

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

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

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

## Short Form Prospectus

New Issue

July 25, 2012



### ADIRA ENERGY LTD.

**Minimum Offering of \$10,000,000 or 71,428,571 Units**

**Maximum Offering of \$15,000,000 or 107,142,857 Units**

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**Price \$0.14 per Unit**

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This short form prospectus qualifies the distribution of a minimum (the “**Minimum Offering**”) of 71,428,571 units (each, a “**Unit**” and collectively, the “**Units**”) of Adira Energy Ltd. (the “**Corporation**” or “**Adira**”) and up to 107,142,857 Units (the “**Maximum Offering**”) at a price of \$0.14 (the “**Issue Price**”) per Unit for aggregate gross proceeds of a minimum of \$10,000,000 and a maximum of \$15,000,000 (the “**Offering**”) pursuant to the agency agreement (the “**Agency Agreement**”) dated July 25, 2012 between the Corporation and GMP Securities L.P. (“**GMP**”), Cormark Securities Inc. and Dundee Securities Ltd. (collectively, the “**Co-Lead Agents**”), and Clarus Securities Inc. and FirstEnergy Capital Corp. (collectively, with the Co-Lead Agents, the “**Agents**”). See “Plan of Distribution” for further details. Each Unit is comprised of one common share of the Corporation (a “**Common Share**”) and one whole common share purchase warrant (a “**Warrant**”). Each Warrant entitles the holder thereof to purchase one common share of the Corporation (a “**Warrant Share**”) for a period of 36 months after the Closing Date (as hereinafter defined) at a price of \$0.20 per Warrant Share.

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

	Price to the Public	Agents’ Fee <sup>(1)</sup>	Net Proceeds to the Corporation <sup>(2)</sup>
Per Unit .....	\$0.14	\$0.0084	\$0.1316
Minimum Offering <sup>(3)</sup> .....	\$10,000,000	\$600,000	\$9,400,000
Maximum Offering <sup>(3)</sup> .....	\$15,000,000	\$900,000	\$14,100,000

**Notes:**

- (1) The Corporation has agreed to pay the Agents a cash commission (the “**Agents’ Fee**”) of 6% of the gross proceeds of the Offering including, for greater certainty, the gross proceeds of any exercise of the Over-Allotment Option (as hereinafter defined) other than in respect of orders from “president’s list” purchasers on which only a cash commission of 2% will be paid on such proceeds. The Corporation will also issue to the Agents non-transferable common share purchase warrants (the “**Broker Warrants**”) equal to 6% of the total number of Units sold under the Offering (including any Over-Allotment Units (as hereinafter defined) issued upon exercise of the Over-Allotment Option) other than in respect of orders from certain “president’s list” purchasers on which no Broker Warrants will be issued. Each Broker Warrant will entitle the holder thereof to acquire one common share of the Corporation (each a “**Broker Share**” and collectively the “**Broker Shares**”) at the Issue Price at any time prior to 5:00 p.m. (Toronto time) on the date which is 24 months following the Closing Date (as hereinafter defined). This short form prospectus qualifies the grant and issue by the Corporation of the Broker Warrants. See “Plan of Distribution”.
- (2) Before deducting the expenses of the Offering (estimated at \$350,000) which, together with the Agents’ Fee, will be paid by the Corporation from the proceeds of the Offering.
- (3) The Corporation has granted to the Agents an over-allotment option (the “**Over-Allotment Option**”) exercisable, in whole or in part, in the sole discretion of the Agents, to purchase up to an additional 10,714,285 Units in the case of the Minimum Offering and up to an additional 16,071,428 Units in the case of the Maximum Offering (the “**Over-Allotment Units**”) at the Issue Price for a period of 30 days from and including the Closing Date, for market stabilization purposes and to cover the Agents’ over-allocation position, if any. Each Over-Allotment Unit consists of one common share of in the capital of the Corporation (an “**Over-Allotment Share**”) and one whole common share purchase warrant (an “**Over-Allotment Warrant**”), each Over-Allotment Warrant entitles the holder thereof to purchase one common share of the Corporation (an “**Over-Allotment Warrant Share**”) for a period of 36 months after the issuance thereof at a price of \$0.20 per Over-Allotment Warrant Share. The Over Allotment Option may be exercisable by the Agents: (i) to acquire Over-Allotment Units at the Issue Price; or (ii) to acquire Over-Allotment Warrants at a price of \$0.02 per Over-Allotment Warrant; or (iii) to acquire any combination of Over-Allotment Units and Over-Allotment Warrants, so long as the aggregate number of Over-Allotment Shares and Over-Allotment Warrants which may be issued under the Over Allotment Option does not exceed 10,714,285 Over-Allotment Shares and 10,714,285 Over-Allotment Warrants in the case of a Minimum Offering and 16,071,428 Over-Allotment Shares and 16,071,428 Over-Allotment Warrants in the case of a Maximum Offering. A purchaser who acquires securities forming part of the Agents’ over-allocation position acquires such securities under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. If the Over-Allotment Option in the case of a Minimum Offering is exercised in full, the total price to the public, Agents’ Fee and net proceeds to the Corporation will be \$1,500,000, \$90,000 and \$1,410,000, respectively (assuming no participation by “president’s list” purchasers). If the Over-Allotment Option in the case of a Maximum Offering is exercised in full, the total price to the public, Agents’ Fee and net proceeds to the Corporation will be \$2,250,000, \$135,000 and \$2,115,000, respectively (assuming no participation by “president’s list” purchasers). This short form prospectus qualifies both the grant of the Over-Allotment Option and the distribution of the Over-Allotment Shares and the Over-Allotment Warrants. Unless the context otherwise requires, all references herein to the Offering, the Units, the Common Shares, the Warrants and the Warrant Shares shall include the Over-Allotment Option and all of the securities issuable upon exercise thereof. See “Plan of Distribution”.

The outstanding common shares of the Corporation are listed and posted for trading on the TSX Venture Exchange (the “**Exchange**”) under the symbol “ADL”. The Exchange has conditionally approved the listing of the Common Shares, the Warrant Shares and the Broker Shares on the Exchange. Listing will be subject to the Corporation fulfilling all of the listing requirements of the Exchange. The closing price of the common shares of the Corporation on the Exchange on July 24, 2012 was \$0.15.

The Corporation has made an application to the Tel Aviv Stock Exchange (“**TASE**”) to list the common shares of the Corporation on the TASE (the “**TASE Listing**”). After the completion of the Offering, the Corporation currently intends to list the outstanding common shares on the TASE and to maintain the listing and posting for trading of its common shares on both the TASE and the Exchange. See “Plan of Distribution” and “Risk Factors”.

The Corporation has not applied to list the Warrants. There is no market through which the securities may be sold and purchasers may not be able to resell securities purchased under the short form prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See “Risk Factors”.

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

<u>Agents’ Position</u>	<u>Minimum Offering</u>	<u>Maximum Offering</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	10,714,285 Over-Allotment Units	16,071,428 Over-Allotment Units	Exercisable for a period of 30 days from and including the Closing Date	\$0.14 per Over-Allotment Unit
Broker Warrants	4,285,714 Broker Shares	6,428,571 Broker Shares	Exercisable for a period of 24 months following the Closing Date	\$0.14 per Broker Share

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

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

Subscriptions will be received subject to rejection or allotment, in whole or in part, and the right is reserved by the Agents to close the subscription books at any time without notice. Provided the Minimum Offering is met, the closing of the Offering is expected to occur on or about August 9, 2012 or such other date as the Corporation and the Agents may agree (the “Closing Date”). On the Closing Date, the Common Shares and Warrants (other than those offered or sold in the United States, or to persons who are acting for the account or benefit of persons in the United States, which will be represented by individual definitive certificates bearing U.S. restrictive legends) will be issued in registered or electronic form to CDS Clearing and Depository Services Inc. (“CDS”) or its nominee and will be deposited to CDS against payment of the aggregate purchase price for the Units. Purchasers of Units (other than those offered or sold in the United States, or to persons who are acting for the account or benefit of persons in the United States) will receive only a customer confirmation from the registered dealer that is a CDS participant and from or through which the Units are purchased. See “Plan of Distribution”. The Agents, pending closing of the Offering, will hold all subscription funds received in trust subject to and pursuant to the provisions of the Agency Agreement. If the Minimum Offering is not met and/or the Closing Date does not occur within ninety (90) days from the date a receipt is issued for the (final) short form prospectus (or such later date as the securities regulatory authorities may permit), the Offering will be discontinued and all subscription funds received by the Agents in connection with the Offering will be returned to subscribers without interest, set-off or deduction. See “Plan of Distribution”.

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

**Readers should rely only on the information contained in or incorporated by reference in this short form prospectus. The Corporation has not authorized anyone to provide the reader with different information. The**

**Corporation is not offering to sell the Units in any jurisdiction in which the offer and sale is not permitted. Readers should not assume that the information contained in this short form prospectus is accurate as of any date other than the date of this short form prospectus.**

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

The Chief Executive Officer of the Corporation, the Chief Financial Officer of the Corporation and a total of three of the directors of the Corporation (one of whom is also the Chief Executive Officer) reside outside of Canada. Although the Chief Executive Officer of the Corporation, the Chief Financial Officer of the Corporation and two directors of the Corporation have each appointed Maxims CS Inc. as their respective agent for service of process in the Province of Ontario it may not be possible for investors to enforce judgments obtained in Canada against the Chief Executive Officer of the Corporation, the Chief Financial Officer of the Corporation and two of the directors of the Corporation.

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## **FORWARD-LOOKING STATEMENTS**

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

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

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

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

## **CURRENCY PRESENTATION AND EXCHANGE RATES**

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

The noon exchange rate on July 24, 2012, as reported by the Bank of Canada for the exchange of one Canadian dollar into United States dollars, was \$1.00 per US\$0.9796 and the noon exchange rate as reported by the Bank of Canada for the conversion of United States dollars into Canadian dollars was US\$1.00 per \$1.0208.

## **FINANCIAL INFORMATION**

The audited consolidated financial statements as at and for the financial year ended December 31, 2011 and 2010, and the unaudited interim consolidated financial statements of the Corporation as at and for the three-months ended March 31, 2012, incorporated by reference in this short form prospectus, are reported in United States dollars and have been prepared in accordance with International Financial Reporting Standards.

## AVAILABLE INFORMATION

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

## ELIGIBILITY FOR INVESTMENT

In the opinion of Aird & Berlis LLP, counsel to the Corporation, and Cassels Brock & Blackwell LLP, counsel to the Agents, based on the current provisions of the Income Tax Act (Canada) (the "**Tax Act**") and the regulations thereunder (the "**Regulations**"), provided that the Common Shares and the Warrant Shares are listed on a "designated stock exchange" as defined in the Tax Act (which currently includes the Exchange) at a particular time or the Corporation otherwise qualifies as a "public corporation" (as defined in the Tax Act) at the particular time, the Common Shares and Warrant Shares will, at that time, be "qualified investments" under the Tax Act and the Regulations for trusts governed by registered retirement savings plans ("**RRSPs**"), registered retirement income funds ("**RRIFs**"), deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts ("**TFSAs**"), all as defined in the Tax Act (collectively, "**Deferred Plans**").

Provided that the Warrant Shares are qualified investments for Deferred Plans as described above at a particular time, the Warrants, at that time, will also be qualified investments at the particular time for any Deferred Plan provided that at that time neither the Corporation, nor any person with whom the Corporation does not deal with at "arm's length" for the purposes of the Tax Act, is an annuitant, a beneficiary, an employee or a subscriber under, or a holder of, such Deferred Plan.

The Warrants will also be qualified investments for Deferred Plans at a particular time, provided the Warrants, at that time, are listed on a designated stock exchange.

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

## DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the Form 20-F annual report of the Corporation for the financial year ended December 31, 2011, dated April 26, 2012, excluding the exhibits listed in item 19 (the "**AIF**");
- (b) the Corporation's audited consolidated financial statements as at and for the financial year ended December 31, 2011 and December 31, 2010, together with the notes thereto and the auditors' report thereon, dated April 26, 2012;
- (c) management's discussion and analysis of the Corporation's financial condition and operations for the financial year ended December 31, 2011, dated April 26, 2012;

- (d) the Corporation's unaudited interim consolidated financial statements as at and for the three-month period ending March 31, 2012, together with the notes thereto, dated May 30, 2012;
- (e) management's discussion and analysis of the Corporation's financial condition and results of operations for the three-month period ended March 31, 2012, dated May 30, 2012 (the "**Q1 MD&A**");
- (f) material change report of the Corporation dated February 29, 2012 regarding the appointment of Jeffrey Walter as the new Chief Executive Officer of the Corporation;
- (g) material change report of the Corporation dated March 21, 2012 regarding the receipt of two new independent reports on the Gabriella and Yitzhak Licenses disclosing resource estimates;
- (h) material change report of the Corporation dated April 4, 2012 regarding the filing of a preliminary prospectus in respect of the Offering;
- (i) material change report of the Corporation dated June 12, 2012 regarding the extension received from the Ministry of Energy and Water (Israel) (formerly the Ministry of National Infrastructures) (the "**Ministry**") for the execution of a drilling contract and the spudding of the first well on the Gabriella License (as defined below) and the Yitzhak License (as defined below);
- (j) material change report of the Corporation dated July 9, 2012 regarding the appointment of Mr. Jeffrey Walter and Mr. Richard Crist to the Corporation's board of directors effective July 6, 2012 replacing Mr. Eli Barkat and Ms. Yael Reznik Cramer whose resignations were effective and were accepted by the Corporation on July 6, 2012;
- (k) the management information circular of the Corporation dated May 1, 2012 for the special meeting of shareholders of the Corporation held on May 30, 2012 (the "**Special Meeting Circular**");
- (l) the management information circular of the Corporation dated July 4, 2012 for the annual and special meeting of shareholders of the Corporation to be held on August 2, 2012;
- (m) the Corporation's Form 51-101F1 and Form 51-101F3 for the financial year ended December 31, 2011, each dated April 26, 2012;
- (n) the report entitled "Estimates of Unrisked Contingent and Prospective Resources to the Adira Energy Ltd. Interest in Discoveries and Prospects Located in Block 378 (Gabriella) Offshore Israel as of March 1, 2012" effective March 1, 2012, prepared by Netherland, Sewell & Associates, Inc. (the "**Gabriella Report**"); and
- (o) the report entitled "Estimates of Unrisked Prospective Resources to the Adira Energy Ltd. Interest in Certain Prospective Reservoirs Located in Block 380 (Yitzhak) Offshore Israel as of March 1, 2012" effective March 1, 2012, prepared by Netherland, Sewell & Associates, Inc. (the "**Yitzhak Report**").

