AGENCY AGREEMENT

January 16, 2013

Adira Energy Ltd.
120 Adelaide Street West
Suite 1204
Toronto, Ontario
M4V 3A1

Attention: Jeffrey E. Walter
Chief Executive Officer

Dear Sirs:

M Partners Inc. (the "**Agent**") understands that Adira Energy Ltd. (the "**Company**") intends to issue and sell (the "**Offering**"), a minimum of 52,550 units of the Company (the "**Units**") at a price of $95.15 per Unit (the "**Offering Price**") for aggregate gross proceeds of $5,000,000 (the "**Minimum Offering**") and a maximum of up to 157,649 Units at the Offering Price per Unit for aggregate gross proceeds of up to $15,000,000 (the "**Maximum Offering**"). Each Unit shall be comprised of one thousand Common Shares (as hereinafter defined) (each, a "**Unit Share**") and (i) five hundred short-term Common Share purchase warrants (each a "**Series 1 Warrant**"); and (ii) five hundred long-term Common Share purchase warrants (each a "**Series 2 Warrant**", and together with the Series 1 Warrant, the "**Warrants**"). Each Series 1 Warrant shall entitle the holder thereof to acquire one Common Share (a "**Warrant Share**") at an exercise price of $0.1175 for a period of 18 months following the applicable Closing Dates (as hereinafter defined). Each Series 2 Warrant shall entitled the holder thereof to acquire one Warrant Share at an exercise price of $0.1305 for a period of 36 months following the applicable Closing Dates.

Upon and subject to the terms and conditions set forth herein, the Agent hereby agrees to act, and upon acceptance hereof the Company hereby appoints the Agent, as the Company's exclusive agent to offer for sale, on a "best efforts" agency basis, without underwriter liability, the Units and agrees to arrange for purchasers of the Units in the Selling Jurisdictions (as hereinafter defined), where the Units may be lawfully sold. The Agent may offer the Units through its U.S. Placement Agent (as such term is defined in Schedule "C") to Accredited Investors (as defined in Schedule "C") for sale directly by the Company to such Accredited Investors, all in accordance with Schedule "C" attached hereto, which forms part of this Agreement. The Agent and the Company agree that all offers and sales of the Units through the Agent's U.S. Placement Agent shall be made in compliance with Schedule "C" attached hereto.

We understand that the Company: (i) has prepared and filed, a Preliminary Prospectus (as hereinafter defined); (ii) addressed the comments made by such Securities Commissions (as hereinafter defined) in respect of the Preliminary Prospectus; and (iii) has been cleared by all of the Securities Commissions to file the Final Prospectus (as hereinafter defined). The Company has prepared and will file, concurrently with the execution of this Agreement, the Final Prospectus and all other necessary documents in order to qualify the Units for distribution to the public in each of the Selling Jurisdictions (as hereinafter defined), the grant of the Over-Allotment Option (as hereinafter defined) and the issue of the Broker Warrants (as hereinafter defined) to the Agent and, at the written direction of the Agent, the Selling Group, and will use its best efforts to obtain the Final Receipt (as hereinafter defined) by no later than 5:00 p.m. (Toronto time) on the date hereof.

The Agent shall have an over-allotment option (the **"Over-Allotment Option"**), which may be exercised in whole or in part, in the Agent's sole discretion and without obligation for a period of 30 days from and including the initial Closing Date for the purpose of covering the Agent's over-allocation position, if any,

made in connection with the Offering and for market stabilization purposes. The Over-Allotment Option is exercisable by the Agent (i) to purchase up to 7,882 Units in the case of the Minimum Offering and up to 23,647 Units in the case of the Maximum Offering (the "**Additional Units**"); and/or (ii) up to 3,941,000 Series 1 Warrants (the "**Additional Series 1 Warrants**") together with up to 3,941,000 Series 2 Warrants (the "**Additional Series 2 Warrants**", and together with the Additional Series 1 Warrants, the "**Additional Warrants**") in the case of the Minimum Offering and up to 11,823,500 Additional Series 1 Warrants together with up to 11,823,500 Additional Series 2 Warrants in the case of the Maximum Offering. The Over-Allotment Option may be exercisable by the Agent: (i) to acquire Additional Units at the Offering Price; or (ii) to acquire Additional Series 1 Warrants at a price of $0.0064 and Additional Series 2 Warrants at a price of $0.0096; or (iii) to acquire any combination of Additional Units and Additional Warrants, so long as the aggregate number of Additional Unit Shares (as hereinafter defined), Additional Series 1 Warrants and Additional Series 2 Warrants which may be issued under the Over-Allotment Option does not exceed 7,882,000 Additional Unit Shares, 3,941,000 Additional Series 1 Warrants and 3,941,000 Additional Series 2 Warrants, respectively in the case of the Minimum Offering and 23,647,000 Additional Unit Shares, 11,823,500 Additional Series 1 Warrants and 11,823,500 Additional Series 2 Warrants, respectively, in the case of the Maximum Offering.

The Agent shall notify the Company in writing of its election to exercise the Over-Allotment Option, not later than 2 Business Days (as hereinafter defined) prior to the proposed Over-Allotment Closing Date (as hereinafter defined) which notice shall specify the number of Additional Units and/or Additional Warrants to be purchased by the Agent and the Over-Allotment Closing Date. Such Over-Allotment Closing Date may be the same as the applicable Closing Dates but not later than 30 days following the initial Closing Date. In the event that the Over-Allotment Option is exercised, any Additional Units and/or Additional Warrants issued thereunder shall be deemed to form part of the Offering for the purposes hereof and all of the terms and conditions relating to the Closing shall apply to each Over-Allotment Closing (as hereinafter defined). In the event that the Company shall subdivide, consolidate, reclassify or otherwise change its Common Shares during the period in which the Over-Allotment Option is exercisable, appropriate adjustments will be made to the exercise price of the Over-Allotment Option and to the number of Additional Units and/or Additional Warrants issuable on exercise thereof such that the Agent is entitled to receive the same number and type of securities that the Agent would have otherwise received had it exercised such Over-Allotment Option immediately prior to such subdivision, consolidation, reclassification or change.

The offering of the Units (which term shall include any Additional Units to be issued in connection with the exercise of the Over-Allotment Option) pursuant to the Minimum Offering or the Maximum Offering by the Company is hereinafter referred to as the "**Offering**". Unless the context otherwise requires, all references to the "**Units**", "**Unit Shares**", "**Warrants**" and "**Warrant Shares**" shall assume the exercise of the Over-Allotment Option and include the Additional Units, Additional Unit Shares, Additional Warrants and Additional Warrant Shares (as hereinafter defined), as applicable. The Unit Shares, Warrants and the Warrant Shares shall collectively be referred to as the "**Offered Securities**".

In consideration of the Agent's services to be rendered in connection with the Offering including assisting in preparing documentation relating to the Offering, including the Preliminary Prospectus and the Final Prospectus and distributing the Units, directly and through other investment dealers and brokers, the Company agrees to pay the Agent's Commission (as hereinafter defined) and issue the Broker Warrants to the Agent at the Closing Time.

The Company agrees that the Agent will be permitted to appoint, at their sole expense, other registered dealers or other dealers duly qualified in their respective jurisdictions, in each case acceptable to the Company, acting reasonably, as their agent to assist in the Offering in the Selling Jurisdictions and that the Agent may determine the remuneration payable by the Agent to such other dealers appointed by them.

This offer is conditional upon and subject to the additional terms and conditions set forth below.

1. Interpretation

1.1 Unless expressly provided otherwise herein, where used in this Agreement or any schedule attached hereto, the following terms shall have the following meanings, respectively:

"**Additional Series 1 Warrants**" has the meaning ascribed to such term in the fourth paragraph of this Agreement;

"**Additional Series 2 Warrants**" has the meaning ascribed to such term in the fourth paragraph of this Agreement;

"**Additional Unit Shares**" means the additional Common Shares comprising part of each Additional Unit;

"**Additional Units**" has the meaning ascribed to such term in the fourth paragraph of this Agreement;

"**Additional Warrant Shares**" means the Warrant Shares issuable upon exercise of the Additional Warrants;

"**Additional Warrants**" means together, the Additional Series 1 Warrants and the Additional Series 2 Warrants;

"**affiliate**", "**associate**", "**distribution**", "**material change**", "**material fact**" and "**misrepresentation**" have the respective meanings ascribed thereto in the *Securities Act* (Ontario);

"**Agent**" means M Partners Inc.;

"**Agent's Commission**" means a cash commission payable to the Agent and its selling group members of up to 10% of the aggregate gross proceeds of the Offering (including for certainty any proceeds received in respect of the Over–Allotment Option), all as described in the "Plan of Distribution" section of the Final Prospectus;

"**Agent's Work Fee**" means a corporate finance work fee equal to $40,000, earned by the Agent as at the date of the Engagement Letter, and payable by the Company to the Agent provided that the Company may apply a maximum of $30,000 of the Agent's Commission towards payment of the Agent's Work Fee;

"**Agreement**" means this agreement resulting from the acceptance by the Company of the offer made by the Agent hereby;

"**Applicable Securities Laws**" means, collectively, the applicable securities laws of each of the Qualifying Provinces, their respective regulations, rulings, rules, orders and prescribed forms thereunder, the applicable published policy statements issued by the Securities Commissions thereunder, the securities legislation of and published policies issued by each other relevant securities regulatory authority in a Selling Jurisdiction and the applicable rules of the Exchange;

"**Broker Securities**" means together, the Broker Warrants and the Broker Shares;

"**Broker Shares**" means the Common Shares issuable upon exercise of the Broker Warrants;

"**Broker Warrant Certificates**" means the definitive certificates representing the Broker Warrants and containing the material terms thereof;

"**Broker Warrants**" means Common Share purchase warrants exercisable at the Offering Price per Broker Share for a period of 24 months following the applicable Closing Date and entitling the Agent and it selling group members to subscribe for that number of Broker Shares as is equal to up to 10% of the number of Units sold pursuant to the Offering (including for certainty in respect of any Additional Units issued on the exercise of the Over-Allotment Option), all as described in the "Plan of Distribution" section of the Final Prospectus;

"**Business Day**" means a day other than a Saturday, Sunday or any other day on which the principal chartered banks located in the City of Toronto, Ontario are not open for business;

"**Closing Dates**" means on or about January 24, 2013, or such other dates as the Company and the Agent may agree, provided that no Closing Date shall occur later than February 28, 2013;

"**Closing Time**" means 8:00 a.m. (Toronto time) on each applicable Closing Date or the Over-Allotment Closing Date, as applicable;

"**Common Shares**" means the common shares in the capital of the Company;

"**Company**" shall have the meaning ascribed thereto in the first paragraph of this Agreement;

"**Company's Information Record**" means all information contained in any press release, material change report (excluding any confidential material change report), financial statements, information circulars, annual reports (Form 20-F), resource reports, Form NI 51-101F1, Form NI 51-101F2, Form NI 51-101F3 or other document of the Company which has been publicly filed by, or on behalf of, the Company pursuant to Applicable Securities Laws or otherwise by or on behalf of the Company on or after January 1, 2010;

"**Corporations Act**" means the *Canada Business Corporations Act*;

"**Debt Instrument**" means any loan, bond, debenture, promissory note or other instrument evidencing indebtedness (demand or otherwise) for borrowed money, to which the Company or any of its Subsidiaries is a party or by which any of their property or assets are bound;

"**Distribution Period**" means the period commencing on the date of this Agreement and ending on the date on which all of the Units (including for certainty any Additional Units and/or Additional Warrants) have been sold by the Agent to the public or the date on which the Agent has ceased distributing the Units;

"**Documents Incorporated by Reference**" means, in respect of either the Preliminary Prospectus, any Prospectus Amendment or the Final Prospectus, the financial statements, management's discussion and analysis, management information circulars, annual information form, annual reports (Form 20-F), material change reports or other documents issued by the Company, whether before or after the date of this Agreement, that are incorporated by reference, or deemed to be incorporated by reference, therein pursuant to NI 44-101 or otherwise;

"**Eligible Issuer**" means an issuer which is qualified to file a short-form prospectus under NI 44-101;

"**Engagement Letter**" means the engagement letter dated October 31, 2012, as amended, between the Agent and the Company in respect of the Offering;

"**Environmental Laws**" has the meaning ascribed thereto in Section 4.1.4(e) of this Agreement;

"**Environmental Permits**" has the meaning ascribed thereto in Section 4.1.4(f) of this Agreement;

"**Exchange**" means the TSX Venture Exchange;

"**Final Prospectus**" means the (final) short form prospectus dated the date hereof, including all of the Documents Incorporated by Reference, that has been prepared and is to be filed by the Company qualifying the distribution of the Offered Securities, the Over-Allotment Option and the Broker Warrants in the Selling Jurisdictions, and for which a Final Receipt will be issued;

"**Final Receipt**" means the final receipt to be issued by the OSC in its capacity as principal regulator in accordance with the Passport System evidencing that a final receipt has been issued or deemed to be issued by the Securities Commissions in respect of the Final Prospectus;

"**Final U.S. Placement Memorandum**" means the final form of the U.S. Placement Memorandum, including the Final Prospectus and all of the Documents Incorporated by Reference, prepared by the Company for use in connection with the Offering in the United States and to, or for the account or benefit of, U.S. Persons or persons in the United States;

"**Financial Statements**" has the meaning ascribed thereto in Section 4.1.1(dd) of this Agreement;

"**Government Authority**" has the meaning ascribed thereto in Section 4.1.4(k) of this Agreement;

"**Hazardous Substances**" has the meaning ascribed thereto in Section 4.1.4(e) of this Agreement;

"**including**" means including without limitation;

"**Indemnified Party**" and "**Indemnified Parties**" shall have the meaning ascribed thereto in Section 8.1 of this Agreement;

"**Interests**" has the meaning ascribed thereto in Section 4.1.4(d) of this Agreement;

"**Israeli Prospectus**" means collectively, the draft prospectus for listing and public offering supplementary prospectus dated November 6, 2012, the amended and restated draft prospectus for listing and public supplementary prospectus dated November 30, 2012, the final prospectus for listing and public supplementary prospectus dated December 31, 2012 and the supplemental notice dated on or about January 17, 2013 (the "**Supplemental Notice**"), all as filed with the Israeli Securities Authority in connection with the Offering and listing of the Company's securities on TASE;

