2006, Income Tax Regulations (Determination of Market Terms), 2006, promulgated under Section 85A of the Tax Ordinance, came into force (the "**TP Regs**"). Section 85A of the Tax Ordinance and the TP Regs generally require that all cross-border transactions carried out between related parties will be conducted on an arm's length principle basis and will be reported and taxed accordingly.

United States Tax Consequences

United States Federal Income Tax Consequences

The following is a general summary of certain material U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) arising from and relating to the acquisition, ownership, and disposition of our common shares.

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder arising from and relating to the acquisition, ownership, and disposition of our common shares. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences to such U.S. Holder, including without limitation specific tax consequences to a U.S. Holder under an applicable tax treaty. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. This summary does not address the U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences to U.S. Holders of the acquisition, ownership, and disposition of our common shares. Each U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences relating to the acquisition, ownership, and disposition of our common shares.

No legal opinion from U.S. legal counsel or ruling from the Internal Revenue Service (the "IRS") has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the acquisition, ownership, and disposition of our common shares. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the conclusions described in this summary.

Scope of this Summary

Authorities

This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations (whether final, temporary, or proposed), published rulings of the IRS, published administrative positions of the IRS, the Convention Between Canada and the United States of America with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended (the "Canada-U.S. Tax Convention"), and U.S. court decisions that are applicable and, in each case, as in effect and available, as of the date of this document. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive or prospective basis which could affect the U.S. federal income tax considerations described in this summary. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive or prospective basis.

U.S. Holders

For purposes of this summary, the term "U.S. Holder" means a beneficial owner of our common shares that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the U.S.;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the U.S., any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the U.S. and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

Non-U.S. Holders

For purposes of this summary, a "non-U.S. Holder" is a beneficial owner of our common shares that is not a U.S. Holder. This summary does not address the U.S. federal income tax consequences to non-U.S. Holders arising from and relating to the acquisition, ownership, and disposition of our common shares. Accordingly, a non-U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences (including the potential application of and operation of any income tax treaties) relating to the acquisition, ownership, and disposition of our common shares.

U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax considerations applicable to U.S. Holders that are subject to special provisions under the Code, including, but not limited to, the following: (a) U.S. Holders that are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) U.S. Holders that are financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies; (c) U.S. Holders that are broker-dealers, dealers, or traders in securities or currencies that elect to apply a mark-to-market accounting method; (d) U.S. Holders that have a "functional currency" other than the U.S. dollar; (e) U.S. Holders that own our common shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (f) U.S. Holders that acquired our common shares in connection with the exercise of employee stock options or otherwise as compensation for services; (g) U.S. Holders that hold our common shares other than as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment purposes); or (h) U.S. Holders that own or have owned (directly, indirectly, or by attribution) 10% or more of the total combined voting power of the outstanding shares of we. This summary also does not address the U.S. federal income tax considerations applicable to U.S. Holders who are: (a) U.S. expatriates or former long-term residents of the U.S.; (b) persons that have been, are, or will be a resident or deemed to be a resident in Canada for purposes of the Tax Act; (c) persons that use or hold, will use or hold, or that are or will be deemed to use or hold our common shares in connection with carrying on a business in Canada; (d) persons whose our common shares constitute "taxable Canadian property" under the Tax Act; or (e) persons that have a permanent establishment in Canada for the purposes of the Canada-U.S. Tax Convention. U.S. Holders that are subject to special provisions under the Code, including, but not limited to, U.S. Holders described immediately above, should consult their own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences relating to the acquisition, ownership and disposition of our common shares.

If an entity or arrangement that is classified as a partnership (or other "pass-through" entity) for U.S. federal income tax purposes holds our common shares, the U.S. federal income tax consequences to such entity and the partners (or other owners) of such entity generally will depend on the activities of the entity and the status of such partners (or owners). This summary does not address the tax consequences to any such owner. Partners (or other owners) of entities or arrangements that are classified as partnerships or as "pass-through" entities for U.S. federal income tax

purposes should consult their own tax advisors regarding the U.S. federal income tax consequences arising from and relating to the acquisition, ownership, and disposition of our common shares.

Ownership and Disposition of our common shares

The following discussion is subject to the rules described below under the heading "Passive Foreign Investment Company Rules."

