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

FORM 20-F

(Mark One)

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

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended September 30, 2010

OR

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

OR

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

COMMISSION FILE NUMBER: 000-30087

ADIRA ENERGY LTD.

(Exact name of Registrant as specified in its charter)

Not applicable

(Translation of Registrant's name into English)

Canada

(Jurisdiction of incorporation or organization)

120 Adelaide Street West, Suite 1204
Toronto, Ontario, Canada, M4V 3A1

(Address of principal executive offices)

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

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

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

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

Common Shares

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

N/A
(Title of Class)

The number of outstanding shares of each of the issuer's classes of capital or common stock as of September 30, 2010 was 62,640,001 common shares.

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

Yes ☐ No ☒

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

Yes ☐ No ☒

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

Yes ☒ No ☐

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

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

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

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

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☒ Item 18 ☐

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

Yes ☐ No ☒

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GENERAL

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

In this Form 20-F, references to:

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

"**Adira Group**" means Adira Energy Ltd (formerly AMG Oil Ltd.) together with its wholly owned subsidiaries Adira Energy Holdings Corp., Adira Energy Israel Ltd., Adira Energy Israel Services Ltd. and Adira Oil Technologies Ltd. and its 60% subsidiary, Adira Geo Global Ltd.

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

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

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

"**We**", "**us**", "**our**", and the "**Company**" means Adira Group

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

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

Except as noted, the information set forth in this Form 20-F is as of September 30, 2010 and all information included in this document should only be considered correct as of such date.

NOTE REGARDING FORWARD LOOKING STATEMENTS

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

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

ITEM 1 - IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable

ITEM 2 - OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable

ITEM 3 - KEY INFORMATION

A. Selected Financial Data

Adira Energy

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

The selected historical information presented in the table below for the year ended September 30, 2010 is derived from the audited consolidated financial statements of Adira for such period. The selected historical financial information presented in the table below for the 175-day period ended September 30, 2009,comprises the operating data of Adira Energy and its subsidiary companies from April 8, 2009 (date of incorporation of Adira Energy) and that of Adira (formerly AMG Oil Ltd) from September 1, 2009. The selected historical information for each of the fiscal years ended September 30, 2008, 2007 and 2006 is derived from the audited consolidated financial statements of Adira (formerly AMG Oil Ltd) for those periods. The audited financial statements of Adira (formerly AMG Oil Ltd) for the fiscal years ended September 30, 2008, 2007 and 2006 are included in its annual report on Form 20-F for the year ended September 30, 2008. The selected financial information presented below should be read in conjunction with the audited consolidated financial statements and the notes thereto of Adira Group, and with the information appearing under the headings, "Information on the Company" and "Operating and Financial Review and Prospects".

Under Canadian GAAP (in US$)

	As at September 30				
	2010 $	2009 $	2008 $	2007 $	2006 $
Balance Sheet Data					
Cash and Cash Equivalents	357,560	2,354,628	1,104,364	1,318,132	1,348,282
Working Capital	800,999	2,250,066	1,062,473	1,307,442	1,332,922
Total Assets	1,786,898	2,756,305	1,104,471	1,318,282	1,348,282
Total Liabilities	568,912	126,977	41,998	10,690	15,360
Total Shareholders' Equity	1,217,986	2,629,328	1,062,473	1,307,592	1,332,922

	Year ended September, 30	175-Day Period Ended September, 30	As at September 30		
	2010 $	2009 $	2008 $	2007 $	2006 $
Operating Data					
Revenues	912,597	-	-	-	-

	Year ended September, 30	175-Day Period Ended September, 30	As at September 30		
	2010 $	2009 $	2008 $	2007 $	2006 $
Expenses	2,939,868	(1,383,335)	(322,720)	(90,640)	(68,046)
Other Items	(5,822)	14,708	-	-	-
Net Loss from Continuing Operations	(2,033,093)	(1,368,627)	(282,659)	(25,330)	(36,173)
Net and Comprehensive Loss	(2,033,093)	(1,368,627)	(282,659)	(25,330)	(36,173)
Basic Loss per Share					
- From Continuing Operations	(0.05)	(0.05)	(0.01)	(0.00)	(0.00)
- From Discontinued Operations	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

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

Exchange Rate

The exchange rate between the Canadian dollar and the U.S. dollar was CDN$0.9970 per US$1.00 (or US$1.003 per CDN$1.00) as of February 2, 2011.

The average exchange rates for the financial years listed above (based on the average exchange rate for each period using the average of the exchange rates on the last day of each month during the period in accordance with the exchange rates provided by the Bank of Canada, are as follows:

	2010	2009	2008	2007	2006
Year End	1.029	1.0722	1.2180	0.9913	1.1654
Average	1.0331	1.1788	1.0660	1.0748	1.1341
High	1.0848	1.3000	1.3008	1.1878	1.1794
Low	0.9931	1.0338	0.9711	0.9066	1.0948

The high and low exchange rates between the Canadian dollar and the U.S. dollar for the past six months (provided by the Bank of Canada) are as follows:

Month	Exchange rate CDN$ per US$1.00	
	High	Low
January 2011	1.0131	0.9993
December 2010	1.0216	0.9931
November 2010	1.0286	0.998
October 2010	1.0374	0.9986
September 2010	1.0604	1.0126
August 2010	1.0674	1.0108

B. Capitalization and Indebtedness

Not Applicable

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

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

Risks Associated with the Company

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

Adira incurred a net loss of $2,033,093 for the period ended September 30, 2010. At September 30, 2010, Adira had an accumulated deficit of $3,401,720. These circumstances raise doubt about our ability to continue as a going concern, as described in the Note 1 to our consolidated financial statements for the period ended September 30, 2010, which are included herein. Although our consolidated financial statements refer to circumstances which might raise doubt about our ability to continue as a going concern, they do not reflect any adjustments that might result if we are unable to continue our business.

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

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

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

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

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

Our Company has had negative cash flows from operations. Since inception, we have not earned any significant revenues from operations, and due to the length of time between the discovery of oil and gas reserves and their

exploitation and development, we do not anticipate earning significant revenues from operation in the near future. We have incurred and will continue to incur significant expenses. As at September 30, 2010, we had cash and equivalents on hand of $ 357,560. We have sufficient funds to complete preliminary exploration on our Hula property in Israel, as outlined in the plan of operations described herein as well as to commence preliminary exploration on all of our offshore licenses. However, we anticipate that we will have to seek additional financing to fund the advanced exploration on our assets, if warranted. Further, we cannot assure you that our actual cash requirements will not exceed our estimates, and in any case we will require additional financing to bring our interests into commercial operation, finance working capital, meet our contractual minimum expenditures and pay for operating expenses and capital requirements until we achieve a positive cash flow. Additional capital also may be required in the event we incur any significant unanticipated expenses.

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

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

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

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

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

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

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

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

As a holding company, our ability to make payments depends on the cash flows of our subsidiaries and our ability to raise financing

We are a holding company and conduct substantially all of our operations through subsidiaries incorporated outside North America. We have no direct operations and no significant assets other than the shares of our subsidiaries.

Therefore, we are dependent on the cash flows of such subsidiaries to meet our obligations, including payment of principal and interest on any debt we incur. The ability of our subsidiaries to provide us with payments may be constrained by the following factors:

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

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

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

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

We may be adversely affected by current global financial conditions.

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

Currency fluctuations could have an adverse effect on our business.

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

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

Conditions in Israel may affect our operations.

Our subsidiaries conduct their principal operations in Israel, and therefore are directly affected by the political, economic, and military conditions affecting Israel and the Middle East. Armed conflicts between Israel and its neighboring countries and territories occur periodically and a protracted state of hostility, varying in degree and

intensity over time, has in the past led to security and economic difficulties for Israel. These hostilities, any escalation thereof or any future armed conflict or violence in the region, could adversely affect our subsidiaries' operations. In addition, we could be adversely affected by other events or factors affecting Israel such as the interruption or curtailment of trade between Israel and its present trading partners, a significant downturn in the economic or financial condition of Israel, a significant downgrading of Israel's international credit rating, labor disputes and strike actions and political instability.

Certain of the Company's Exploration Areas are subject to Contractual Agreements with Land Lessors.

Certain of the areas on which the Company conducts exploration, such as the Kibbutz Neot Mordechai portion of the Eitan License area, are subject to contractual agreements with landowners. These agreements are subject to governmental approval (See Risk Factor on ability to maintain necessary licenses) and certain terms and conditions imposed by the lessor. In the event that a discovery of oil and gas is made, the owner has the ability to negotiate terms further which could increase costs to the Company and could prevent viable extraction.

Our financial reporting may be subject to weaknesses in internal controls.

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation. As an early-stage company, our internal controls may be less formal and easier to bypass than those of more established corporations.

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

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

Risks Associated with Our Business

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

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

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

It is possible that we might incur debt in order to fund its exploration and development activities, which would continue to reduce our financial flexibility and could have a material adverse effect on our business, operations and results of operations and financial condition. General economic conditions, oil and gas prices and financial, business and other factors affect our operations and future performance. Many of these factors are beyond our control. No assurances can be made that we will be able to generate sufficient cash flow to pay the interest on its debt or that future working capital, borrowings or equity financing will be available to pay or refinance such debt. Factors that

will affect its ability to raise cash through an offering of Common Shares or other types of equity securities, or a refinancing of debt include financial market conditions, the value of its assets and performance at the time we need capital. No assurances can be made that we will have sufficient funds to make such payments. If we do not have sufficient funds and are otherwise unable to negotiate renewals of our borrowings or arrange new financing, we might be required to sell significant assets. Any such sale could have a material adverse effect on our business, financial condition and results of operations.

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

Our interests and operations in Israel may be affected in varying degrees by government regulations relating to the oil and gas industry. Any changes in regulations or shifts in political conditions are beyond the control of the Company may adversely affect our business. Our operations may be affected in varying degrees by new government regulations and changes to existing regulations, including those with respect to restrictions on exploration and production, price controls, export controls, income taxes, employment, land use, water use, environmental legislation and safety regulations. The recent recommendations of the Sheshinski Committee, a government appointed committee in Israel were published on how to tax oil and gas exploitation in Israel. They include increasing the aggregate government take from future oil and gas revenues from approximately 30% today to between 50%-63% including royalties which will remain unchanged at 12.5%. If these recommendations are ultimately adopted by the Israeli Knesset, it could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

Our future success will depend on the success of our exploration and drilling programs. In addition to the numerous operating risks described in more detail below, these activities involve the risk that no commercially productive oil or natural gas reservoirs will be discovered. In addition, we are uncertain as to the future cost or timing of drilling, completing and producing wells. Furthermore, our drilling operations may be curtailed, delayed or canceled as a result of a variety of factors, including, but not limited to, the following:

- unexpected drilling conditions;
- pressure or irregularities in formations;
- equipment failures or accidents;
- adverse weather conditions;
- inability to comply with governmental requirements; and
- shortages or delays in the availability of drilling rigs and the delivery of equipment.

If we experience any of these problems, our ability to conduct operations could be adversely affected.

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

Although we believe we have reviewed and evaluated our properties in Israel in a manner consistent with industry practices, such review and evaluation might not necessarily reveal all existing or potential problems. This is also true for any future acquisitions made by us. Inspections may not always be performed on every well, and environmental problems, such as groundwater contamination, are not necessarily observable even when an

inspection is undertaken. Even when problems are identified, a seller may be unwilling or unable to provide effective contractual protection against all or part of those problems, and we often assume environmental and other risks and liabilities in connection with the acquired properties.

You should not place undue reliance on reserve information because reserve information represents estimates, and our seismic surveying is still in the preliminary stages.

There are numerous uncertainties inherent in estimating quantities of proved reserves and cash flows from such reserves, including factors beyond our control and the control of engineers. Reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact manner. The accuracy of an estimate of quantities of reserves, or of cash flows attributable to these reserves, is a function of many factors, including, but not limited to, the following:

- available data;
- assumptions regarding future oil and natural gas prices;
- estimates of future production rates;
- expenditures for future development and exploitation activities; and
- engineering and geological interpretation and judgment.

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

The nature of oil and gas exploration makes the estimates of costs uncertain, and our operations may be adversely affected if we underestimate such costs.