"**Key Properties**" means collectively, (i) the Gabriella License covering approximately 97,000 acres (392 km^2) located approximately 10 km offshore Israel, (ii) the Yitzhak License covering approximately 31,555 acres (127.7 km^2) located approximately 9 km offshore Israel, and (iii) the Samuel License covering approximately 88,708 acres (361 km^2) located off the shore of Israel, all as described in the Company's Information Record and the Prospectus;

"**Licenses**" has the meaning ascribed thereto in Section 4.1.4(c) of this Agreement;

"**Material Adverse Effect**" means any materially adverse change in or effect on the business, assets or properties, affairs, liabilities (contingent or otherwise), prospects, results of operations, capital or condition (financial or otherwise) of the Company or the Subsidiaries, taken as a whole;

"**Material Agreement**" means any material contract, commitment, agreement (written or oral), joint venture instrument, lease or other document, including a license agreement, joint operating agreement, farm-out agreement, operating agreement, option agreement or cooperation agreement to which the Company or any of its Subsidiaries is a party or by which any of their property or assets are bound;

"**Maximum Offering**" has the meaning ascribed thereto in the first paragraph of this Agreement;

"**Minimum Offering**" has the meaning ascribed thereto in the first paragraph of this Agreement;

"**MI 11-102**" means Multilateral Instrument 11-102 – *Passport System*;

"**NI 44-101**" means National Instrument 44-101 – *Short Form Prospectus Distributions*;

"**NI 51-101**" means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*;

"**NP 11-202**" means National Policy 11-202 – *Process for Prospectus Reviews in Multiple Jurisdictions*;

"**Offered Securities**" has the meaning ascribed thereto in the sixth paragraph of this Agreement;

"**Offering**" has the meaning ascribed thereto in the sixth paragraph of this Agreement;

"**Offering Documents**" means, collectively, the Preliminary Prospectus, the Final Prospectus and any Supplementary Material;

"**Offering Price**" has the meaning ascribed thereto in the first paragraph of this Agreement;

"**Oil and Gas Rights**" has the meaning ascribed thereto in Section 4.1.4(a) of this Agreement;

"**OSC**" means the Ontario Securities Commission;

"**Over-Allotment Closing**" means the closing of the purchase and sale of the Additional Units and/or Additional Warrants pursuant to the Over-Allotment Option;

"**Over-Allotment Closing Date**" means the date on which the Over-Allotment Closing occurs;

"**Over-Allotment Option**" has the meaning ascribed to such term in the fourth paragraph of this Agreement;

"**Passport System**" means the system for review of prospectus filings set out in MI 11-102 and NP 11-202;

"**person**" includes any individual, corporation, limited partnership, general partnership, joint stock company or association, joint venture association, company, trust, bank, trust company, land trust, investment trust, society or other entity, organization, syndicate, whether incorporated or not, trustee, executor or other legal personal representative, and governments and agencies and political subdivisions thereof;

"**Preliminary Prospectus**" means the preliminary short form prospectus dated November 6, 2012, including all of the Documents Incorporated by Reference therein, prepared and filed by the Company qualifying the distribution of the Offered Securities, the Over-Allotment Option and the Broker Warrants in the Selling Jurisdictions, and for which a Preliminary Receipt has been issued;

"**Preliminary Receipt**" means the receipt dated November 7, 2012 issued by the OSC in its capacity as principal regulator in accordance with the Passport System evidencing that a preliminary receipt has been issued or deemed to be issued by the Securities Commissions in respect of the Preliminary Prospectus;

"**Preliminary U.S. Placement Memorandum**" means the preliminary form of U.S. Placement Memorandum, including the Preliminary Prospectus and all of the Documents Incorporated by Reference, prepared by the Company for use in connection with the Offering in the United States and to, or for the account or benefit of, U.S. Persons or persons in the United States;

"**Prospectus**" means, collectively, the Preliminary Prospectus, the Final Prospectus and any Prospectus Amendment;

"**Prospectus Amendment**" means any amendment to the Preliminary Prospectus or the Final Prospectus, as applicable, required to be prepared and filed by the Company pursuant to Applicable Securities Laws in the Qualifying Provinces;

"**Purchasers**" means, collectively, each of the purchasers of Units arranged by the Agent pursuant to the Offering, including if applicable, the Agent;

"**Qualifying Provinces**" means the Provinces of British Columbia, Alberta and Ontario;

"**Regulation S**" means Regulation S promulgated by the SEC under the U.S. Securities Act;

"**Report**" means the Company's Form 51-101F1 – *Statement of Reserves Data and Other Oil and Gas Information* for the financial year ended December 31, 2011;

"**Resource Reports**" means the reports 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", "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" and "Estimates of Unrisked Prospective Resources to the Adira Energy Ltd Interest in Certain Oil Prospects located in Block 388 (Samuel) Offshore Israel as of August 1, 2012" prepared by Netherland, Sewell & Associates Inc., in respect of the Gabriella License, Yitzhak License and Samuel Licence, respectively;

"**SEC**" means the United States Securities and Exchange Commission;

"**Securities Commissions**" means the applicable securities commission or securities regulatory authority in each of the Qualifying Provinces;

"**Selling Group**" means, collectively, those registered dealers registered in the applicable categories under Applicable Securities Laws and appointed by the Agent to assist in the Offering as contemplated in the eighth paragraph of this Agreement;

"**Selling Jurisdictions**" means, collectively, each of the Qualifying Provinces and such other jurisdictions outside of Canada as the Agent and the Company may agree, including the United States, the United Kingdom and the State of Israel;

"**Series 1 Warrants**" has the meaning ascribed to such term in the first paragraph of this Agreement;

"**Series 2 Warrants**" has the meaning ascribed to such term in the first paragraph of this Agreement;

"**subsidiary**" shall have the meaning ascribed thereto in the *Securities Act* (Ontario);

"**Subsidiaries**" means, collectively, the corporations listed on Schedule "B" hereto;

"**Supplementary Material**" means, collectively, any Prospectus Amendment, any supplemental prospectus or ancillary material required to be filed with any of the Securities Commissions in connection with the distribution of the Offered Securities and the Over-Allotment Option;

"**Survival Limitation Date**" means the later of:

(i) the second anniversary of the initial Closing Date; and

(ii) the latest date under Applicable Securities Laws relevant to a Purchaser (non-residents of Canada being deemed to be resident in the Province of Ontario for such purposes) that a Purchaser may be entitled to commence an action or exercise a right of rescission, with respect to a misrepresentation contained in the Final Prospectus or, if applicable, any Supplementary Material;

"**TASE**" means the Tel Aviv Stock Exchange;

"**TASE Financing**" has the meaning ascribed thereto in Section 4.1.1(qq) of this Agreement;

"**Taxes**" shall have the meaning ascribed thereto in Section 4.1.1(mm) of this Agreement;

"**Transfer Agent**" means Computershare Investor Services Inc.;

"**United States**" means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;

"**Units**" has the meaning ascribed thereto in the first paragraph of this Agreement, and for greater certainty includes any Additional Units in respect of which the Over-Allotment Option may be exercised;

"**Unit Shares**" has the meaning ascribed to such term in the first paragraph of this Agreement;

"**U.S. Exchange Act**" means United States Securities Exchange Act of 1934, as amended;

"**U.S. Person**" means "U.S. person" as defined in Rule 902(k) of Regulation S;

"U.S. Placement Memorandum" means collectively, the Preliminary U.S. Placement Memorandum, the Final U.S. Placement Memorandum, and any amendment thereto, to be prepared by the Company and delivered together with the applicable Prospectus to Purchasers in the United States or that are acting for the account or benefit of U.S. Persons or persons in the United States;

"U.S. Securities Act" means the United States Securities Act of 1933, as amended.

"**Warrant Agent**" means Computershare Trust Company of Canada;

"**Warrant Indenture**" means the warrant indenture to be entered into on the initial Closing Date between the Warrant Agent and the Company in relation to the Warrants, as amended from time to time;

"**Warrant Shares**" has the meaning ascribed thereto in the first paragraph of this Agreement; and

"**Warrants**" means together, the Series 1 Warrants and the Series 2 Warrants.

1.2 **Division and Headings:** The division of this Agreement into sections, subsections, paragraphs and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. Unless something in the subject matter or context is inconsistent therewith, references herein to sections, subsections, paragraphs and other subdivisions are to sections, subsections, paragraphs and other subdivisions of this Agreement.

1.3 **Governing Law:** This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein and the parties hereto irrevocably attorn to the exclusive jurisdiction of the courts of the Province of Ontario.

1.4 **Currency:** Except as otherwise indicated, all amounts expressed herein in terms of money refer to lawful currency of Canada and all payments to be made hereunder shall be made in such currency.

1.5 **Schedules:** The following are the schedules attached to this Agreement, which schedules are deemed to be a part hereof and are hereby incorporated by reference herein:

Schedule "A" - Opinion of the Company's Counsel;

Schedule "B" - Subsidiaries; and

Schedule "C" - Terms for Offering to U.S. Purchasers.

2. Nature of Transaction

2.1 Each Purchaser resident in a Qualifying Province shall purchase the Units pursuant to the Final Prospectus. Except as set forth in Section 3.3, each other Purchaser shall purchase in accordance with such procedures as the Company and the Agent may mutually agree, acting reasonably, in order to fully comply with Applicable Securities Laws. The Company hereby agrees to comply with all Applicable Securities Laws on a timely basis in connection with the distribution of the Units. Subject to being notified by the Agent of the requirements thereof and upon request by the Agent, the Company also agrees to file within the periods stipulated under Applicable Securities Laws of the Selling Jurisdictions, other than the Qualifying Provinces, and at the Company's expense, all private placement forms required to be filed by the Company in connection with the Offering and agrees to pay all filing fees required to be paid in connection therewith so that the distribution of the Units in such Selling Jurisdictions outside of Canada may lawfully occur without the necessity of registering the Units, filing a prospectus or any similar document, or causing the Company to become subject to any continuous disclosure obligations or other obligations as a result of the Offering, under applicable laws in such Selling Jurisdictions outside of Canada, if applicable. The Agent agrees to assist the Company in all reasonable respects to secure compliance with all regulatory requirements in connection with the Offering.

3. Covenants and Representations of the Agent

3.1 The Agent covenants with the Company that it will:

(a) conduct activities in connection with arranging for the sale and distribution of the Units in compliance with the Prospectus, the provisions of this Agreement and all Applicable Securities Laws in the Selling Jurisdictions so that the distribution of the Units in such Selling Jurisdictions outside of Canada may lawfully occur without the necessity of registering the Units, filing a prospectus or any similar document, or causing the Company to become subject to any continuous disclosure obligations or other obligations

as a result of the Offering, under applicable laws in such Selling Jurisdictions outside of Canada;

(b) not, directly or indirectly, sell or solicit offers to purchase the Units or distribute or publish any offering circular, prospectus, form of application, advertisement or other offering materials in any country or jurisdiction so as to require registration of the Units, filing of a prospectus or similar document with respect thereto or compliance by the Company with regulatory requirements (including any continuous disclosure obligations or similar reporting obligations) under the laws of any jurisdiction (other than the filing of the Preliminary Prospectus, the Final Prospectus or any Supplementary Material in the Qualifying Provinces and the Agent shall be entitled to assume that the Units have been qualified in the Selling Jurisdictions to the extent a Final Receipt has been issued);

(c) complete the distribution of the Units as soon as reasonably practicable;

(d) not make any representations or warranties with respect to the Company or the Units, other than as set forth in the Preliminary Prospectus, the Final Prospectus, the U.S. Placement Memorandum and any Supplementary Material;

(e) upon the Company obtaining the Final Receipt, promptly deliver one copy of the Final Prospectus, Final U.S. Placement Memorandum and any Supplementary Material, as applicable, to each of the Purchasers purchasing from such Agent;

(f) provided it is otherwise satisfied, acting reasonably, execute and deliver to the Company, the certificate required to be executed by the Agent under Applicable Securities Laws in connection with the Final Prospectus and any Supplementary Material; and

(g) deliver such further certificates and other documentation as may be contemplated in this Agreement or as the Company or its counsel may reasonably require in connection with the Offering.

3.2 The Agent shall notify the Company when, in its reasonable opinion, the Agent and Selling Group have ceased distribution of the Units (and in any event such notice shall be given no later than 30 days after the initial Closing Date) and, if required for regulatory compliance purposes, provide a breakdown of the number of Units distributed and proceeds received: (A) in each of the Qualifying Provinces; and (B) in any other Selling Jurisdiction.

3.3 All offers and sales of Units in the United States, or to or for the account or benefit of any U.S. Persons or any persons in the United States, shall only be made through the Agent's U.S. Placement Agent in compliance with Schedule "C" to this Agreement.

3.4 The Agent represents and warrants to, the Company that it is duly registered as an investment dealer under the Applicable Securities Laws in each of the Qualifying Provinces.

3.5 The Agent at its own expense may offer selling group participation in the normal course of the brokerage business to Selling Groups of other licensed dealers, brokers and investment dealers, who may or may not be offered part of the Agent's Commission, provided that any such Selling Group participants shall be required to comply with the terms of Section 3, as applicable.