A reference herein to this short form prospectus also means any and all documents incorporated by reference in this short form prospectus. Any documents of the type required by National Instrument 44-101 *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus including all annual information forms, current annual financial statements and related management's discussion and analysis, interim financial statements and related management's discussion and analysis, material change reports (excluding confidential reports), business acquisition reports, information circulars and certain other documents which are filed by the Corporation with a securities commission or any other similar authority in Canada after the date of this short form prospectus and prior to the termination of the Offering shall be deemed to be incorporated by reference into this short form prospectus.



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

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

### SUMMARY DESCRIPTION OF THE BUSINESS

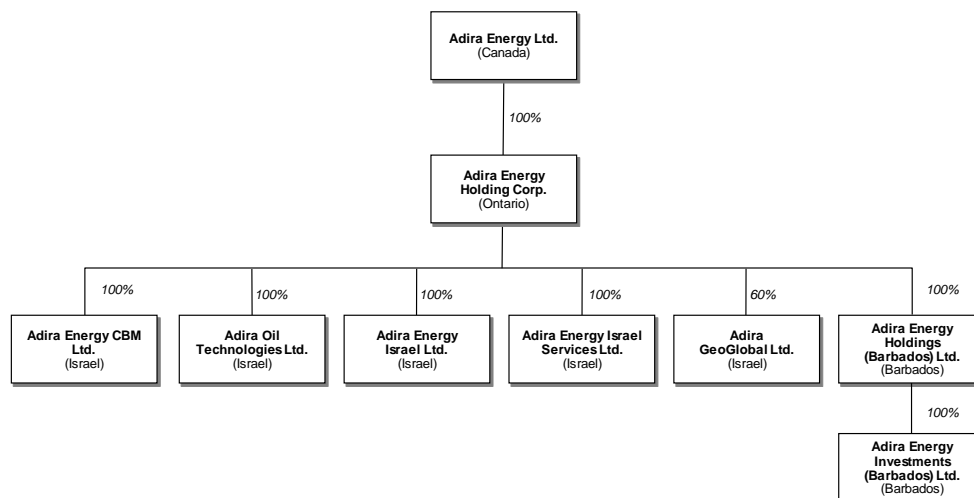
*This summary does not contain all the information that may be important to an investor in deciding whether to invest in the Units. Readers are cautioned to read the entire short form prospectus, including the section entitled “Risk Factors”, “Forward-Looking Statements” and any documents incorporated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

#### Incorporation and Organization

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

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

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



## Notes:

- (1) The other 40% of the shares of Adira Geo Global Ltd. (“**Adira Geo Global**”) are held by GeoGlobal Resources (India) Inc., a corporation that is not related to the Corporation, the Corporation’s partner in the development of the Samuel License.
- (2) References herein to the Corporation includes the Corporation’s subsidiaries, unless the context otherwise requires.
- (3) Adira Energy Ltd. (Canada) is a holding corporation and is the registered and beneficial owner of 100% of Adira Energy Holding Corp. (Ontario).
- (4) Adira Energy Holding Corp. (Ontario) is a holding corporation and is the registered and beneficial owner of foreign subsidiaries: (i) 60% of Adira Geo Global holding corporation created to hold certain licenses that the Corporation may acquire. It currently holds a 30% interest in the Samuel License (as defined below); (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 the Corporation may acquire. It currently holds the Gabriella License (as defined below) and Yitzhak License (as defined below); (v) 100% of Adira Energy Israel Services Ltd. (Israel), a corporation created to provide services to the Corporation’s other Israeli subsidiaries; (vi) 100% of Adira Energy Holdings (Barbados) Ltd. (Barbados), a holding corporation created to hold certain licenses that the Corporation 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 Corporation may acquire. It currently holds the Myra and Sara Option (as defined below).
- (5) The board of directors of the Corporation has effective control over the subsidiaries in two principal ways; namely, at least one director or officer of the Corporation is a director of each of the subsidiaries, and the Corporation as a shareholder of the subsidiaries has legal rights (e.g. the fiduciary obligations of officers and directors owed to the subsidiary, derivative actions and oppression remedies) that the Corporation is willing to enforce. With the Corporation being a majority shareholder (100%, except in the case of Adira Geo Global, of which the Corporation is a 60% shareholder), the Corporation can resolve in a limited period of time to remove directors or officers without the requirement of a shareholder meeting.

## *Development of the Business*

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

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

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

## **Business of the Corporation**

The Corporation is an oil and gas exploration company with assets offshore Israel in the Eastern Mediterranean. The Corporation has been granted interests in the following offshore petroleum licenses from the State of Israel: the Gabriella License No. 378 (the “**Gabriella License**”), Yitzhak License No. 380 (the “**Yitzhak License**”) and Samuel License No. 388 (the “**Samuel License**”). The Corporation’s Gabriella License, Yitzhak License and Samuel License are collectively referred to as the Corporation’s “**Offshore Licenses**”.

The Corporation has been satisfied as to its property interests in the Offshore Licenses through receipt of title opinions and title reports from various law firms recognized in Israeli for their expertise in real property matters; and the Corporation’s internal review of: (i) the applicable petroleum exploration licenses; (ii) the review, negotiation and execution, after satisfactory due diligence, of various agreements (including farm-out, trust, transfer, operating, option and cooperation agreements, letters of intent and memorandums of understating) relating to the licenses; (iii) correspondence received from the Ministry, including letters extending the Corporation’s license periods; and (iv)

the Corporation's request for payment from the Ministry in respect of the Offshore Licenses, as well as confirmation of payment by the Corporation from the Ministry.

The Corporation considers the Gabriella License its "core" license. The Corporation believes that among the Offshore Licenses, the Gabriella License offers the best opportunity for economic exploitation based on its geological attributes as it contains the highest number of estimated contingent resources as against prospective resources, and is expected to have the most favourable economic attributes based on the Corporation's current 15% participation interest, and ability to acquire a further 15% participation interest and a royalty interest in the event of a discovery (see "*Gabriella License*", in this section, below). The Corporation intends to first use any funds available to it to advance the exploration and development program with respect to the Gabriella License. The board of directors of the Corporation has not yet approved the majority of the costs to execute the work program for the Gabriella License and there is no guarantee that all of the expenditures will be approved. See "Use of Proceeds", "Risks Associated with the Corporation's Business - *The Corporation's business will suffer if it cannot obtain or maintain necessary licenses*", "Risks Associated with the Corporation's Business - *The Corporation may not meet its timing commitments with respect to the Offshore Licenses*" and other risks factors contained under the heading "Risk Factors".

### *Gabriella License*

The Gabriella License covers 97,000 acres (392 square kilometers ("**sq. km**")) and is approximately 10 kilometers ("**km**") offshore Israel between Netanya and Ashdod. The Gabriella License was issued on July 15, 2009 to the Corporation (100%) for an initial three year period and may be renewed for a further four year period with a further renewal option of two years in the case of a reserve discovery. 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, the Corporation received approval from the Petroleum Commissioner of Israel (the "**Commissioner**") to update the expiration of the Gabriella License to February 28, 2013 and on June 11, 2012, the Corporation received approval from the Commissioner to further update the expiration of the Gabriella License to September 1, 2013, including the extension of certain milestones (see table below).

In January 2010, the Corporation, through its subsidiary Adira Energy Israel Ltd. ("**Adira Israel**"), entered into an agreement with Modi'in Energy – Limited Partnership ("**MELP**") and Modi'in Energy Management (1992) Ltd. ("**MEGP**") whereby the Corporation transferred 70% of the participation interests in the Gabriella License to MELP. In addition, in January 2010, a subsidiary of Brownstone Energy Inc. (formerly Brownstone Ventures Inc.) ("**Brownstone**") exercised its option to purchase 15% of the participation interests in the Gabriella License, which interests the Corporation understands have not been registered in the name of Brownstone with the Ministry. 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.

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

The Corporation's pro rata share of exploration expenditures, being 15% of the costs up to the first US\$8 million of expenditures have been paid by MELP. The Corporation previously received a monthly fee of \$12,500 from MELP as well as one half of the management fees MEGP received from MELP (3.75%), which payments ended on February 1, 2012. In addition, the Corporation is entitled to receive: (a) 4.25% of the 7.5% management fees payable by MELP to MEGP; and (b) a royalty in the aggregate amount of 4.5% (2.25% from each of MELP and MEGP) from any resources extracted from the Gabriella License until MELP recovers the pro rata exploration expenditures incurred by it on behalf of the Corporation, after which time the royalty increases to an aggregate of 10.5% (5.25% from each of MELP and MEGP).

The exploration and extraction activity on the Gabriella License is performed in the framework of a joint operating agreement (the “**JOA**”) between Adira, MELP and Brownstone, whereby Adira is currently designated the operator of the Gabriella License. In accordance with the JOA, the Corporation was entitled to receive an operating fee equal to 7.5% of the cumulative direct costs incurred in connection with operating the Gabriella License, through to January 26, 2012 (the “**Initial Period**”). Following the Initial Period, Adira may be removed as the operator by tender process, whereby Adira would have the right of first refusal on the terms of the tender. Adira may also be removed as the operator if Adira is declared bankrupt, insolvent, dissolved or liquidated or if two or more of the total number of non-operators holding a combined interest of at least 75% agree to remove Adira as operator of the Gabriella License.

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.

On June 13, 2012, the Corporation announced that Noble International Ltd (“**Noble Drilling**”) has accepted a letter of award (the “**LOA**”), which will enable MELP to execute a detailed drilling contract (the “**Gabriella Drilling Contract**”) on behalf of the Gabriella consortium partners, including Adira Israel. Adira further announced that it signed a Memorandum of Understanding (“**MOU**”) with MELP authorizing MELP to enter into a drilling contract with Noble Drilling and/or any of its affiliates on behalf of the working interest parties to drill the Gabriella License prior to the revised spud date, June 30, 2013. Where the Gabriella Drilling Contract requires the provision of a letter of credit or a cash deposit as collateral to Noble Drilling, the parties shall together decide which form of collateral to provide (“**Rig Collateral**”). Pursuant to the LOA, the consortium will finalize the Gabriella Drilling Contract to secure the Noble Homer Farrington rig for a minimum of 75 days for a program that is expected to include one well plus sidetrack. In terms of the MOU, the Corporation has undertaken to provide its share of the Rig Collateral, 30 days prior to the date to be set in the Gabriella Drilling Contract. In the event of a breach of the MOU by Adira Israel, the Corporation agrees to withdraw from the JOA covering the Gabriella License, and assign its participating interest in the Gabriella License to the other consortium partners in proportion to their holdings in addition to relinquishing all back-in rights, overriding royalty interests and management fees, rights of first refusal and co-sale rights to MELP. Transfers of working interests are subject to the approval of the Commissioner. Pursuant to the MOU, Adira Israel has also granted MELP the Yitzhak Option (as described below).

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

The table below sets out the Ministry mandated milestone activities and dates required to be met in order to maintain the Gabriella License. The Ministry mandates milestone activities and dates, but the mandatory Ministry milestones do not stipulate the dollar amount that must be expended in order to achieve the applicable milestone. As such, the dollar amounts stated in the table below reflect the Corporation’s current *best estimate* of the costs that will be incurred in order to complete each milestone in accordance with the work plan for the Gabriella License. For an analysis of the costs that have been approved and committed by the Corporation as at the date hereof, see “Business of the Corporation – *Approved Expenditures Relating to the Gabriella, Yitzhak and Samuel Licenses*”, below.

<b>Gabriella License</b>	<b>Adira's Share of the Costs to meet the Milestone<sup>(1) (2) (4)</sup></b>
<b>Milestones (as per the Ministry)</b>	<b>(Portion of Costs Approved by Adira as at the date hereof)</b>
1. Execution of a contract with a drilling contractor – by September 1, 2012	\$10,000 (\$10,000)
2. Spudding the first well – by June 30, 2013	\$7,125,000 <sup>(3)</sup> (\$1,150,000)
3. Preparation of a summary report of the first well and transfer of all of the findings, including tests, samples, logs (if taken), electrical logs and results of tests (if performed), up to three months from completion of the drilling – in 2013	\$15,000 (Nil)
4. Submission of a work plan for continuation of the work in the license – up to four months from completion of the drilling – in 2013	\$15,000 (Nil)
Total	\$7,165,000 <sup>(5)</sup> (\$1,160,000)

**Notes:**

- (1) The amounts included in the table above differ from amounts previously disclosed in the Corporation's continuous disclosure record, including the Q1 MD&A, for two principal reasons: (i) the previously disclosed amounts included all costs to be incurred up to a particular milestone date and then only costs associated with subsequent activities between milestone dates, whereas the current table includes only the costs associated with the fulfillment of the actual Ministry mandated milestone; and (ii) the estimated costs are based on the Corporation's best estimate at the time of the disclosure meaning that as the Corporation and its license partners receive additional information relating to the costs associated with the particular license the cost estimates related to the actual costs (or further cost estimates) become more accurate.
- (2) The Gabriella License is considered the Corporation's "core" license, and therefore, in the event that the Corporation does not have sufficient working capital to fully fund the exploration and development programs for all of the Offshore Licenses, the Corporation will first use any funds available to it to fund the Corporation's exploration and development program with respect to the Gabriella License. See "Risks Associated with the Corporation's Business - *The Corporation's business will suffer if it cannot obtain or maintain necessary licenses*" and other risks factors contained under the heading "Risk Factors".
- (3) This amount excludes operator fees and management fees to be received by the Corporation estimated to be approximately \$4 million, which will be used to reduce the Corporation's share of these costs associated with spudding the first well.
- (4) In fulfilment of its revised milestones under the Gabriella License, the Corporation submitted an environmental study to the Ministry in advance of its July 20, 2012 filing deadline.
- (5) The Corporation's total estimated additional costs that will be required to complete the well (dry hole) is estimated to be approximately \$8 million, none of which is required to be expended to meet the Ministry mandated milestones.

*Yitzhak License*

The Yitzhak License covers 31,555 acres (127.7 sq. km) and is located approximately 9 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 Corporation received approval from the Commissioner to update the expiration

of the Yitzhak License to February 28, 2013 and on June 11, 2012, the Corporation received approval from the Commissioner to further update the expiration of the Yitzhak License to December 1, 2013, including the extension of certain milestones (see table below).