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

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

Our ability to market oil and natural gas from our wells depends upon numerous factors beyond our control. These factors include, but are not limited to, the following:

- the level of domestic production and imports of oil and gas;
- the volatility of both oil and natural gas pricing;
- the proximity of natural gas production to natural gas facilities, pipelines and other means of transportation;
- the availability of pipeline capacity or other means of transportation;
- the demand for oil and natural gas by utilities and other end users;
- the availability of alternate fuel sources;
- the effect of inclement weather; and
- government regulation of oil and natural gas marketing.

If these factors were to change dramatically, our ability to market oil and natural gas or obtain favorable prices for our oil and natural gas could be adversely affected.

Prices and markets for oil are unpredictable and tend to fluctuate significantly, which could reduce profitability, growth and the value of our business if we or our venture ever begin exploitation of reserves.

Our future financial condition, results of operations and the carrying value of our oil and natural gas properties depend primarily upon the prices we receive for our oil and natural gas production, if any. Oil and natural gas prices historically have been volatile and likely will continue to be volatile in the future, especially given current world

economic conditions. Significant changes in long-term price outlooks for crude oil could by the time that we start exploiting oil and gas reserves, if we ever discover and exploit such reserves, could have a material adverse effect on revenues as well as the value of licenses or other assets.

Our future cash flow from operations, if any, will be highly dependent on the prices that we receive for oil and natural gas. This price volatility also affects the amount of our cash flow available for capital expenditures and our ability to borrow money or raise additional capital. The prices for oil and natural gas are subject to a variety of additional factors that are beyond our control. These factors include:

- the level of consumer demand for oil and natural gas;
- the domestic and foreign supply of oil and natural gas;
- the ability of the members of the Organization of Petroleum Exporting Countries to agree to and maintain oil price and production controls;
- the price of foreign oil and natural gas;
- the price and availability of alternative fuel sources;
- governmental regulations;
- weather conditions;
- market uncertainty;
- political conditions in oil and natural gas producing regions, including Israel and the Middle East;
- war, or the threat of war, in oil producing regions; and
- worldwide economic conditions.

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

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

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

Our inability to obtain necessary facilities could hamper our operations.

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

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

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

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

We operate in the highly competitive areas of oil and natural gas exploration, development and production. Factors which affect our ability to successfully compete in the marketplace include, but are not limited to, the following:

- the availability of funds and information relating to a property;
- the standards established by us for the minimum projected return on investment;
- the availability of alternate fuel sources; and
- the intermediate transportation of gas.

Our competitors include major integrated oil companies, substantial independent energy companies, affiliates of major interstate and intrastate pipelines, and national and local natural gas gatherers. Many of these competitors possess greater financial and other resources than we do.

Operating hazards may adversely affect our ability to conduct business.

Our future operations, if any, will be subject to risks inherent in the oil and natural gas industry, including, but not limited to, the following:

- blowouts;
- cratering;
- explosions;
- uncontrollable flows of oil, natural gas or well fluids;
- fires;
- pollution; and
- other environmental risks.

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

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

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

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

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

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

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

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

Our operations require licenses, permits and in some cases renewals of licenses and permits from various governmental authorities. Specifically, the licenses awarded to us by the Government of Israel have terms of three years and must be renewed in order to extend the license beyond this initial term. Among other factors, our ability to obtain, sustain or renew such licenses and permits on acceptable terms is subject to change in regulations and policies and to the discretion of the applicable governments. Our inability to obtain, maintain or acquire extensions for these licenses or permits could hamper our ability to produce revenues from operations. Other oil and gas companies may seek to acquire property leases and licenses that we will need to operate our business. This competition has become increasingly intense as the price of oil on the commodities markets has risen in recent years. This competition may prevent us from obtaining licenses we deem necessary for our business, or it may substantially increase the cost of obtaining these licenses.

Penalties we may incur could impair our business.

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

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

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

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

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

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

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

The Company is incorporated in Canada.

The Company is a Canadian corporation governed under the *Canada Business Corporations Act* and as such, its corporate structure, the rights and obligations of shareholders and its corporate bodies may be different from those of the home countries of international investors. Furthermore, non-Canadian residents may find it more difficult and costly to exercise shareholder rights. International investors may also find it costly and difficult to effect service of process and enforce their civil liabilities against the Company or some of its directors, controlling persons and officers.

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

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

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

Risks Associated with our Common Shares

We may be classified in the future as a passive foreign investment company, or PFIC, for United States tax purposes, which will have adverse tax consequences for all United States holders of our shares.

We do not believe that we are a PFIC in 2010. However, we may, in the future, be classified for United States income tax purposes as a passive foreign investment company. This means that any dividends we pay you will be taxed as ordinary income and not at preferential qualifying dividend tax rates, and upon any sale of our Common

Shares, any capital gain will be taxed as ordinary income and not at preferential capital gains rates. This will continue to be true even after we commence active operations. See discussion in Item 10E "United States Tax Consequences**".**The exercise of all or any number of outstanding warrants or stock options, the issuance of any annual bonus shares, the award of any additional options, bonus shares or other stock-based awards or any issuance of shares to raise funds or acquire a business may dilute your Common Shares.

We may in the future grant to some or all of our directors, officers, insiders, and key employees options to purchase our Common Shares, bonus shares and other stock based awards as non-cash incentives to those persons. We may grant these options and other stock based awards at exercise prices equal to or less than market prices, and we may grant them when the market for our securities is depressed. The issuance of any equity securities could, and the issuance of any additional shares will, cause our existing shareholders to experience dilution of their ownership interests.

Any additional issuance of shares or decision to enter into joint ventures with other parties to raise financing or acquire other businesses through the sale of equity securities, may dilute our investors' interests in the Company, and investors may suffer dilution in their net book value per share depending on the price at which such securities are sold. Such issuance may cause a reduction in the proportionate ownership and voting power of all other shareholders. The dilution may result in a decline in the price of our Common Shares or a change in the control of the Company.

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

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

An investment in our Company will likely be diluted.

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

***The value of securities issued by us might be affected by matters not related to own operating performance for reasons that include the following*:**

- general economic conditions in Canada, the US, Israel and globally;
- industry conditions, including fluctuations in the price of oil and natural gas;
- governmental regulation of the oil and gas industry, including environmental regulation;
- fluctuation in foreign exchange or interest rates;
- liabilities inherent in oil and natural gas operations;
- geological, technical, drilling and processing problems;
- unanticipated operating events which can reduce production or cause production to be shut-in or delayed;
- failure to obtain industry partner and other third party consents and approvals, when required;
- stock market volatility and market valuations;
- competition for, among other things, capital, acquisition of reserves, undeveloped land and skilled personnel;
- the need to obtain required approvals from regulatory authorities;
- worldwide supplies and prices of and demand for natural gas and oil;
- political conditions and developments in Israel, Canada, the US, and globally;
- political conditions in natural gas and oil producing regions;
- revenue and operating results failing to meet expectations in any particular period;

- investor perception of the oil and gas industry;
- limited trading volume of the Common Shares;
- change in environmental and other governmental regulations;
- announcements relating to the Company's business or the business of its competitors;
- the Company's liquidity; and
- the Company's ability to raise additional funds.

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

ITEM 4 INFORMATION ON THE COMPANY

We are a Canadian corporation governed under the *Canada Business Corporations Act* (the "**CBCA**") which conducts business as an oil and gas exploration company with operations in the State of Israel. We have been granted the following petroleum licenses from the State of Israel:

- Eitan License No. 356, or Eitan License- covering 31,060 acres (125.7 sq.km.) in the Hula Valley located in Northern Israel. The license was issued in December, 2008 for an initial three year period and may be renewed upon fulfillment of certain conditions for a further four year period;
- Gabriella License No. 378 or Gabriella License - covering 97,000 acres (392 sq. km.) approx. 10km offshore Israel between Netanya and Ashdod. The license was issued in July, 2009 for an initial three year period and may be renewed upon fulfillment of certain conditions for a further four year period;
- Yitzhak License No.380 or Yitzhak License- covering 31,555 acres (127.7 sq.km) approx. 17km offshore Israel between Hadera and Netanya, directly to the North of and contiguous to Gabriella. The license was issued in October, 2009 for an initial three year period and may be renewed upon fulfillment of certain conditions for a further four year period; and
- Samuel License No. 388, or Samuel License – covering 88,708 acres (359 sq. km) approx.17 km offshore Israel adjacent to the shoreline between the City of Ashkelon in the South and the City of Rishon Le'tziyon in the North. The license was issued on August 1, 2010 to a consortium led by us (through our subsidiaries, Adira Oil Technologies Ltd. (100% owned) and Adira Geo Global Ltd (60% owned – the remaining 40% is held by GeoGlobal Resources (Barbados) Inc., an unrelated party).

Our Gabriella License, Yitzhak and Samuel Licenses are collectively referred to as our "Offshore Licenses".

All of the licenses are subject to 12.5% royalty payable to the government of Israel.

In addition, we have a right to farm in to 70% of the Notera License which is approximately 19,000 acres and contiguous and directly to the south of the Eitan License and as well as an option to acquire a 5% participating interest in each of the Myra and Sara Licenses, both offshore Israel licenses.

For more information, see Item 4 B below "Onshore Licences" and Offshore Licences".

Our business plan is to carry out exploration activities on our Eitan License in order to assess the existence of commercially exploitable quantities of natural gas. In addition, we also plan to conduct evaluation work on each of the Offshore Licenses to establish whether exploration is justified. We presently do not produce any oil or gas and do not earn any significant revenues.

A. History and Development of the Company

Name

Our legal and commercial name is Adira Energy Ltd.

Principal Office

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

Incorporation and Continuation

We are a Canadian corporation governed under the *Canada Business Corporations Act* (the "**CBCA**").

We were incorporated on February 20, 1997 under the name "Trans New Zealand Oil Company" by filing our Articles of Incorporation with the Secretary of State of Nevada. We changed our name to "AMG Oil Ltd." on July 27, 1998. On December 17, 2009, we changed our name to "Adira Energy Ltd." Our fiscal year end is September 30.

On November 25, 2008, the Company's shareholders approved the change of our jurisdiction of incorporation from the State of Nevada to the Canadian federal jurisdiction under the CBCA by way of continuation. The Company completed the filing of its Articles of Conversion with the Nevada Secretary of State on November 25, 2008, and the Company's Articles of Continuance were accepted for filing by Industry Canada effective November 27, 2008. The effect of these filings was to transfer the jurisdiction of incorporation of the Company from the State of Nevada to the Canadian federal jurisdiction under the CBCA. Copies of the Articles of Conversion, Articles of Continuance, Certificate of Continuance and By-Laws, are incorporated by reference to this Form 20-F as exhibits.

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

Acquisition of Adira Energy

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

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

Concurrent with the completion of the Acquisition, Michael Hart, Michael Murphy and John Campbell, resigned from the board of Adira and Dennis Bennie (Chair), Glen Perry, Alan Friedman and Ilan Diamond (CEO) were appointed as the new directors of Adira.

In September 2009, Adira completed a private placement of an additional 400,000 Units on a non-brokered basis (the "**September Private Placement**") at a price of $0.25 per Unit. Each Unit comprised of one common share of Adira Energy and one-half of one share purchase warrant. After deducting commissions payable in connection with the September Private Placement, we raised an aggregate of $100,000 in the September Private Placement.

On September 23, 2009, we completed a private placement of an additional 400,000 Units on a non-brokered basis at a price of $0.25 per Unit for aggregate gross proceeds of $100,000. Each Unit comprised of one common share of Adira Energy and one-half of one share purchase warrant

On November 22, 2010 we completed a financing for gross proceeds of $11,000,000 ("**Adira Financing**"). Pursuant to the Adira Financing, we issued 27,500,000 subscription receipts which upon fulfillment of certain conditions were automatically exercised into 27,500,000 Common Shares and 13,750,000 warrants. Each whole warrant will be exercisable for a term of three years from the date of issuance at an exercise price of $0.55. In addition, we issued warrants to certain parties, in conjunction with the Adira Financing. Each such warrant is exercisable into one Common Share for up to three years from the date of closing of the Adira Financing at an exercise price of $0.40. BRM Group Ltd., a private investment company, or BRM, invested $4,000,000 as part of the Adira Financing. 1,101,750 of the above warrants were issued to DS Apex Mergers & Acquisitions Ltd., which is 60% owned by BRM in consideration for placement services provided to us in connection with the Adira Financing – see Item 10C "Material Contracts"

On December 2, 2010, our common shares commenced trading on the TSX Venture Exchange (the "**TSXV**") following approval of its listing in November 2010.