4. Representations, Warranties and Covenants of the Company

4.1 The Company hereby represents, warrants and covenants to and with the Agent, and acknowledges that the Agent is relying on same in entering into this Agreement, that:

4.1.1 General Matters

(a) the Company (i) has been duly continued under the Corporations Act and is and will at the Closing Time be up-to-date in all material corporate filings and in good standing under the Corporations Act; (ii) has all requisite corporate power and capacity to carry on its business as now conducted and to own, lease and operate its properties and assets; and (iii) has all requisite corporate power and authority to issue and sell the Offered Securities, grant the Over-Allotment Option, issue the Broker Warrants and enter into this Agreement, the Warrant Indenture and the Broker Warrant Certificates, and to carry out its obligations hereunder and thereunder;

(b) the Subsidiaries listed on Schedule "B" are the only Subsidiaries of the Company and the securities of such Subsidiaries in the percentages set forth on Schedule "B", are held directly and indirectly by the Company as set out in Schedule "B", free and clear of all mortgages, liens, charges, pledges, security interests, encumbrances, claims and demands whatsoever and the Company is entitled to the full beneficial ownership of all such shares in the Subsidiaries. All of such shares in the capital of the Subsidiaries have been duly authorized and validly issued and are outstanding as fully paid shares and no person, other than the Company or a subsidiary thereof has any right, agreement or option, present or future, contingent or absolute, or any right capable of becoming a right, agreement or option, for the purchase from the Company of any interest in any of such shares or for the issue or allotment of any unissued shares in the capital of the Subsidiaries or any other security convertible into or exchangeable for any such shares;

(c) each of the Subsidiaries: (i) has been duly incorporated in its jurisdiction of incorporation and is and will at the Closing Time be up-to-date in all material corporate filings and in good standing under the laws of its jurisdiction; and (ii) has all requisite corporate power and authority to carry on its business as now conducted and to own, lease and operate its properties and assets;

(d) each of the Company and the Subsidiaries is, in all material respects, conducting its business in compliance with all applicable laws, rules and regulations of each jurisdiction in which its business is carried on and each is licensed, registered or qualified in all jurisdictions in which it is required to be licensed, registered or qualified and all such licenses, registrations and qualifications are, and will at the Closing Time be, valid, subsisting and in good standing and it has not received a notice of non-compliance, nor knows of, nor has reasonable grounds to know of, any facts that could give rise to a notice of non-compliance with any such laws, regulations, licenses, registrations and qualifications which could have a Material Adverse Effect;

(e) no proceedings have been taken, instituted or, to the knowledge of the Company, are pending for the dissolution or liquidation of the Company or any of the Subsidiaries and neither the Company nor the Subsidiaries have committed an act of bankruptcy or sought protection from the creditors thereof before any court or pursuant to any legislation, proposed or taken any proceedings with respect to a compromise or arrangement to the creditors thereof generally, or taken any proceedings to be declared bankrupt or wound up, or to have a receiver appointed over any of the assets thereof;

(f) there are no material actions, proceedings or investigations (whether or not by or on behalf of the Company or the Subsidiaries) or to the knowledge of the Company threatened or pending, against or affecting the Company or the Subsidiaries at law or in equity (whether in any court, arbitration or similar tribunal) or before or by any federal,

provincial, state, municipal or other governmental department, commission, board or agency, domestic or foreign;

(g) other than as disclosed in the Final Prospectus, the Company is not aware of any legislation, or proposed legislation published by a legislative body, which it anticipates will have a Material Adverse Effect;

(h) other than as set out in the Prospectus, neither the Company nor the Subsidiaries have approved or entered into any agreement in respect of, or received any written notice with respect to: (i) the purchase of any material property or assets or any interest therein or the sale, transfer or other disposition of any material property or assets or any interest therein currently owned, directly or indirectly, by the Company or the Subsidiaries whether by asset sale, transfer of shares or otherwise; (ii) the change of control of the Company or any Subsidiary (whether by sale or transfer of shares or sale of all or substantially all of the property or assets of the Company or any Subsidiary or otherwise); or (iii) to the knowledge of the Company, a proposed or planned disposition of Common Shares by any shareholder who owns, directly or indirectly, 10% or more of the outstanding Common Shares

(i) neither the Company nor the Subsidiaries is in default or in breach in any material respect of the constating documents, by-laws or resolutions of its directors or shareholders or any Debt Instrument, Material Agreement, or any judgment, decree, order, statute, rule or regulation applicable to any of them;

(j) the execution and delivery of this Agreement, the Warrant Indenture and the Broker Warrant Certificates and the performance by the Company of its obligations hereunder and thereunder and the transactions contemplated hereby and thereby, including the issuance of the Offered Securities, the grant of the Over-Allotment Option and the issuance of the Broker Securities have been duly authorized by all necessary corporate action of the Company and each of this Agreement which has been executed and delivered by the Company and the Broker Warrant Certificates when executed and delivered by the Company, constitute and will constitute at the Closing Time, a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, provided that enforcement thereof may be limited by laws affecting creditors' rights generally, that specific performance and other equitable remedies may only be granted in the discretion of a court of competent jurisdiction, that the provisions relating to indemnity, contribution and waiver of contribution may be unenforceable;

(k) the execution and delivery of this Agreement, the Warrant Indenture and the Broker Warrant Certificates and the fulfillment of the terms hereof and thereof by the Company, the issuance, sale and delivery of the Offered Securities, the grant of the Over-Allotment Option and the issuance of the Broker Securities, do not and will not require the consent, approval, authorization, registration or qualification of or with any governmental authority, stock exchange, Securities Commission or other third party, except: (i) such as have been obtained; or (ii) such as may be required and will be obtained by the Closing Time or within the applicable time frames following the Closing Time as permitted by Applicable Securities Laws, "blue sky laws" in the United States or the rules of the Exchange, subject to such customary conditions as applicable to each such obligations;

(l) the execution and delivery of this Agreement, the Warrant Indenture and the Broker Warrant Certificates and the fulfillment of the terms hereof and thereof by the Company, the issuance, sale and delivery of the Offered Securities, the grant of the Over-Allotment Option and the issuance of the Broker Securities do not and will not result in a breach of

or constitute a default under, and do not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or constitute a default under, and do not and will not conflict with the terms or provisions of (A) the constating documents of the Company or its Subsidiaries or any resolutions of the shareholders or directors of the Company or its Subsidiaries, (B) any Debt Instrument or Material Agreement, or (C) any judgment, decree, order, statute, rule or regulation applicable to the Company or the Subsidiaries, which breach or default would have a Material Adverse Effect;

(m) all necessary corporate action has been taken or will have been taken prior to the Closing Time by the Company so as to validly: (i) issue and sell the Unit Shares as fully paid and non-assessable Common Shares; (ii) validly create and issue the Warrants and Broker Warrants; (iii) grant the Over-Allotment Option; (iv) issue the Additional Units and/or Additional Warrants upon exercise of the Over-Allotment Option; and (iv) validly create and reserve for issuance the Warrant Shares and Broker Shares;

(n) the Unit Shares to be issued and sold as contemplated in this Agreement have been, or prior to the Closing Time will be, duly and validly authorized and reserved for issuance and when certificates representing the Unit Shares have been, issued, delivered and paid for, the Unit Shares will be validly issued as fully paid and non-assessable Common Shares and all statements made in this Agreement, in the Offering Documents and in the Israeli Prospectus describing the Unit Shares (including their attributes) are, and will be, as applicable, accurate in all material respects;

(o) the Warrants to be issued and sold as hereinbefore described have been, or prior to the Closing Time will be duly and validly authorized and created and, upon receipt by the Company of the aggregate Offering Price for the Units and when certificates for the Warrants have been countersigned by the Warrant Agent and delivered by the Company, will be validly issued and all statements made in this Agreement in the Offering Documents and in the Israeli Prospectus describing the Warrants are, and will be, accurate in all material respects;

(p) the Warrant Shares to be issued and sold upon exercise of the Warrants have been, or prior to the Closing Time will be, duly and validly authorized and reserved for issuance and, upon exercise of the Warrants in accordance with their terms and when certificates representing the Warrant Shares have been countersigned by the Transfer Agent, issued, delivered and paid for, the Warrant Shares will be validly issued as fully paid and non-assessable Common Shares, and all statements made in this Agreement in the Offering Documents and in the Israeli Prospectus describing the Warrant Shares are, and will be, accurate in all material respects;

(q) the Broker Warrants to be issued to the Agent as contemplated in this Agreement have been, or prior to the Closing Time will be, duly and validly authorized and created and when the Broker Warrant Certificates have been signed, issued and delivered by the Company, the Broker Warrants will be validly issued and all statements made in this Agreement, in the Offering Documents and in the Israeli Prospectus describing the Broker Warrants (including their attributes) are, and will be, accurate in all material respects;

(r) the Broker Shares to be issued and sold upon the due and proper exercise of the Broker Warrants have been, or prior to the Closing Time will be, duly and validly authorized and reserved for issuance and, upon exercise of the Broker Warrants in accordance with their terms and when the Broker Shares have been issued, delivered and paid for, the Broker Shares will be validly issued as fully paid and non-assessable Common Shares

and all statements made in this Agreement, in the Offering Documents and in the Israeli Prospectus describing the Broker Shares (including their attributes) are, and will be, accurate in all material respects;

(s) the authorized capital of the Company consists of an unlimited number of Common Shares, of which, as of the close of business on January 15, 2013, 180,781,093 Common Shares of the Company were issued and outstanding as fully paid and non-assessable shares of the Company;

(t) except for 17,701,109 options and 97,423,015 warrants to purchase Common Shares of the Company issued and outstanding as at the date hereof, no person has any agreement or option or right or privilege (whether at law, preemptive or contractual) capable of becoming an agreement for the purchase, subscription or issuance of, or conversion into, any unissued shares, securities, warrants or convertible obligations of any nature of the Company;

(u) to the knowledge of the Company, no agreement is in force or effect which in any manner affects the voting or control of any of the securities of the Company or any Subsidiary;

(v) the Transfer Agent at its principal transfer office in the City of Vancouver, British Columbia has been appointed as the registrar and transfer agent for the Common Shares;

(w) prior to the Closing Time, the Warrant Agent at its offices in the City of Vancouver, British Columbia will be appointed as the Warrant Agent;

(x) the currently issued and outstanding Common Shares of the Company are listed and posted for trading on the Exchange and no order ceasing or suspending trading in any securities of the Company or prohibiting the sale of the Offered Securities has been issued and no proceedings for such purpose are threatened or, to the best of the Company's knowledge, information and belief, pending;

(y) neither the Company nor its Subsidiaries has taken or will take any action which would be reasonably expected to result in the delisting or suspension of its Common Shares on or from the Exchange and the Company is in compliance in all material respects with the rules and regulations of the Exchange;

(z) the Company is a "reporting issuer", not included in a list of defaulting reporting issuers maintained by the Securities Commission of each of the Qualifying Provinces, and in particular, without limiting the foregoing, the Company has at all relevant times complied with its obligations to make timely disclosure of all material changes relating to it, no such disclosure has been made on a confidential basis that is still maintained on a confidential basis, and there is no material change relating to the Company which has occurred and with respect to which the requisite material change report has not been filed with the Securities Commissions in the Qualifying Provinces, except to the extent that the Offering constitutes a material change;

(aa) the Company will use its commercially reasonable efforts to maintain its status as a "reporting issuer" (or the equivalent thereof) not in default of the requirements of the Applicable Securities Laws of each of the Qualifying Provinces, for a period of three years following the applicable Closing Dates, provided that this covenant shall not prevent the Company from completing any transaction which would result in the Company ceasing to be a "reporting issuer" so long as the holders of Common Shares

receive securities (or cash or any combination thereof as the case may be) of a successor entity pursuant to a transaction in compliance with applicable corporate laws and Applicable Securities Laws, or the Company's shareholders approve the transaction;

(bb) the Company will use commercially reasonable efforts to maintain a listing of its Common Shares on the Exchange for a period of three years from the applicable Closing Dates, provided that this covenant shall not prevent the Company from completing any transaction which would result in the Common Shares ceasing to be listed so long as the holders of Common Shares receive securities (or cash or any combination thereof as the case may be) of a successor entity pursuant to a transaction in compliance with applicable corporate laws and Applicable Securities Laws, or the Company's shareholders approve the transaction;

(cc) since December 31, 2011, except as disclosed in the Prospectus:

(i) there has not been any material change in the assets, liabilities, obligations (absolute, accrued, contingent or otherwise), business, condition (financial or otherwise) or results of operations of the Company and the Subsidiaries, on a consolidated basis;

(ii) there has not been any material change in the capital stock or long-term debt of the Company and the Subsidiaries, on a consolidated basis; and

(iii) the Company and the Subsidiaries have carried on their respective businesses in the ordinary course;

(dd) the audited annual consolidated financial statements of the Company for the years ended December 31, 2011 and 2010 and the unaudited interim consolidated financial statements of the Company for the three and nine-month period ended September 30, 2012 and 2011 (the "**Financial Statements**"), contained in the Prospectus have been prepared in accordance with International Financial Reporting Standards and present fairly, in all material respects, the financial condition of the Company and the Subsidiaries, on a consolidated basis, as at the dates thereof;

(ee) there are no material off-balance sheet transactions, arrangements or obligations (including contingent obligations) of the Company or any of its Subsidiaries with unconsolidated entities or other persons that could reasonably be expected to have a Material Adverse Effect;

(ff) neither the Company nor the Subsidiaries has any liabilities, direct or indirect, contingent or otherwise, not disclosed in the Financial Statements or the Prospectus which has or would reasonably be expected to have a Material Adverse Effect;

(gg) the Company and each of the Subsidiaries maintains a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences;

(hh) the auditors of the Company who audited the consolidated financial statements of the Company for the years ended December 31, 2011 and 2010 are independent public accountants as required by the Applicable Securities Laws of Canada;

(ii) there has not been any "reportable event" (within the meaning of National Instrument 51-102) with the present or any former auditor of the Company;

(jj) neither the Company nor any of its Subsidiaries, nor any of their employees or agents, has made any unlawful contribution or other payment to any official of, or candidate for, any federal, state, provincial or foreign office, or failed to disclose fully any contribution, in violation of any law, or made any payment to any foreign, Canadian, United States or provincial or state governmental officer or official or other person charged with similar public or quasi-public duties, other than payments required or permitted by applicable laws and that would not be expected to have a Material Adverse Effect;

(kk) neither the Company nor the Subsidiaries, nor to the best of the Company's knowledge, information and belief, any other person, is in default in any material respect in the observance or performance of any term, covenant or obligation to be performed by the Company or the Subsidiaries or such other person, as applicable, under any Debt Instrument or Material Agreement which could have a Material Adverse Effect, and all such Debt Instruments and Material Agreements are in good standing, and no event has occurred which with notice or lapse of time or both would constitute such a default thereunder by the Company, the Subsidiaries or, to the best of the Company's knowledge, information and belief, any other party;