On January 10, 2012, the Corporation announced that it received approval from the Commissioner for the farm-out of an aggregate of 25% of its interest in the Yitzhak License to two new partners, 5% to AGR Group ASA (“**AGR**”) and 20% to Ellomay Oil and Gas 2011 LP, a limited partnership (“**Ellomay**”) whose general partner is a wholly-owned subsidiary of Ellomay Capital Ltd. (“**Ellomay Capital**”). Accordingly, as at the date hereof, the Corporation continues to have a 60% interest in the Yitzhak License (subject to the Yitzhak Option as described below), Brownstone has a 15% working interest in the license, AGR has a 5% working interest in the license and Ellomay has a 20% working interest in the license. The Corporation and AGR Petroleum Services Holdings AS are currently the co-operators of the Yitzhak License. The Corporation, Brownstone, AGR and Ellomay are currently negotiating a joint operating agreement to regulate their commercial relationship in respect of the Yitzhak License. Adira is not expected to receive any material amounts of cash as the co-operator of the Yitzhak License.

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

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

On June 13, 2012, Adira granted MELP, effective once the Gabriella Drilling Contract has been signed, an irrevocable option to purchase (“**Yitzhak Option**”) from Adira, a 15% participating interest in the Yitzhak License (the “**Yitzhak Option Interest**”). MELP shall be entitled to exercise the Yitzhak Option until the earlier of (a) December 31, 2012, and (b) the 30th day from the date Adira notifies MELP of the execution of an agreement with a drilling contractor in relation to the Yitzhak License. If MELP exercises the Yitzhak Option, it agrees to reimburse Adira for Adira’s share of the past expenditures in respect of the 15% share incurred by Adira in connection with the operations conducted on the Yitzhak License up to the date of transfer of the Yitzhak Option Interest. Adira will also be entitled to an overriding royalty interest from MELP of 3% in all oil and gas (including any distillate and condensate) produced, saved and marketed from the area covered by Yitzhak License that is attributable to the Yitzhak Option Interest, before payout, and 4.5% after payout. The transfer of the Yitzhak Option Interest is subject to the approval of the Commissioner.

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

The table below sets out the Ministry mandated milestone activities and dates required to be met in order to maintain the Yitzhak License. The Ministry mandates milestone activities and dates, but the mandatory Ministry milestones

do not stipulate the dollar amount that must be expended in order to achieve the applicable milestone. As such, the dollar amounts stated in the table below reflect the Corporation's current *best estimate* of the costs that will be incurred in order to complete each milestone in accordance with the work plan for the Yitzhak License. For an analysis of the costs that have been approved and committed by the Corporation as of the date hereof, see "Business of the Corporation – *Approved Expenditures Relating to the Gabriella, Yitzhak and Samuel Licenses*", below.

<b>Yitzhak License</b>	<b>Adira's Share of the Costs to meet the Milestone</b> <sup>(1) (2)</sup>
<b>Milestones (as per the Ministry)</b>	<b>(Portion of Costs Approved by Adira as at the date hereof)</b>
1. Execution of a contract with a drilling contractor and submission of an environmental study according to the directives of the Ministry for Energy and Water Resources – by September 1, 2012	\$64,000 (\$64,000)
2. Spudding the first well – by October 30, 2013	\$31,980,000 <sup>(3)</sup> (\$2,386,000)
3. Preparation of a summary report of the first well and transfer of all of the findings, including tests, samples, logs (if taken), electrical logs and results of tests (if performed), up to three months from completion of the drilling – in 2013	\$64,000 (Nil)
4. Submission of a work plan for continuation of the work in the license – up to four months from completion of the drilling – in 2013	\$64,000 (Nil)
<b>Total</b>	<b>\$32,172,000<sup>(4)</sup> (\$2,450,000)</b>

**Notes:**

- (1) The amounts included in the table above differ from amounts previously disclosed in the Corporation's continuous disclosure record, including the Q1 MD&A, for two principal reasons: (i) the previously disclosed amounts included all costs to be incurred up to a particular milestone date and then only costs associated with subsequent activities between milestone dates, whereas the current table includes only the costs associated with the fulfillment of the actual Ministry mandated milestone; and (ii) the estimated costs are based on the Corporation's best estimate at the time of the disclosure meaning that as the Corporation and its license partners receive additional information relating to the costs associated with the particular license the cost estimates related to the actual costs (or further cost estimates) become more accurate.
- (2) See "Use of Proceeds" and "Risks Associated with the Corporation's Business - *The Corporation's business will suffer if it cannot obtain or maintain necessary licenses*" and other risks factors contained under the heading "Risk Factors".
- (3) This amount includes the Corporation's estimate of the deposit that will be required in order to secure the rig that will spud the first well on the Yitzhak License.
- (4) The Corporation's estimate of the total additional costs that will be required to complete the well (dry hole) is approximately \$28.4 million.

In the event that the Corporation does not have sufficient working capital to fully fund the exploration and development programs for all of the Offshore Licenses, the Corporation will first use any funds available to it to fund the Corporation's exploration and development program with respect to the Gabriella License which could result in the loss of the Yitzhak License. Under this circumstance, the Corporation may engage in one or a combination of the actions described in the "Use of Proceeds" section. See "Risks Associated with the Corporation's Business - *The Corporation's business will suffer if it cannot obtain or maintain necessary licenses*" and other risks factors contained under the heading "Risk Factors".

### Samuel License

The Samuel License covers 88,708 acres (361 sq. km) and is located off the shore of Israel adjacent to the shoreline between the City of Ashkelon in the South and Palmachim in the North. The Samuel License was issued on August 1, 2010 to Adira Geo Global (30% interest), GeoGlobal Resources (India) Inc. (“**GGRI**”) (30% interest), Adira Oil Technologies Ltd. (“**Adira Oil**”) (23.25% interest), Pinetree Capital Ltd. (“**Pinetree**”) (10% interest) and Brownstone (6.75% interest) for an initial three year period and may be renewed for a further four year period and a further renewal option of two years in the case of a reserve discovery. Thereafter, a lease (30-50 years) can be sought if a “discovery” (as defined in the Israeli Petroleum Law) is made. The Corporation’s net interest in the Samuel License is 41.25%, of which 23.25% is held through its 100% owned Canadian subsidiary Adira Oil and 18% of which is held through its 60% held subsidiary Adira Geo Global. On July 2, 2012, the Corporation received approval from the Commissioner to extend certain milestones associated with the Samuel License (see table below).

The exploration and extraction activity in the Samuel License is performed in the framework of a joint operating agreement (the “**JOA**”) between GGRI, Adira Geo Global, Adira Oil, Brownstone and Pinetree, whereby Adira GeoGlobal is the designated operator of the Samuel License. In accordance with the JOA, the Corporation is entitled to receive one-half of an aggregate operating fee equal to 7.5% of the cumulative direct costs incurred in connection with operating the Samuel License and one-half of 3% ORRI. Adira Geo Global may be removed as the operator if it is declared bankrupt, insolvent, dissolved or liquidated or if two or more of the total number of non-operators holding a combined interest of at least 51% agree to remove Adira as operator of the Samuel License.

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

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

The table below sets out the Ministry mandated milestone activities and dates required to be met in order to maintain the Samuel License. The Ministry mandates milestone activities and dates, but the mandatory Ministry milestones do not stipulate the dollar amount that must be expended in order to achieve the applicable milestone. As such, the dollar amounts stated in the table below reflect the Corporation’s current *best estimate* of the costs that will be incurred in order to complete each milestone in accordance with the work plan for the Samuel License. For an analysis of the costs that have been approved and committed by the Corporation as of the date hereof, see “Business of the Corporation – *Approved Expenditures Relating to the Gabriella, Yitzhak and Samuel Licenses*”, below.

<b>Samuel License</b>	<b>Adira’s Share of the Costs to meet the Milestone</b> <sup>(1) (2)</sup>
<b>Milestones (as per the Ministry)</b>	<b>(Portion of Costs Approved by Adira as at the date hereof)</b>
1. Execution of a contract with a drilling contractor – by October 31, 2012	\$42,000 (\$42,000)
2. Spudding the first well – by April 30, 2013	\$5,700,000 <sup>(3)</sup> (\$2,958,000)
3. Preparation of a summary report of the first well and transfer of all of the findings, including tests, samples, logs (if taken), electrical logs and	\$42,000 (Nil)



<b>Samuel License</b>	<b>Adira's Share of the Costs to meet the Milestone</b> <sup>(1) (2)</sup>
<b>Milestones (as per the Ministry)</b>	<b>(Portion of Costs Approved by Adira as at the date hereof)</b>
results of tests (if performed), up to three months from completion of the drilling – in 2013	
4. Submission of a work plan for continuation of the work in the license – up to four months from completion of the drilling in 2013	\$42,000 (Nil)
<b>Total</b>	<b>\$5,784,000<sup>(4)</sup> (\$3,000,000)</b>

**Notes:**

- (1) The amounts included in the table above differ from amounts previously disclosed in the Corporation's continuous disclosure record, including the Q1 MD&A, for two principal reasons: (i) the previously disclosed amounts included all costs to be incurred up to a particular milestone date and then only costs associated with subsequent activities between milestone dates, whereas the current table includes only the costs associated with the fulfillment of the actual Ministry mandated milestone; and (ii) the estimated costs are based on the Corporation's best estimate at the time of the disclosure meaning that as the Corporation and its license partners receive additional information relating to the costs associated with the particular license the cost estimates related to the actual costs (or further cost estimates) become more accurate.
- (2) See "Use of Proceeds" and "Risks Associated with the Corporation's Business - *The Corporation's business will suffer if it cannot obtain or maintain necessary licenses*" and other risks factors contained under the heading "Risk Factors".
- (3) This amount includes the Corporation's estimate of the deposit that will be required in order to secure the rig that will spud the first well on the Samuel License.
- (4) The Corporation's estimated of the total additional costs that will be required to complete the well (dry hole) is approximately \$12.2 million.

In the event that the Corporation does not have sufficient working capital to fully fund the exploration and development programs for all of the Offshore Licenses, the Corporation will first use any funds available to it to fund the Corporation's exploration and development program with respect to the Gabriella License which could result in the loss of the Samuel License. Under this circumstance, the Corporation may engage in one or a combination of the actions described in the "Use of Proceeds" section. See "Risks Associated with the Corporation's Business - *The Corporation's business will suffer if it cannot obtain or maintain necessary licenses*" and other risks factors contained under the heading "Risk Factors".

*Approved Expenditures Relating to the Gabriella, Yitzhak and Samuel Licenses*

The Corporation has approved approximately \$6.61 million of expenses in order to move the drilling programs on each of the Offshore Licenses forward. These expenses have not been paid to date. The total amount of approved expenditures will increase as the Corporation and its licenses partners approve additional expenses and will decrease as such approved expenditures are spent. The chart below outlines the Corporation's approved expenditures by license and activity as of the date hereof. See "Use of Proceeds" and "Risks Associated with the Corporation's Business - *The Corporation's business will suffer if it cannot obtain or maintain necessary licenses*" and "Risks Associated with the Corporation's Business - *The Corporation may not meet its timing commitments with respect to the Offshore Licenses*".

<i>Expense Type</i>	<i>Gabriella License</i>	<i>Yitzhak License</i>	<i>Samuel License</i>
Long Lead Items (piping, casings, tubulers and expandable liners)	\$905,000	-	\$1,550,000
Seabed survey expenses	\$50,000	\$1,125,000	\$725,000
Shipyard quay and storage expenses	\$80,000	\$650,000	\$350,000
Project management expenses	\$75,000	\$525,000	\$250,000
Geological and Geophysical expenses	\$50,000	\$150,000	\$125,000
<b>TOTAL</b>	<b>\$1,160,000</b>	<b>\$2,450,000</b>	<b>\$3,000,000</b>

These approved expenditure amounts form a portion of the expenditures required to meet each milestone referenced in the milestone tables for each of the Offshore Licenses. These approved expenditures have been included so that the approved expenditures can be understood in the context of the total costs relating to each milestone on each Offshore License.

#### *Myra and Sara Licenses*

The Corporation also has an option (the “**Myra and Sara Option**”) to acquire up to a 5% participating interest in each of two deep water licenses offshore Israel, namely the Myra License and the Sara License (collectively, the “**Myra and Sara Licenses**”). The Myra and Sara Licenses are located offshore Israel approximately 40 km west of the City of Hadera. These license areas total 800 sq. km. In August 2010, the Corporation announced that it has signed a definitive co-operation agreement with GeoGlobal Resources Inc., and its wholly-owned subsidiary, GGRI (together, “**GGR**”) confirming the terms whereby GGR has agreed to assign an option it has to acquire up to a 5% participating interest in the Myra and Sara Licenses, to the Corporation.

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

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

dilution of the level of participation rights of Adira Oil, such that the rate of the holdings in the Samuel License would be: GGR – 45% (from 42%); Adira – 38.25% (from 41.25%); Brownstone – 6.75%; and Pinetree – 10%.

On November 30, 2011, one of the partners in the Myra and Sara Licenses, an existing signatory to the M&S Operating Agreements, announced that an agreement had been reached with GGR in which GGR would transfer the required funds in order to exercise its 5% option. On December 6, 2011, two of the partners in the Myra and Sara Licenses announced that GGR did not transfer the funds required and therefore the option had expired. On December 8, 2011, GGR reported that the Sara and Myra option expired due to failure of the Corporation to meet the conditions of the option. On December 8, 2011, the Corporation notified GGR that it believes the option is valid and exercisable. Accordingly, there is no assurance that the Corporation will be able to exercise the Myra and Sara Option.

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

#### *Onshore Licenses*

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

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

#### *Approval of Work Programs Relating to the Offshore Licenses*

The regular process followed by the Corporation in approving the annual work programs for each of its Offshore Licenses are as follows: (i) bi-weekly status meetings are held for each license with the relevant partners and the project manager for each specific license; (ii) updates and progress since the last meeting are discussed, following which upcoming work programs and phases of exploration and the associated expenses are then discussed; (iii) expenses are approved in sequence and in accordance with the suggested work program as set out by the project manager of each license; (iv) if any of the expenses are material, a tender process for services to be rendered is put in place; (v) if a tender process has been completed, the partners involved will approve the awarding of the tender to the "winner" of the tender process, and the partners will then approve the requisite budget; (vi) depending on the dollar value of the tender, the budget amounts are either approved by the Corporation's management team before being presented to the partners of the licenses for "small" tenders, or the Corporation's management team will seek the approval of the Corporation's board of directors for approval for "large" tenders; and (vii) the operator (for example, Adira, when it is the operator of a specific license in question) will then issue a cash call to all the partners on a specific license to meet the payment schedule of the particular tender that has been approved.

#### **Corporate Developments**

On February 27, 2012, Mr. Jeffrey Walter was appointed Chief Executive Officer. On May 30, 2012, the Corporation held a special meeting of shareholders of the Corporation at which the shareholders of the Corporation approved certain changes to the Corporation's by-laws in the manner set forth in the Special Meeting Circular. On July 6, 2012, Mr. Jeffrey Walter and Mr. Richard Crist were appointed to the Corporation's board of directors replacing Mr. Eli Barkat and Ms. Yael Reznik Cramer whose resignations were effective and were accepted by the Corporation on July 6, 2012.