Prior Operations of Adira

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

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

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

Reporting Issuer Status under Canadian Securities Laws

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

Capital Expenditures and Divestitures

During the last three fiscal years ended September 30, 2010, we incurred capital expenditures in the amount of $848,945.These anticipated expenditures related mainly to our drilling exploration program in connection with our Hula Valley property in Israel.

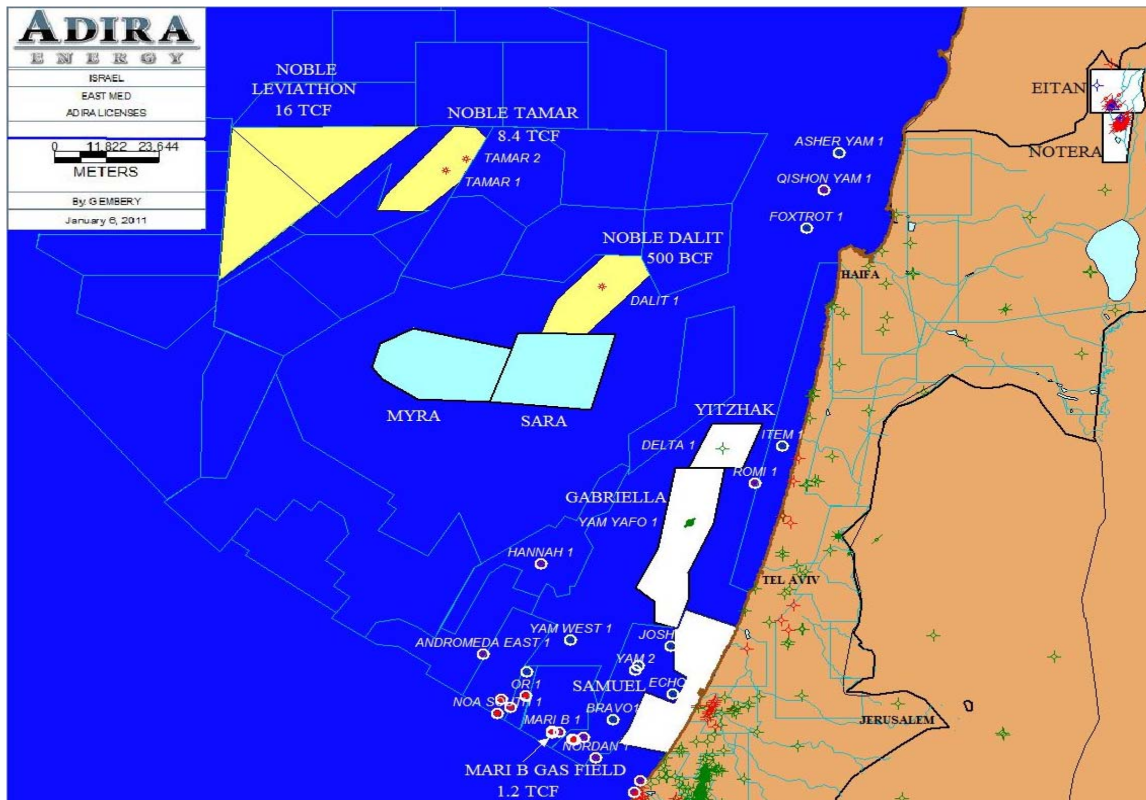
We do not expect any significant purchases of plant and equipment or the hiring of employees within the next twelve months, unless acquired in connection with the acquisition of a business opportunity which may be identified.

Takeover Offers

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

B. Business Overview

Below is a map showing the location of our Onshore and Offshore Licences.



Onshore Licences

Eitan License

Through our subsidiaries, we were granted the Eitan License from the State of Israel on December 15, 2008. The original term of the Eitan License is three years; however, the term is may be extended for an additional four years under Israeli Petroleum Law, 5712 – 1952, or the Petroleum Law. The area of the permit is approximately 125.7 square kilometers. We have a 100% working interest in the Eitan License and all wells.

The Eitan License area is situated in the Hula Valley in the upper Galilee in Israel and is land owned by the State of Israel. The Hula Valley is located in Northern Israel near the head of the Jordan River Valley. The valley is bordered on the west by the Naftali Mountains, to the east by the Golan Heights, to the north by the Metulla High, and to the south by the Korazim High. The Hula Valley is some 25 km long and 6 km wide providing an area of 150 km^2 (37,065 acres) at an elevation of approximately 60 meters to 70 meters above sea level. The subject permit area is 125.7 km^2.

The Hula Valley area in which the Eitan License is located has experienced some minor shallow gas exploration but with no commercial discovery of any gas field. There are 142 line kilometers of seismic data available for review.

According to the Petroleum Law, where state land is reasonably required by the holder of a petroleum right for a petroleum purpose, such holder may make a demand from the Israel Lands Authority that the land or any right therein be leased to such holder on the conditions prescribed by the Petroleum Law and the regulations under the Petroleum Law.

The Eitan License area forms part of the lands on which Kibbutz Neot Mordechai is situated (as a long term lease agreement between the Kibbutz Neot Mordechai and the Israel Lands Authority). This is the area on which the Company anticipates focusing its work program for the next 18 months. We have secured access to the land through

an agreement with Kibbutz Neot Mordechai dated April 12, 2010, or the Kibbutz Agreement. The agreement provides us with access to certain mapped areas for 12 months from the date the Israel Lands Administration, or ILA, approves the Kibbutz Agreement, with an option to extend for an additional 12 months on 3 months' notice and, if gas is found on the subject land, both parties agree to negotiate in good faith to reach terms of agreement with respect to the land, provided that we cannot be prevented by using the land to produce gas on a commercial basis subject to the terms of the Kibbutz Agreement. Pursuant to the Kibbutz Agreement, we agreed: (i) to use the land in such a way to allow continuing agricultural use for the extent possible and to reduce disturbance, to close and seal 3 of the existing seven drill holes, fence off the land, take responsibility for damages, pay for water usage and restore the land to its former condition and (ii) to pay a fee for use to be determined by an agreed upon land appraiser and compensate the lessor for its project neighbourhood development in the event that gas is found. Following receipt of the ILA approval in September 2010, a contract was entered into between us and ILA on October 7, 2010 and we made the required statutory payment and posted a restoration bond and have now fulfilled all requirements regarding this approval. All other approvals required under the Kibbutz Agreement have been obtained.

Eitan License Rights

Subject to the provisions of Israeli Petroleum Law, 5712-1952, the Eitan License confers upon the Company the right:

- to explore for petroleum in the licensed area;
- the right to do exploration work outside the licensed area bearing on the petroleum prospects of the licensed area, to such extent and subject to such conditions as the Israeli Petroleum and Mining Commissioner, or, the Commissioner, may prescribe;
- the exclusive right to conduct tests or development drilling in the licensed area and to produce petroleum there from; and
- the right to obtain a lease after having made a discovery in the licensed area.

Under the Petroleum Law, the Company, as the holder of a petroleum right, is entitled, subject to any other relevant law, to drill and search for water in the area of its petroleum right and to use the water discovered by it either by drilling for water or in any of its other operations and/or to use any other water situated in the area of its petroleum right to the extent required for its operations, provided that it does not thereby prejudice any person's right in such water or having the benefit thereof.

Eitan License Requirements

The Eitan License is subject to the following requirements:

- The Company shall commence petroleum exploration within four months from the day on which the Eitan License is granted and shall continue the same with due diligence as long as the Eitan License is in force.

- The Company shall commence test drilling on the date prescribed therefore in the conditions of the license and not later than two years following the grant of the license and shall continue such drilling with due diligence until he makes a discovery. The interval between the completion of the drilling of one well and the commencement of the drilling of another well shall not exceed four months.

- The Company shall submit to the Commissioner reports on the petroleum exploration carried out. The Company may require that the information supplied in the report shall be kept secret to the extent that it relates to prospects of discovering petroleum. Furthermore, the Company shall at the time of drilling, carry out tests and measurements and take samples and retain samples and forward them to the Commissioner as the Commissioner may demand, having regard to the other tests and measurements carried out by the Company and to the damages which may be caused by complying with the demand.

- Within one month after the expiration of every three months period from the grant of the Eitan License onwards, the Company is required to deliver to the Commissioner a report, in duplicate, on the exploration work done by him under the License during the three months, setting out:

- the nature, extent, location and results of the exploration work;
- particulars of the expenditure incurred in respect of the exploration work;
- results and evaluations of the geological, geophysical, engineering and technical work done and the basic data on which those results and evaluations are based; and
- data, considerations and causes determining the location of petroleum drillings.
- the Company has submitted the first two quarterly reports.

- As the holder of a petroleum right, the Company shall, not later than fourteen days before commencing the drilling of any test, development or water well or further drilling and work at an old drill hole, notify the Commissioner in writing of his intention to do so and in the case of a new well shall notify the location of the proposed well by means of a spot map certified by a qualified surveyor, the well drilling plan (including the estimated stratigraphic sections and the water-bearing horizons) and the date on which drilling will begin.

- After drilling has commenced, the Company, as the holder of the petroleum right, shall within ten days after the end of each month report to the Commissioner in writing, the depth of the well at the end of the month and the geological horizon to which, according to the holder's determination then, the well has penetrated.

- Within fifteen days after the completion of a petroleum well, whether as a producing well or a dry hole, and within fifteen days after the completion of any further work at an old drill hole, the Company, as the holder of the petroleum right, shall submit to the Commissioner a completion report showing:

  - the depth and the casing and cementing record of the well;
  - copies of all drillers' daily reports, drilling time, sample, electro and other logs kept;
  - the results of all well tests, including wellhead and bottom hole pressures obtained;
  - all core analyses made and all interpretations thereof made by or for the holder;
  - the completion record of the well if it was completed as a producing well; and
  - the plugging and abandonment record of the well if it has been abandoned, such record being signed and certified by the person responsible for the plugging.

  The report shall be accompanied by samples taken of strata penetrated and analyses of such samples and samples of all fluids entering the well with the depths and geological horizons at which they were found and analyses of all such fluids.

Recommended Exploration Program

The target of our exploration activities is the Esther field which is located within the area covered by the Eitan License, or the Esther Field. On the Esther Field, shallow gas and coal-bed methane, or CBM, from the prior drilling of a total of 45 wells *(see below)* has been identified. We have determined, based on the recommendations of an independent technical report, to pursue a re-entry program to work-over and test the shallow gas in two to three of the previously drilled shallow gas wells. If the testing of the shallow gas is successful, we plan to then design a development program based on the local market demands for the gas. For the CBM, it is recommended to test the selected shallow coal seams from 445 to 489 meters in the Esther #2 well with a stimulation program (hydraulic fracture treatment using foam or water). If the testing of the CBM is successful, a development program can be designed in conjunction with the seismic data acquisition program in order to determine the areal extent of the CBM

in the area. We plan to undertake the plan of operations provided below in order to carry out these recommendations.

Plan of Operations for the Eitan License

The plan of operations and associated cost estimate of the work program on the Eitan License is as follows:

Activity	Cost	Status
Acquire 10 to 20 km of 2-D seismic survey, processing and interpretation	$ 150,000	Not yet commenced
CBM: Re-entry, stimulate and test Esther #1 well with TD of 1,293 meters (500 meter section-coal seam)	$ 225,000	Completed
CBM: Re-entry, stimulate and test Esther #2 well with TD of 525 meters (500 meter section-coal seam)	$ 220,000	Completed
CBM: Drill and core, complete and test deep CBM well to 1050 meters. Core both 500 meter coals and 1000 meter coals with wireline core system. Perforate and complete by hydraulic fracturing 500 meter coal section	$ 660,000	In process
Conventional Well: Re-entry, complete and test Esther #3A well with TD of 952 meters (this well was recorded as a gas well) Test the D Sand (140m +/-)	$ 150,000	In process
Conventional Well: Drill, complete and test shallow sand well to 200 meters	$ 200,000	Completed
Total Estimate	**$1,605,000**	

The current cost estimate includes mobilization and de-mobilization of a drilling/completion rig to the field in the Hula Valley.

In addition to the cost estimate of the work program on the Eitan License, as provided in the Eitan Technical Report, we expect to expend an additional $400,000 for evaluation and further development of the Eitan License. The work will include additional lab work, contracting additional consultants to evaluate test results, additional field work and ongoing dewatering of the wells.