Taxation of Distributions

A U.S. Holder that receives a distribution, including a constructive distribution, with respect to a our common share will be required to include the amount of such distribution in gross income as a dividend (without reduction for any foreign income tax withheld from such distribution) to the extent of the current or accumulated "earnings and profits" of we, as computed for U.S. federal income tax purposes. To the extent that a distribution exceeds the current and accumulated "earnings and profits" of we, such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder's tax basis in the our common shares and thereafter as gain from the sale or exchange of such our common shares (see "Sale or Other Taxable Disposition of Common Shares" below). However, we may not maintain the calculations of earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder should therefore assume that any distribution by us with respect to the our common shares will constitute ordinary dividend income. Dividends received on our common shares generally will not constitute qualified dividend income eligible for the "dividends received deduction".

For tax years beginning before January 1, 2013, a dividend paid by us to a U.S. Holder who is an individual, estate or trust generally will be taxed at the preferential tax rates applicable to long-term capital gains if we are a "qualified foreign corporation" ("QFC") and certain holding period requirements for the our common shares are met. We generally will be a QFC as defined under Section 1(h)(11) of the Code if we are eligible for the benefits of the Canada - U.S. Tax Convention or its shares are readily tradable on an established securities market in the U.S. However, even if we satisfy one or more of these requirements, we will not be treated as a QFC if we are a "passive foreign investment company" (or "PFIC," as defined below) for the tax year during which we pay a dividend or for the preceding tax year. See the section below under the heading "Passive Foreign Investment Company Rules" below.

If a U.S. Holder is not eligible for the preferential tax rates discussed above, a dividend paid by us to a U.S. Holder generally will be taxed at ordinary income tax rates (and not at the preferential tax rates applicable to long-term capital gains). The dividend rules are complex, and each U.S. Holder should consult its own tax advisor regarding the application of such rules.

Sale or Other Taxable Disposition of Common Shares

A U.S. Holder will recognize gain or loss on the sale or other taxable disposition of our common shares in an amount equal to the difference, if any, between (a) the amount of cash plus the fair market value of any property received and (b) such U.S. Holder's tax basis in such our common shares sold or otherwise disposed of. Any such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if, at the time of the sale or other disposition, such our common shares are held for more than one year.

Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

Passive Foreign Investment Company Rules

If we were to constitute a PFIC for any year during a U.S. Holder's holding period, then certain potentially adverse rules would affect the U.S. federal income tax consequences to a U.S. Holder resulting from the acquisition, ownership and disposition of our common shares. We do not believe that we were a PFIC during our tax years ended September 30, 2010 and December 31, 2010 and 2011. However, we believe we were a PFIC in prior tax

years. PFIC classification is fundamentally factual in nature, generally cannot be determined until the close of the tax year in question, and is determined annually. Additionally, the analysis depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. Consequently, there can be no assurances regarding our PFIC status for any tax year during which U.S. Holders hold our common shares.

In addition, in any year in which we are classified as a PFIC, such holder would be required to file an annual report with the IRS containing such information as Treasury Regulations and/or other IRS guidance may require. U.S. Holders should consult their own tax advisors regarding the requirements of filing such information returns under these rules, including the requirement to file a revised IRS Form 8621.

We generally will be a PFIC under Section 1297 of the Code if, for a tax year, (a) 75% or more of our gross income for such tax year is passive income (the "income test") or (b) 50% or more of the value of our assets either produce passive income or are held for the production of passive income (the "asset test"), based on the quarterly average of the fair market value of such assets. "Gross income" generally includes all sales revenues less the cost of goods sold, plus income from investments and from incidental or outside operations or sources, and "passive income" generally includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. Active business gains arising from the sale of commodities generally are excluded from passive income if substantially all (85% or more) of a foreign corporation's commodities are stock in trade or inventory, depreciable property used in a trade or business or supplies regularly used or consumed in a trade or business and certain other requirements are satisfied.

In addition, for purposes of the PFIC income test and asset test described above, if we own, directly or indirectly, 25% or more of the total value of the outstanding shares of another corporation, we will be treated as if we (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation. In addition, for purposes of the PFIC income test and asset test described above, "passive income" does not include any interest, dividends, rents, or royalties that are received or accrued by us from a "related person" (as defined in Section 954(d)(3) of the Code), to the extent such items are properly allocable to the income of such related person that is not passive income.