## USE OF PROCEEDS

The net proceeds in the case of the Minimum Offering are estimated to be approximately \$9,050,000 (\$10,460,000 in the event the Over-Allotment Option is exercised in full) and in the case of the Maximum Offering are estimated to be \$13,750,000 (\$15,865,000 in the event the Over-Allotment Option is exercised in full). This is following the deduction of the Agents' Fee (assuming no participation by any "president's list" purchasers) and estimated expenses of the Offering, being \$350,000. The Corporation intends to use the net proceeds from either the Minimum Offering or the Maximum Offering to advance the Corporation's exploration and development activities on the Offshore Licenses and actively continue with the Corporation's 2012 exploration and development program in a manner consistent with the Corporation's stated business objectives as follows:

Purpose	Allocation of Minimum Offering Proceeds <sup>(7)</sup>	Allocation of Maximum Offering Proceeds <sup>(7)</sup>
Approved Expenditures Relating to the Gabriella License <sup>(1)</sup> (2)	\$1,160,000	\$1,160,000
Approved Expenditures Relating to the Yitzhak License <sup>(1)</sup>	\$2,450,000 <sup>(3)</sup>	\$2,450,000
Approved Expenditures Relating to the Samuel License <sup>(1)</sup>	\$3,000,000 <sup>(4)</sup>	\$3,000,000
Other exploration and development costs to be incurred on the Gabriella License prior to spudding the first well <sup>(5)</sup>	\$1,940,000 <sup>(2)</sup>	\$6,640,000
General corporate purposes <sup>(6)</sup>	\$500,000	\$500,000
<b>Total:</b>	<b>\$9,050,000</b>	<b>\$13,750,000</b>

### Notes:

- (1) See "Business of the Corporation – *Approved Expenditures Relating to the Gabriella, Yitzhak and Samuel Licenses*" for a further breakdown of these numbers and the milestone tables under the discussion of each of the Offshore Licenses in "Business of the Corporation" to view these amounts in relation to each license as a whole.
- (2) Total funds to be dedicated to the Gabriella License from the Minimum Offering (\$3.1 million) plus income operator fees and management fees to be received by the Corporation estimated to be approximately \$4 million will permit the Corporation to meet milestones 1-4 on the Gabriella License as disclosed in the table found in "Business of the Corporation – *Gabriella License*".
- (3) Total funds from the Offering dedicated to the Yitzhak License will permit the Corporation to meet milestone 1 and part of milestone 2 on the Yitzhak License as disclosed in the table found in "Business of the Corporation – *Yitzhak License*".
- (4) Total funds from the Offering dedicated to the Samuel License will permit the Corporation to meet milestone 1 and part of milestone 2 on the Samuel License as disclosed in the table found in "Business of the Corporation – *Samuel License*".
- (5) The Corporation currently anticipates that the "Other exploration and development costs to be incurred on the Gabriella License prior to spudding the first well" will principally be comprised of costs associated with additional items of the type described in the table found in "Business of the Corporation - *Approved Expenditures Relating to the Gabriella, Yitzhak and Samuel Licenses*" and for the storage of long-lead items.
- (6) The Corporation expects to decrease general and administrative expenses throughout 2012 and 2013. See "Use of Proceeds" below for further discussion on the "Use of Proceeds – Additional Funds".
- (7) See "Business of the Corporation – *Gabriella License*", "Business of the Corporation – *Yitzhak License*" and "Business of the Corporation - *Samuel License*", for a list of milestone costs on each of the Offshore Licenses as per the Ministry that have been approved by the Corporation as of the date hereof.

The Gabriella License is considered the Corporation's "core" license, and therefore, in the event that the Corporation does not have sufficient working capital to fully fund the exploration and development programs for all of the Offshore Licenses, the Corporation will first use its current cash resources, the use of proceeds from this Offering and income generated from operator and management fees to fund the Corporation's exploration and development program with respect to the Gabriella License. Expending its funds in this manner could result in the loss of one or both of the Yitzhak License and the Samuel License. Under this circumstance, the Corporation may engage in one or a combination of the actions described below. See "Risks Associated with the Corporation's Business - The Corporation's business will suffer if it cannot obtain or maintain necessary licenses" and other risks factors contained under the heading "Risk Factors".

Upon completion of the Offering, the Corporation will be better positioned to further its business objectives of exploration, appraisal and development of its oil and natural gas assets as set forth in the Corporation's 2012 exploration and development program, which include focusing on exploration of oil and natural gas resources from the Offshore Licenses, particularly the Gabriella License, based on Adira's use of seismic data and geological reports.

The Corporation's expenses are approved in sequence and in accordance with the suggested work program as set out by the project manager of each of the Offshore Licenses. The timeline of the suggested work program corresponds to the Ministry milestones. Prior to any additional material expenses being incurred, and after the completion of a tender process for services to be rendered is put in place, the budget amounts, depending on the dollar amount, are either approved by the management of the Corporation or the Board of Directors. To date the Corporation has only approved the aggregate costs disclosed in the "Use of Proceeds" table above. Each additional material expenditure is reviewed in advance of any milestone date.

The Corporation is under no obligation to approve any further expenditures on any of the Offshore Licenses.

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

As at June 30, 2012, the Corporation had approximately \$3.0 million of cash available. The total funds available to the Corporation upon completion of the Offering and existing cash available, together with any available amounts received by the Corporation in respect of operator fees and management fees over the next 12 months of approximately \$4.0 million, are expected to fund the Corporation's activities for a seven month period, which period can be extended to twelve months upon possible adjustments to the Corporation's 2012 exploration and development program and other actions described below. In order to fully fund the exploration and development programs of the Offshore Licenses, the Corporation must raise additional funds in addition to this Offering. See "Risk Factors".

Despite the Offering, the Corporation's capital resources will not be sufficient to meet its work commitments and general corporate expenses and, in this case, the Corporation would be required to engage in one or a combination of the following actions: (i) make formal application to the Ministry to revise the Corporation's minimum commitments with respect to the Offshore Licenses; (ii) reduce the Corporation's expenses related to general corporate purposes; (iii) amend its current 2012 exploration and development program by committing to expend all reasonably available funds on the exploration and development program with respect to the Gabriella License; (iv) generate cash from non-equity financing sources, such as entering into farm-out arrangements, entering into joint venture arrangements and other strategic arrangements that may be available to the Corporation at the applicable time with a focus on reducing the Corporation's capital expenditure requirements on the Yitzhak License and the Samuel License; (v) a further equity offering; (vi) a sale of Long Lead Items, purchased, and subleasing of shipyard and storage facility arrangements, entered into, in respect of the Samuel License and Yitzhak License; and (vii) such other actions as the board of directors of the Corporation considers necessary and advisable at the applicable time. See "Risk Factors".

As at the date hereof, the Corporation currently anticipates that a reduction in the Corporation's liquidity and capital resources would result in the Corporation: (i) amending its current 2012 exploration and development program to provide that the Corporation will drill one well on the Gabriella License and otherwise direct its capital resources to developing the Gabriella License; (ii) advancing other strategic opportunities available to the Corporation at the applicable time; and (iii) limiting its exploration and development program on both the Yitzhak License and the Samuel License. The Corporation currently expects that if it experienced a reduction in its liquidity and capital resources, the Corporation would not resume exploration and development activities on either the Yitzhak License or the Samuel License until such time as the Corporation is able to generate or otherwise obtain sufficient cash to drill one or more wells on the Yitzhak License or the Samuel License.

## Additional Funds

The Corporation's cash and cash equivalents as at June 30, 2012 was approximately \$3.0 million. The Corporation's average cash burn rate on a quarterly basis with respect to its operating activities for the four quarter period ended December 31, 2011 was approximately \$1.6 million per quarter. The Corporation's burn rate on a quarterly basis with respect to its operating activities, which include exploration expenses and general and administration expenses, for the two quarter period ended June 30, 2012 was approximately \$2.5 million per quarter. The Corporation anticipates that its burn rate for the remaining two quarterly periods of 2012 will be approximately \$3.7 million per quarter. This burn rate is principally comprised of the items identified in the table under the heading "Business of the Corporation – *Approved Expenditures Relating to the Gabriella, Yitzhak and Samuel Licenses*", above plus the Corporation's general and administrative expenses. In addition, the Corporation's anticipated burn rate for the remaining two quarterly periods of 2012 reflects the Corporation's current working interest in each of its Offshore Licenses and does not reflect any consequences that would result if the Corporation experienced a reduction in its liquidity and capital resources. To the extent the Corporation experienced a reduction in its liquidity and capital resources, the Corporation's burn rate would be adjusted accordingly. The Corporation has no history of significant revenues from its operating activities. The Corporation reported negative operating cash flow in its most recently completed financial year for which financial statements have been incorporated by reference in this short form prospectus. See "Risk Factors". The Corporation anticipates that it will continue to have negative cash flow from operating activities in future periods until production is achieved on its Offshore Licenses. Accordingly, certain of the net proceeds of the Offering will be used to fund the Corporation's ongoing operations. See "Risk Factors".

If the Over-Allotment Option is exercised in full, the Corporation will receive additional net proceeds of \$1,410,000 in the case of the Minimum Offering and \$2,115,000 in the case of the Maximum Offering, in each case after deducting the Agents' Fee and assuming no participation by any "president's list" purchasers. In either case, the net proceeds from the exercise of the Over-Allotment Option will be applied to general corporate purposes.

Pending the use of the net proceeds, the funds will be invested in guaranteed investment certificates and other quality short term investments at the discretion of management.

The Agents, pending closing of the Offering, will hold all subscription funds received in trust subject to and pursuant to the provisions of the Agency Agreement. If the Minimum Offering is not met and/or the Closing Date does not occur within ninety (90) days from the date a receipt is issued for the (final) short form prospectus (or such later date as the securities regulatory authorities may permit), the Offering will be discontinued and all subscription funds received by the Agents in connection with the Offering will be returned to subscribers without interest, set-off or deduction. See "Plan of Distribution" and "Risk Factors".

## PRIOR SALES

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

<b>Date</b>	<b>Issuance Type</b>	<b>Total Number</b>	<b>Issuance/Exercise Price per Security</b>
July 21, 2011	Common shares	16,000	Issued for \$0.50 pursuant to exercise of warrants
August 17, 2011	Common shares	14,875	Issued for \$0.25 pursuant to exercise of stock options
August 25, 2011	Common shares	75,000	Issued for \$0.25 pursuant to exercise of stock options

<b>Date</b>	<b>Issuance Type</b>	<b>Total Number</b>	<b>Issuance/Exercise Price per Security</b>
August 31, 2011	Common shares	500,770	Issued for \$0.25 pursuant to exercise of warrants
September 8, 2011	Stock options	250,000	Exercise price of \$0.50 per common share
December 1, 2011	Stock options	625,000	Exercise price of \$0.50 per common share <sup>(1)</sup>
March 14, 2012	Stock options	2,000,000	Exercise price of \$0.25 per common share

**Note:**

- (1) Of these 625,000 stock options issued, only 590,000 stock options are remaining outstanding.

### TRADING PRICE AND VOLUME

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

<b><u>Calendar Period</u></b>	<b><u>High (\$)</u></b>	<b><u>Low (\$)</u></b>	<b><u>Volume</u></b>
July 2011	0.58	0.45	643,559
August 2011	0.56	0.30	476,161
September 2011	0.53	0.30	1,141,201
October 2011	0.435	0.27	565,169
November 2011	0.36	0.295	530,006
December 2011	0.31	0.20	840,014
January 2012	0.34	0.245	307,179
February 2012	0.30	0.155	2,467,812
March 2012	0.31	0.16	3,438,339
April 2012	0.30	0.20	619,494
May 2012	0.295	0.195	753,306
June 2012	0.24	0.17	629,478
July 2012 <sup>(1)</sup>	0.18	0.145	647,221

**Note:**

- (1) On July 24, 2012, the closing price of the Common Shares on the Exchange was \$0.15.

### DIVIDEND RECORD AND POLICY

The Corporation has never declared nor paid dividends on its common shares. Currently, the Corporation intends to retain its future earnings, if any, to fund the development and growth of its business, and the Corporation does not anticipate declaring or paying any dividends on the common shares of the Corporation in the near future, although the Corporation reserves the right to pay dividends if and when it is determined to be advisable by the board of directors of the Corporation.

### CONSOLIDATED CAPITALIZATION OF THE CORPORATION

The following table sets out the consolidated capitalization of the Corporation as of March 31, 2012 on an actual basis and on an as-adjusted basis after giving effect to the Minimum Offering and the Maximum Offering. The following table should be read in conjunction with the most recent unaudited consolidated financial statements of the Corporation as at and for the three-month period ending March 31, 2012, as well as the related management's discussion and analysis, which are incorporated by reference herein.

	<b>As of March 31, 2012</b>		
	<b>Actual</b>	<b>As Adjusted for the Minimum Offering<sup>(1)</sup></b>	<b>As Adjusted for the Maximum Offering<sup>(1)</sup></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Share Capital <sup>(2)</sup> (Authorized – unlimited)	101,768,453 Common Shares	173,197,024 Common Shares	208,911,310 Common Shares
Common share purchase warrants <sup>(3)</sup>	13,750,000	13,750,000	13,750,000
Common share purchase warrants <sup>(4)</sup>	1,307,375	1,307,375	1,307,375
Warrants	Nil	71,428,571	107,142,857
Broker Warrants	Nil	4,285,714	6,428,571
Additional Paid in Capital	US\$28,032,000	US\$30,851,389	US\$32,317,676
Accumulated Deficit	(US\$20,126,000)	(US\$20,967,145)	(US\$21,272,881)
Total shareholders' equity	US\$8,178,000	US\$10,156,244	US\$11,316,795
Total liabilities and equity	US\$11,691,000	US\$20,556,380	US\$25,160,500

**Notes:**

- (1) Based on the completion of the Offering after the Agents' Fee of \$600,000 in the case of the Minimum Offering and \$900,000 in the case of the Maximum Offering and estimated expenses of the Offering and assuming no exercise of the Over-Allotment Option. See "Plan of Distribution".
- (2) As of March 31, 2012, the Corporation had outstanding options to acquire an aggregate of 9,971,109 common shares of the Corporation pursuant to its stock option plan at prices ranging between US\$0.25 and US\$0.80 per common share with expiry dates to March 13, 2017.
- (3) On December 3, 2010, the Corporation issued certain third parties an aggregate of 13,750,000 common share purchase warrants, which warrants had an exercise price of US\$0.55 per share with an expiry date of December 3, 2013.
- (4) On December 3, 2010, the Corporation issued certain third parties an aggregate of 1,307,375 common share purchase warrants, which warrants had an exercise price of US\$0.40 per share with an expiry date of December 3, 2013.