Our plan of operations, including the projected timeframe and budget, are subject to change. Our board of directors may determine, based on the results of exploration activities or other identified opportunities, to change its plan of operations. In addition, the risks identified hereinafter (see "*Risk Factors*") may result in delays and costs overruns, each of which could adversely impact on our ability to complete our plan of operations within the projected timeframes and within the budget.

We have commenced operations and have moved our drill rig and associated equipment onto site and commenced operations on its first of three workovers. These workovers will be completed in early January, 2011 and will then commence drilling and wireline coring operations on three new gas wells. This program is estimated to take three to four months to complete and will include desorption and adsorption analysis of key coal and shale intersect in the

wells. Once this assessment is complete the study will provide an understanding of the gas contents, structure and economic feasibility of an unconventional resource play in the region.

Seismic Data

We have reprocessed 142.9 km of seismic data. The seismic surveys were acquired over the potential hydrocarbon traps in the central and southern part of the Hula Valley Basin. The areas include the central valley in the Neot Mordechai area where the Esther wells were drilled and the southern Agamon Natural Preserve area where the Notera, Gonen, and Suzie wells were drilled.

Exploration History

The presence of gas was first reported in 1950 during exploration of the valley for peat to be used for fuel. Early exploration focused on the lignite stringers. Twenty shallow boreholes were drilled ranging in depths from 72 meters (236 feet) to 175 meters (574 feet). The early exploration also defined three zones or levels: Shallow (surface to 200 meters (656 feet)), Medium (200 meters to 600 meters (656 to 1,968 feet)), and Deep (600 meters to 2,800 meters (1,968 feet to 9,186 feet)). These different levels were explored in four projects as follows:

1. Notera Project between 1980 and 1982 - Notera-1 well, was drilled in 1980, and reached a depth of 505 meters (1,658 feet). Dry gas was discovered between 476 - 482 meters (1,562 – 1,581 feet) and the well was completed for production. The well was connected to Kibbutz Gonen in October, 1981 and 7 MMcf of gas were sold. Total production including testing and flaring was estimated to be 14.7 MMcf. The well died on September 7, 1982 probably due to the influx of water from what appeared to be a strong water drive confirmed by a constant bottom hole pressure of 674 psig throughout the life of the well. The Notera-2 well, also drilled in 1980, penetrated to a depth of 749 meters (2,457 feet). It discovered gas and the well tested in the interval 120 - 175 meters (394 –574 feet). After a long period of testing, it was considered non- commercial due to the large quantities of formation water produced. In 1981, Notera-3 well was drilled to a total depth of 2,786 meters (9,140 feet) but no gas was found. In 1982, Notera-6 well was drilled to a total depth of 560 meters (1,837 feet) but also found no commercial gas.

2. Gonen Project in 1983 – 10 shallow wells were drilled based on the well data of Notera 6 because of the multi-stringers of sand between 450 and 550 meters (1,476 and 1,820 feet). None of these wells tested any commercial production rates.

3. Susie Project from 1985 – 1986 – Three shallow wells of less than 150 meters were drilled in this area. Additional two wells were drilled but no success in finding commercial gas.

4. ABJAC Operations between 1990 and 2002. Two structural traps were identified resulting in the drilling of the prospect in the Lily 1 well with a total depth of 1,260 meters (4,133 feet) but no commercial gas discovery. The Esther 1 and 2 wells were drilled to a total depth of 1,293 meters (4,244 feet) and 525 meters (1,722 feet) respectively. Both Esther 1 and 2 wells encountered numerous coal seams. Cores were taken to determine reservoir evaluation. Subsequent to the two Esther wells, nine more wells were drilled but no commercial gas discovery but encountered coal seams at various depths.

Exploration Summary

Most of the wells drilled in this area encountered gas. These wells varied in depth from 146 meters (479 feet) in Esther-4 well to the deepest at 2,786 meters (9,140 feet) in Notera-3 well. During the Notera project, all drilled wells were electrically logged with also conducted composite logs. A total of 42 gas exploration wells have been drilled in the Hula Valley. In addition, 20 unlisted lignite test boreholes were drilled to an average depth of 150 meters (~500 feet) and Naphtha drilled three structural boreholes. There were no absolute open flow tests or any extended tests to indicate or support a commercial discovery. However, coal seams have been identified in some of the wells to provide some data for potential coal-bed methane potentials.

Geology Description and Resource Estimate

The Hula Valley is a small segment of what is tectonically called the Great Rift Valley. This long complex geological feature extends from Mozambique through central Africa, the Red Sea, Israel, Lebanon, into northern Syria and terminates in the East Anatolian Fault in Turkey. Comprised of rifts, transform faults and in some places, accompanied by volcanism, this tectonic element is called the Jordan Valley System (JVS) within Israel. It is comprised of south to north; the Arava Valley, Dead Sea Rift, Jordan Valley, Sea of Galilee (Kinneret), Hula Valley and the Metulla High. At present, tectonic activity in the Jordan Valley System resulted in about 105 km of left-lateral motion along the Dead Sea Fault.

Esther Field Gas Prospect

We received a technical report which has identified the Esther Field as a gas prospect. A total of 15 wells (1, 2, 3, 3A, 4, 4A, 5, 6, 6A, 7, 8, 8A, 11, 12 and 13) were drilled in the field with no commercial gas discovery in all depths due to completion and production problems. The gas potentials in the Esther Field can be divided into three segments according to depths. The shallow depth is around 200 meters (650 feet) between the surface and the top of the Yarda Basalt. The middle depth is the coal beds between 400 and 1,000 meters (1,300 and 3,280 feet). The deep depth is the limestone and fracture basalts from 1,000 to 4,000 meters (3,280 and 13,000 feet). The most prospective is the gas from the coal beds between the 400 and 1,000 meters and will be discussed in the section later. CBM wells get more expensive, generally, with depth and the gas contents generally also increase with depth, thus the economics tend to get tighter as CBM wells get deeper. The economics of the Estimated Ultimate Recovery (EUR) of a well become problematic with low EUR and production numbers from deeper wells and often deeper CBM fields cannot be economically developed without significant production and reserves.

The electric logs of Esther 1well have identified coal seams. To better understand CBM, tests were performed on coal samples from the continuously cored Esther 2, drilled as a twin to the Esther 1 that found coal in the Neot Mordechai area. The results were as follows:

Interval 339 - 354 meters (1,112 – 1,161 feet) had lignite or lignitic coals. Five distinct coal beds, separated by clayey marls and carbonaceous and fossiliferous silty clays, were recognized. Minor amounts of gas were observed bubbling from the coal when the core was removed from the core barrel. There is 8 – 17 meters of coal in this section.

Interval 390 - 407 meters (1,280 – 1,335 feet) was lignite. Seven distinct coal beds are within this unit. These coal beds, similar to the Unit A above are interbedded with clay and carbonaceous, fossiliferous marls. The coals have a high dirty ash with only one thin (0.05 m) clean coal seam. The coals are dull black and exhibit a minor amount of faulting. There was a noticeable increase in gas evolving from the coal upon removal from the core barrel when compared to Unit A. This section has 6 – 8 meters of coal.

Interval 445 - 490 meters (1,460 - 1,608 feet) showed an increase in rank and quality over the units above. This unit has eleven different coal seams, all sub-bituminous. A dramatic increase of evolving gas over the above units was observed when the core was removed from the core barrel. This section has by far the most coal with 16 – 26 meters.

Desorption tests revealed the cores had gas contents of over 200 standard cuft/ton in the sub-bituminous section from 445-489 meters while the shallower, less mature coals had somewhat less gas contents. The coals from 850-1,000 meters have not been cored and tested yet.

For the CBM, we plan to test the 500 meter coal section in both the Esther 1 and 2 with a stimulation program. Also, drill a CBM well to the 1000 meter coal section. A production test will be completed on the 500 meter coals and all the coals will cored. Analytical testing will include gas content, coal descriptions, desorption isotherms and relative permeability. Field testing will include reservoir pressure and permeability, water saturation, desorption and gas production. If the testing of the CBM is successful, a development program can be designed in conjunction with the seismic data acquisition program in order to determine the areal extent of the CBM in the area.

To determine whether there is any potential of the shallow gas and as part of the committed work program, the technical report recommended the re-entry of the two to three shallow wells in the Esther Field to test for commercial gas. The re-entry would require cleaning up the formation, stimulation if required and flow test the well for an extended period of time. The Company plans to undertake this exploration work as part of its plan of operations, as described above under "*Plan of Operations for the Eitan License*".

Equipment

We have completed the purchase and taken possession of a drill rig and associated equipment in order to commence drilling operations on the Eitan License. We have further placed orders for various specialised coring equipment and taken delivery. In addition, we have designed, and are seeking tenders for a specialised onsite lab that will enable us to do onsite desorption testing.

Additional Information on the Eitan License

Current well status is as follows:

Well Name	Depth (m)	Spud Date	Status
Esther 1	1,293	10/15/91	TS; partial production test
Esther 2	525	10/01/92	TS; partial production test, cored for coal, 600psig SITP
Esther 3	205	02/15/93	PA; Blowout at 205m
Esther 3A	925	04/18/93	GW-TS; production unknown
Esther 4	146	04/24/94	GW-TS; Completed through drill pipe, tested 450 Mcfpd
Esther 4A	152	01/16/02	TS; Pulled too hard and sanded up on initial test
Esther 5	223	06/19/95	TS
Esther 6	236	07/20/94	PA
Esther 6A	174	05/15/95	GW-TS
Esther 7	223	12/18/94	DH PA
Esther 8	319	04/02/96	DH PA
Esther 8A	164	12/28/97	TS
Esther 11	263	09/17/96	TS
Esther 12	300	11/04/97	GW-TS
Esther 13	183	12/31/95	GW-TS

TS-temporarily suspended
PA-plug and abandoned
GW-gas well (producing or has produced)
GW-TS-gas well then temporarily suspended
DH-TS-downhole temporarily suspended

Figure 1 (below) is a map showing the location of the wells and seismic lines.

HULA VALLEY PROJECT
LOCATION MAP OF SEISMIC LINES
AND WELL LOCATIONS
HULA-1
LILLY-1
E-11
E-8
E-6
E-13
E-3
E-4
E-5
E-7
E-2
E-12
SUZIE-5
SUZIE-12/12A
G-10
G-11
S-4
NT-6/6A
G-6/6A
S-1
G-9
G-7
S-2D
S-2
NT-2
EH-1
G-1
NT-4
G-8
G-5
G-2
AB-3739
AB-3741
AB-3745
AB-3755
AB-3753
AB-3740
AB-0031EG
AB-3754
AB-0032EG
DS-0622
DS-0892
AB-3742
AB-3744

רשיון 356/ "איתן"
כ- 125,700 דונם

251000/793360

263928/793360

251000/782500

262118/782500

קנ"מ: 1 : 100,000

ירושלים, י"ח בכסלו התשס"ח
15 בדצמבר 2008

דר' יעקב מימרן
הממונה על עניני הנפט

Notera License

During April 2010, we announced that we signed a letter of intent with Coalbed Gas Hachula Ltd, an Israel-based Coalbed Methane Development company or, CGH, pursuant to which we have a right to farm in to 70% of the Notera License which is approximately 19,000 acres and contiguous and directly to the south of the Eitan License, or CGH LOI. Prior drilling and evaluation of Notera indicates a similar geologic profile and hydrocarbon development potential as exists in the Eitan License. Pursuant to the CGH LOI, we may, at our option, obtain an interest in the Notera License, by paying CGH $200,000 and drilling and testing one cored well, at an approximate cost of $600,000, within eight months following the date that the last condition precedent stipulated in the CGH LOI has been waived or fulfilled in order to earn a net 70% working interest and a 70% revenue interest. The amounts payable to us are after payments of a 12.5% government royalty as well as a 2.5% royalty payable to CGH on our share. Pursuant to the CGH LOI, CGH will earn a 30% participating interest in any future gas development on this South block provided it contributes 30% of the costs in such further development. Additionally, the CGH LOI provides that we will be the operator of the project. The terms of the CGH LOI are subject to Israel governmental regulation and are conditional on the Israel Petroleum Commissioner's approval to transfer 70% of the Notera working interest to us without the government stipulating any work commitments on the Notera License, beyond what has been agreed to between the Company and CGH. The CGH LOI agreement and working interest is completely independent of our Eitan block to the North and does not affect the ownership of the Eitan License, and may be terminated by us at any time without penalty. To date, we have not expended any funds on the Notera License. To date the CGH LOI has not received governmental approval. We do not presently expect to exercise our option to earn our 70% working interest until we have obtained further information from our program on the Eitan License

Offshore Licences

Gabriella License

The Gabriella License was granted to us during July 2009. The initial term of the license is three years, extendable for an additional four years to a maximum of seven years, thereafter a lease (30-50 years) can be sought if a discovery is made. The Gabriella License is located 10 km offshore between the City of Netanya in the North and the City of Ashdod in the South. The Gabriella License area is 392 square kilometers. We have a minimum working interest of 15% in the Gabriella License.