(ll) the Company has duly filed or delivered all reports, filings, disclosures, releases and other materials required to be filed with or delivered to any securities regulatory authority having jurisdiction under applicable laws (including, without limitation, periodic timely disclosure filings and other materials required to be filed by a "reporting issuer" under Applicable Securities Laws in the Qualifying Provinces) and all such reports, filings, disclosures, releases or other materials were prepared in material compliance with applicable laws (including Applicable Securities Laws) and, as of the date of the filing or delivery thereof, none of such reports, filings, disclosures, releases or other materials contained any misrepresentation;

(mm) all taxes (including income tax, capital tax, payroll taxes, employer health tax, workers' compensation payments, property taxes, custom and land transfer taxes), duties, royalties, levies, imposts, assessments, deductions, charges or withholdings and all liabilities with respect thereto including any penalty and interest payable with respect thereto (collectively, "**Taxes**") due and payable by the Company or any of its Subsidiaries have been paid. All tax returns, declarations, remittances and filings required to be filed by the Company or any of its Subsidiaries have been filed with all appropriate governmental authorities and all such returns, declarations, remittances and filings are complete and materially accurate and no material fact or facts have been omitted therefrom which would make any of them misleading. To the best of the knowledge of the Company and the Subsidiaries no examination by any governmental authority of any tax return of the Company or any of its Subsidiaries is currently in progress except in the ordinary course and there are no issues or disputes outstanding with any governmental authority respecting any taxes that have been paid, or may be payable, by the Company;

(nn) the Company intends to use the net proceeds of the Offering as described in the Prospectus;

(oo) other than as disclosed to the Agent, other than the Agent (and members of the Selling Group) pursuant to this Agreement, there is no person acting or purporting to act at the request of the Company who is entitled to any brokerage, agency or other fiscal advisory or similar fee in connection with the transactions contemplated herein;

(pp) neither the Company nor the Subsidiaries is party to any material Debt Instrument or has any material loans or other indebtedness outstanding with any of its shareholders, officers, directors or employees, past or present, or any person not dealing at arm's length with the Company or any Subsidiary;

(qq) provided the Offering is completed, the Company agrees not to issue any additional common shares or securities convertible into common shares for a period of 90 days from the applicable Closing Dates without the prior written consent of the Agent, 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 Company and other existing share compensation arrangements; and (ii) currently outstanding convertible securities. Notwithstanding the foregoing, the Company shall be entitled to issue additional common shares or securities convertible into common shares in connection with a financing related to its proposed listing on the TASE (the "**TASE Financing**"), either concurrently with the Offering or during the 90 day standstill period noted above, subject to the Company consulting with the Agent prior to committing to the TASE Financing and subject to the price of common shares, or securities convertible into common shares, to be offered pursuant to the TASE Financing being at least equal to, or greater than, the Offering Price;

(rr) prior to the Closing Time, the Company will use its commercially reasonable best efforts to cause its executive officers and directors to enter into lock-up agreements in form and substance satisfactory to the Agent, evidencing their agreement not to directly or indirectly, issue, sell, offer or otherwise dispose of or deal with (or publicly announce any intention to do so) any Common Shares or financial instruments or securities convertible into, exercisable or exchangeable for Common Shares for a period of 60 days following the applicable Closing Dates, other than as permitted pursuant to the terms of the lock-up agreements;

(ss) the Company will obtain any necessary regulatory consents from the Exchange and TASE in connection with the Offering on such conditions as are acceptable to the Agent and the Company, acting reasonably;

(tt) the Company will arrange for the listing of the Unit Shares and the Warrant Shares (including for greater certainty, any Additional Unit Shares and Additional Warrant Shares) and the Broker Shares on the Exchange effective as of each applicable Closing Date and Over-Allotment Closing Date, as applicable, and thereafter use commercially reasonable efforts to maintain such listing for a period of three years from the applicable Closing Dates;

(uu) other than as disclosed in the Prospectus, none of the directors or officers of the Company, any known holder of more than 10% of any class of shares of the Company, or any known associate or affiliate of any of the foregoing persons or companies (as such terms are defined in the *Securities Act* (Ontario)), has had any material interest, direct or indirect, in any material transaction within the previous two years or any proposed material transaction which, as the case may be, materially affected, is material to or will materially affect the Company and the Subsidiaries on a consolidated basis;

(vv) the assets of the Company and the Subsidiaries and their business and operations are insured against loss or damage with responsible insurers on a basis consistent with insurance obtained by reasonably prudent participants in comparable businesses, and in such amounts that are customary in the business in which it is engaged and the current stage of its development and operation, and such coverage is in full force and effect, and neither the Company nor the Subsidiaries have failed to promptly give any notice or present any material claim thereunder;

(ww) the Company's Information Record and all other information which has been prepared by the Company relating to the Company or the Subsidiaries and their respective businesses, property and liabilities and either publicly disclosed or provided to the Agent, are, as of the date of such information, true and correct in all material respects and does not contain a misrepresentation, and no material fact or facts have been omitted therefrom which would make such information materially misleading and the Company is not aware of any circumstances presently existing under which liability is or would reasonably be expected to be incurred under Part XXIII.1 – Civil Liability for Secondary Market Disclosure of the *Securities Act* (Ontario) and analogous secondary market liability disclosure provisions under Applicable Securities Laws in the other Selling Jurisdictions; and

(xx) the Company agrees that during the period from the date of this Agreement to the completion of the Distribution Period, the Company will promptly provide to the Agent drafts of any press releases of the Company for review by the Agent and the Agent's counsel prior to issuance and it shall obtain prior approval of the Agent as to the content and form of any press release relating to the Offering, such approval not to be unreasonably withheld. In addition, any press release announcing or otherwise referring to the Offering disseminated in the United States shall comply with the requirements of the U.S. Securities Act and Rule 135e thereunder and any press release announcing or otherwise referring to the Offering disseminated outside the United States shall include appropriate legends including a prominent notation on the first page as follows: "Not for distribution to U.S. news wire services, or dissemination in the United States."

4.1.2 Prospectus Matters

(a) The Company is an Eligible Issuer;

(b) the information and statements set forth in the Offering Documents and the Israeli Prospectus are and will be true, correct and complete in all material respects and will not contain any misrepresentation as of the date of such information or statement;

(c) the Company will deliver from time to time without charge to the Agent as soon as practicable but in any event on the next Business Day after a Final Receipt is obtained, for the Final Prospectus (and any Supplementary Material), as applicable, and thereafter from time to time as requested by the Agent, as many commercial copies of the Final Prospectus (and any Supplementary Material) as they may reasonably request for the purposes contemplated hereunder and contemplated by Applicable Securities Laws in the Qualifying Provinces and such delivery shall constitute the consent of the Company to the use of such documents in the Qualifying Provinces in connection with the Offering and distribution of the Offered Securities, subject to the Agent complying with the provisions of Applicable Securities Laws in the Qualifying Provinces and the provisions of this Agreement;

(d) the Company shall publish, or cause to be published, the Israeli Prospectus in accordance with the laws of the State of Israel, and confirms that the Final Prospectus will be delivered electronically by way of the Notice (as hereinafter defined) and forthwith upon the Company obtaining the Final Receipt, the Company shall publish, or cause to be published, a notice in the Israeli market (the "**Notice**") in accordance with the laws of the State of Israel and disseminated prior to the filing of the Supplemental Notice to the Israeli Prospectus, advising that the Final Prospectus has been filed and will provide within the Notice, among other things, an electronic link to the Final Prospectus which link will permit the Final Prospectus to be viewed electronically and will state that paper copies of the Final Prospectus are available at the Company's Tel Aviv office; such delivery shall constitute the consent of the Company to the use of such documents in the State of Israel in connection with the Offering and distribution of the Offered Securities;

(e) the Company will deliver from time to time without charge to the Agent as soon as practicable but in any event on the next Business Day after a Final Receipt is obtained in each of the Qualifying Provinces for the Final Prospectus (and any Supplementary Material), as applicable, and thereafter from time to time as requested by the Agent, as many commercial copies of the U.S. Placement Memorandum (and any Supplementary Material) as they may reasonably request for the purposes contemplated hereunder and each such delivery of the U.S. Placement Memorandum (and any Supplementary Material) shall constitute the consent of the Company to the use of such documents by the Agent in connection with the Offering and the distribution of the Offered Securities, subject to the Agent complying with the provisions of Applicable Securities Laws in the United States and the provisions of this Agreement;

(f) the Company will deliver without charge to the Agent, as soon as practicable but in any event on the next Business Day after the Israeli Prospectus is filed with the Israeli Securities Authorities, one copy of the final Israeli Prospectus;

(g) each delivery of the Offering Documents and the Israeli Prospectus to the Agent (or to the Purchasers as contemplated in subsection (d) above) by the Company in accordance with this Agreement will constitute the representation and warranty of the Company to the Agent (provided that this representation and warranty is not intended to extend to information and statements included in reliance upon and in conformity with information furnished to the Company by or on behalf of the Agent specifically for use therein) that at the respective date of such documents:

(i) all of the information and statements contained in each of the Offering Documents and the Israeli Prospectus are true and correct and contain no misrepresentation and constitute full, true and plain disclosure of all material facts relating to each of the Offering, the Company and the Subsidiaries on a consolidated basis and the Offered Securities;

(ii) no material fact or information has been omitted from any of the Offering Documents or Israeli Prospectus which is required to be stated in such disclosure or is necessary to make the statements or information contained in such disclosure not misleading in light of the circumstances under which they were made (provided that this representation and warranty is not intended to extend to information and statements provided by the Agent in writing specifically for use therein);

(iii) the Offering Documents and the Israeli Prospectus, in all material respects, contain the disclosure required by and conform to all requirements of Applicable Securities Laws;

(h) the Company shall cause to be delivered to the Agent, concurrently with the filing of the Final Prospectus and any Supplementary Material thereto, a comfort letter dated within two Business Days of the date thereof from the auditors of the Company and addressed to the Agent and to the directors of the Company, in form and substance satisfactory to the Agent, acting reasonably, relating to the verification of the financial information and accounting data and other numerical data of a financial nature contained therein and matters involving changes or developments since the respective dates as of which specified financial information is given therein;

(i) during and prior to completion of the Distribution Period, the Company will use its reasonable best efforts to otherwise take or cause to be taken all steps and proceedings that may be required under the Applicable Securities Laws of the Qualifying Provinces to qualify the Units for sale and issuance to the public through registrants registered under the Applicable Securities Laws of the Qualifying Provinces who have complied with the relevant provisions thereof and to qualify the grant of the Over-Allotment Option and the issuance of the Broker Warrants to the Agent;

(j) at all times until the completion of the Distribution Period, but in any event not later than 21 days following the applicable Closing Dates, the Company will, to the satisfaction of counsel to the Agent, acting reasonably, promptly take or cause to be taken all additional steps and proceedings that may be required from time to time under the Applicable Securities Laws of the Qualifying Provinces to continue to so qualify the Units, the Over-Allotment Option and the Broker Warrants or, in the event that they have, for any reason, ceased to so qualify, to again so qualify them;

(k) if, after the execution of this Agreement and prior to the completion of the Distribution Period, it is necessary to amend or supplement the Final Prospectus to comply with Applicable Securities Laws, the Company will promptly notify the Agent and forthwith prepare and file with the Securities Commissions in accordance with Applicable Securities Laws, such Supplementary Material as may be necessary so that the Final Prospectus, as so amended or supplemented, will comply with Applicable Securities Law; and

(l) if during the Distribution Period there shall be any change in the Applicable Securities Laws which, in the opinion of the Agent, acting reasonably, requires the filing of any Supplementary Material, upon written notice from the Agent, the Company shall, to the satisfaction of the Agent, acting reasonably, promptly prepare and file any such Supplementary Material with the appropriate Securities Commissions where such filing is required.

4.1.3 Due Diligence Matters

(a) Prior to the Closing Time, the Company will allow the Agent to conduct all due diligence which they may reasonably require to conduct and participate fully in the preparation of the Final Prospectus and any Supplementary Material in order to fulfill their obligations and in order to enable them to responsibly execute the certificates required to be executed by them at the end of each of the Final Prospectus and any applicable Supplementary Material; and without limiting the scope of the due diligence inquiries the Agent may conduct, the Company will make available its senior management, directors,

technical advisors, and legal counsel and will engage its auditors to conduct such procedures as are reasonably required, to answer the reasonable questions of the Agent in due diligence meetings to be conducted prior to the filing of the Preliminary Prospectus, the Final Prospectus and any Supplementary Material, and shall cause its auditors to deliver the comfort letter as contemplated by Section 4.1.2(h) hereof;

(b) upon becoming aware, the Company will promptly notify the Agent in writing if, prior to completion of the Distribution Period, there shall occur any material change or change in a material fact (in either case, whether actual, anticipated, contemplated or threatened and other than a change or change in fact relating solely to the Agent) or any event or development involving a prospective material change or a change in a material fact or any other material change concerning the Company and the Subsidiaries on a consolidated basis or any other change which is of such a nature as to result in, or could be considered reasonably likely to result in, a misrepresentation in the Final Prospectus or any Supplementary Material, as they exist immediately prior to such change, or could render any of the foregoing, as they exist immediately prior to such change, to not be in compliance with any Applicable Securities Laws;

(c) the Company will promptly notify the Agent in writing with full particulars of any such actual, anticipated, contemplated, threatened or prospective change referred to in the preceding paragraph and the Company shall, to the satisfaction of the Agent, acting reasonably, provided the Agent has taken all action required by them hereunder to permit the Company to do so, file promptly and, in any event, within all applicable time limitation periods with the Securities Commissions in the Qualifying Provinces a Prospectus Amendment or Supplementary Material, as the case may be, or material change report as may be required under the Applicable Securities Laws and shall comply with all other applicable filing and other requirements under the Applicable Securities Laws including any requirements necessary to qualify the distribution of the Offered Securities, the grant of the Over-Allotment Option and the issue of the Broker Warrants, and shall deliver to the Agent as soon as practicable thereafter commercial copies of any such Prospectus Amendment or Supplementary Material. The Company will not file any such new or amended disclosure documentation or material change report without first obtaining the written approval of the form and content thereof by the Agent, which approval shall not be unreasonably withheld or delayed; provided that the Company will not be required to file a prospectus, registration statement or other similar document, otherwise register or qualify the Offered Securities, the Over-Allotment Option or the Broker Warrants for sale or distribution outside Canada, or otherwise become subject to any continuous disclosure obligations or other obligation under applicable laws in any Selling Jurisdictions outside of Canada;

(d) the Company will discuss with the Agent as promptly as possible any circumstance or event which is of such a nature that there is or ought to be consideration given as to whether there may be a material change or change in a material fact or other change described in the preceding two paragraphs; and

(e) the minute books and records of the Company and Subsidiaries which the Company has made or will make available to the Agent and its counsel Cassels Brock & Blackwell LLP in connection with their due diligence investigation of the Company and the Subsidiaries are all of the minute books and substantially all the records of the Company and the Subsidiaries for such periods and contain copies of all constating documents and all proceedings of securityholders and directors (and committees thereof) (or drafts or notes pending the approval thereof) and are complete in all material respects. There have been no other material meetings, resolutions or proceedings of the securityholders,

board of directors or committees thereof of the Company or the Subsidiaries during the periods requested that are not reflected in such minute books and other records.