**DESCRIPTION OF SECURITIES BEING DISTRIBUTED**

This short form prospectus qualifies the distribution of the Common Shares and the Warrants comprising the Units, the material attributes of which are described below.

**Common Shares**

The authorized capital of the Corporation consists of an unlimited number of common shares of the Corporation. As of July 24, 2012, 101,768,453 common shares of the Corporation are issued and outstanding.

Holders of common shares of the Corporation are entitled to receive notice of any meetings of shareholders, and to attend and to cast one vote per common share at all such meetings. Shareholders do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the common shares of the Corporation entitled to vote in any election of directors may elect all directors standing for election. Shareholders are entitled to receive on a pro rata basis such dividends, if any, as and when declared by the Board at its discretion



from funds legally available therefor, and upon the liquidation, dissolution or winding up of the Corporation are entitled to receive on a pro rata basis the net assets of the Corporation after payment of debts and other liabilities. The common shares of the Corporation do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions or material restrictions or requirements to contribute additional capital.

## **Warrants**

The Warrants issuable under this Offering will be created and issued pursuant to the terms of a warrant indenture (the “**Warrant Indenture**”) to be dated as of the Closing Date entered into between the Corporation and Computershare Trust Company of Canada (the “**Warrant Agent**”). The Corporation will appoint the principal transfer office of the Warrant Agent in Toronto, Ontario, as the location at which Warrants may be surrendered for exercise or transfer.

The following is a summary of the material attributes and characteristics of the Warrants and the material provisions of the Warrant Indenture, but does not purport to be complete and is qualified in its entirety by reference to the provisions of the Warrant Indenture which will be filed by the Corporation and available on SEDAR at [www.sedar.com](http://www.sedar.com) from and after the Closing Date.

Each Warrant will entitle the holder thereof to purchase one Warrant Share at any time before 5:00 p.m. (Eastern time) on the date that is 36 months after the Closing Date, at a price of \$0.20 per Warrant Share, after which time the Warrants will expire and be void and of no value.

The Warrant Indenture will provide for adjustment in the number of Warrant Shares issuable upon the exercise of the Warrants and/or the exercise price per Warrant Share upon the occurrence of certain events, including:

- (a) the issuance of common shares or securities exchangeable for or convertible into common shares to all or substantially all of the holders of common shares as a stock dividend or other distribution (other than a “dividend paid in the ordinary course”, as defined in the Warrant Indenture, or a distribution of common shares upon the exercise of the Warrants or pursuant to the exercise of directors, officers or employee stock options granted under the Corporation’s stock option plan);
- (b) the subdivision, redivision or change of common shares into a greater number of shares;
- (c) the reduction, combination or consolidation of common shares into a lesser number of shares;
- (d) the issuance to all or substantially all of the holders of common shares of rights, options or warrants under which such holders are entitled, during a period expiring not more than 45 days after the record date for such issuance, to subscribe for or purchase common shares, or securities exchangeable for or convertible into common shares, at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the “current market price”, as defined in the Warrant Indenture, for common shares on such record date; and
- (e) the issuance or distribution to all or substantially all of the holders of common shares of shares of any class other than common shares, rights, options or warrants to acquire common shares or securities exchangeable or convertible into common shares, or evidences of indebtedness or cash, securities or any property or other assets.

The Warrant Indenture will also provide for adjustment in the class and/or number of securities issuable upon the exercise of the Warrants and/or exercise price per security in the event the Corporation: (a) reclassifies its common shares; (b) consolidates, amalgamates, enters into a plan of arrangement or a merger with or into another entity (other than consolidations, amalgamations, plans of arrangement or mergers which do not result in any reclassification of common shares or a change of common shares into other shares); or (c) transfers (other than to one of the Corporation’s subsidiaries) its undertaking or assets as an entirety or substantially as an entirety to another corporation or other entity.

No adjustment in the exercise price or the number of Warrant Shares purchasable upon the exercise of the Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would change the exercise price by at least 1% or the number of Warrant Shares purchasable upon exercise by at least one one-hundredth of a Warrant Share.

The Corporation will also covenant in the Warrant Indenture that, during the period in which the Warrants are exercisable, notice will be given to holders of Warrants with regard to certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Warrant Shares issuable upon exercise of the Warrants, at least 20 days before the record date or effective date, as the case may be, of such event.

No fractional Warrant Shares will be issuable upon the exercise of Warrants, and no cash or other consideration will be paid in lieu of fractional shares. Holders of Warrants will not have any voting or pre-emptive rights or any other rights which a holder of common shares would have.

The Warrants and the Warrant Shares issuable upon exercise of the Warrants have not been and will not be registered under the U.S. Securities Act or the securities laws of any state, and the Warrants may not be exercised in the United States or by, or on behalf of a U.S. Person, unless an exemption from registration is available.

From time to time, the Corporation and the Warrant Agent, without the consent of the holders of Warrants, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of Warrants may only be made by “extraordinary resolution”, which is defined in the Warrant Indenture as a resolution either (1) passed at a meeting of the holders of Warrants (at which there are holders of Warrants present in person or represented by proxy representing at least 25% of the aggregate number of the then outstanding Warrants) by the affirmative vote of holders of Warrants representing not less than two-thirds of the aggregate number of then outstanding Warrants represented at the meeting and voted on such resolution or (2) adopted by an instrument in writing signed by the holders of Warrants representing not less than two-thirds of the aggregate number of then outstanding Warrants.

#### *Foreign Corporate Structure — Shareholder Rights*

Set out below is a summary of certain of the shareholder rights and remedies found under Canadian, Israeli and Barbadian corporate law. The following summary is not an exhaustive statement of all relevant laws, rules and regulations affecting shareholder rights and is intended as a general guide only and should not be construed as legal advice. Investors should consult with their own legal advisor if they require further information.

<b>Shareholder Right</b>	<b>Canada Business Corporations Act</b>	<b>Companies Law (Israel)</b>	<b>Companies Act (Barbados)</b>
Share Capital	Under the Canada Business Corporations Act (the “CBCA”), the articles of a corporation specify the share capital of that corporation.  Typically, a corporation is authorized to issue an unlimited number of common shares.	Under the Israeli Companies Law (“Companies Law”), the company shall determine its registered share capital, including the number of shares of each class, in its articles of association.  Shares in the company may all be of nominal value or may all be without nominal value. Where the shares in the company have no nominal value, their number alone shall be set out in the articles of	Under the Companies Act Cap. 308 of the Laws of Barbados (the “Companies Act”), the classes and maximum number of shares that the company is authorised to issue is specified in the company’s articles.  Under the Companies Act, shares may be issued at such times and to such persons and for such consideration as the directors think fit. However, this is subject to the by-laws, articles and any unanimous

Shareholder Right	Canada Business Corporations Act	Companies Law (Israel)	Companies Act (Barbados)
		association; where the shares in the company are of nominal value, the nominal value of each share shall be noted in the articles of association in addition to their number.	shareholders agreement.  Shares in a company are to be without nominal or par value.
Voting Rights	Under the CBCA, and typical articles of a corporation, each common share of a corporation entitles the holder to one vote at a meeting of shareholders.	Under the Companies Law, where the company has not set out any other voting rights in its articles of association, each share shall have one vote.	Under the Companies Act, on a show of hands, a shareholder or proxy holder is entitled to one vote and upon a poll a shareholder or proxy holder is entitled to one vote for every share held, unless the articles of the company otherwise provide.
Quorum of Shareholders	By-laws of a typical corporation provide that the presence of two persons present in person, each being a shareholder entitled to vote or a duly appointed proxy or proxy holder for an absent shareholder so entitled, holding or representing in the aggregate not less than a specified percentage of the issued shares of the corporation with voting rights at such meeting will constitute quorum for the transaction of business at the meeting of shareholders.	Unless the company determine otherwise in its articles of association, the quorum for holding a general meeting shall be at least two shareholders holding at least twenty-five percent of the voting rights, within half an hour of the time fixed for the commencement of the meeting. Where there is no quorum present at the general meeting at the end of half an hour from the time fixed for the commencement of the meeting, the meeting shall be adjourned for one week, to be held on the same day, at the same time and in the same place, or for a later time if indicated in the invitation to the meeting or in the notice of the meeting.	Under the Companies Act, unless the by-laws otherwise provide, a quorum of shareholders is present at a shareholders' meeting if the holders of a majority of the shares entitled to vote at the meeting are present in person or represented by proxy. If a quorum is present at the opening of a meeting, the shareholders present or represented may proceed with the business of the meeting notwithstanding a quorum is not present throughout the meeting. If a quorum is not present within 30 minutes of the times fixed for a meeting of shareholders, the persons present and entitled to vote may adjourn the meeting to a fixed time and place but may not transact any other business.
Notice of Shareholders Meetings	Under the CBCA, notice of a general meeting of a corporation's shareholders must be given to the shareholders entitled to vote (and the directors and auditors) within not less than 21 days and not more than 60 days before the meeting.	Under the Companies Law, notice of a general meeting of a company's shareholders must be given to the shareholders entitled to vote within not less than 21 days or not less than 35 days, according with the Companies Law.	Under the Companies Act, notice of the time and place of a shareholders' meeting must be sent not less than 21 days nor more than 50 days before the meeting to each shareholder entitled to vote at the meeting (in addition to the directors and auditors of the company).

Shareholder Right	Canada Business Corporations Act	Companies Law (Israel)	Companies Act (Barbados)
Annual General Meeting	Under the CBCA, the annual meeting of the corporation must be called by the directors not later than fifteen months after holding the last preceding annual meeting but no later than six months after the end of the corporation's preceding financial year.	Under the Companies Law, the company shall hold an annual general meeting every year no later than on the expiry of fifteen months from the previous annual general meeting.	Under the Companies Act, the directors of the company must call an annual meeting of the shareholders not later than 18 months after the company comes into existence, and subsequently not later than 15 months after holding the last preceding annual meeting.
Calling Meetings	Under the CBCA, the board of directors of a corporation may call a special meeting of shareholders at any time. The CBCA further provides that the holders of not less than 5% of the issued shares of a corporation that carry the right to vote at a meeting may requisition the directors to call a meeting of shareholders for the purposes stated in the requisition.	Under the Companies Law, the board of directors may resolve to convene a special general meeting, and shall so convene at the demand of any of the following: (i) two directors or one-quarter of the directors in office; (ii) one or more shareholders with at least five percent of the issued share capital and at least one percent of the voting rights in the company, or one or more shareholders with at least five percent of the voting rights in the company.	Under the Companies Act, the directors of the company may call a special meeting of the shareholders at any time. The Companies Act also provides that the holders of not less than 5% of the issued shares of a company that carry a right to vote at a meeting may requisition the directors to call a meeting of shareholders for the purposes stated in the requisition.
Shareholder Proposed Resolutions	The CBCA entitles a shareholder to submit to a corporation notice of any matter that the person proposes to raise at the meeting (" <b>Proposal</b> ") and discuss at the meeting any matter in respect of which the person would have been entitled to submit a Proposal. If a corporation receives notice of a Proposal and is soliciting proxies, it would then be required to set out the Proposal in its management proxy circular (and, if requested by the person submitting the Proposal, include or attach the Proposal and a statement in support of the Proposal not exceeding 500 words in the aggregate). However, a Proposal for the nomination for the election of directors	under the Companies Law, one or more shareholders with at least one percent of the voting rights at the general meeting may request that the board of directors include a matter in the agenda of a general meeting to be convened in the future, provided that it is appropriate to discuss such a matter in the general meeting.	Under the Companies Act, a shareholder may submit to the company notice of any matter that he proposes to raise at the meeting (the " <b>Proposal</b> ") and discuss at the meeting any matter in respect of which he would have been entitled to submit a Proposal.  A company that solicits proxies must set the Proposal out in its management proxy circular or attach the Proposal to the circular and if so requested by a shareholder submitting the Proposal, include in or attach to the management proxy circular, a statement by the shareholder of not more than 200 words in support of the Proposal. However, a Proposal for the nomination for the election of directors is required to be signed by the holders of at least 5% of the shares of the

Shareholder Right	Canada Business Corporations Act	Companies Law (Israel)	Companies Act (Barbados)
	is required to be signed by the holders of at least 5% of the outstanding shares entitled to vote at such meeting.		company entitled to vote at such meeting.
Passing Resolutions at a General Meeting	Under the CBCA, a resolution at a general meeting of a corporation's shareholders is to be passed by a simple majority of votes cast by the shareholders entitled to vote on the resolution.	Under the Companies Law, resolutions of the general meeting shall be passed by ordinary majority unless some other majority is prescribed by statute or in the articles of association.	Under the Companies Act, a resolution at a general meeting can be passed by a majority of the votes cast by the shareholders entitled to vote in respect of that resolution.
Special Resolutions	<p>Under the CBCA, a special resolution must be passed by a majority of not less than two-thirds of the votes cast by the shareholders entitled to vote on the resolution. Approval by special resolution of the shareholders is required for such actions as:</p> <ul style="list-style-type: none"> <li>• changing a corporation's name;</li> <li>• amending a corporation's articles;</li> <li>• increasing or reducing stated capital, if the corporation's stated capital is stated in its articles;</li> <li>• undertaking a voluntary liquidation and dissolution;</li> <li>• amalgamating with another arm's length corporation;</li> <li>• continuing under the laws of another jurisdiction; and</li> </ul>	<p>Under the Companies Law, there are several provisions that require a special majority including, inter alia:</p> <ul style="list-style-type: none"> <li>• the appointment of an Outside Director (as defined in Companies Law): (i) require the majority of all the votes of shareholders who are not holders of control in the company or have a personal interest in the approval of the appointment, other than a personal interest that is not the result of personal relations with the holder of control, present at the time of voting are included (as all these terms is defined under the Companies Law), or; (ii) the total number of votes opposing the appointment from among the shareholders referred to in item (i) above shall be no greater than two percent of the total voting rights in the company.</li> <li>• appointment of chairman as CEO or CEO as chairman (i) required the majority of at least two thirds of the shareholders who are not holders of control in the</li> </ul>	<p>The Companies Act provides that a special resolution must be passed by a majority of not less than two-thirds of the votes cast by the shareholders entitled to vote in respect of that resolution. The Companies Act stipulates that a special resolution of the shareholders of the company shall be required to cause or permit the company to do any of the following actions:</p> <ul style="list-style-type: none"> <li>• To amend the articles;</li> <li>• To amalgamate the Company;</li> <li>• To enter into any merger or consolidation or any other manner of reorganisation; and</li> <li>• To sell, lease or exchange all or subsequently all of the assets of the company (other than in the ordinary course of business of the company).</li> </ul>