Our subsidiary, Adira Israel entered into an agreement on January 26, 2010 with the Modi'in Energy Limited Partnership, or MELP, its general partner, Modi'in Energy Management (1992) Limited, or MEGP and Brownstone Ventures, Inc, or Brownstone (the "**Modi'in Agreement**")pursuant to which MELP agreed to provide funding for the Gabriella License work plan (currently MELP's 70% and Adira Israel's 15%), presently budgeted to cost approximately $8 million, such work program to include reinterpretation of existing 2D seismic and preparation of report on block potential, 3D seismic survey and the drilling of one well to a total depth of approximately 5000m.

Under the Modi'in Agreement, commencing on February 1, 2010, MEGP pay us as operator, a monthly fee in respect of advisory services in the amount of $12,500, as well as 3.75% (half) of the 7.5% operator fee which MEGP is entitled to receive from MELP for 24 months commencing from February 1, 2010, increasing to 4.25% thereafter. Additionally, MEGP and MELP, have agreed to pay us a combined royalty of 4.5% (2.25% each) on the total wellhead revenue of the rights in oil and / or gas up until such time as costs are recovered and 10.5% (5.25% each thereafter). In addition to the above fees, MEGP and MELP have agreed that Adira Israel is entitled to receive an operating fee, from the partners in the Gabriella License, of 7.5% of the gross expenditures on the Gabriella License. This operating fee is in addition to the other fees payable and is due pro-rata from each holder of an interest in the Gabriella License. We have an option to purchase 15% of the Gabriella License (or 21.43% of MELP's 70% interest) anytime until six months after discovery as "discovery" is defined in the Israeli Petroleum Law or 7 years. The operation of the Gabriella License, will be governed by a joint operating agreement ("JOA") to be entered into by Modi'in, us and Brownstone. The JOA is currently under negotiation. On August 10, 2010 Adira Israel received $2,000,000 from MEGP on behalf of MELP, representing 85% of the total capital call in respect of the work plan of $2,352,941 being $1,647,059 on MELP's behalf and 352,941 on behalf of Adira Israel. The agreement with MELP provides that our share of the initial $8m is fully covered by MELP. As such, we have no financial risk associated with the Gabriella License. We act as operator for this license and have the ability to bill for our time and expertise to the other participating interest partners.

Yitzhak License

The Yitzhak License was granted during October 2009. The initial term of the license is three years extendable for an additional four years to a maximum of seven years, and thereafter a lease (30-50 years) can be sought if a discovery is made. The Yitzhak License is located 10 km offshore between the City of Hadera in the North and the City of Netanya in the South. The Yitzhak License area is 127 square kilometers.

Brownstone has farmed in to 15% of the Yitzhak License. We continue to maintain this license until we can find a partner to undertake the costs of exploration in a manner similar to the manner in which MELP does on the Gabriella License. We presently have an 85% working interest in the Yitzhak License.

If warranted, following the initial three year license period, a prospect will be evaluated, prepared and drilled on each of these licenses. Determination of whether exploration continues at each stage of activity will be based on discussions between the relevant partners on each of these Licenses namely: MELP (in respect of the Gabriella License only), Brownstone and us.

Plan of Operations for the Gabriella and Yitzhak Licenses

We were required to conduct certain work on the Gabriella and Yitzhak Licenses up to the end of October 2010 which we completed in January 2011. This work entailed the collection and study of existing geological and geophysical information available, including the purchasing, reprocessing and reinterpretation of old seismic lines acquired. Additionally, the Gabriella and Yitzhak Licenses required the submitting of summary reports to the Ministry of National Infrastructures in the State of Israel, or MNI, regarding the hydrocarbon potential of each of these licenses by the one year anniversary of the grant date of each respective license. The report in respect of the Gabriella License was submitted on July 15, 2010 and the report in respect of the Yitzhak License on October 15, 2010.

We have contracted Western Geco, a Schlumberger company, to complete a state of the art geophysical survey on our Gabriella and Yitzhak licenses directly offshore of central Israel on a 630 square kilometer 3D Survey. We are focused specifically on oil targets in this region. The current dual axis survey, a method never used before in Israeli waters is designed to define the exact target and structure. Two independent 3D surveys will overlay each other at opposing axes. We completed the Gabriella and Yitzhak programs in early January and we plan to commence our 300 square kilometer3D survey on the Samuel license (discussed below) within the first half of 2011.

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

1. Integrate all the data and submit a final proposal for drilling by July 15, 2011.
2. Sign a drilling agreement by July 15, 2011.
3. Commence drilling by January 1, 2012.

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

1. Sign a drilling agreement by the 15th of October, 2011.
2. Commence drilling by the 15th of April, 2012.

Exploration History

The Yitzhak (formally called Delta) structure is a carbonate build-up on a structurally elevated block. This structure was tested by Belpetco, in their Delta-1 well (total depth of 4423 meters) in 1970, in the Upper Jurassic Delta Formation. Recent seismic reprocessing, seismic interpretation and log analysis demonstrate a highly potential closure at the Zohar limestone level encompassing ~ 20 km2.

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

Samuel License

On June 15, 2010, we announced that the Israel Petroleum Commissioner's office had notified us that, subject to appeals, it had awarded a consortium led by us, the Samuel License. Through our subsidiaries, we were granted the Samuel License on August 1, 2010. The initial term of the Samuel License is for three years. This initial term may be extended for an additional four years. The license area is approximately 359 square kilometers. We hold a combined minimum interest of 38.25% in the Samuel License held through our subsidiaries Adira Oil Technologies Ltd. (100% owned) and Adira Geo Global Ltd (60% owned). The other consortium members are comprised of GeoGlobal Resources (India) Inc., Brownstone and Pinetree Capital Ltd. A gross overriding royalty in an amount equal to 3% shall be granted to and registered in the name of Adira Geo Global Ltd. Adira Geo Global Ltd. has been designated as joint operators of the Samuel License. Adira Geo Global Ltd. shall be paid an aggregate operating fee equal to 7.5% of the cumulative direct costs incurred in connection with operating the Samuel License.

The Samuel License is located offshore Israel adjacent to the shoreline between the City of Ashkelon in the South and the City of Rishon Le'tziyon in the North.

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

1. Start the 3D seismic survey on the license by February 1, 2011. On February 1, 2011, we received a letter from the MNI, which now only requires us to sign a contract to execute a 3D survey by March 1, 2011. In addition, all the remaining deadlines will be adjusted once the contract has been signed.

2. Finish processing the new seismic survey and submit a preliminary report to the MNI by May 1, 2011.

3. Finish interpreting the new seismic survey and submit a summary report to the MNI by July 1, 2011.

4. Preparation of geological prospect for the first target by September 1, 2011.

5. Sign a contract with a drilling contractor by December 1, 2011.

6. Commence drilling by February 1, 2011.

Myra &Sara Licenses

On August 25, 2010, we signed a co-operation agreement with GeoGlobal Resources Inc. ("**GGR**"), pursuant to which GGR agreed to assign to us its option to acquire an additional 5% participating interest in each of the Sara License and the Myra License. GGR is presently registered as a holder of a 5% participating interest in each of the Sara License and Myra License.

The Myra and Sara and Licenses are each subject to joint operating agreement among the holders of the participating interests in the respective licenses, which joint operating agreements govern the operations with respect to the exploration work on the licenses and the change of any interest holders in these licenses. Upon receipt and review of geoscience and 3D seismic survey conducted on these licenses, we may, at our discretion, purchase the 5% participating interest in the licenses from GGR. As a condition to the acquisition of such 5% interest, we will also be required to become a signatory to the joint operating agreements and approval of the Israeli Petroleum Commissioner must also be obtained. Assuming approvals are received, and we decide to acquire the 5% interest, we will have to pay $1,200,000 in one lump sum payment to certain parties of the joint operating agreements. The joint operating agreements require the approval of existing signatories to the joint operating agreement in accordance with the terms of the joint operating agreements. The option is dependent upon a number of circumstances and there is no assurance that we will be able to exercise the option.

The Myra and Sara Licenses are located offshore Israel approximately 60 km west of the City of Hadera. These license areas total 800 square kilometers.

Drilling Activity

As of the date of this Annual Report, we have drilled one exploratory well, located on the Eitan license, to a depth of two hundred meters. Prior to our acquisition of Adira Energy, no drilling activity was carried out.

C. Organizational Structure

We operate:

in Canada through our wholly owned subsidiary Adira Energy, an Ontario corporation incorporated on April 8, 2009; and

in Israel, through Adira Energy's subsidiaries, namely:

Adira Israel, an Israel corporation, (100% owned); and

Adira Services, an Israel corporation, (100% owned).

Adira Oil Technologies Ltd. (100% owned)

Adira Geo Global Ltd (60% owned – the remaining 40% is owned by GeoGlobal Resources (Barbados) Inc., an unrelated party.

D. Property, Plant and Equipment

(a) Corporate Offices

Our executive offices are comprised of approximately 784 square feet at120 Adelaide Street West, Suite 120, Toronto, Ontario, Canada, M4V 3A1 for which the lease cost is CDN$4,423 per month and 424 sq. meters at Aba Hillel Silver 12, Ramat Gan, Israel, for which the lease cost is US$12,917 per month.

(b) Special Skill and Knowledge

Our ability to complete drilling and exploration is dependent on the availability of well-trained, experienced crews to operate its field equipment and qualified management. We have a full time drilling team on its payroll, and also engages, on a full time basis, individuals with engineering skills and who are knowledgeable of the type of target to be drilled for on its Eitan License. Furthermore, we believe that our strategic arrangement with certain oil and gas exploration companies provides us with access to the special skills and knowledge required to assist us in the completions, testing and evaluation of our resource on the Eitan License.

(c) Foreign Operations

As a percentage of our capitalized acquisition, exploration and development costs incurred in fiscal 2010, we anticipate that we will direct approximately 100% of our fiscal 2011resources on operations in the State of Israel

(d) Competitive Conditions

The oil and gas industry in the State of Israel is, and will continue to be, competitive. Most contracts will be awarded on the basis of competitive bids. We believe that its early foray into oil and gas exploration in Israel will provide it with a competitive advantage in the drilling, testing and evaluation of our resource. Our joint venture with Brownstone will allow us to participate in new projects while limiting our financial exposure. We will further gain access to Brownstone's knowledge and established operational resources, enabling us to speed up the development of existing projects.

(e) Dependence on Customers and Suppliers

We are not dependent upon any single or few customers or suppliers for our operations.

(f) Environmental Protection and Policies

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

We do not expect that environmental protection requirements will have a significant financial or operational effect on our capital expenditures, earnings or competitive position. Environmental requirements have not had a significant effect on such matters in fiscal 2010 nor are they currently anticipated in the future.

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

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

See also Item 3D "Risk Factors".

ITEM 4A UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5 OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following is a discussion and analysis of the activities, consolidated results of operations and financial condition of the Company for the year ended September 30, 2010, which have been prepared on the basis of information available up until January 28, 2011. Management's Discussion and Analysis should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended September 30, 2010. The Company's financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All monetary amounts are reported in United States dollars unless otherwise noted.

A. Operating Results

Summary

We are an oil and gas exploration company and from the State of Israel. Through our wholly owned subsidiary, Adira Energy and its wholly owned subsidiary Adira Israel, we have been granted four petroleum licenses consisting of one onshore petroleum license, the Eitan License and three Offshore licenses being the Gabriella License the Yitzhak License and the Samuel License which we own through our other wholly owned subsidiary, Adira Oil Technologies Limited and our partially owned 60% subsidiary, Adira Geo Global Ltd. Our business plan is to carry out exploration activities on the Eitan License in order to assess existence of commercially exploitable quantities of natural gas as well as evaluation work on each of the Offshore Licenses to establish whether exploration is justified.