4.1.4 Oil and Gas Activities and Environmental Matters

(a) The Company and the Subsidiaries, on a consolidated basis, own, control or have legal rights and good and marketable title to, through oil and gas tenements of various types and descriptions, such rights, titles, licenses, leases and interests as described in the Prospectus and as are materially necessary or appropriate to authorize and enable it to access the Key Properties and carry on the material oil and gas exploration activities as currently being undertaken or proposed to be undertaken on the Key Properties (collectively, the "**Oil and Gas Rights**") and have obtained such Oil and Gas Rights as may be required to implement their plans with respect to oil and gas activities on the Key Properties as described in the Prospectus and are not in default of such Oil and Gas Rights;

(b) all assessments, expenditures or other work required to be performed in relation to the Oil and Gas Rights in order to maintain the interest of the Company and/or Subsidiaries therein, if any, have been performed to date and the Company and the Subsidiaries have complied in all material respects with all applicable governmental laws, regulations and policies in this regard and all contractual obligations to third parties and, all such Oil and Gas Rights are in good standing in all material respects as of the date of this Agreement;

(c) the Company and each Subsidiary, as applicable, has conducted and is conducting its oil and gas exploration activities in compliance in all material respects with all applicable laws, rules and regulations of each jurisdiction in which such activities are carried on, is current with all material filings required to be made in each jurisdiction in which such activities are carried on, and holds all necessary permits, leases, licenses, approvals, consents, waivers, exemptions, certificates, registrations, authorizations, rights of way and entitlements and the like (whether governmental, regulatory or otherwise) (the "**Licenses**") which are required from any government or regulatory authority or any other person, to enable it to access and carry out oil and gas exploration activities on the Key Properties as currently conducted and as presently proposed to be conducted and its property and assets to be owned, leased and operated; the Licenses are validly existing, in full force and effect, and in good standing, none of such Licenses contains any burdensome term, provision, condition or limitation which has or is expected to have any Material Adverse Effect and neither the Company nor any Subsidiary has received notice of any proceedings relating to the revocation or modification of any such Licenses;

(d) the Company (i) does not have reason to believe that it, either through the Company or through a Subsidiary, does not have valid right to those participating interests, options, management or operating fees, overriding royalty interests, production shares or other interests or agreements set forth in the Company's Information Record (collectively, the "**Interests**"), (ii) does not have knowledge of any liens, charges, encumbrances, restrictions or adverse claims against the Interests created by, through or under the Company or any of its Subsidiaries, other than those arising in the ordinary course of business and which would not have a Material Adverse Effect; and (iii) holds the Interests which are valid and enforceable by the Company in accordance with their terms;

(e) the Company and each Subsidiary has conducted, and is conducting, its business in compliance in all material respects with all applicable laws, rules and regulations and, in particular, all legislation, regulations or by-laws or other lawful requirements of any

governmental or regulatory bodies ("**Environmental Laws**") of each jurisdiction in which it carries on business relating to the protection of the environment, occupational health and safety or the processing, use, treatment, storage, disposal, discharge, transport or handling of any pollutants, contaminants, chemicals or industrial, toxic or hazardous wastes or substances ("**Hazardous Substances**") or the licensing thereof, in each case save and except as would not have a Material Adverse Effect;

(f) the Company and each Subsidiary holds all material licenses, permits and approvals required under any Environmental Laws (the "**Environmental Permits**") necessary as at the date hereof for the operation of its business as currently conducted or proposed to be conducted and the ownership and use of its assets, all such Environmental Permits are valid, subsisting and in good standing, in full force and effect and neither the Company nor any Subsidiary is in material default or breach of any Environmental Permit and no proceeding has been threatened, or to the best knowledge of the Company, is pending to revoke or limit any Environmental Permit;

(g) neither the Company nor the Subsidiaries, nor to the knowledge of the Company, any predecessor companies or third parties who hold any participating interests in the Key Properties, has received any notice of, or been prosecuted for, an offence alleging non-compliance with any Environmental Laws, and neither the Company nor any Subsidiary has settled any allegation of non-compliance short of prosecution; and as at the date hereof there are no orders or directions issued to the Company or any Subsidiary relating to environmental matters requiring any work, repairs, construction or capital expenditures to be made with respect to any of the assets of the Company nor any Subsidiary, nor has the Company or any Subsidiary received notice of any of the same;

(h) there have been no past unresolved, threatened and, to the Company's knowledge, there are no pending claims, complaints, notices or requests for information received by the Company or the Subsidiaries with respect to any alleged material violation of any law, statute, order, regulation, ordinance or decree; and no conditions exist at, on or under any properties now or previously owned, operated or leased by the Company or the Subsidiaries which, with the passage of time, or the giving of notice or both, would give rise to liability under any law, statute, order, regulation, ordinance or decree that has, or may reasonably be expected to have, a Material Adverse Effect;

(i) except as ordinarily or customarily required by applicable permit, neither the Company nor any of the Subsidiaries have received any notice wherein it is alleged or stated that it is potentially responsible for a federal, provincial, state, municipal or local clean-up site or corrective action under any law including any Environmental Laws;

(j) in respect of the Key Properties, there are no ongoing environmental audits, evaluations, assessments, studies or tests relating to the Company or the Subsidiaries except for ongoing evaluations, assessments, studies or tests conducted by or on behalf of the Company or the Subsidiaries in the ordinary course;

(k) neither the Company nor any Subsidiary has failed to report to the proper federal, provincial, municipal or other political subdivision, government, department, commission, board, bureau, agency or instrumentality, domestic or foreign ("**Government Authority**") the occurrence of any event which is required to be so reported by any Environmental Law;

(l) any and all operations of the Company and, to the best of the Company's knowledge, any and all operations by third parties, on or in respect of the assets and properties of the

Company, have been conducted in accordance with standard oil and gas industry practices and in material compliance with applicable laws, rules, regulations, orders and directions of government and other competent authorities;

(m) all filings by the Company, pursuant to which the Company has received or is entitled to receive government incentives, have been made in accordance, in all material respects, with all applicable legislation and contain no misrepresentations of material fact or omit to state any material fact which could reasonably be expected to cause any amount previously paid to the Company, or previously accrued on the accounts thereof, to be recovered or disallowed;

(n) the Company made available to the authors of the Resource Reports all information requested by them and none of such information contained any misrepresentation at the time such information was provided; the Company believes that the Resource Reports are true and accurate as at the effective dates thereof in respect of resource information contained therein based upon information available in respect of such resources at the time such Resource Reports were prepared; and

(o) the Company is in material compliance with the provisions of NI 51-101, and has duly filed all documents (including the Report on Form NI 51-101F1 and the applicable Form NI 51-101F3), statements, information and disclosures required thereunder and the information set forth in the Offering Documents relating to the "resources" or "reserves" (as such terms are defined in NI 51-101), prepared in accordance with NI 51-101 and the information upon which the estimates were based, was, at the time of delivery thereof, complete and accurate in all material respects and there have been no material adverse changes to such information since the date of delivery or preparation thereof.

4.1.5 Employment Matters

(a) Each material plan for retirement, bonus, stock purchase, profit sharing, stock option, deferred compensation, severance or termination pay, insurance, medical, hospital, dental, vision care, drug, sick leave, disability, salary continuation, legal benefits, unemployment benefits, vacation, incentive or otherwise contributed to or required to be contributed to, by the Company and the Subsidiaries for the benefit of any current or former director, officer, employee or consultant of the Company or the Subsidiaries (the "**Employee Plans**") has been maintained in material compliance with its terms and with the requirements prescribed by any and all statutes, orders, rules and regulations that are applicable to such Employee Plans, in each case in all material respects and has been publicly disclosed to the extent required by Applicable Securities Laws;

(b) all material accruals for unpaid vacation pay, premiums for unemployment insurance, health premiums, federal or state pension plan premiums, accrued wages, salaries and commissions and employee benefit plan payments as required by applicable law have been reflected in the books and records of the Company or the Subsidiaries;

(c) there has never been, there is not currently and the Company does not anticipate any material labour disruption with respect to the employees or consultants of the Company which is adversely affecting or could adversely affect the exploration or development plans of the Company or the Subsidiaries or the carrying on of the business of the Company or the Subsidiaries; and

(d) the Company and its Subsidiaries are in material compliance with all applicable laws, regulations and policies respecting employment and employment practices, terms and conditions of employment, occupational health and safety, pay equity and wages.

5. Conditions to Purchase Obligation on Closing

5.1 The following are conditions of the Agent's obligations to complete the purchase of the Units by the Company as contemplated hereby on the applicable Closing Dates, which conditions the Company covenants to exercise its commercially reasonable best efforts to have fulfilled on or prior to the Closing Time, which conditions may be waived in writing in whole or in part by the Agent:

(a) the Company will have made and/or obtained the necessary filings, approvals, consents and acceptances to or from, as the case may be, the Securities Commissions and the Exchange required to be made or obtained by the Company in connection with the Offering, on terms which are acceptable to the Company and the Agent, acting reasonably, prior to the applicable Closing Dates, it being understood that the Agent will do all that is reasonably required to assist the Company to fulfill this condition;

(b) the Company shall have delivered to the Agent without charge and in such numbers as the Agent may reasonably request, on the next Business Day (other than in respect of deliveries outside of Canada, or such later time as may be agreed upon by the Company and the Agent) following the issuance of the Final Receipt, in such Canadian cities as the Agent, may reasonably request, commercial copies of the Preliminary Prospectus, the Final Prospectus and any Supplemental Material, if applicable;

(c) the Company shall have delivered to the Agent, without charge and in such numbers as the Agent may reasonably request, on the next Business Day (other than in respect of deliveries outside of Canada, or such later time as may be agreed upon by the Company and the Agent) following the issuance of the Final Receipt, and in such cities as the Agent, may reasonably request, commercial copies of the U.S. Placement Memorandum and any amendments thereto;

(d) the Company shall have complied with Section 4.1.2(d) of this Agreement;

(e) the Offering and listing of the Unit Shares and Warrant Shares (for certainty, including any Additional Unit Shares or Additional Warrant Shares) and the Broker Shares will have been conditionally approved by the Exchange, subject to the usual conditions, and will on the date of their issuance be listed and commence trading on the Exchange;

(f) the Company's board of directors will have authorized and approved this Agreement, the Warrant Indenture, the Broker Warrant Certificates, the sale and issuance of the Offered Securities, the grant of the Over-Allotment Option, the issuance of the Broker Securities and all matters relating to the foregoing;

(g) the Minimum Offering amount shall have been raised by the Agent for acceptance by the Company by no later than 90 days following the date of the Final Receipt, failing which the Offering will be discontinued and all subscription funds received by the Agent in connection with the Offering will be returned to the Purchasers without interest, set-off or deduction;

(h) the Company will deliver a certificate of the Company signed on behalf of the Company, but without personal liability, by the Chief Executive Officer of the Company and the Chief Financial Officer of the Company or such other senior officers of the Company as

may be acceptable to the Agent, acting reasonably, addressed to the Agent and its counsel and dated the applicable Closing Dates, in form and content satisfactory to the Agent, acting reasonably, certifying that:

(i) no order ceasing or suspending trading in any securities of the Company or prohibiting the sale of the Units or any of the Company's issued securities (including the Common Shares) has been issued by any regulatory authority and is continuing in effect and no proceedings for that purpose have been instituted or threatened or, to the knowledge of such officers are pending or contemplated by any regulatory authority;

(ii) there has been no adverse material change (actual, proposed or prospective, whether financial or otherwise) in the business, affairs, operations, assets, liabilities (contingent or otherwise) or capital of the Company and the Subsidiaries on a consolidated basis since the date hereof which has not been generally disclosed;

(iii) no material change relating to the Company and the Subsidiaries on a consolidated basis, except for the Offering, has occurred with respect to which the requisite material change report has not been filed and no such disclosure has been made on a confidential basis;

(iv) the representations and warranties of the Company contained in this Agreement are true and correct in all material respects at the Closing Time, with the same force and effect as if made by the Company as at the Closing Time after giving effect to the transactions contemplated hereby; and

(v) the Company has complied with all the covenants and satisfied all the terms and conditions of this Agreement on its part to be complied with or satisfied, other than conditions which have been waived by the Agent, at or prior to the Closing Time;

(i) the Agent shall have received at the Closing Time certificates dated the applicable Closing Dates, signed by appropriate officers of the Company addressed to the Agent and its counsel, with respect to the articles and by-laws of the Company, all resolutions of the Company's board of directors relating to this Agreement, the Warrant Indenture, the Broker Warrant Certificates and the transactions contemplated hereby, the incumbency and specimen signatures of signing officers and authorized signatories in the form of a certificate of incumbency and such other matters as the Agent may reasonably request;

(j) the Company will have caused its Transfer Agent to deliver a certificate as to the issued and outstanding Common Shares of the Company as at the end of Business Day prior to the applicable Closing Dates;