Shareholder Right	Canada Business Corporations Act	Companies Law (Israel)	Companies Act (Barbados)
	<ul style="list-style-type: none"> <li>• undertaking the sale, lease or exchange of all or substantially all of the property of the corporation other than in the ordinary course of business.</li> </ul>	<p>company and have no personal interest in the approval of the decision, or;</p> <p>(ii) the total number of opposing votes from among the shareholders said in item (i) above does not exceed 2% of the total of voting rights in the company.</p> <ul style="list-style-type: none"> <li>• transaction with holder of control (as defined under the Companies Law): (i) required at least a majority of all of the votes of those shareholders that do not have a personal interest in the approval of the transaction, who participate at the vote, or; (ii) the total of opposition votes amongst the shareholders referred to in item (i) above shall not be greater than two percent of all the voting rights in the company;</li> <li>• compromise or Arrangement;</li> <li>• merger; and</li> <li>• special tender offer.</li> </ul>	

Shareholder Right	Canada Business Corporations Act	Companies Law (Israel)	Companies Act (Barbados)
Relief from Oppression	<p>The CBCA provides that a security holder or the Director may apply to a court for an order directing an investigation to be made of the corporation and any of its affiliated corporations. For the court to make such an order of investigation, among other requirements, it must appear to the court that the business of the corporation or any of its affiliates has been carried on with intent to defraud a person, that powers of the directors were exercised in a manner that was oppressive or unfairly prejudicial to the interests of a shareholder, the corporation or any of its affiliates was formed for a fraudulent or unlawful purpose or persons concerned with the formation, business or affairs of the corporation or any of its affiliates have in connection therewith acted fraudulently or dishonestly. No person may publish anything relating to the application for investigation except with the authorization of the court or the written consent of the corporation being investigated. In addition, a "complainant" (as that term is defined under the CBCA, which includes shareholders, former shareholders, directors and officers, former directors and officers, and any other persons who, in the discretion of the court, are proper persons to bring an action) who complains that:</p> <ul style="list-style-type: none"> <li>any act or omission of the corporation or any of its affiliates effects or</li> </ul>	<p>According to the Companies Law, each shareholder and each director of the company may file a derivative action, upon the fulfilment of the provisions set forth in the Companies Law, including the court's approval.</p>	<p>The Companies Act describes a complainant as a present or former shareholder or debenture holder of a company or any of its affiliates, a present or former director or officer of a company or any of its affiliates, the Registrar of Companies or any other person who the court in its discretion deems proper to make an application. Where a complainant makes an application and the court is satisfied that</p> <ul style="list-style-type: none"> <li>Any act or omission of the company or any of its affiliates effects a result,</li> <li>The business affairs of the company or any of its affiliates are or have been carried on or conducted in a manner, or</li> <li>The powers of the directors of the company or any of its affiliates are or have been exercised in a manner that is oppressive or unfairly prejudicial to, or that unfairly disregards the interests of, any shareholder or debenture holder, creditor, director or officer of the company, the court may make an order to rectify the matters complained of. The powers of the court under the Companies Act in making an order are broad: it may make any order it thinks fit, from a simple order amending a company's by-laws or articles of incorporation to an order liquidating and dissolving the company.</li> </ul>

Shareholder Right	Canada Business Corporations Act	Companies Law (Israel)	Companies Act (Barbados)
	<p>threatens to effect a result;</p> <ul style="list-style-type: none"> <li>• the business or affairs of the corporation or any of its affiliates have been or are threatened to be carried on or conducted in a manner; or</li> <li>• the power of the directors of the corporation or its affiliates have been or are threatened to be exercised in a manner that is oppressive or unfairly prejudicial to or that unfairly disregards the interests of any security holder, creditor, director or officer, may apply to the court for an order to rectify the matters complained of. This remedy is known as the "oppression remedy". The powers of the court under the CBCA in making an order are broad: it may make any order it thinks fit, from a simple order amending a corporation's by-laws to an order liquidating and dissolving the corporation.</li> </ul>		
Inspection of Books	<p>Under the CBCA, a shareholder or creditor of a corporation, their agent or legal representative may examine the corporate records (including the securities register, articles and by-laws, minutes of meetings and resolutions of shareholders) at the corporation's registered office or such other place where such records are kept during the corporation's usual business hours and may take extracts from those records, free of charge. If a corporation is a</p>	<p>Under the Companies Law, shareholders shall have the right to inspect the following documents of the company: (i) minutes of general meetings; (ii) the register of shareholders and the register of substantial shareholders; (iii) any document held by the company (as specified in Companies Law); (iv) the articles of association of the company; (v) any document which the company is required to file under Companies Law and under any law with the Companies Registry or the Securities Authority, available</p>	<p>Under the Companies Act a shareholder or creditor of a company, their agent or legal representative may examine the corporate records (including the share register, articles, by-laws, minutes of meetings and resolutions of the board and shareholders) at the company's registered office or such other place where such records are kept during the company's usual business hours and may take extracts from those records, free of charge.</p>



Shareholder Right	Canada Business Corporations Act	Companies Law (Israel)	Companies Act (Barbados)
	<p>distributing corporation (as defined in the CBCA), any other person may examine the corporation's corporate records upon payment of a reasonable fee.</p>	<p>for public inspection at the Companies Registry (as specified in Companies Law) or the Securities Authority (as specified in Companies Law), as the case may be.</p> <p>A shareholder shall be entitled to require from the company inspection of any document in its possession, indicating for what purpose, in any of the following instances: the document relates to an act or transaction requiring the consent of the general meeting under the provisions of specific sections of Companies Law.</p> <p>The company may refuse the request of the shareholder if in its opinion the request was not made in good faith or the documents requested contain a commercial secret or a patent, or disclosure of the documents could prejudice the good of the company in some other way.</p>	
<p>Derivative Action and Shareholder Class Action</p>	<p>Under the CBCA, representative shareholder actions or derivative actions are available to a corporation's shareholders and other "complainants" (as defined under the CBCA to include shareholders, former shareholders, directors and officers, former directors and officers, the director appointed under the CBCA to carry out duties and exercise powers under the CBCA, and any other persons who, in the discretion of the court, are proper persons to bring an action). The CBCA, to a large extent, has supplemented the Canadian common law and equity rules on the availability of actions. In addition to</p>	<p>The Class Actions Law, 5766-2006 (the "<b>Class Actions Law</b>"), allows the filing of a class action on behalf of a group when each member of the group has a cause of action which derives from the same link (as defined in Section 5 of the second schedule to the aforesaid Class Actions Law) .</p>	<p>Under the Companies Act a complainant may apply for leave to bring an action in the name and on behalf of the company or any of its subsidiaries. The Companies Act describes a complainant as a present or former shareholder or debenture holder of a company or any of its affiliates, a present or former director or officer of a company or any of its affiliates, the Registrar of Companies or any other person who the court in its discretion deems proper to make an application. The complainant may make an application to prosecute, defend, discontinue or intervene in an action on behalf of the company or any action to which the company or any of its subsidiaries is a party.</p>

Shareholder Right	Canada Business Corporations Act	Companies Law (Israel)	Companies Act (Barbados)
	<p>allowing complainants to bring actions in the name and on behalf of a corporation or any of its subsidiaries, the statutory provisions of the CBCA also allow complainants to intervene in existing proceedings, either for prosecuting or defending it, or to bring about its discontinuation on behalf of the corporation. Whether seeking to bring an action or to intervene, certain substantive and procedural requirements must first be met, including the requirement that the court be satisfied that the complainant is acting in good faith and that it appears to be in the interests of the corporation or its subsidiary.</p> <p>To bring a derivative action, it is first necessary to obtain the leave of the court. The granting of leave is not automatic, but requires the court to exercise judicial discretion. The court may grant leave if:</p> <ul style="list-style-type: none"> <li>• the complainant is acting in good faith;</li> <li>• the complainant has given notice to the directors of a corporation or its subsidiary of the complainant's intention to apply to the court not less than 14 days before bringing the application, or as otherwise ordered by the court, if the directors of the corporation or its subsidiary do not bring, diligently prosecute or defend or discontinue the</li> </ul>		<p>Before a complainant can bring a derivative action, the court must first be satisfied that:</p> <ul style="list-style-type: none"> <li>• The complainant gave reasonable notice to the directors of the company or its subsidiary of his intention to apply to the court if the directors of the company or its subsidiary do not bring, diligently prosecute, defend or discontinue the action;</li> <li>• That the complainant acted in good faith; and</li> <li>• That it appears to be in the company's or subsidiary's best interest that the action be brought, prosecuted, defended or discontinued.</li> </ul> <p>After satisfying the above criteria, the court has the power to make any order at any time it thinks fit including:</p> <ul style="list-style-type: none"> <li>• an order authorising the complainant, Registrar of Companies or any other person to control the conduct of the action;</li> <li>• an order giving directions for the conduct of the action;</li> <li>• an order directing that any amount adjudged payable by a defendant in the action be paid, in whole or in part, directly to former and present shareholders or debenture holders of the company or its subsidiary, instead of to the company or its subsidiary; or</li> <li>• an order requiring the company or its subsidiary to pay reasonable legal fees incurred by a complainant in connection with the action.</li> </ul>

Shareholder Right	Canada Business Corporations Act	Companies Law (Israel)	Companies Act (Barbados)
	<p>action; and</p> <ul style="list-style-type: none"> <li>it appears to the court that it is in the interests of the corporation or its subsidiary for the legal proceeding to be brought, prosecuted, defended or discontinued. The court has broad powers to direct the conduct of any such legal proceeding.</li> </ul>		

### PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Corporation has appointed the Agents and the Agents have agreed to offer for sale and purchase on a “best efforts” basis, without underwriter liability, subject to prior sale and if, as and when issued by the Corporation in accordance with the terms and conditions set out in the Agency Agreement, a minimum of 71,428,571 Units and a maximum of 107,142,857 Units at a price of \$0.14 per Unit, for aggregate gross proceeds of a minimum of \$10,000,000 and a maximum of \$15,000,000 (not including the exercise of the Over-Allotment Option), however the definitive size of the Offering will be determined by the Corporation and the Agents in the context of the market. The Issue Price was determined based on arm’s length negotiations between the Agents and the Corporation with reference to the prevailing market price of the common shares of the Corporation.

The Corporation has granted to the Agents the Over-Allotment Option, exercisable, in whole or in part, in the sole discretion of the Agents, to purchase up to an additional 10,714,285 Over-Allotment Units in the case of the Minimum Offering and 16,071,428 Over-Allotment Units in the case of the Maximum Offering at the Issue Price for a period of 30 days from and including the Closing Date, for market stabilization purposes and to cover the Agents’ over-allocation position, if any. Each Over-Allotment Unit consists of one Over-Allotment Share and one Over-Allotment Warrant, each Over-Allotment Warrant entitles the holder thereof to purchase one Over-Allotment Warrant Share for a period of 36 months after the issuance thereof at a price of \$0.20 per Over-Allotment Warrant Share. The Over Allotment Option may be exercisable by the Agents: (i) to acquire Over-Allotment Units at the Issue Price; or (ii) to acquire Over-Allotment Warrants at a price of \$0.02 per Over-Allotment Warrant; or (iii) to acquire any combination of Over-Allotment Units and Over-Allotment Warrants, so long as the aggregate number of Over-Allotment Shares and Over-Allotment Warrants which may be issued under the Over Allotment Option does not exceed 10,714,285 Over-Allotment Shares and 10,714,285 Over-Allotment Warrants in the case of a Minimum Offering and 16,071,428 Over-Allotment Shares and 16,071,428 Over-Allotment Warrants in the case of a Maximum Offering. A purchaser who acquires securities forming part of the Agents’ over-allocation position acquires such securities under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. If the Over-Allotment Option in the case of a Minimum Offering is exercised in full, the total price to the public, Agents’ Fee and net proceeds to the Corporation will be \$1,500,000, \$90,000 and \$1,410,000 respectively (assuming no participation by “president’s list” purchasers). If the Over-Allotment Option in the case of a Maximum Offering is exercised in full, the total price to the public, Agents’ Fee and net proceeds to the Corporation will be \$2,250,000, \$135,000 and \$2,115,000, respectively (assuming no participation by “president’s list” purchasers). This short form prospectus qualifies both the grant of the Over-Allotment Option and the distribution of the Over-Allotment Shares and the Over-Allotment Warrants.

The Agency Agreement provides that the Corporation shall pay the Agents the Agents’ Fee equal to 6% of the gross proceeds of the Offering, including, for greater certainty, on the gross proceeds of any exercise of the Over-Allotment Option, other than in respect of orders from “president’s list” purchasers on which only a cash

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

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

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

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

Subscriptions will be received subject to rejection or allotment, in whole or in part, and the right is reserved by the Agents to close the subscription books at any time without notice. On the Closing Date, the Common Shares and Warrants (other than those offered or sold in the United States, or to persons who are acting for the account or benefit of persons in the United States, which will be represented by individual definitive certificates bearing U.S. restrictive legends) will be issued in registered or electronic form to CDS or its nominee and will be deposited to CDS against payment of the aggregate purchase price for the Units. Purchasers of Units (other than those offered or sold in the United States, or to persons who are acting for the account or benefit of persons in the United States) will receive only a customer confirmation from the registered dealer that is a CDS participant and from or through which the Units are purchased. The Agents, pending closing of the Offering, will hold all subscription funds received in trust subject to and pursuant to the provisions of the Agency Agreement. If the Minimum Offering is not met and/or the Closing Date does not occur within ninety (90) days from the date a receipt is issued for the (final) short form prospectus (or such later date as the securities regulatory authorities may permit), the Offering will be discontinued and all subscription funds received by the Agents in connection with the Offering will be returned to subscribers without interest, set-off or deduction.

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

The Corporation has made an application to the TASE to list the common shares of the Corporation on the TASE. After the completion of the Offering, the Corporation currently intends to list the outstanding common shares on the TASE and to maintain the listing and posting for trading of its common shares on both the TASE and the Exchange. The TASE Listing is conditional upon, among other things, the approval of the TASE, the approval of the Israeli Securities Authorities, the approval of the Exchange and the approval of the Corporation’s shareholders of

amendments to the Corporation's by-laws required to facilitate the TASE Listing. Accordingly, the TASE Listing is still conditional and there can be no assurance that such listing will be completed. See "Risk Factors".

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

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

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

The Exchange has conditionally approved the listing of the Common Shares, the Warrant Shares and the Broker Shares on the Exchange. Listing will be subject to the Corporation fulfilling all of the listing requirements of the Exchange. The Corporation has not applied to list the Warrants. There is no market through which the securities may be sold and purchasers may not be able to resell securities purchased under the short form prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "Risk Factors".