Under certain attribution rules, if we are a PFIC, U.S. Holders will be deemed to own their proportionate share of any subsidiary of ours which is also a PFIC (a ''Subsidiary PFIC''), and will be subject to U.S. federal income tax on (i) a distribution on the shares of a Subsidiary PFIC or (ii) a disposition of shares of a Subsidiary PFIC, both as if the holder directly held the shares of such Subsidiary PFIC.

If we are a PFIC in any tax year in which a U.S. Holder held our common shares, such holder generally would be subject to special rules with respect to "excess distributions" made by us on the our common shares and with respect to gain from the disposition of our common shares. An "excess distribution" generally is defined as the excess of distributions with respect to the our common shares received by a U.S Holder in any tax year over 125% of the average annual distributions such U.S. Holder has received from us during the shorter of the three preceding tax years, or such U.S. Holder's holding period for the our common shares. Generally, a U.S. Holder would be required to allocate any excess distribution or gain from the disposition of our common shares ratably over its holding period for the our common shares. Such amounts allocated to the year of the disposition or excess distribution would be taxed as ordinary income, and amounts allocated to prior tax years would be taxed as ordinary income at the highest tax rate in effect for each such year and an interest charge at a rate applicable to underpayments of tax would apply.

While there are U.S. federal income tax elections that sometimes can be made to mitigate these adverse tax consequences (including, without limitation, the "QEF Election" under Section 1295 of the Code and the "Mark-to-Market Election" under Section 1296 of the Code), such elections are available in limited circumstances and must be made in a timely manner.

U.S. Holders should be aware that, for each tax year, if any, that we are a PFIC, we can provide no assurances that we will satisfy the record keeping requirements of a PFIC, or that we will make available to U.S. Holders the information such U.S. Holders require to make a QEF Election with respect to us or any Subsidiary PFIC. U.S. Holders are urged to consult their own tax advisors regarding the potential application of the PFIC rules to the ownership and disposition of our common shares, and the availability of certain U.S. tax elections under the PFIC rules.

Additional Considerations

Additional Tax on Passive Income

For tax years beginning after December 31, 2012, certain individuals, estates and trusts whose income exceeds certain thresholds will be required to pay a 3.8% Medicare surtax on "net investment income" including, among other things, dividends and net gain from disposition of property (other than property held in a trade or business). U.S. Holders should consult with their own tax advisors regarding the effect, if any, of this tax on their ownership and disposition of our common shares.

Receipt of Foreign Currency

The amount of any distribution paid to a U.S. Holder in foreign currency, or on the sale, exchange or other taxable disposition of our common shares, generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). A U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who converts or otherwise disposes of the foreign currency after the date of receipt may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Each U.S. Holder should consult its own U.S. tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

Foreign Tax Credit

Subject to the PFIC rules discussed above, a U.S. Holder that pays (whether directly or through withholding) Canadian income tax with respect to dividends paid on our common shares generally will be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder's income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a year.

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder's U.S. federal income tax liability that such U.S. Holder's "foreign source" taxable income bears to such U.S. Holder's worldwide taxable income. In applying this limitation, a U.S. Holder's various items of income and deduction must be classified, under complex rules, as either "foreign source" or "U.S. source." Generally, dividends paid by a foreign corporation should be treated as foreign source for this purpose, and gains recognized on the sale of stock of a foreign corporation by a U.S. Holder should be treated as U.S. source for this purpose, except as otherwise provided in an applicable income tax treaty, and if an election is properly made under the Code. However, the amount of a distribution with respect to the our common shares that is treated as a "dividend" may be lower for U.S. federal income tax purposes than it is for Canadian federal income tax purposes, resulting in a reduced foreign tax credit allowance to a U.S. Holder. In addition, this limitation is calculated separately with respect to specific categories of income. The foreign tax credit rules are complex, and each U.S. Holder should consult its own U.S. tax advisor regarding the foreign tax credit rules.

Backup Withholding and Information Reporting

Under U.S. federal income tax law and Treasury Regulations, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. For example, U.S. return disclosure obligations (and related penalties) are imposed on individuals who are U.S. Holders that hold certain specified foreign financial assets in excess of $50,000. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. U. S. Holders may be subject to these reporting requirements unless our common shares are held in an account at a domestic financial institution. Penalties for failure to file certain of these information returns are

substantial. U.S. Holders should consult with their own tax advisors regarding the requirements of filing information returns under these rules, including the requirement to file an IRS Form 8938.