(k) the Company will deliver certificates of status and/or compliance, where issuable under applicable law, for the Company and the Subsidiaries, each dated within two (2) Business Days (or such earlier or later date as the Agent may accept) of the applicable Closing Dates;

(l) the Company will have caused a favourable legal opinion to be delivered by its legal counsel, Aird & Berlis LLP, addressed to the Agent, in form and substance satisfactory to the Agent acting reasonably, including in respect of those matters identified in

Schedule "A" hereto, subject to the usual and customary assumptions, limitations and qualifications. In giving such opinion, counsel to the Company shall be entitled to rely, to the extent appropriate in the circumstances, upon local counsel or to arrange, to the extent appropriate, for separate opinions of local counsel and shall be entitled as to matters of fact to rely upon a certificate of fact from responsible persons in a position to have knowledge of such facts and their accuracy;

(m) if any Units are being sold in the United States, or to or for the account or benefit of any U.S. Persons or any persons in the United States, pursuant to Schedule "C" to this Agreement, the Company shall have caused a favourable legal opinion to be delivered by United States counsel, in form and substance satisfactory to the Agent, acting reasonably, to the effect that the sale of such Units to such United States purchasers is not required to be registered under the U.S. Securities Act, subject to the usual and customary assumptions, limitations and qualifications, it being understood that no opinion will be expressed as to the subsequent resale of any Offered Securities;

(n) the Company will have caused a favourable legal opinion to be delivered in respect of the Subsidiaries by local counsel addressed to the Agent, in form and substance satisfactory to the Agent, acting reasonably, with respect to the following matters:

(i) the incorporation and existence under the laws of jurisdiction of incorporation;

(ii) as to the authorized capital and holders of the issued and outstanding shares; and

(iii) having all requisite corporate power under the laws of their jurisdiction of incorporation to carry on their business as presently carried on and own their properties, all as described in the Final Prospectus;

(o) the Company will have caused a favourable title opinion to be delivered by local counsel addressed to the Agent, in form and substance satisfactory to the Agent, acting reasonably with respect to title to the Key Properties;

(p) the Company will have caused its auditors to deliver an update of its letter referred to in Section 4.1.2(h) above with such changes thereon as may be necessary to bring the information in such letter forward to within two business days of the applicable Closing Dates, which changes shall be acceptable to the Agent, acting reasonably;

(q) the Agent shall have received from the executive officers and directors of the Company, lock-up agreements to be delivered pursuant to Section 4.1.1(rr) hereof, in favour of the Agent and in a form as agreed upon between the Agent and the Company;

(r) the Agent is satisfied, at their sole discretion, with the results of their due diligence review and investigation completed in connection with the Offering;

(s) the Company will deliver such further certificates and other documentation as may be contemplated in this Agreement or as the Agent or their counsel may reasonably request; and

(t) prior to the Closing Time, any material change (actual, anticipated, contemplated or, to the knowledge of the Company, threatened, whether financial or otherwise) in the business, affairs, operations, assets, liabilities (contingent or otherwise) or capital of the Company shall have been disclosed to the Agent in writing.

6. Closing

6.1 The Offering will be completed at the offices of the Company's counsel, Aird & Berlis LLP, in the city of Toronto, Ontario at 8:00 a.m. (Toronto time) on the applicable Closing Dates or such other place, date or time as may be mutually agreed to between the Company and the Agent, provided that delivery of the Unit Shares, Warrants (including for certainty any Additional Unit Shares and Additional Warrants issued pursuant to the exercise of the Over-Allotment Option) (in electronic or certificated form) and the Broker Warrant Certificates shall be in the city of Toronto, Ontario at the Closing Time, or as otherwise directed by the Agent.

6.2 At each Closing Time, the Company shall deliver to the Agent the (i) Unit Shares and Warrants by way of electronic deposit or as otherwise as directed by the Agent, (ii) the Broker Warrant Certificates, and (iii) the documents set out in Section 5.1, against payment of the aggregate proceeds of the Offering, net of the Agent's Commission, the Agent's Work Fee and the Agent's expenses incurred up to the applicable Closing Dates. Any additional reasonable expenses of the Agent incurred in connection with the Offering to which the Company is responsible pursuant to this Agreement and not included in these expenses retained by the Agent shall be paid by the Company forthwith upon invoices being provided therefor.

6.3 In the event the Over-Allotment Option is exercised in whole or in part, the Additional Units and/or Additional Warrants shall be deemed to form part of the Offering and all provisions relating to the Closing on the applicable Closing Dates shall, at the request of the Agent, acting reasonably, apply on the Over-Allotment Closing Date.

7. Termination of Purchase Obligation

7.1 Without limiting any of the other provisions of this Agreement, the Agent will be entitled, at its sole option, to terminate and cancel, without any liability on its part or on the part of the Purchasers, its obligations (and those of any Purchasers arranged by it) under this Agreement, to purchase the Units, by giving written notice to the Company at any time through to the Closing Time if:

(a) *material change* - there shall be any material change or change in a material fact in the affairs of the Company or its Subsidiaries, or there should be discovered any previously undisclosed material fact which, in the reasonable opinion of the Agent, has or would be expected to have a significant adverse effect on the market price or value of the Units or other securities of the Company (including the Common Shares);

(b) *due diligence out* – the due diligence investigations performed by the Agent and/or their representatives reveals any material information or fact not generally known to the public which might, in the opinion of the Agent, acting reasonably, adversely affect the market price of the securities of the Company, quality of the investment or marketability of the Offering;

(c) *disaster out* - (i) there should develop, occur or come into effect or existence any event, action, state, accident, condition, or major financial occurrence of national or international consequence or any new or change in any law or regulation which in the opinion of the Agent, seriously adversely affects or involves, or will seriously adversely affect or involve, the financial markets or the business, operations or affairs of the Company and its Subsidiaries on a consolidated basis or the market price or value of the Common Shares (including the Units);

(d) *market out* – the state of the financial markets in Canada or elsewhere where it is planned to market the Units is such that, in the reasonable opinion of the Agent, the Units cannot be marketed profitably;

(e) *regulatory out* - any inquiry, action, suit, proceeding or investigation (whether formal or informal) is commenced, announced or threatened in relation to the Company, its Subsidiaries or any one of their officers or directors or principal shareholders or any order is made by any federal, provincial, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality including, without limitation, the Exchange or any securities regulatory authority, or any law or regulation is enacted or changed which in the opinion of the Agent, acting reasonably, operates or threatens to prevent, cease or restrict the trading of the securities of the Company (including the Units), or materially adversely affects or will materially adversely affect the market price or value of the securities of the Company (including the Units);

(f) *breach of this Agreement* – the Agent determines, acting reasonably, that the Company is in breach of any material term, condition or covenant of this Agreement or any material representation or warranty given by the Company in this Agreement is or becomes false and such breach or false representation or warranty remains uncured by the Closing Time.

The occurrence or non-occurrence of any of the foregoing events or circumstances is to be determined in the discretion of the Agent, acting reasonably.

The Agent shall make reasonable best efforts to give written notice to the Company of the occurrence of any of the events referred to in this section; provided that neither the giving nor the failure to give such notice shall in any way affect the Agent's entitlement to exercise this right at any time prior to the Closing Time.

The Agent's rights of termination contained in this section are in addition to any other rights or remedies it may have in respect of any default, act or failure to act or noncompliance by the Company in respect of any of the matters contemplated by this Agreement.

7.2 If the obligations of the Agent are terminated under this Agreement pursuant to the termination rights provided for in Section 7.1, the Company's liabilities to such Agent shall be limited to the Company's obligations under the indemnity, contribution and expense provisions of this Agreement.

8. Indemnity

8.1 The Company and its Subsidiaries or affiliated companies, as the case may be, hereby covenant and agree to indemnify and save harmless each of the Agent, their respective affiliates (including its U.S. Placement Agent) and each of their respective directors, officers, partners, principals, employees, agents and shareholders (each referred to herein as an "**Indemnified Party**" and collectively the "**Indemnified Parties**"), from and against all losses or damages (other than loss of profits), claims, liabilities, costs or expenses, whether joint or several (including the aggregate amount paid in reasonable settlement of any actions, suits, proceedings or claims), and the reasonable fees and expenses of counsel to the Indemnified Parties that may be incurred in advising with respect to or defending any claim that may be made against the Indemnified Parties, or to which the Indemnified Parties may become subject or otherwise involved in any capacity under any statute or common law or otherwise, insofar as such losses, damages, claims, liabilities, costs, expenses or actions arise out of or are based, directly or indirectly, upon the performance of professional services

rendered to the Company by the Indemnified Parties or otherwise in connection with the Offering including the Israeli Prospectus.

8.2 The indemnity provided for in Section 8.1 shall not apply to an Indemnified Party if and to the extent that a court of competent jurisdiction in a final judgment that has become non-appealable shall determine that:

(a) such Indemnified Party has been grossly negligent or has committed any fraudulent act in the course of its performance under this Agreement; and

(b) the losses, damages, claims, liabilities, costs or expenses as to which indemnification is claimed, were directly caused by the gross negligence or fraud referred to in Section 8.2(a).

If any action or claim shall be asserted against an Indemnified Party in respect of which indemnity may be sought from the Company pursuant to the provisions of Section 8.1 or if any potential claim contemplated hereby shall come to the knowledge of an Indemnified Party, the Indemnified Party shall promptly notify the Company in writing; but the omission to notify the Company will not relieve the Company from any liability it may otherwise have to the Indemnified Party pursuant to Section 8.1 except to the extent the Company is materially prejudiced by such failure to notify. The Company shall be entitled but not obligated to participate in or assume the defence thereof; provided, however, that the defence shall be through one legal counsel acceptable to the Indemnified Party, acting reasonably. Once such defence is assumed by the Company, the Company throughout the course thereof will provide copies of all relevant documentation to the Indemnified Party, will keep the Indemnified Party advised of the progress thereof and will discuss with the Indemnified Party all significant actions proposed.

In addition, the Indemnified Party shall also have the right to employ separate counsel in any such action and participate in the defence thereof but the fees and expenses of such counsel will be at the expense of the Indemnified Party unless:

(a) employment of such counsel has been authorized in writing by the Company;

(b) the Company has not assumed the defence of the action and employed counsel therefor within a reasonable period of time after receiving notice of the claim; or

(c) the named parties to any such claim include both the Company and the Indemnified Party and the Indemnified Party shall have been advised by counsel to the Indemnified Party that representation of both parties by the same counsel would be inappropriate for any reason, including without limitation because there may be legal defences available to the Indemnified Party which are different from or in addition to those available to the Company or that there may be a conflict of interest between the Company and the Indemnified Party (in which event and to that extent, the Company shall not have the right to assume or direct the defence on the Indemnified Party's behalf);

in which case such fees and expenses of such counsel to the Indemnified Party will be for the Company's account, provided that the Company shall not be required to assume the fees and expenses of more than one counsel in a single jurisdiction for all of the Indemnified Parties.

The Company also agrees that if any Claim shall be brought against, or an investigation commenced in respect of, the Company or the Indemnified Parties, and personnel of the Indemnified Parties shall be required to testify, participate or respond in connection therewith, the Indemnified Parties shall have the right to employ their own counsel and the Company will reimburse the Indemnified Parties monthly for the time spent by its personnel in connection therewith at their normal per diem rates

together with such disbursements and reasonable out-of-pocket expenses as may be incurred, including the reasonable fees and disbursements of no more than one counsel retained by the Indemnified Parties.

Neither the Company nor any Indemnified Party shall effect any settlement of any such action or claim or make any admission of liability without the written consent of the other party, such consent to be promptly considered and not to be unreasonably withheld. The indemnity hereby provided for shall remain in full force and effect and shall not be limited to or affected by any other indemnity in respect of any matters specified herein obtained by the Indemnified Party from any other person.

8.3 To the extent that any Indemnified Party is not a party to this Agreement, the Agent shall obtain and hold the right and benefit of the indemnity provisions of Section 8.1 in trust for and on behalf of such Indemnified Party.

9. Contribution

9.1 In order to provide for a just and equitable contribution in circumstances in which the indemnity provided in Section 8 would otherwise be available in accordance with its terms but is, for any reason, held to be unavailable to or unenforceable by the Agent, the Agent and the Company shall contribute to the aggregate of all losses, claims, costs, damages, expenses or liabilities (including any legal or other expenses reasonably incurred by an Indemnified Party in connection with investigating or defending any action or claim which is the subject of this section but excluding loss of profits or consequential damages) of the nature provided for above in such proportion as is appropriate to reflect not only the relative benefits received by the Company and the Agent but the relative fault of the Company and the Agent in connection with the matters that resulted in such losses and any other equitable considerations or, if such allocation is not permitted by applicable law, in such proportion so that the Agent will be responsible for that portion represented by the percentage that the portion of the Agent's Commission payable by the Company to the Agent bears to the gross proceeds realized from the sale of the Units, and the Company will be responsible for the balance. In the event that the Company may be held to be entitled to contribution from any Agent under the provisions of any statute or law, the Company shall be limited to contribution in an amount not exceeding the lesser of: (i) the portion of the full amount of losses, claims, costs, damages, expenses and liabilities, giving rise to such contribution for which such Agent is responsible, as determined above; and (ii) the amount of the Agent's Commission actually received by such Agent. Notwithstanding the foregoing, a party guilty of fraudulent misrepresentation or non-compliance with applicable laws shall not be entitled to contribution from the other party.

9.2 Any party entitled to contribution will, promptly after receiving notice of commencement of any claim, action, suit or proceeding against such party in respect of which a claim for contribution may be made against the other party under this section, notify such party from whom contribution may be sought. In no case shall such party from whom contribution may be sought be liable under this Agreement unless such notice has been provided, but the omission to so notify such party shall not relieve the party from whom contribution may be sought from any other obligation it may have otherwise than under this section, except to the extent such party is materially prejudiced by the failure to receive such notice. The right to contribution provided in this section shall be in addition to, and not in derogation of, any other right to contribution which the Agent or the Company may have by statute or otherwise by law.