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

These consolidated financial statements include the accounts of Adira Energy, and its five subsidiaries.

Our interest in the Gabriella, Yitzhak and Samuel licenses are conducted jointly with others. Our financial statements reflect our proportionate interest in these activities. We proportionately consolidate 85% of Yitzhak and 38.25% of Samuel. As we are financially carried by MELP for our portion of the total budget of expenditure up to $8 million in the Gabriella UJV we will not proportionately consolidate our 15% working interest until we start to finance our portion of the Gabriella's expenses.

All intercompany account balances and transactions have been eliminated on consolidation.

Results of Operations

Consolidated results of operations for the year ended September 30, 2010 and the 175- day period ended September 30, 2009.

Revenues

For the year ended September 30, 2010, we earned income of $912,597 as compared to $ nil for the 175- day period ended September 30, 2009. The increase in revenues is a result of the Company having commenced its activities as the operator on its Offshore Licenses, management fees earned from MELP and MEGP and the provision of consulting services to other oil and gas companies in Israel. The breakdown of revenues for the year ended September 30, 2010 is as follows:

Revenue Categories		**Year ended September 30, 2010**	**% of Total Revenues**
Revenues from our licenses	$	668,586	73.3
Management and consulting Fees		186,745	20.4
Operating fees		57,326	6.3
Total Revenue	$	912,597	100%

Revenues from our licenses relates to amounts billed to the three offshore projects in respect of exploration and other expenses incurred by us, on behalf of each of the offshore projects.

Management and consulting fees relates to management fees received from Modiin in respect of our agreement with them and various consulting projects that we undertook for other companies in Israel.

Operator fees relate to fees we received as the operator on our three Offshore Licenses.

Expenses

The major categories of expenses during the year ended September 30, 2010 and during the 175-day period ended September 30, 2009 are detailed as follows:

Expenses		**Year ended September 30, 2010**	**% of Total Expenses**		**175-Day period ended September 30, 2009**	**% of Total Expenses**
Share-based compensation	$	621,751	21%	$	418,907	30%
Exploration Expenses		962,727	33%		102,664	7%

Operating Expenses		1,346,648	46%		861,764	64%
Foreign exchange loss (gain)		7,520	0%		(14,708)	-1%
Amortization		1,222	0%			
Total expenses	$	2,939,868	100%	$	1,383,335	100%

Share-based compensation

Stock based compensation during the year ended September 30, 2010 and during the 175-day period ended September 30, 2009 was attributable to stock options granted to our directors, officers, employees and consultants during these periods.

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

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

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

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

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

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

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

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

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

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

A summary of the stock option plan and changes during the year ended September 30, 2010 and the 175-day period ended September 30, 2009 is as follows:

	Number of Options Outstanding	Weighted Average Exercise Price
Balance, April 8, 2009	-	$ -
Options granted	3,984,000	0.25
Balance September 30, 2009	3,984,000	0.25
Options granted	2,745,500	0.60
Options cancelled	(1,070,000)	0.43
Balance, September 30, 2010	5,659,000	$ 0.39

Exploration Expenses

For the year ended September 30, 2010, exploration expenses amounted to $962,727 as compared to $102,664 for the 175-day period ended September 30, 2009. The increase in exploration expenses is a result of us having completed part of the work program on the Eitan license compared with minimal exploration activities in the 2009 period. In addition, we also commenced evaluation work on our Offshore Licenses in 2010 (no such exploration activities were conducted in 2009).

Operating Expenses

For the year ended September 30, 2010, operating expenses amounted to $1,346,648 as compared to $861,764 for the 175-day period ended September 30, 2009. The increase in operating expenses results primarily from increased activity in Israel, including the hiring of staff in operations in finance and administration. Additionally, the current period relates to a full year as compares with the 175 days in the prior period.

Foreign exchange loss (gain)

For the year ended September 30, 2010, foreign exchange loss amounted to $7,520 as compared to a foreign exchange gain of $14,708 for the 175-day period ended September 30, 2009. Both the gain in 2010 and the loss in 2009 result of fluctuations in the "NIS" and Canadian dollar rates against the US dollar.

Amortization

For the year ended September 30, 2010, amortization amounted to $1,222 as compared to $ nil for the 175- day period ended September 30, 2009. Amortization for the year ended September 30, 2010 relates to amortization of computer equipment. Our drilling rig was not in use during 2010 and accordingly has not been amortized.

Tax

For the year ended September 30, 2010 we incurred Israeli taxes on income on one of our Israeli subsidiaries, Adira Services in an amount of $6,220 as compared to $ nil for the 175-day period ended September 30, 2009.

Net Loss

We reported a net loss and comprehensive loss during the year ended September 30, 2010 of $2,033,093 as compared to a net loss and comprehensive loss of $1,368,627 for the 175-day period ended September 30, 2009. The reason for the increase in the loss is as a result of an increase in exploration and operating activities, offset by revenues generated from management, operator and consulting fees.

Inflation

During the year ended September 30, 2010 and the 175-days period ended September 30, 2009, inflation has not had a material impact on our operations.

Foreign Currency Fluctuations

During the year ended September 30, 2010 and the 175-days period ended September 30, 2009, we incurred a loss of $7,521 and a gain of $14,708, respectively.

Government Regulation

There is no governmental regulation that the Company is aware of or that would affect us.

B. Liquidity and Capital Resources

Liquidity

Liquidity is a measure of a company's ability to meet potential cash requirements. We have historically met our capital requirements through the issuance of common stock as well as proceeds from the exercise of warrants and options to purchase common equity.

Our ability to continue as a going concern is dependent upon obtaining the necessary financing to complete further exploration and development activities and generate profitable operations from our oil and natural gas interests in the future. Our current operations are dependent upon the adequacy of our current assets to meet our current expenditure requirements and the accuracy of management's estimates of those requirements. Should those estimates be materially incorrect, our ability to continue as a going concern will be impaired. Our consolidated financial statements for the year ended September 30, 2010 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. We have incurred a history of operating losses and negative cash flows from operations. These matters may raise doubt about our ability to continue as a going concern.

At September 30, 2010, our cash and cash equivalents were $357,560 (September 30, 2009 - $2,354,628). The majority of this balance is being held in US funds. We have working capital of $800999 which is available for our future operations. On November 30, 2010, we completed a private placement of $11 million.

The Company is an early-stage exploration company and currently does not generate significant cash flows from operations. The Company's primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal and is not subject to any externally imposed capital requirements.

The Company defines its capital as share capital. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget to manage its costs and commitments.

The Company's capital management objective is to maximize investment returns to its equity-linked stakeholders within the context of relevant opportunities and risks associated with the Company's operating segment. Achieving this objective requires management to consider the underlying nature of exploration activities, availability of capital, the cost of various capital alternatives and other factors. Establishing and adjusting capital requirements is a continuous management process.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this financing due to uncertain economic conditions. The Company has sufficient funds to meet its exploration program, administrative overhead and working capital needs for the coming year.

We expect to incur expenditures to further our exploration programs. Our existing cash balance and any cash flow from operating activities is sufficient to satisfy our activities for the next 12 months. However, in order to finance exploration activities beyond 12 months, we will require additional sources of finance.

We are considering various alternatives with respect to raising additional capital to remedy any future shortfall in capital but to date have made no specific plans or arrangements. We deem it necessary to raise capital through equity markets, debt markets or other financing arrangements, including participation arrangements that may be available for continued exploration expenditures. Because of the early stage of our operations and our absence of any material oil and natural gas reserves, there can be no assurance this capital will be available and if it is not, we may be forced to substantially curtail or cease exploration, appraisal and development expenditures.

Year ended September 30, 2010 and the 175-day period ended September 30, 2009.

During the year ended September 30, 2010, our overall position in cash and cash equivalents decreased by $1,997,068. This decrease in cash can be attributed to the following activities:

Our net cash used in operating activities during the year ended September 30, 2010 was $1,958,121 as compared to $359,229 for the 175-day period ended September 30, 2009. This increase is attributable to and consistent with the increase in our exploration and operating activities for the year ended September 30, 2010, compared to the prior period.

Cash used in investing activities during the year ended September 30, 2010 was $38,947 as compared to $379,262 during the 175-day period ended September 30, 2009.The investment in 2010 relates primarily to the purchase of additional drilling related equipment for the Eitan license, computer equipment in Israel and license fees. The investment in 2009 relates to the deposit paid on the drilling rig on the Eitan license.

Cash provided by financing activities for the year ended September 30, 2010 was $nil as compared to $2,195,771 during the 175-day period ended September 30, 2009. During the year ended September 31, 2010, no shares were issued as compared to the following activities for the 175-day period ended September 30, 2009:

- In April 2009, the Company issued 12,000,000 common shares upon incorporation to directors of the Company for services performed prior to incorporation. A non-cash expense equal to the estimated fair value of the shares issued (CDN $0.05 per share) totalling $485,929, was charged to share-based compensation expense in the consolidated statement of operation.
- In April 2009, Adira issued 10,500,000 common shares at CDN $0.05 per share for gross proceeds of $424,759.
- During the 175-day period ended September 30, 2009, Adira issued 7,600,000 units at $0.25 per unit for gross proceeds of $1,900,000. AMG issued 400,000 of the units at $0.25 per unit for gross proceeds of $100,000 subsequent to the completion of the RTO. Each unit consisted of one common share of Adira/AMG and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share of Adira/AMG at a price of $0.50 per common share for a period of two years. In connection with the private placement, Adira issued 240,001 common shares as a finder's fee at a deemed cost of $0.25 per share for a total deemed cost of $60,000 and 500,770 warrants to agents as finders' fees valued at $100,154. The warrants are exercisable at $0.25 per common share and expire August 31, 2011. The fair value of these agent's warrants was $100,154 were calculated using the Black-Scholes option pricing model. An additional $228,988 of share issuance costs were incurred.

Capital Resources

At September 30, 2010, our cash and cash equivalents were $357,560 (September 30, 2009 - $2,354,628), the majority of this balance is being held in US funds. Our working capital at September 30, 2010 was $801,000 as compared to $2,250,066 as at September 30, 2009. On November 30, 2010, we completed a private placement of $11,000,000.

Commitments

In order to maintain current rights to tenure of exploration tenements, the Company will be required to expend amounts in respect of tenement rent to the relevant governing authorities and to meet certain annual exploration expenditure commitments. It is likely that variations to the terms of the current and future tenement holding, the granting of new tenements and changes at renewal or expiry, will change the expenditure commitments for the Company from time to time.

The Company intends to meet all of its drilling and related expenditures as they become due to maintain the Company's interests in its oil & gas properties. These oil & gas expenditure obligations are not fixed and cannot be pre-determined with certainty. Failure to meet the obligations may result in the loss of the Company's ownership interests.

Critical Accounting Issues

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

- Foreign Currency Translation
- Accounting for Oil and Gas Properties
- Accounting for Income Taxes
- Accounting for Stock based compensation
- Adoption of International Financial Reporting Standards

Foreign Currency Translation

The Company's functional and reporting currency is the United States ("US") dollar. Our foreign operations are considered financially and operationally integrated. All transactions in currencies other than the US dollar are translated as follows:

- Monetary assets and liabilities are translated at the rate of exchange in effect as of the balance sheet date;
- Non-monetary assets and liabilities, at the exchange rates prevailing on the date of the acquisition of the asset or assumption of the liabilities; and
- Revenues and Expenses, at the rate in effect on the date of the transaction.

Gains or losses resulting from the translation are included in the determination of net income or loss for the period.

Accounting for Oil and Gas Properties

We follow the successful efforts method of accounting for its exploration activities. Under the successful efforts method, acquisition costs of proved and unproved properties are capitalized. Costs of unproved properties are transferred to proved properties when proved reserves are confirmed. Exploration costs, including geological and geophysical costs, are expensed as incurred. Exploratory drilling costs are initially capitalized. If it is determined that a specific well does not contain proved reserves, the related capitalized exploratory drilling costs are charged to expense. To date, all exploration costs have been charged to operations.