Payments made within the U.S. or by a U.S. payor or U.S. middleman, of dividends on, and proceeds arising from the sale or other taxable disposition of, our common shares will generally be subject to information reporting and backup withholding tax, at the rate of 28% (increasing to 31% for payments made after December 31, 2012), if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (d) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, certain exempt persons generally are excluded from these information reporting and backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner. Each U.S. Holder should consult its own tax advisor regarding the information reporting and backup withholding rules.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

Exhibits attached to this Form 20-F are also available for viewing at our offices, 120 Adelaide Street West, Suite 1204, Toronto, Ontario, Canada, M5H 1T1; or you may request them by calling our office at (416) 250-6500. Copies of our financial statements and other continuous disclosure documents required under securities rules are available for viewing on the internet at www.sedar.com.

I. Subsidiary Information

See Item 4.C of this Annual Report on Form 20-F.

ITEM 11 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are not subject to any material market risks.

A. Transaction Risk and Currency Risk Management

Our operations do not employ complex financial instruments or derivatives, and given that we keep our excess funds in high-grade short-term instruments, we do not have significant or unusual financial market risks. In the event we experience substantial growth in the future, our business and results of operations may be materially affected by changes in interest rates on new debt financings, the granting of credit options to our customers, and certain other credit risks associated with our operations.

B. Interest Rate Risk and Equity Price Risk

We are equity financed and do not have any debt which could be subject to significant interest rate change risks. We have raised equity funding through the sale of securities denominated in Canadian dollars, and will likely raise additional equity funding denominated in Canadian dollars in the future.

C. Exchange Rate Sensitivity

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. The Company operates in Israel. Most of the Company's monetary assets are held in US dollars and most of the Company's expenditures are made in US dollars. However, the Company also has expenditures in NIS and Canadian dollars. A significant change in the currency rates between the NIS and the Canadian dollars relative to the US dollar could have an effect on the Company's future results of operations, financial position or cash flows depending on the Company's currency management techniques. The Company has not hedged its exposure to currency fluctuations. An increase or decrease of 5% of the NIS relative to the U.S dollar would not have a significant effect on the Company. An increase or decrease of 5% on the Canadian dollar relative to the US dollar could have an effect on the Company as follows:

	December 31	
	2011	**2010**
	U.S. dollars in thousands	
Profit (loss) from change:		
5% increase in exchange rate US/CAN	67	14
5% decrease in exchange rate US/CAN	(67)	(14)

D. Commodity Price Risk

While the value of our exploration properties can always be said to relate to the price of the commodity and the outlook for same, we do not have any operating mines nor economic ore and therefore do not have any hedging arrangements.

ITEM 12 DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13 DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14 MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15 CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are defined in Rule 13a-15(e) and 15d-15(e) under the *Securities Exchange Act of 1934* ("**Exchange Act**") to mean controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and includes, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

As required under the Exchange Act, we have carried out an evaluation of the effectiveness of the design and operation of our company's disclosure controls and procedures as of the end of the period covered by this annual

report on Form 20-F, being December 31, 2011. This evaluation was carried out by our Chief Executive Officer (being our principal executive officer) and Chief Financial Officer (being our principal financial officer). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as at December 31, 2011.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. The Exchange Act in Rule 13a-15(f) and 15d-15(f) defines this as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that may have a material effect on the financial statements.

Under the supervision and with the participation of our chief executive officer and chief financial officer, our management assessed the effectiveness of the Company's internal control over financial reporting as at December 31, 2011. In making this assessment, the Company's management used the criteria, established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based upon this assessment, our management concluded that the Company's internal control over financial reporting was effective as of December 31, 2011.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness of internal control over financial reporting to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

This Annual Report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting, as the Company is a smaller reporting company.

Changes in Internal Control over Financial Reporting

During the period ended December 31, 2011, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A AUDIT COMMITTEE FINANCIAL EXPERTS

The Board has determined that all members of the Audit Committee meet the SEC's definition of an "audit committee financial expert", as defined in Item 16 of Form 20-F. The Board has also determined that all members of the Audit Committee meet the definition of an "independent director", as defined in Rule 121A of the American Stock Exchange Company Guide.