9.3 The right of the Company to assume the defence of any claim, action, suit or proceeding shall apply as set forth in Section 8.2 hereof, *mutatis mutandis*.

9.4 The Company hereby waives its right to recover contribution from the Agent or any other Indemnified Party with respect to any liability of the Company solely by reason of or arising out of any misrepresentation contained in any of the Offering Documents or the Company's Information

Record, other than a misrepresentation made in reliance upon information furnished to the Company by or on behalf of the Agent specifically for use therein or relating solely to the Agent.

10. Expenses

10.1 The Company will, on the applicable Closing Dates, pay all expenses and fees in connection with the Offering, including, without limitation: (i) all expenses of or incidental to the issue, sale or distribution of the Units (including for certainty any Additional Units and/or Additional Warrants issued upon exercise of the Over-Allotment Option) and the filing of the Preliminary Prospectus, the Final Prospectus and any Supplementary Material; (ii) the fees and expense of the Company's legal counsel; (iii) all costs incurred in connection with the preparation of documentation relating to the Offering; and (iv) the reasonable fees and expenses of the Agent's legal counsel. All fees and expenses incurred by the Agent or on its behalf shall be payable by the Company immediately upon receiving an invoice therefor from the Agent and shall be payable whether or not the Offering is completed. At the option of the Agent, such fees and expenses may be deducted from the gross proceeds otherwise payable to the Company on the applicable Closing Dates.

11. Survival of Warranties, Representations, Covenants and Agreements

11.1 All warranties, representations, covenants and agreements of the Company herein contained or contained in documents delivered or required to be delivered pursuant to this Agreement shall survive the sale by the Company of the Units and shall continue in full force and effect for the benefit of the Agent regardless of the Closing and regardless of any investigation which may be carried on by the Agent or on its behalf until the Survival Limitation Date. For greater certainty, and without limiting the generality of the foregoing, the provisions contained in this Agreement in any way related to the indemnification of the Agent by the Company or the contribution obligations of the Agent or those of the Company shall survive and continue in full force and effect, for the applicable limitation period prescribed by law, provided that this shall not effect the Survival Limitation Date of the warranties, representations and covenants of the Company set forth herein.

12. General Contract Provisions

12.1 Any notice or other communication to be given hereunder shall be in writing and shall be given by delivery or by facsimile, as follows:

if to the Company:

Adira Energy Ltd.
120 Adelaide Street West
Suite 1204
Toronto, Ontario M4V 3A1
Attention: Jeffrey E. Walter, Chief Executive Officer
Facsimile Number: (416) 361-6455

with a copy to:

Aird & Berlis LLP
Brookfield Place
181 Bay Street, Suite 1800
Toronto, Ontario
M5J 2T9

Attention: Daniel Bloch

Facsimile: (416) 863-1515

or if to the Agent:

M Partners Inc.
100 Wellington Street West
Suite 2201
Toronto, Ontario M5K 1K2

Attention: Tom Kofman
Facsimile Number: (416) 603-7381

with a copy to (not to constitute notice to the Agent):

Cassels Brock & Blackwell LLP
2100 Scotia Plaza
40 King Street West
Toronto, Ontario
M5H 3C2

Attention: Andrea FitzGerald
Facsimile Number: (416) 640-3194

and if so given, shall be deemed to have been given and received upon receipt by the addressee or a responsible officer of the addressee if delivered, or four hours after being faxed and receipt confirmed during normal business hours, as the case may be. Any party may, at any time, give notice in writing to the others in the manner provided for above of any change of address or facsimile number.

12.2 This Agreement and the other documents herein referred to constitute the entire Agreement between the Agent and the Company relating to the subject matter hereof and supersedes all prior Agreements between the Agent and the Company with respect to their respective rights and obligations in respect of the Offering, including the Engagement Letter.

12.3 The invalidity or unenforceability of any particular provision of this Agreement shall not affect or limit the validity or enforceability of the remaining provisions of this Agreement.

12.4 The terms and provisions of this Agreement shall be binding upon and enure to the benefit of the Company and the Agent and its respective executors, heirs, successors and permitted assigns; provided that, except as provided herein, this Agreement shall not be assignable by any party without the written consent of the others.

12.5 Each of the parties hereto shall do or cause to be done all such acts and things and shall execute or cause to be executed all such documents, agreements and other instruments as may reasonably be necessary or desirable for the purpose of carrying out the provisions and intent of this Agreement.

12.6 Time shall be of the essence for all provisions of this Agreement.

12.7 This Agreement may be executed by electronic means and in one or more counterparts which, together, shall constitute an original copy hereof as of the date first noted above.

If this Agreement accurately reflects the terms of the transaction which we are to enter into and if such terms are agreed to by the Company, please communicate your acceptance by executing where indicated below.

Yours very truly,

M PARTNERS INC.

Per: *"Thomas Kofman"*
Authorized Signatory

The foregoing accurately reflects the terms of the transaction which we are to enter into and such terms are agreed to with effect as of the date provided at the top of the first page of this Agreement.

ADIRA ENERGY LTD.

Per: *"Gadi Levin"*
Authorized Signatory

SCHEDULE "A"

OPINION OF THE COMPANY'S LEGAL COUNSEL

This is Schedule "A" to the Agency Agreement dated as of January 16, 2013 between Adira Energy Ltd. and M Partners Inc.

As used in this Schedule "A", capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Agency Agreement to which this Schedule is annexed.

The opinion of the Company's counsel shall be in respect of the following matters:

(i) as to the incorporation and subsistence of the Company and Adira Energy Holdings Corp. ("**Adira Energy**") under the laws of its jurisdiction and as to the Company having all requisite corporate power and authority to carry on its business as now conducted and to own, lease and operate its property and assets;

(ii) the Company is a "reporting issuer", or its equivalent, in each of the Qualifying Provinces where such concept exists and it is not listed as in default of any requirement of the Applicable Securities Laws in any of the Qualifying Provinces;

(iii) as to the authorized and issued and outstanding capital of the Company;

(iv) as to the authorized and issued and outstanding capital of Adira Energy and the holder of the issued and outstanding shares;

(v) the Company has all necessary corporate power and authority to execute and deliver this Agreement, the Warrant Indenture and the Broker Warrant Certificates and to perform its obligations hereunder and thereunder and to issue and sell the Offered Securities, grant the Over-Allotment Option and issue the Broker Securities;

(vi) all necessary corporate action has been taken by the Company to authorize the execution and delivery of this Agreement, the Warrant Indenture and the Broker Warrant Certificates and the performance of its obligations hereunder and thereunder and this Agreement, the Warrant Indenture and the Broker Warrant Certificates have been duly executed and delivered by the Company and constitute legal, valid and binding obligation of the Company enforceable against it in accordance with their respective terms;

(vii) the execution and delivery of this Agreement, the Warrant Indenture and the Broker Warrant Certificates and the fulfilment of the terms hereof and thereof by the Company and the issuance and delivery of the Offered Securities, the grant of the Over-Allotment Option and the issue of the Broker Securities do not and will not result in a breach of or default under, and do not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or default under, and do not and will not conflict with any of the terms, conditions or provisions of the articles and by-laws of the Company, the *Canada Business Corporations Act* or Applicable Securities Laws;

(viii) all necessary corporate action has been taken by the Company to authorize the execution and delivery of each of the Preliminary Prospectus and the Final Prospectus (and any Supplementary Material, if applicable) and the filing thereof with the Securities Commissions;

(ix) the rights, privileges, restrictions and conditions attaching to the Offered Securities, the Over-Allotment Option and the Broker Securities are accurately summarized in all material respects in the Prospectus;

(x) the Unit Shares have been validly issued as fully paid and non-assessable Common Shares;

(xi) the Additional Unit Shares when issued and paid for upon exercise of the Over-Allotment Option, will be validly issued as fully paid and non-assessable Common Shares;

(xii) the Warrants have been duly and validly created and issued and the Warrant Shares have been reserved and authorized and allotted for issuance and upon the payment therefor and the issue thereof upon exercise of the Warrants, the Warrant Shares will have been validly issued as fully paid and non-assessable Common Shares;

(xiii) the Additional Warrants when issued and paid for upon exercise of the Over-Allotment Option, will be validly created and issued and the Additional Warrant Shares have been reserved and authorized and allotted for issuance and upon the payment therefor and the issue thereof upon exercise of the Additional Warrants, the Additional Warrant Shares will have been validly issued as fully paid and non-assessable Common Shares;

(xiv) the Broker Warrants have been duly and validly created and issued, the Broker Shares have been reserved, authorized and allotted for issuance, and upon the due and proper exercise of the Broker Warrants in accordance with the terms of the Broker Warrant Certificates, including payment therefor, the Broker Shares will have been validly issued as fully paid and non-assessable Common Shares;

(xv) all necessary documents have been filed, all requisite proceedings have been taken and all approvals, permits and consents of the appropriate regulatory authority in each of the Qualifying Provinces have been obtained by the Company to qualify the distribution or distribution to the public of the Offered Securities in each of the Selling Jurisdictions, through persons who are registered under Applicable Securities Laws and who have complied with the relevant provisions of such applicable legislation and to qualify the grant of the Over-Allotment Option and the issue of the Broker Warrants to the Agent;

(xvi) the issuance by the Company of the Warrant Shares and the Broker Shares upon due exercise of the Warrants and the Broker Warrants, respectively, is exempt from, or is not subject to, the prospectus and registration requirements of the Applicable Securities Laws and no prospectus or other documents are required to be filed, proceedings taken, or approvals, permits, consents or authorizations obtained under Applicable Securities Laws in connection therewith;

(xvii) the first trade in, or resale of the Warrant Shares and the Broker Shares is exempt from, or is not subject to, the prospectus requirements of the Applicable Securities Laws and no prospectus or other documents are required to be filed, proceedings taken, or approvals, permits, consents or authorizations obtained under Applicable Securities Laws in connection therewith, provided that the trade is not a "control distribution" (as defined in National Instrument 45-102 – Resale of Securities) and the Company is a reporting issuer at the time of the trade;

(xviii) subject only to the standard listing conditions, the Unit Shares and Warrant Shares (including for certainty any Additional Unit Shares and Additional Warrant Shares issued upon exercise of the Over-Allotment Option) and the Broker Shares have been conditionally listed on the Exchange;

(xix) Computershare Investor Services Inc. has been duly appointed as transfer agent and registrar for the Common Shares of the Company;

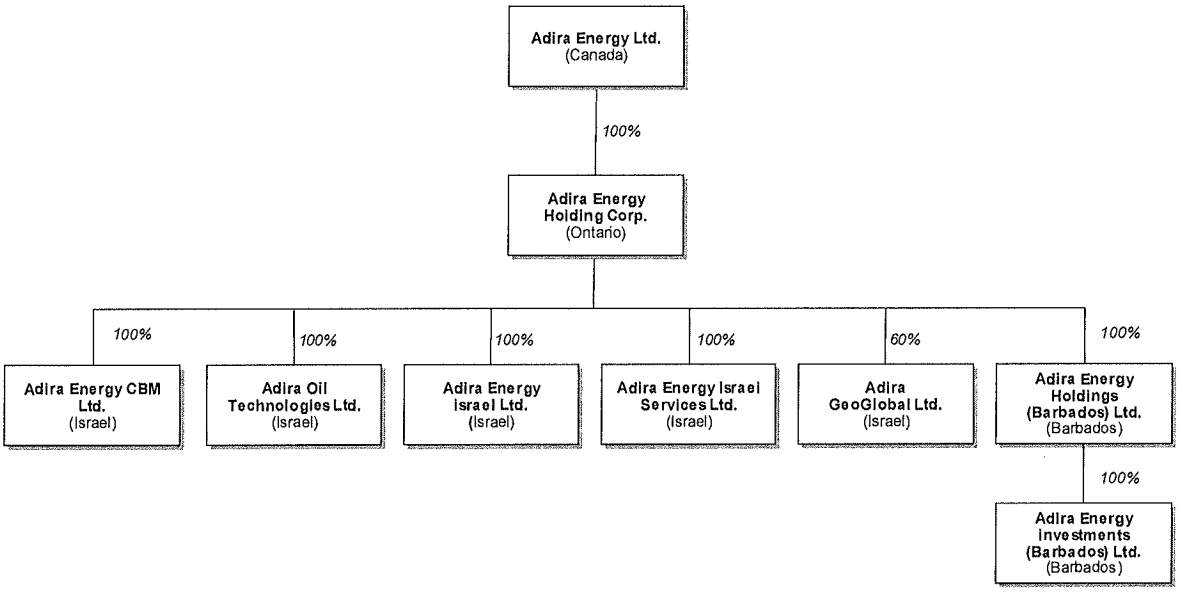
(xx) Computershare Trust Company of Canada has been duly appointed as the warrant agent for the Warrants; and

(xxi) the statements set forth in the Final Prospectus under the headings (for certainty, including all subheadings under such headings) "Foreign Corporate Structure – Shareholder Rights", "Eligibility For Investment" and "Canadian Federal Income Tax Considerations" insofar as they purport to describe the provisions of the laws referred to therein, are fair and adequate summaries of the matters discussed therein, subject to the qualifications, assumptions and limitations set out under such headings.

SCHEDULE "B"

SUBSIDIARIES

This is Schedule "B" to the Agency Agreement dated as of January 16, 2013 between Adira Energy Ltd. and M Partners Inc.



SCHEDULE "C"

TERMS FOR OFFERING TO U.S. PURCHASERS

This is Schedule "C" to the Agency Agreement dated as of January 16, 2013 between Adira Energy Ltd. and M Partners Inc.