Development costs, which include the costs of wellhead equipment, development drilling costs and handling facilities, applicable geological and geophysical costs, and the costs of acquiring or constructing support facilities and equipment, are capitalized. Costs incurred to operate and maintain wells and equipment and to lift oil and gas to the surface will be expensed as operating costs. If and when the Company achieves production, acquisition costs of proved properties will be depleted using the unit-of-production method based on proved reserves. Capitalized exploratory drilling costs and development costs will be depleted on the basis of proved developed reserves by area. Support facilities and equipment will be depreciated on a straight-line basis over their useful lives.

Property costs by area are reviewed for impairment at least annually to consider whether there are conditions that may indicate impairment. The carrying value of each property is compared to its net recoverable amount as estimated by quantifiable evidence of the market value of similar land or geological resources. If the carrying value is found to exceed the estimated net recoverable amount, a write down will be recorded.

Income Taxes

We follow the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially enacted. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

Share-Based Compensation

We account for share-based compensation using a fair value based method with respect to all stock-based payments measured and recognized, to directors, employees and non-employees. For payments of services through the issuance of shares, the fair value is the market price of the shares issued by us or the value of the services received, depending on which is the more reliable measure.

For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options or warrants are measured on the earlier of the date at which the counterparty performance is completed or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The fair value of the options or warrants are accrued and charged either to operations, oil and gas interests, or share issue costs with the offset credit to contributed surplus. For directors and employees the options are recognized over the vesting period, and for non-employees the options are recognized over the related service period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

Adoption of International Financial Reporting Standards

January 1, 2011 has been confirmed by the Canadian Accounting Standards Board as the date that International Financial Reporting Standards (''IFRS'') will replace Canadian GAAP as the financial reporting framework for publicly accountable enterprises. The Company will report under IFRS for interim and annual periods beginning October 1, 2011. Comparative information for 2010 will be restated to comply with IFRS reporting requirements.

The Company has initiated an assessment of those components of its operations that are likely to be impacted as a result of the adoption of IFRS to replace Canadian GAAP. The Company's approach to implementation of IFRS reporting is to identify those components of its financial statements that are likely to be impacted by the adoption of IFRS reporting, assess the extent of such impact, determine a process to implement the change to IFRS reporting and determine the restatement of comparative figures required as a result of the implementation of certain IFRS reporting standards.

While the adoption of IFRS will not change the actual cash flows of the Company, it will result in changes to its reported financial position and results of operations, which could materially impact the Company's reported financial position and results of operations.

The Company identified a three phase plan to adopt IFRS by 2011 as follows:

Phase 1 -Scoping and Planning

This phase involves identifying differences between IFRS and existing Canadian GAAP, and determining their applicability and impact on the Company's reporting requirements. This phase was completed in the second quarter of 2010.

Phase 2 – Evaluation and Design

This phase includes the detailed review and selection of accounting policy options, required to comply with IFRS standards. Also included, is the assessment of the conversion to IFRS on business activities, controls over financial reporting, and disclosure requirements.

IFRS 1 – First Time Adoption of IFRS and Opening Balance Sheet Quantifications

IFRS 1 requires an entity to comply with each IFRS effective at the reporting date for its first IFRS financial statements. In particular, the IFRS requires an entity to do the following in the opening IFRS balance sheet that it prepares as a starting point for its accounting under IFRSs:

(a) recognize all assets and liabilities whose recognition is required by IFRSs;

(b) not recognize items as assets or liabilities if IFRSs do not permit such recognition;

(c) reclassify items that it recognized under previous GAAP as one type of asset, liability or component of equity, but are a different type of asset, liability or component of equity under IFRSs; and

(d) apply IFRSs in measuring all recognized assets and liabilities.

IFRS 1 offers entities adopting IFRS for the first time with a number of exemptions (optional and in some areas mandatory). The Company is currently evaluating exemptions available to determine the most appropriate to its circumstances. The most appropriate IFRS 1 exemptions applicable to the Company that have been identified to date are:

Property, Plant and Equipment

The IFRS 1 election related to property, plant and equipment allows the Company to report property, plant and equipment in its balance sheet on the transition date at a deemed cost instead of actual cost. The exemption can be applied on an asset-by-asset basis.

IAS 36 Impairment of Assets

The objective of this Standard is to prescribe the procedures that an entity applies to ensure that its assets are carried at no more than their recoverable amount.

The Company is currently assessing the impact of this standard on its reporting requirements.

IFRS 2 Share Based Payments

This standard provides guidance for the recognition and measurement of share-based payments. Management must determine the fair value of a share-based payment at the grant date and the period over which this fair value should be recognized.

The Company is evaluating the impact of this standard.

IFRS 6 Exploration for and Evaluation of Mineral Resources

The objective of this standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. Under IFRS 6, the Company may continue to use its current accounting policies for reporting on and evaluating its mineral resources. This includes continuing to use recognition and measurement practices that are part of those accounting policies.

The Company is currently reviewing its impairment testing requirements under IFRS 6 and the requirement to report the allocation of exploration assets to cash-generating units or groups of cash-generating units for the purpose of assessing such assets for impairment.

IAS 16 Property, Plant and Equipment

This standard establishes the requirements for the recognition, measurement, depreciation and impairment of Property, Plant and Equipment (Excluding exploration and evaluation assets).

The Company is currently assessing the impact of this standard on its reporting requirements.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets

This requires that appropriate recognition criteria and measurement bases are applied to provisions, contingent liabilities and contingent assets and that sufficient information is disclosed in the notes to enable users to understand their nature, timing and amount.

The Company is currently assessing the impact of this standard on its reporting requirements.

IAS 12 Income Taxes

The objective of this standard is to prescribe the accounting treatment for income taxes. For the purposes of this standard, income taxes include all domestic and foreign taxes which are based on taxable profits. Income taxes also include taxes, such as withholding taxes, which are payable by a subsidiary, associate or joint venture on distributions to the reporting entity.

As the Company is still in the exploration phase, this standard will not have any immediate impact on the Company's reporting requirements

Phase 3 – Implementation and Review

The phase involves the actual implementation of IFRS standards which will involve the finalization of IFRS conversion impacts, approval and implementation of accounting policies and disclosures, implementation and testing of new processes, systems and controls, and the provision of detailed training where required.

The Company is currently assessing the consequence of the conversion to IFRS on its reporting obligations.

C. Research and Development, Patents and Licences

Not applicable.

D. Trend Information

We are not aware of any trends that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors. For information on risks associated to the Company refer to Item 3.D – "Risk Factors".

E. Off-Balance Sheet Arrangements

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

F. Tabular Disclosure of Contractual Obligations

The following sets forth our contractual obligations as of the date hereof:

	Payments due by period				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-Term Debt Obligations	-	-	-	-	-
Capital (Finance) Lease Obligations	-	-	-	-	-
Operating Lease Obligations	497,619	146,929	337,128	13,562	0
Purchase Obligations	-	-	-	-	-
Other Long-Term Liabilities Reflected on the Company's Balance Sheet under the GAAP of the primary financial statements	-	-	-	-	-
Total	**497,619**	**146,929**	**337,128**	**13,562**	**0**

G. Safe Harbor

The safe harbor provided in s. 27A of the Securities Act and s. 21E of the Exchange Act shall apply to forward-looking information provided pursuant to Item 5.E and F where applicable.

ITEM 6 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Directors are elected by shareholders and hold office until our next annual general meeting or until their successors are duly elected and qualified, unless their office is earlier vacated in accordance with the CBCA and our articles of incorporation. Pursuant to a nominee agreement with BRM, for as long as BRM exercises control over 10% or more of our issued and outstanding common shares, we will nominate, at each annual shareholders meeting of the Company, two nominees of BRM to our board of directors, and one nominee in the event that BRM exercises control over common shares in an amount less than 10% but equal to or greater than 7% of our issued and outstanding common shares. A copy of this nominee agreement is attached hereto as Exhibit 4.11. Further this to arrangement, Eli Barkat and Yael Reznick-Cramer were appointed as directors to our board of directors as of January 11, 2011. The shareholders will have an opportunity to vote on their appointment at the next annual general meeting.

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

Name (1)	**Residence**	**Position**
Dennis Bennie (2)(3)	Toronto, ON, Canada	Director (Chairman)
Ilan Diamond (2)	Ra'anana, Israel	Chief Executive Officer and Director
Alan Friedman	Toronto, ON, Canada	Executive Vice-President, and Director
Alan Rootenberg	Thornhill, ON Canada	Chief Financial Officer through January 11, 2011
Daniel Bloch (2)(3)	Toronto, ON, Canada	Director, Secretary through August 23, 2010
Denny Johnson	Denham Springs, LA, USA	Vice-President, Exploration and Development
Eli Barkat (3)	Tel-Aviv, Israel	Director
Yael Reznik-Cramer (3)	Lapid, Israel	Director
Colin Kinley	Overland Park, Kansas, USA	President, Chief Operating Officer and Director
Glen Perry	Tel Aviv, Israel	Vice-President Operations and Director
Gadi Levin	Lev Hasharon, Israel	Chief Financial Officer from January 11, 2011, Secretary from August 23, 2010

(1) Neither age nor date of birth of directors or senior managers is required to be reported in the Company's home country (Canada) nor otherwise publicly disclosed.

(2) Member of Audit Committee.

(3) "Independent" for purposes of National Instrument 52-110

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

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

Mr. Ilan Diamond, Chief Executive Officer and Director. Mr. Diamond became CEO and a director of the Company on August 31, 2009. Prior to becoming CEO and Director at the Company, Mr. Diamond was a director at Stratus Capital LLP. Stratus Capital focused on trading of physical commodities (primarily copper and cobalt), mainly from Africa to the East. Mr Diamond also managed the Dina Group, a diversified consumer goods group. Mr Diamond has worked extensively with the specialist Private Equity group, Buffet Investments across a broad range of industries that included IT/Technology, Telecommunication & Media. Mr. Diamond is also the former Chief Operating Officer of Avalanche SA, a large investment group with interests in resources, financial services, technology, media and consulting, and private equity. Mr Diamond has a Bachelor of Business Science (Hons) majoring in Finance, Accounts and Economics from the University of Cape Town, South Africa. He has also completed a Post Graduate Diploma in mathematical modelling of derivatives from the University of Cape Town, South Africa.

Mr. Alan Friedman, Executive Vice-President and Director. Mr. Friedman became Executive Vice-President and a director of the Company on August 31, 2009. Prior to joining the Company, Mr Friedman was a founding member of Adira Holding Co. and has been its President since its inception in April 2009.Mr. Friedman is a South African attorney and a Director of the Canada-South Africa Chamber of Business. He is the founder, President and CEO of Rivonia Capital Inc., a firm that identifies opportunities in emerging markets, and enhances value through combining quality assets, management and financial and marketing support for early stage companies in the resource sector. He was formerly the Executive Vice-President for a Canadian finance firm, through which he facilitated significant capital raising for a number of public companies.

Mr. Alan Rootenberg, Chief Financial Officer (through January 11, 2011). Mr. Rootenberg is a chartered accountant with experience in the mineral exploration and technology industries. He has served as a senior executive in a number of publicly traded companies including serving as Chief Financial Officer and consultant to OTCBB and TSXV listed mineral exploration companies. Mr. Rootenberg was President and Chief Executive Officer of a publicly traded (TSXV) technology company from 1999 to 2007. Prior to that, he was a founding partner in a company that pioneered the development of multimedia and new media applications for the advertising industry. He has a Bachelor of Commerce degree from the University of the Witwatersrand in Johannesburg, South Africa and received his Chartered Accountant designation in both South Africa and in Ontario, Canada.

Mr. Daniel Bloch, Director. Mr. Bloch became a director of the Company in July 2010. Prior to that, he served as corporate secretary of the Company from August 31, 2009 through to August 23, 2010. Mr. Bloch is a partner at Aird & Berlis LLP in Toronto, and member of the firm’s Corporate Finance Group and the Natural Resources Team. Mr. Bloch’s practice focuses on all areas of corporate finance, mergers and acquisitions and securities law. Mr. Bloch regularly represents and provides general corporate and securities law advice to publicly and privately held corporations in a wide variety of industries. He has developed a particular expertise in advising issuers and underwriters in connection with public and private financings. Mr. Bloch has a Bachelor of Administrative Studies as well as an LLB.