ITEM 16B CODE OF ETHICS

We have adopted a code of ethics that applies to all of our employees and officers, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of our code of ethics will be provided to any person without charge, upon request. All requests for a copy of our code of ethics should be directed in writing to the attention of Gadi Levin, c/o Adira Energy Ltd.,

120 Adelaide Street West, Suite 1204, Toronto, Ontario, Canada M5H 1T1, or by email at: glevin@adiraenergy.com.

ITEM 16C PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth information regarding the amount billed to us by our principal independent auditors, Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, for our fiscal years ended December 31, 2011 and 2010:

	Period Ended December 31	
	2011	**2010**
Audit Fees:	$110,000	$55,000
Audit Related Fees:	$18,000	$18,000
Tax Fees:	$64,000	$41,000
Total:	$174,000	$114,000

Audit Fees

This category includes the aggregate fees billed by our independent auditor for the audit of our consolidated annual financial statements, reviews of interim financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements.

Audit Related Fees

This category includes the aggregate fees billed in each of the last two fiscal years for assurance and related services by the independent auditors that are reasonably related to the performance of the audits or reviews of the financial statements and are not reported above under "Audit Fees," and generally consist of fees for other engagements under professional auditing standards, accounting and reporting consultations, internal control-related matters, and audits of employee benefit plans.

Tax Fees

This category includes the aggregate fees billed in each of the last two fiscal years for professional services rendered by the independent auditors for tax compliance, tax planning and tax advice.

Policy on Pre-Approval by Audit Committee of Services Performed by Independent Auditors

The policy of our Audit Committee is to pre-approve all audit and permissible non-audit services to be performed by our independent auditors during the fiscal year.

ITEM 16D EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

ITEM 16F CHANGES TO REGISTRANT’S CERTIFYING ACCOUNTANT

On August 23, 2010, we replaced Smythe Ratcliffe LLP with MSCM LLP as our independent auditors. The change in auditors was approved by our Audit Committee and the Board of Directors. Smythe Ratcliffe LLP’s reports on our financial statements for our past two fiscal years did not contain an adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles, except to indicate doubt as to the Company’s ability to continue as a going concern. During our past two fiscal years and until the replacement of Smythe Ratcliffe LLP, there were no disagreements between our Company and Smythe Ratcliffe LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure. On March 16, 2011, we appointed Kost Forer Gabbay and Kasierer, a member firm of Ernst & Young Global, as our new auditors.

ITEM 16G CORPORATE GOVERNANCE

Not applicable.

ITEM 16H MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17 FINANCIAL STATEMENTS

Not applicable.

ITEM 18 FINANCIAL STATEMENTS

Financial Statements Filed as Part of this Annual Report:

- Report of Independent Registered Public Accounting Firm dated April 26, 2012;
- Consolidated statement of financial position for the fiscal years ended December 31, 2011 and 2010;
- Consolidated statements of comprehensive income for the fiscal years ended December 31, 2011 and 2010;
- Consolidated statements of changes in shareholder's equity for the fiscal years ended December 31, 2011 and 2010;
- Consolidated statements of cash flows for the fiscal years ended December 31, 2011 and 2010; and
- Notes to consolidated financial statements

ITEM 19 EXHIBITS

The following exhibits are included in this Form 20-F:

Exhibit Number	Description
1.1	Articles of Conversion (1)
1.2	Articles of Continuance (1)
1.3	By-Laws (1)
1.4	Certificate and Articles of Amendment (3)
4.1	Securities Exchange Agreement among the Company, Adira Energy, Alan Friedman, Dennis Bennie and Ilan Diamond.(2)
4.2	Form of Securities Exchange Agreement among the Company, Adira Energy and the Minority Shareholders of Adira Energy.(2)
4.3	2009 Stock Option Plan (2)
4.4	Agency Agreement between Adira Energy and DS Apex Mergers & Acquisitions Ltd dated November 22, 2010 (4)
4.5	Nominee Agreement with BRM Group Ltd (4)
8.1	List of Subsidiaries (5)

12.1	Certificate of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (5)
12.2	Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (5)
13.1	Certificate of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (5)
13.2	Certificate of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (5)

(1) Incorporated by reference from our current report on Form 8-K filed with the SEC on December 2, 2008.
(2) Incorporated by reference from our Form 20-F shell company report filed with the SEC on September 4, 2009.
(3) Incorporated by reference from our Form 20-F report filed with the SEC on January 22, 2010.
(4) Incorporated by reference from our Form 20-F report filed with the SEC on February 3, 2011.
(5) Filed as an exhibit hereto.

SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Form 20-F on its behalf.

ADIRA ENERGY LTD.

Per: /s/ Jeffrey Walter
Name: Jeffrey Walter
Title: Chief Executive Officer

Date: April 26, 2012