As used in this Schedule "C", capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Agency Agreement to which this Schedule is annexed and the following terms shall have the meanings indicated:

(a) "**Accredited Investor**" means an "accredited investor" as that term is defined in Rule 501(a) of Regulation D;

(b) "**Directed Selling Efforts**" means "directed selling efforts" as that term is defined in Regulation S. Without limiting the foregoing, but for greater clarity in this Schedule, it means, subject to the exclusions from the definition of directed selling efforts contained in Regulation S, any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the Units and includes the placement of any advertisement in a publication with a general circulation in the United States that refers to the Offering;

(c) "**FINRA**" means the Financial Industry Regulatory Authority, Inc.;

(d) "**Foreign Issuer**" shall have the meaning ascribed thereto in Regulation S. Without limiting the foregoing, but for greater clarity, it means any issuer which is (a) the government of any country other than the United States, of any political subdivision thereof or a national of any country other than the United States; or (b) a corporation or other organization incorporated under the laws of any country other than the United States, except an issuer meeting the following conditions as of the last business day of the most recently completed second quarter: (1) more than 50 percent of the outstanding voting securities of such issuer are owned of record either directly or indirectly by residents of the United States; and (2) any of the following: (i) the majority of the executive officers or directors are United States citizens or residents, (ii) more than 50 percent of the assets of the issuer are located in the United States, or (iii) the business of the issuer is administered principally in the United States;

(e) "**General Solicitation**" and "**General Advertising**" means "general solicitation" and "general advertising", respectively, as used in Rule 502(c) of Regulation D, including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media, or on the internet, or broadcast over radio or television, or the internet, or any seminar or meeting whose attendees had been invited by general solicitation or general advertising;

(f) "**Regulation D**" means Regulation D adopted by the SEC under the U.S. Securities Act;

(g) "**Regulation S**" means Regulation S adopted by the SEC under the U.S. Securities Act;

(h) "**SEC**" means the United States Securities and Exchange Commission;

(i) "**Substantial U.S. Market Interest**" means "substantial U.S. market interest" as that term is defined in Regulation S;

(j) "**United States**" means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;

(k) "**U.S. Exchange Act**" means the United States Securities Exchange Act of 1934, as amended;

(l) "**U.S. Person**" means "U.S. person" as defined in Rule 902(k) of Regulation S;

(m) "**U.S. Placement Agent**" means the Agent's U.S. Placement Agent registered with the SEC and applicable state securities commissions or regulatory authorities, and in good standing with FINRA, through which the Agent offers the Units in the United States, and to or for the account or benefit of U.S. Persons or persons in the United States; and

(n) "**U.S. Securities Act**" means the United States Securities Act of 1933, as amended.

Representations, Warranties and Covenants of the Agent

The Agent acknowledges that the Offered Securities have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws and may be offered and sold only in transactions exempt from or not subject to the registration requirements of the U.S. Securities Act and U.S. state securities laws. Accordingly, the Agent represents, warrants and covenants to the Company that:

1. It has not offered and sold, and will not offer and sell, any Units as a part of the distribution except (a) in offshore transactions in accordance with Rule 903 of Regulation S or (b) in the United States, or to or for the account or benefit of any U.S. Person or any person in the United States, as provided in paragraphs 2 through 13 below. Accordingly, except as permitted in paragraphs 2 through 13 below, neither the Agent nor any of its affiliates nor any person acting on its or their behalf, has engaged or will engage in: (i) any offer to sell or any solicitation of an offer to buy, any Units in the United States or to, or for the account or benefit of any U.S. Person or any person in the United States, or (ii) any sale of Units to any purchaser unless, at the time the buy order was or will have been originated, the purchaser was outside the United States and was not acting for the account or benefit of any U.S. Person or any person in the United States, or such Agent, affiliate or person acting on behalf of either reasonably believed that such purchaser was outside the United States and was not acting for the account or benefit of any U.S. Person or any person in the United States, or (iii) any Directed Selling Efforts with respect to the Units.

2. It has not entered and will not enter into any contractual arrangement with respect to the distribution of the Units, except with the U.S. Placement Agent, any selling group members or with the prior written consent of the Company. It shall require the U.S. Placement Agent and each selling group member to agree, for the benefit of the Company, to comply with, and shall use its best efforts to ensure that the U.S. Placement Agent and each selling group member complies with, the same provisions of this Schedule as apply to the Agent as if such provisions applied to the U.S. Placement Agent and such selling group member.

3. All offers and sales of Units in the United States, or to or for the account or benefit of any U.S. Person or any person in the United States, have been and will be made through the Agent's U.S. Placement Agent in compliance with all applicable U.S. federal and state securities (including broker-dealer) requirements and in compliance with Rule 15a-6 under the U.S. Exchange Act. On the dates of such offers and sales, the U.S. Placement Agent was and will be duly registered under the U.S. Exchange Act and under all applicable state securities laws and a member of, and in good standing with, FINRA.

4. Offers and sales of Units in the United States, or to or for the account or benefit of any U.S. Person or any person in the United States, have not been and will not be made by any form of General Solicitation or General Advertising or in any manner involving a public offering within the meaning of Section 4(a)(2) of the U.S. Securities Act.

5. Any offers and sales or solicitations of an offer to buy Units in the United States, or to or for the account or benefit of any U.S. Person or any person in the United States, was or will be made on behalf of the Company, pursuant to the provisions of Rule 506 of Regulation D only to persons

who are or are reasonably believed by the Agent or the U.S. Placement Agent to be Accredited Investors and with which the Agent or U.S. Placement Agent has a pre-existing relationship.

6. All purchasers of the Units that are in the United States, or that are acting for the account or benefit of any U.S. Person or any person in the United States, shall be informed that the Offered Securities have not been and will not be registered under the U.S. Securities Act or the securities laws of any state in the United States, and are being offered and sold to such purchasers in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Regulation D thereunder and in reliance on exemptions from the registration requirements of applicable state securities laws.

7. Each offeree of Units that is in the United States, or who is acting for the account or benefit of any U.S. Person or any person in the United States, has been or shall be provided with a copy of the U.S. Placement Memorandum in respect of the Preliminary Prospectus and the Final Prospectus. Each purchaser of Units that is in the United States or who is acting for the account or benefit of any U.S. Person or any person in the United States, will have received prior to the time of purchase of any Units the U.S. Placement Memorandum including the Final Prospectus.

8. Immediately prior to transmitting the U.S. Placement Memorandum, the Agent had reasonable grounds to believe and did believe that each such offeree was an Accredited Investor, as the case may be.

9. Prior to any sale of Units in the United States, or to or for the account or benefit of any U.S. Person or any person in the United States, each purchaser thereof will be required to execute a U.S. Subscription Agreement in the form attached to the U.S. Placement Memorandum.

10. Prior to the applicable Closing Dates (or the Over-Allotment Closing Date, if applicable), it will provide the Company with a list of all purchasers of the Units that are in the United States, or who are acting for the account or benefit of any U.S. Person or any person in the United States, and in each case indicate the state or other jurisdiction in which the Units were offered or sold to such purchaser. Prior to the Closing Time, it will provide the Company with copies of all U.S. Subscription Agreements.

11. On the applicable Closing Dates (or the Over-Allotment Closing Date, if applicable), the Agent together with the U.S. Placement Agent will provide to the Company a certificate in the form of Exhibit A to this Schedule "C" relating to the manner of the offer and sale of the Units in the United States, or to or for the account or benefit of any U.S. Person or any person in the United States, or it will be deemed to have represented and warranted to the Company that it did not offer such securities in the United States or to, or for the account or benefit of any U.S. Person or person in the United States.

12. The Agent acknowledges that, until 40 days after the commencement of the offering of the Offered Securities, an offer or sale of the Offered Securities within the United States, or to or for the account or benefit of a U.S. Person or a person in the United States, by any 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 registration under the U.S. Securities Act.

13. None of the Agent, the U.S. Placement Agent nor any person acting on its or their behalf has engaged or will engage in any violation of Regulation M under the U.S. Exchange Act in connection with its offers or sales of the Offered Securities in the United States.

Representations, Warranties and Covenants of the Company

The Company represents, warrants, covenants and agrees that:

1. The Company is a Foreign Issuer whose common stock is registered under section 12(g) of the U.S. Exchange Act with no Substantial U.S. Market Interest in the Units, and: (a) is not now and as a result of the sale of Units contemplated hereby will not be, an open-end investment company, a unit investment trust or a face-amount certificate company registered or required to be registered or a closed-end investment company required to be registered, but not registered, under the United States Investment Company Act of 1940, as amended; and (b) neither the Company nor any of its predecessors or affiliates has been subject to any order, judgment or decree of any court of competent jurisdiction temporarily, preliminarily or permanently enjoining such person for failure to comply with Rule 503 of Regulation D.

2. Neither the Company, its subsidiaries nor any of its affiliates, nor any person acting on its or their behalf (except the Agent, its affiliates and any persons acting on any of their behalf, in respect of which no representation is made) (i) has made or will make any Directed Selling Efforts with respect to any of the Units, (ii) has engaged in or will engage in any form of Directed Selling Efforts, General Solicitation or General Advertising with respect to offers or sales of the any of the Units in the United States, or to or for the account or benefit of any U.S. Person or any person in the United States, (iii) has made or will make any offer or sale of the Units in the United States except through the Agent as set forth in this Schedule "C" or (iv) has taken or will take any other action that would cause the exemptions or exclusions from registration provide by Regulation S to be unavailable with respect to offers and sales of the Units pursuant to this Schedule "C".

3. The Company has not and will not, during the period beginning six months prior to the start of the offering of Units and ending six months after the completion of the offering of Units sell, offer for sale or solicit any offer to buy any of its securities in the United States in a manner that would be integrated with and would cause the exemption from registration provided by Regulation D to be unavailable with respect to offers and sales of the Units pursuant to this Schedule "C".

4. The Company will, within prescribed time periods, prepare and file any forms or notices required under the U.S. Securities Act or applicable blue sky laws in connection with the offer and sale of the Units.

5. The Company, its subsidiaries, their respective affiliates or any person acting on its or their behalf (except the Agent, its affiliates and any persons acting on any of their behalf, in respect of which no representation is made) have complied and will comply with the requirements for an "offshore transaction", as such term is defined in Regulation S.

6. The Company will notify its transfer agent as soon as practicable upon it becoming a "domestic issuer", as defined in Regulation S.

7. None of the Company, any of its affiliates or any person acting on any of their behalf (other than the Agent, its affiliates, or any person acting on any of their behalf, in respect of which no representation is made) has taken or will take, directly or indirectly, any action in violation of Regulation M under the U.S. Exchange Act in connection with the offer and sale of the Units.

8. For each taxable year, if any, that the Company qualifies as a "passive foreign investment company" as defined in section 1297 of the Internal Revenue Code of 1986, as amended, (the "**Code**") in the case of a shareholder that is a "United States person" (as defined in section 7701(a)(30) of the Code) and that has made an effective "qualified electing fund" election (as defined in section 1295 of the Code) with respect to the Company (a "**QEF Election**"), the Company will provide to such shareholder upon the written request of the shareholder (a) a "PFIC Annual Information Statement" as described in Treasury Regulation section 1.1295-1(g) (or any successor Treasury Regulation), including all representations and statements required by such PFIC Annual Information Statement, and (b) all additional information that such

shareholder is required to obtain in connection with maintaining such QEF Election. With regard to the PFIC Annual Information Statement, as permitted by Treasury Regulation section 1.1293-1(a)(2)(A), the Company will calculate and report the amount of each category of long-term capital gain described in section 1(h) of the Code that was recognized by the Company.

EXHIBIT A
AGENT'S CERTIFICATE

In connection with the private placement in the United States, or to or for the account of any U.S. Person or any person in the United States, of Units of Adira Energy Ltd. (the "**Company**") pursuant to the Agency Agreement dated January 16, 2013 between the Company and the Agent named therein (the "**Agency Agreement**"), each of the undersigned does hereby certify as follows:

(i) **[Name of U.S. Placement Agent]** (the "**U.S. Placement Agent**") is on the date hereof, and was at the time of all offers of Units in the United States or to for the account or benefit of any U.S. Person or any person in the United States, duly registered as a broker-dealer under Section 15(b) of the U.S. Exchange Act, duly registered as a broker-dealer under the laws of each state of the United States where it made any offers of such securities (unless exempted from the respective state's broker-dealer registration requirements), and a member of and in good standing with FINRA;

(ii) all offers and sales of Units in the United States, or to or for the account or benefit of any U.S. Person or any person in the United States, have been effected through the U.S. Placement Agent in accordance with all applicable U.S. federal and state broker dealer requirements and in compliance with Rule 15a-6 under the U.S. Exchange Act;

(iii) we provided each offeree of Units that was in the United States, or that was acting for the account or benefit of any U.S. Person or any person in the United States, a copy of the U.S. Placement Memorandum in respect of the Preliminary Prospectus and the Final Prospectus, and we provided each purchaser of Units that was in the United States, or that was acting for the account or benefit of a person in the United States, prior to the sale of Units to such purchaser, with a copy of the U.S. Placement Memorandum including the Final Prospectus and no other written material was used in connection with the offer and sale of the Units in the United States or to U.S. Persons;

(iv) immediately prior to our transmitting any such materials to an offeree that was in the United States, or that was acting for the account or benefit of any U.S. Person or any person in the United States, we had reasonable grounds to believe and did believe that each such offeree was an Accredited Investor and, on the date hereof, we continue to believe that each such offeree purchasing the Units from the Company pursuant to Regulation D is an Accredited Investor.

(v) no form of general solicitation or general advertising (as those terms are used in Regulation D) was used by us, including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media, or on the internet, or broadcast over radio or television or the internet, or any seminar or meeting whose attendees had been invited by general solicitation or general advertising, in connection with the offer or sale of the Units in the United States, or to or for the account or benefit of any person in the United States;

(vi) prior to any sale of Units by the Company to an Accredited Investor in reliance on Regulation D, we caused each such purchaser to execute a U.S. Subscription Agreement in the form attached to the U.S. Placement Memorandum;

(vii) neither we nor any member of the selling group, nor any of our or their affiliates, have taken or will take any action which would constitute a violation of Regulation M under the U.S. Exchange Act in connection with the offer of the Units; and

(viii) the offering of the Units has been conducted by us in accordance with the terms of the Agency Agreement, including Schedule "C" thereto.

Terms used in this certificate have the meanings given to them in the Agency Agreement including Schedule "C" thereto, unless otherwise defined herein.

DATED this _____ day of _____, 2013.

[NAME OF AGENT]

By: _____

Name:
Title:

[NAME OF U.S. PLACEMENT AGENT]

By: _____

Name:
Title:

13869148.1