This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Units in the United States. The Common Shares, Warrants and Warrant Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, any person in the United States, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Agents have agreed that they (or their respective U.S. affiliates which conduct U.S. offers) will not offer or sell the Units within the United States, or to, or for the account or benefit of, any person in the United States, except that it (or such U.S. affiliate) may offer the Units to certain "accredited investors" (as such term as defined in Rule 501(a) of Regulation D under the U.S. Securities Act), for sale directly thereto by the Corporation, in accordance with Rule 506 of Regulation D and in compliance with applicable state securities laws. The Agency Agreement provides that the Agents will offer and sell the Units outside the United States only in accordance with Regulation S under the U.S. Securities Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Units within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from such registration requirements.

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

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

## **RISK FACTORS**

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

### **Risks Associated with the Offering**

***The Corporation may not be successful in raising the Minimum Offering pursuant to this Offering.***

There is no assurance that the Corporation will be successful in raising the Minimum Offering pursuant to this Offering. If the Minimum Offering is not met, an inability to raise additional financing following the Offering may have an adverse effect on the Corporation's business and financial condition, as well as its ability to pursue its current exploration and development programs. Despite the Offering, the Corporation’s capital resources will not be sufficient to meet its work commitments and general corporate expenses and, therefore, the Corporation will be required to engage in a combination of actions, including amending its 2012 exploration and development program and making formal application to the Ministry to revise the Corporation's minimum commitment with respect to the Offshore Licenses and/or extend the date of certain exploration and development activities from 2012 to 2013 and focus the net proceeds towards progressing its exploration and drilling program on the Gabriella License, which could result in the loss of one or both of the Yitzhak License and the Samuel License. See "Risk Factor - *The Corporation may use the proceeds of the Offering for purposes other than those set out in this Prospectus*" below and other risk factors under “Risks Associated with the Corporation” in respect of negative cash flows and need for additional financing.

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

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

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

The market price of the common shares of the Corporation may experience significant volatility. For the 12 months preceding the date of this prospectus, the trading price of the common shares of the Corporation on the Exchange

has ranged from a low of \$0.155 per share to a high of \$0.58 per share. Numerous factors, including many over which the Corporation has no control, may have a significant impact on the market price of the common shares of the Corporation including, among other things: regulatory developments in target markets affecting the Corporation, its customers or its competitors; actual or anticipated fluctuations in the Corporation's quarterly operating results; changes in financial estimates or other material comments by securities analysts relating to the Corporation, its competitors or the industry in general; announcements by other companies in the industry relating to their operations, strategic initiatives, financial condition or financial performance or to the industry in general; announcements of acquisitions or consolidations involving industry competitors or industry suppliers; addition or departure of the Corporation's executive officers; and sales or perceived sales of additional common shares of the Corporation.

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

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

The value of securities issued by the Corporation may be affected by matters not related to the corporation's operating performance or underlying value for reasons that include the following: general economic conditions in Canada, the US, Israel and globally; industry conditions, including fluctuations in the price of oil and natural gas; governmental regulation of the oil and gas industry, including environmental regulation; fluctuation in foreign exchange or interest rates; liabilities inherent in oil and natural gas operations; geological, technical, drilling and processing problems; unanticipated operating events which can reduce production or cause production to be shut-in or delayed; failure to obtain industry partner and other third party consents and approvals, when required; stock market volatility and market valuations; competition for, among other things, capital, acquisition of reserves, undeveloped land and skilled personnel; the need to obtain required approvals from regulatory authorities; worldwide supplies and prices of and demand for natural gas and oil; political conditions and developments in Israel, Canada, the US, and globally; political conditions in natural gas and oil producing regions; revenue and operating results failing to meet expectations in any particular period; investor perception of the oil and gas industry; limited trading volume of the common shares of the Corporation; change in environmental and other governmental regulations; announcements relating to the Corporation's business or the business of its competitors; the Corporation's liquidity; and the Corporation's ability to raise additional funds.

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

***An investment in the Corporation will likely be diluted, including in connection with a possible TASE Financing.***

The Corporation may issue a substantial number of its common shares of the Corporation without investor approval to raise additional financing. The Corporation has made an application to the TASE to list the common shares of the Corporation on the TASE. After the completion of the Offering, the Corporation currently intends to list the outstanding common shares on the TASE and to maintain the listing and posting for trading of its common shares on both the TASE and the Exchange. The Corporation may also issue additional common shares of the Corporation in connection with the TASE Financing. The Corporation may also consolidate the current outstanding common shares of the Corporation, including the Common Shares. Any such issuance or consolidation of the Corporation's securities in the future could reduce an investor's ownership percentage and voting rights in the Corporation and further dilute the value of your investment.

### ***No Market for Warrants***

The Warrants constitute a new issue of securities of the Corporation. There is currently no market through which the Warrants may be sold and no such market is expected to develop. It is not possible to predict the price at which the Warrants will trade in the secondary market or whether such market will be liquid or illiquid. To the extent Warrants are exercised, the number of Warrants outstanding will decrease, resulting in a diminished liquidity for the remaining Warrants. A decrease in the liquidity of the Warrants may in turn, cause an increase in the volatility associated with the price of the Warrants. Purchasers may not be able to resell the Warrants purchased under this short form prospectus.

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

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

### **Risks Associated with the Corporation**

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

Adira incurred a net loss of approximately US\$10 million for the year ended December 31, 2011, and a net loss of approximately US\$1 million for the three month period ended March 31, 2012. At March 31, 2012, Adira had an accumulated deficit of US\$20 million. These circumstances raise doubt about the Corporation's ability to continue as a going concern, as described in Note 1 to the Corporation's audited financial statements as at and for the financial year ended December 31, 2011 and in Note 1 to its unaudited interim financial statements as at and for the three-month period ending March 31, 2012, which are incorporated by reference herein. Although the Corporation's financial statements refer to circumstances which might raise doubt about the Corporation's ability to continue as a going concern, they do not reflect any adjustments that might result if the Corporation is unable to continue its business.

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

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

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



The Corporation has had negative cash flows from operations, and there is no assurance that its current liquidity or capital resources will be sufficient to fund its operations on an ongoing basis. The Corporation's average cash burn rate on a quarterly basis for the four quarter period ended December 31, 2011 was approximately \$1.6 million per quarter. As at June 30, 2012, the Corporation had \$3 million of cash and cash equivalents available. The Corporation's burn rate on a quarterly basis with respect to its operating activities for the two quarter period ended June 30, 2012 was approximately \$2.5 million per quarter. The Corporation anticipates that its burn rate for the remaining two quarterly periods of 2012 will be approximately \$3.7 million per quarter. This burn rate is principally comprised of the items identified in the table under the heading "Business of the Corporation – *Approved Expenditures Relating to the Gabriella, Yitzhak and Samuel Licenses*", above plus the Corporation's general and administrative expenses. In addition, the Corporation's anticipated burn rate for the remaining two quarterly periods of 2012 reflects the Corporation's current working interest in each of its Offshore Licenses and does not reflect any consequences that would result if the Corporation experienced a reduction in its liquidity and capital resources. To the extent the Corporation experienced a reduction in its liquidity and capital resources, the Corporation's burn rate would be adjusted accordingly.

The amount allocated to general corporate purposes in the table set forth in the "Use of Proceeds" section herein when combined with the Corporation's existing capital resources allocated to general corporate expenses provides sufficient funds for the Corporation to meet its general corporate obligations for a seven month period. The aggregate amount of funds allocated to the Corporation's general corporate expenses when combined with the possible adjustments to the Corporation's 2012 exploration and development program and other actions described in the "Use of Proceeds" section herein would provide the Corporation with sufficient funds for the Corporation to meet its general corporate obligations for a minimum of 12 months. See "Use of Proceeds" and "Risk Factors Related to the Offering".

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

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

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

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

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

The Corporation is a holding company that conducts substantially all of its operations through its subsidiaries incorporated outside North America. The Corporation has no direct operations and no significant assets other than the shares of its subsidiaries and cash proceeds received from any financings, which cash is subsequently provided to the Corporation's subsidiaries. Assuming this holding company structure remains, the Corporation will be

dependent on the cash flows from its subsidiaries to meet its obligations, including payment of principal and interest on any debt the Corporation incurs. The ability of certain of the Corporation's subsidiaries to provide the Corporation with payments may be constrained by the following factors:

- the cash flows generated by operations, investment activities and financing activities; and
- the level of taxation, particularly corporate profits and withholding taxes.

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

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

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

The majority of the Corporation's assets and the majority of the Corporation's subsidiaries are located outside of Canada. In addition, some of the Corporation's directors and officers are nationals and/or residents of countries other than Canada, and all or a substantial portion of such persons' assets are located outside of Canada.

The board of directors of the Corporation has effective control over the subsidiaries in two principal ways; namely, at least one director or officer of the Corporation is a director of each of the subsidiaries, and the Corporation as a shareholder of the subsidiaries has legal rights (e.g. the fiduciary obligations of officers and directors owed to the subsidiary, derivative actions and oppression remedies) that the Corporation is willing to enforce. With the Corporation being a majority shareholder (100%, except in the case of Adira Geo Global, of which the Corporation is a 60% shareholder), the Corporation can resolve in a limited period of time to remove directors or officers without the requirement of a shareholder meeting.

As a result, it may be difficult for investors to enforce within Canada any judgments obtained against the Corporation or the Corporation's officers or directors, including judgments predicated upon the civil liability provisions of the securities laws of Canada or any province thereof. Consequently, investors may be effectively prevented from pursuing remedies against the Corporation under Canadian securities laws.

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

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

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

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

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

***Conditions in Israel may affect the Corporation's operations.***

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

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

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

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

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

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

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

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

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

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

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

**Risks Associated with the Corporation's Business**

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

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

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

The Corporation's operations require licenses, permits and in some cases renewals of licenses and permits from various governmental authorities. Specifically, the licenses awarded to the Corporation by the Government of Israel have terms of three years and must be renewed in order to extend the license beyond this initial term. Although the licenses have received extensions, there can be no assurance that the Corporation will be able to secure any additional extensions, if necessary. The Offshore Licenses require the Corporation to meet certain minimum commitments with respect to the Corporation's activities on those licenses. The Corporation may apply to extend the timing for the commitments associated with the Offshore Licenses, but there can be no assurance that the Corporation will be able to secure any amendments to the commitment dates associated with the licenses, if necessary, and if required, the Corporation will commit the funds available to the Gabriella License, which could result in the loss of one or both of the Yitzhak License and the Samuel License.

Among other factors, the Corporation's ability to obtain, sustain or renew such licenses and permits on acceptable terms is subject to change in regulations and policies and to the discretion of the applicable governments. The Corporation's inability to obtain, maintain or acquire extensions for these licenses or permits could hamper its ability to produce revenues from operations. Other oil and gas companies may seek to acquire property leases and licenses that the Corporation will need to operate its business. This competition has become increasingly intense as the price of oil on the commodities markets has risen in recent years. This competition may prevent the Corporation from obtaining licenses the Corporation deems necessary for its business, or it may substantially increase the cost of obtaining these licenses.

On December 8, 2011, GGR reported that the Sara and Myra Option expired due to failure of the Corporation to meet the conditions of the option. The Corporation takes a different view and on December 8, 2011, notified GGR that it believes the option is valid and exercisable. As at the date hereof, the Corporation has not received any further correspondence from GGR, and is not aware of any further announcement by GGR, on the status of the Corporation's interest in the Myra and Sara Option. There is uncertainty regarding the status of the Corporation's interest in the Myra and Sara Licenses and accordingly, there is no assurance that the Corporation will be able to exercise the Myra and Sara Option if and when the Corporation desires.

***The Corporation may not meet its timing commitments with respect to the Offshore Licenses.***

The Corporation has not formally applied to revise the minimum commitments with respect to the Offshore Licenses. The Corporation understands that rig availability in the eastern-Mediterranean region is in low supply. As such, even if the Corporation has funds available to proceed with the work programs on the Offshore Licenses, it may not be able to source and secure a rig to begin drilling. If in the future the Corporation is required to apply for a formal extension from the Ministry from certain of the timing commitments with respect to the Offshore Licenses, the Corporation can make no guarantee that the Ministry will provide such extensions relating to the Offshore Licenses. If the Ministry does not provide such extensions, the Ministry could then begin a process to retract the applicable license or licenses from the Corporation.

In addition, the Corporation intends to first use any funds available to it to advance the exploration and development program with respect to the Gabriella License. Neither the board of directors of the Corporation nor all of the Corporation's partners with respect to the Gabriella License have approved the majority of the expenditures required to execute the work program for the Gabriella License and there is no guarantee that all of the expenditures will be approved. If such necessary approvals are not obtained, the Corporation may miss certain of the timing commitments with respect to the Gabriella License. The Ministry could then begin a process to retract the Gabriella License from the Corporation.

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

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

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

It is possible that the Corporation might incur debt in order to fund exploration and development activities, which would continue to reduce the Corporation's financial flexibility and could have a material adverse effect on the Corporation's business, operations and results of operations and financial condition. General economic conditions, oil and gas prices and financial, business and other factors affect the Corporation's operations and future performance. Many of these factors are beyond the Corporation's control. No assurances can be made that the Corporation will be able to generate sufficient cash flow to pay the interest on its debt or that future working capital, borrowings or equity financing will be available to pay or refinance such debt. Factors that will affect its ability to raise cash through an offering of common shares of the Corporation or other types of equity securities, or a refinancing of debt include financial market conditions, the value of its assets and performance at the time the Corporation needs capital. No assurances can be made that the Corporation will have sufficient funds to make such payments. If the Corporation does not have sufficient funds and is otherwise unable to negotiate renewals of the

Corporation's borrowings or arrange new financing, the Corporation might be required to sell significant assets. Any such sale could have a material adverse effect on the Corporation's business, financial condition and results of operations.

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

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

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

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

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

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

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

Recruiting and retaining qualified personnel is critical to the Corporation's success. The number of persons skilled in the acquisition, exploration and development of oil and gas properties is limited and competition for such persons is intense. As the Corporation's business activity grows, it will require additional key financial, administrative and qualified technical personnel as well as additional operations staff. Although the Corporation believes that it will be successful in attracting, training and retaining qualified personnel, there can be no assurance of such success. If it is not successful in attracting and training qualified personnel, the efficiency of the Corporation's operations could be

affected, which could have an adverse impact on its future cash flows, earnings, results of operations and financial condition. The Corporation's development now and in the future will also depend on the efforts of key management figures. The loss of any of these key people could have a material adverse effect on the Corporation's business. It does not currently maintain key-man life insurance on any of its key employees.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***Penalties the Corporation may incur could impair its business.***

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

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

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



maintain its relationships. If the Corporation's strategic relationships are not established or maintained, its business prospects may be limited, which could diminish its ability to conduct its operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Based on the fact that substantially all of the Corporation's activities were taking place in Canada and all of its assets were located in Canada at the time of its migration, the Corporation has taken the position that it had substantial business activity in Canada in relation to its worldwide activities at the time of the migration and that Section 7874(b) did not apply to cause it, after the migration, to be subject to U.S. federal income tax on its worldwide income. There is limited guidance as to what "substantial business activity" is "when compared to the Corporation's worldwide activities." Accordingly, the position adopted by the Corporation may be challenged by the U.S. tax authorities with the result that the Corporation may be subject to U.S. federal income taxes on its worldwide activities. In addition to U.S. federal income taxes, were Section 7874(b) to apply to the Corporation, it could be subject to penalties for failure to file U.S. federal income tax returns, late fees and interest on past due taxes. Furthermore, if Section 7874(b) were to apply to the Corporation, its non-U.S. shareholders may be subject to adverse U.S. federal income tax consequences such as the assessment of U.S. federal income withholding taxes on dividends paid by the Corporation. Each shareholder should consult its own tax advisor regarding the foregoing rules.

## **INTEREST OF EXPERTS**

The technical information relating to the Corporation's Gabriella License and Yitzhak License contained in this short form prospectus have been derived from the Gabriella Report and the Yitzhak Report, respectively, prepared by Netherland, Sewell & Associates, Inc., which have been incorporated by reference herein and which are available at [www.sedar.com](http://www.sedar.com). As of the date hereof, and as of the date the reports were prepared, neither Netherland, Sewell &

Associates, Inc., nor any partner, employee or consultant thereof has ever received a direct or indirect interest in any property of the Corporation or any of its associates or affiliates. In addition, as of the date hereof, and as of the date the reports were prepared, neither Netherland, Sewell & Associates, Inc. nor its officers or employees have any direct or indirect interests in any properties or securities of the Corporation.

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

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

#### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

For the Corporation's audited consolidated financial statements for the year ended December 31, 2011 and 2010, the Corporation's auditors were Kost Forer Gabbay and Kasierer, member firm of Ernst and Young Global, Tel-Aviv, Israel.

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

#### **CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

##### **General**

In the opinion of Aird & Berlis LLP, counsel to the Corporation, and Cassels Brock & Blackwell LLP, counsel to the Agents, the following summary describes the principal Canadian federal income tax considerations under the Tax Act generally applicable to a holder who acquires Common Shares and Warrants pursuant to the Offering, and Warrant Shares upon exercise of the Warrants, and who, for purposes of the Tax Act and at all relevant times, holds such securities as capital property and deals at arm's length with (and is not affiliated with) the Corporation, the Agents and any subsequent purchaser of such securities. Common Shares, Warrant Shares and Warrants will generally be considered to be capital property to a holder unless they are held in the course of carrying on a business of trading or dealing securities or were acquired in one or more transactions considered to be an adventure or concern in the nature of trade. A holder who meets all of the foregoing requirements is referred to as a "Holder" herein, and this summary only addresses such Holders.

This summary is not applicable to a Holder (i) that is a "financial institution", as defined in the Tax Act for purposes of the mark-to-market rules, (ii) that is a "specified financial institution", as defined in the Tax Act, (iii) an interest in which would be a "tax shelter investment" as defined in the Tax Act, or (iv) that has made a functional currency reporting election for purposes of the Tax Act. This summary does not address the deductibility of interest by a Holder who borrows money to acquire the Units. All such Holders should consult their own tax advisors.

This summary is based on the current provisions of the Tax Act and the Regulations in force as of the date hereof and counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the "CRA"). This summary takes into account all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) before the date hereof (the "Proposed Amendments") and assumes that all Proposed Amendments will be enacted in the form proposed. However, there can be no assurance that the Proposed Amendments will be enacted in their current form or at all. This summary does not otherwise take into account or anticipate any changes in the law or administrative or assessing practice or policy of the CRA whether by legislative, regulatory, administrative, or judicial action, nor

does it take into account tax legislation or considerations of any province, territory, or foreign jurisdiction, which may differ significantly from those discussed herein.

**This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular Holder. This summary is not exhaustive of all federal income tax considerations. Accordingly, prospective Holders should consult their own tax advisors having regard to their own particular circumstances.**

#### ***Allocation of Issue Price***

Holders will be required to allocate the aggregate cost of the Unit between the Common Share and the Warrant on a reasonable basis in order to determine their respective costs for purposes of the Tax Act. The Corporation intends to allocate as consideration for their issue \$0.1399 to each Common Share and \$0.0001 to each Warrant acquired as part of a Unit. The Corporation believes that such allocation is reasonable but such allocation will not be binding on the CRA or a Holder. The adjusted cost base to a Holder of a Common Share acquired as part of a Unit will be determined by averaging the cost of such Common Share with the adjusted cost base of all common shares, if any, of the Corporation held by the Holder as capital property immediately before such acquisition.

#### ***Exercise of Warrants***

No gain or loss will be realized by a Holder on the exercise of a Warrant to acquire a Warrant Share. When a Warrant is exercised, the Holder's cost of the Warrant Share acquired thereby will be equal to the aggregate of the Holder's adjusted cost base of such Warrant and the exercise price paid for the Warrant Share. The Holder's adjusted cost base of the Warrant Share so acquired will be determined by averaging the cost of the Warrant Share with the adjusted cost base to the Holder of all common shares, if any, of the Corporation held as capital property by the Holder immediately before the acquisition of the Warrant Share.

#### **Taxation of Resident Holders**

The following section of this summary applies to Holders who, for the purposes of the Tax Act, are or are deemed to be resident in Canada at all relevant times (herein, "**Resident Holders**"). A Resident Holder whose Common Shares and Warrant Shares might not constitute capital property may make, in certain circumstances, an irrevocable election permitted by subsection 39(4) of the Tax Act to have such Common Shares and Warrant Shares, and all other "Canadian securities" as defined in the Tax Act, held by such persons, treated as capital property. This election does not apply to Warrants. Resident Holders should consult their own tax advisors regarding this election.

#### ***Expiry of Warrants***

The expiry of an unexercised Warrant generally will result in a capital loss to the Resident Holder equal to the adjusted cost base of the Warrant to the Resident Holder immediately before its expiry. See discussion below under the heading "*Capital Gains and Capital Losses*".

#### ***Taxation of Dividends***

A Resident Holder will be required to include in computing its income for a taxation year any taxable dividends received, or deemed to be received, in the year by the Resident Holder on the Common Shares or Warrant Shares. In the case of a Resident Holder that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit provisions where the Corporation designates the dividend as an "eligible dividend" in accordance with the provisions of the Tax Act. There may be restrictions on the ability of the Corporation to so designate any dividend as an "eligible dividend", and the Corporation has made no commitments in this regard. A dividend received or deemed to be received by a Resident Holder that is a corporation will generally be deductible in computing the corporation's taxable income, subject to all of the rules and restrictions under the Tax Act.

A Resident Holder that is a “private corporation” (as defined in the Tax Act) or any other corporation controlled (whether because of a beneficial interest in one or more trusts or otherwise) by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), generally will be liable to pay an additional tax (refundable under certain circumstances) under Part IV of the Tax Act at the rate of 33 $\frac{1}{3}$ % on dividends received or deemed to be received on the Common Shares or Warrant Shares in a year to the extent such dividends are deductible in computing taxable income for the year. Part IV tax is generally refundable to the corporation when it pays dividends to its shareholders on the basis of one dollar for every three dollars of dividends paid by such corporation.

### ***Dispositions of Common Shares, Warrants and Warrant Shares***

A Resident Holder who disposes, or is deemed to dispose, of a Common Share, a Warrant (other than on the exercise thereof) or a Warrant Share generally will realize a capital gain (or capital loss) equal to the amount, if any, by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or are less) than the adjusted cost base to the Resident Holder of such Common Shares, Warrants or Warrant Shares, as the case may be, immediately before the disposition or deemed disposition. The taxation of capital gains and losses is described below under the heading “*Capital Gains and Capital Losses*”.

### ***Capital Gains and Capital Losses***

Generally, a Resident Holder is required to include in computing income for a taxation year one-half of the amount of any capital gain (a “**taxable capital gain**”) realized by the Resident Holder in such taxation year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an “**allowable capital loss**”) realized in a particular taxation year against taxable capital gains realized by the Resident Holder in the year. Allowable capital losses in excess of taxable capital gains for a taxation year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Resident Holder that is a corporation on the disposition or deemed disposition of a Common Share or Warrant Share may be reduced by the amount of any dividends received or deemed to have been received by such Resident Holder on such shares or the shares substituted for such shares, subject to and in accordance with the provisions of the Tax Act. Similar rules may apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. A Resident Holder that is throughout the relevant taxation year a “Canadian-controlled private corporation” as defined in the Tax Act may be liable to pay an additional 6 $\frac{2}{3}$ % tax (refundable in certain circumstances) on certain investment income, including taxable capital gains.

### ***Alternative Minimum Tax***

Capital gains realized and taxable dividends received or deemed to be received by a Resident Holder that is an individual or a trust, other than certain specified trusts, may give rise to “alternative minimum tax” under the Tax Act.

### **Taxation of Non-Resident Holders**

The following section of this summary is generally applicable to Holders who, for the purposes of the Tax Act and at all relevant times (i) are not resident or deemed to be resident in Canada at any time while they hold Common Shares, Warrants or Warrant Shares and (ii) do not use or hold Common Shares, Warrants or Warrant Shares in carrying on a business in Canada. Holders who meet all of the foregoing requirements are referred to herein as “Non-Resident Holders”, and this portion of the summary only addresses such Non-Resident Holders. Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer carrying on business in Canada and elsewhere.

## *Dividends*

Dividends paid or credited or deemed to be paid or credited to a Non-Resident Holder by the Corporation are subject to Canadian withholding tax at the rate of 25% unless reduced by the terms of an applicable tax treaty. Under the Canada-United States Income Tax Convention (1980) (the “**Treaty**”) as amended, the rate of withholding tax on dividends paid or credited to a Non-Resident Holder who is resident in the U.S. for purposes of the Treaty and entitled to benefits under the Treaty (a “**U.S. Holder**”) is generally limited to 15% of the gross amount of the dividend (or 5% in the case of a U.S. Holder that is a company beneficially owning at least 10% of the Corporation’s voting shares). Non-Resident Holders should consult their own tax advisors.

## *Dispositions of Common Shares, Warrants and Warrant Shares*

A Non-Resident Holder generally will not be subject to tax under the Tax Act in respect of a capital gain realized on the disposition or deemed disposition of a Common Share, a Warrant or a Warrant Share unless such Common Share, Warrant or Warrant Share, as the case may be, constitutes “taxable Canadian property” to the Non-Resident Holder for purposes of the Tax Act and the gain is not exempt from tax pursuant to the terms of an applicable tax treaty.

Provided that the Common Shares and Warrant Shares are listed on Tier 1 or 2 of the Exchange or other “designated stock exchange” for purposes of the Tax Act at the time of disposition, the Common Shares, Warrants and Warrant Shares generally will not constitute taxable Canadian property of a Non-Resident Holder, unless at any time during the 60 month period immediately preceding the disposition (i) the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm’s length, or the Non-Resident Holder together with all such persons, owned 25% or more of the issued shares of any class or series of shares of the Corporation and (ii) more than 50% of the fair market value of the shares of the Corporation was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, “Canadian resource properties” (as defined in the Tax Act), “timber resource properties” (as defined in the Tax Act) or options in respect of, or interests in, or for civil law rights in, such property whether or not such property exists.

A Non-Resident Holder’s capital gain (or capital loss) in respect of Common Shares, Warrants or Warrant Shares that constitute or are deemed to constitute taxable Canadian property (and are not “treaty-protected property” as defined for purposes of the Tax Act) will generally be computed in the manner described above under the heading “Taxation of Resident Holders — Dispositions of Common Shares, Warrants and Warrant Shares”. Non-Resident Holders who may hold Common Shares, Warrants or Warrant Shares as taxable Canadian property should consult their own tax advisors.

## **STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

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

## **EXEMPTIONS FROM NATIONAL INSTRUMENT 41-101**

In accordance with subsection 2.3(1) of National Instrument 41-101 - *General Prospectus Requirements* (“**NI 41-101**”), an issuer must not file a final prospectus more than 90 days after the date of the receipt for the preliminary prospectus that relates to the final prospectus. The Corporation filed the preliminary prospectus on April 4, 2012 and received a receipt therefor on April 4, 2012. As the 90 day period expired on July 3, 2012, the Corporation applied for and was granted an exemption from the requirement under subsection 2.3(1) of NI 41-101 to permit the filing of the final prospectus by October 1, 2012 (the “**Requested Relief**”).

Pursuant to a written acknowledgement from the OSC dated June 28, 2012, and in reliance on section 19.3 of NI 41-101, the granting of the Requested Relief will be evidenced by the issuance of a receipt for the final prospectus, provided, among other things, that the final prospectus is filed by October 1, 2012.



## AUDITORS' CONSENT

We have read the short form prospectus of Adira Energy Ltd. (the "**Corporation**") dated July 25, 2012 relating to the sale and issuance of a minimum of 71,428,571 units and a maximum of 107,142,857 units of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in this short form prospectus of our report to the directors and shareholders of the Corporation on the consolidated balance sheets of the Corporation as of December 31, 2011 and 2010, and the related consolidated statements of comprehensive loss, changes in equity and cash flows for the two years then ended and for the 267-day period from incorporation (April 8, 2009) to December 31, 2009. Our report is dated April 26, 2012.

Tel Aviv, Israel  
July 25, 2012  
(ISRAEL)

(signed) Kost Forer Gabbay & Kasierer  
CERTIFIED PUBLIC ACCOUNTANTS

**CERTIFICATE OF THE CORPORATION**

Dated: July 25, 2012

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

(Signed) JEFFREY WALTER  
Chief Executive Officer

(Signed) GADI LEVIN  
Chief Financial Officer

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

(Signed) DENNIS BENNIE  
Director

(Signed) ALAN FRIEDMAN  
Director

**CERTIFICATE OF THE AGENTS**

Dated: July 25, 2012

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

**GMP SECURITIES L.P.**

(Signed) MARK WELLINGS  
Managing Director

**CORMARK SECURITIES INC.**

(Signed) CHRIS BURCHELL  
Director, Investment Banking

**DUNDEE SECURITIES LTD.**

(Signed) AARON UNGER  
Managing Director, Equity Capital  
Markets

**CLARUS SECURITIES INC.**

(Signed) ROD CAMPBELL  
President and Chief Executive  
Officer

**FIRSTENERGY CAPITAL CORP.**

(Signed) ROBYN HEMMINGER  
Director, Corporate Finance