Mr. Denny Johnson , Vice-President, Exploration and Development and Officer. Mr. Johnson became a director of the Company on August 31, 2009. Mr. Johnson has been the President of Highlands Consulting group since 2008. Prior to that, he was a drilling engineer for Range Resources, a natural gas producer and oversaw multiple drilling programs including CBM, limestone, tight gas sands and shale. Mr. Johnson worked, for four years, as a petroleum field engineer for the oil field service company, Schlumberger. Currently, Mr. Johnson holds membership at the Society of Petroleum Engineers and Petroleum Technology Transfer Council.

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

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

Mr. Colin Kinley, President and Chief Operating Officer and Director. Mr. Kinley became a director of the Company on August 31, 2009 and President and Chief Operating Officer since August 23, 2010. Prior to that, he was Senior Vice President, Operations since August 31, 200. Mr. Kinley is Chief Executive Officer of Kinley Exploration LLC, a specialized exploration company providing integrated program exploration and development management for both new and established oil and gas plays. Kinley has over 30 years of international experience in the exploration of frontier resource plays, 26 years as a senior executive for Layne Christensen and its predecessor companies. During his tenure at Layne he had executive oversight of multiple service companies and exploration and production operations, both domestically and internationally. Most recently Kinley was President of a Toronto based Botswana unconventional gas project, exploring and drilling numerous wells from a base he established in the Kalahari Desert. Kinley is experienced and practiced in both public and private company disciplines.

Mr. Glen Perry, Vice President of Operations, became a Director on July 22, 2010. Mr. Perry previously served as a director of the company from August 31, 2009 until he resigned for personal reasons during January 2010. Mr. Perry has a Masters degree in Petroleum Engineering from the University of Texas. Previously he served as a Director, COO and President of Zion Oil & Gas Inc., a US oil and gas company licensed in Israel and listed on the NASDAQ. In years prior to that he was a consultant to: Delek Drilling Ltd., National Petroleum Limited (Manager), Prairie Producing Company (Officer and Director), Exxon Company USA (now ExxonMobil Corporation) and Energy Reserves Group (now BHP).

Mr. Gadi Levin, Chief Financial Officer (from January 11, 2011) and Secretary, became CFO of the Company's Israeli subsidiaries in July, 2010, Secretary of the Company in August 2010 and was appointed as the Company's CFO in January 2011. Mr. Levin previously served as the Vice President of Finance and Chief Financial Officer for two Israeli investment houses in the fields of private equity, hedge funds and real estate (July, 2008 to December, 2009 and January, 2010 to June 2010, respectively). For the five years prior to that he worked as a financial consultant to the Prime Minister's Office of the State of Israel. Mr. Levin began his career at the accounting firm, Arthur Andersen, where he worked in the Cape Town, London and Tel Aviv offices for nine years. He has a Bachelor of Commerce degree in Accounting and Information Systems from the University of the Cape Town, South Africa, and a post graduate diploma in Accounting from the University of South Africa. He received his Chartered Accountant designation in South Africa and has an MBA from Bar Ilan University in Israel.

Alan Friedman's wife is the niece of Dennis Bennie. Other than that relationship, no director or any member of senior management has any family relationships with any other director or manager.
Except for the nominee agreement with BRM, there is no arrangement with any major shareholder, customer, supplier or other party pursuant to which any person was selected as a director or member of senior management.

Cease trade orders, bankruptcies, penalties or sanctions

Penalties and Sanctions

No Director or executive officer of the Company or, to our knowledge, a shareholder holding a sufficient number of our securities to materially affect the control of the Company, has been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to securities legislation, has entered into a settlement agreement with a securities regulatory authority, or been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self regulatory body, that would likely be considered important to a reasonable security holder making an investment decision about the Company; other than in the case of Colin Kinley where an out of court settlement agreement was entered into and all charges were denied and dropped. Claims were made by Layne Christensen Company and Layne Energy against Manx Drilling; Saber Energy Corp; Saber Energy Inc; Tau Capital of Toronto; Warren Newfield; Colin Kinley and Andrew MacEwen for, amongst other things, claiming a breach of fiduciary duty. The case was brought before the District Court of Johnson County, Kansas and as part of a settlement a stipulation and order for dismissal was signed by all parties and the court on September 15, 2009. The Court ordered the case Dismissed with Prejudice.

Conflicts of Interest

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

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

Promoters

Alan Friedman, Ilan Diamond and Dennis Bennie took the initiative in organizing the Company and may be considered to have been promoters of the Company. See "*Directors and Executive Officers*" for details of the shareholders of such individuals.

B. Compensation

During the year ended September 30, 2010, we paid aggregate remuneration to our directors and officers as a group who served in the capacity of director or executive officer during such year of approximately $643,000. The following table sets forth the approximate aggregate compensation paid by us during the fiscal year ended on September 30, 2010 to all of our directors and officers.

	Cash and Cash-Equivalent Forms of Compensation (in U.S. $)
	Salaries, Fees, Directors' Fees, Commissions and Bonuses
<u>2010</u>	
All Directors as a group, consisting of six persons	$ -
All Officers as a group, consisting of eight persons	$ 643,000

Compensation Discussion and Analysis

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

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

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

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

Option Based Awards

Stock options are granted to provide an incentive to the directors, officers, employees and consultants of the Company to achieve the longer-term objectives of the Company; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Company; and to attract and retain persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Company. The Company awards stock options to its executive officers based upon the recommendation of the Board, which recommendation is based upon the Compensation Committee's review of a proposal from the President and CEO. Previous grants of incentive stock options are taken into account when considering new grants.
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The Company has a stock option plan for the granting of incentive stock options to the officers, employees, consultants and directors. See Item 6E "Share Ownership – Equity Compensation Plans" for more information.

Director Compensation

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

Long-Term Incentive Plan Awards

The Company did not make any long-term incentive plan awards during the period ended September 30, 2010 and the year ended September 30, 2009.

Pension, Retirement or Similar Benefits

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

C. Board Practices

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

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

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

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

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

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

Term of Office

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

Audit and Compensation Committees

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

The Board has determined that all members of the Audit Committee meet the SEC's definition of an "audit committee financial expert", as defined in Item 401(e)(2) of Regulation S-B. The Board has also determined that Mr. Bennie and Mr. Bloch meet the definition of an "independent director", as defined in Rule 121A of the American Stock Exchange Company Guide.

We have a compensation committee comprised of Dennis Bennie, Colin Kinley and Daniel Bloch. Currently, any material commitments, inclusive of remuneration, are required to be pre-approved by the Board, following recommendation of the compensation committee.

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

D. Employees

As of September 30, 2010, we and our subsidiaries together employed a total of nine full-time employees, all of which are employed in Israel as well as engaged the services of seven consultants who performed management and professional functions. None of the Company's employees are part of a collective bargaining unit. Management believes that its relations with its employees and consultants are good.

Israeli Employment Law and Practices

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

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

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

E. Share Ownership

Shares

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

Name and Position	Number of Common Shares	Percentage of Outstanding Common Shares Owned [(1)]
Dennis Bennie Director (Chairman)	6,261,068 [(2)]	6.95%
Ilan Diamond Chief Executive Officer and Director	4,709,883[(3)]	5.23%

Name and Position	Number of Common Shares	Percentage of Outstanding Common Shares Owned [1]
Alan Friedman Executive Vice-President and Director	5,988,267 [4]	6.64%
Alan Rootenberg Chief Financial Officer through to January 11, 2011	50,000	0.06%
Daniel Bloch, Director, Secretary through to August 23, 2010	Nil	Nil
Denny Johnson Senior Vice-President, Exploration and Development	4,000	0.0%
Colin Kinley Senior VP, Operations	50,000	0.06%
Gadi Levin Secretary from August 23, 2010 and CFO from January 11, 2011	Nil	Nil
Yael Reznik Cramer Director	Nil	Nil
Eli Barkat [5] Director	10,000,000	11.09%
Total:	27,063,218	30.02%

1. Based on 90,140,001 common shares issued and outstanding as of January 31, 2011
2. Includes 100,000 shares held by spouse.
3. Includes 140,000 shares held by spouse.
4. Includes 1,034,667 shares held by spouse.
5. Shares held by BRM, beneficially owned by Eli Barkat, Nir Barkat and Yuval Rakav.

Options

Details of the stock options held by our officers and directors are set forth below as of the date hereof:

Name and Position	Grant Date	Expiry Date	Exercise Price	Vesting Type	Total
Dennis Bennie Director (Chairman)	August 31, 2009[1] January 27, 2010[2] January 11, 2011	August 20, 2014 January 26, 2015 January 11, 2016	\$0.25 \$0.60 CDN\$0.80	A E H	396,000 250,000 100,000

Name and Position	Grant Date	Expiry Date	Exercise Price	Vesting Type	Total
Daniel Bloch Director	August 31, 2009 January 27, 2010 January 11, 2011	August 20, 2014 January 26, 2015 January 11, 2016	$0.25 $0.60 CDN$0.80	A E H	75,000 50,000 200,000
Brook Cole	August 31, 2009 January 27, 2010	August 20, 2014 January 26, 2015	$0.25 $0.60	C F	60,000 25,000
Ilan Diamond Chief Executive Officer and Director	August 31, 2009 August 31, 2009 January 27, 2010 January 11, 2011	August 20, 2014 August 20, 2014 January 26, 2015 January 11, 2016	$0.25 $0.25 $0.60 CDN$0.80	A C E H	396,000 385,000 250,000 200,000
Alan Friedman Executive Vice-President and Director	August 31, 2009 August 31, 2009 January 27, 2010 January 11, 2011	August 20, 2014 August 20, 2014 January 26, 2015 January 11, 2016	$0.25 $0.25 $0.60 CDN$0.80	A C E H	396,000 250,000 250,000 150,000
Denny Johnson Senior Vice-President, Exploration and Development	August 31, 2009	August 20, 2014	$0.25	C	150,000[(3)]
Colin Kinley President, Chief Operating Officer and Director	August 31, 2009 September 23, 2009[(3)] January 27, 2010 January 11, 2011	August 20, 2014 September 23, 2014 January 26, 2015 January 11, 2016	$0.25 $0.25 $0.60 CDN$0.80	B D[(4)] E H	400,000 250,000 250,000 800,000
Alan Rootenberg, Chief Financial Officer (through January 11, 2011)	September 23, 2009 January 27, 2010	September 23, 2014 January 26, 2015	$0.25 $0.60	A E	150,000 75,000
Glen Perry Vice President Operations and Director	July 22, 2010	July 22, 2015	$0.60	E	600,000
Gadi Levin, Secretary and Chief Financial Officer (from January 11, 2011)	July 22, 2010	July 22, 2015	$0.60	E	250,000
Yael Reznik Cramer, Director	January 11, 2010	January 11, 2016	CDN$0.80	H	100,000
Eli Barkat, Director	January 11, 2010	January 11, 2016	CDN$0.80	H	100,000
Total:					6,558,000

Notes:

(1) The closing price of the Common Shares on the OTCBB on August 31, 2009, the date the Adira Options were exchanged for previously granted stock options, was $0.22.

(2) The closing price of the Common Shares on the OTCBB on January 27, 2010 was $0.58

(3) The closing price of the Common Shares on the OTCBB on September 23, 2009 was $0.23.

(4) The closing price of the Common Shares on the OTCBB on December 15, 2009 was $0.42.

Vesting Type Key:

(A) Options vest over 2 years, with 12.5% vesting at the end of each quarter.
(B) Options vest 8.5% at the end of each quarter over two years and 8.0% at the end of each quarter thereafter.
(C) Options vest over 4 years, with 6.25% vesting at the end of each quarter.
(D) Options vest 12.5% at the end of each quarter with the initial amount vesting on December 17, 2009.
(E) Options vest over 2 years, with 12.5% vesting at the end of each quarter. Initial amount vests on grant date.
(F) Options vest over 4 years, with 6.25% vesting at the end of each quarter. Initial amount vests on grant date.
(G) Options vest 8.5% at the end of each quarter over two years and 8.0% at the end of each quarter thereafter. Initial amount vests on grant date.
(H) Options vest 12.5% every 6 months with the initial amount vesting on July 11, 2010.

Warrants

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

Name and Position	Grant Date	Expiry Date	Exercise Price	Total
Dennis Bennie Director (Chairman)	August 31, 2009 November 22, 2010	August 31, 2011 November 22, 2013	US$0.50 US$0.55	118,200 50,000[(1)]
Ilan Diamond Chief Executive Officer and Director	November 22, 2010	November 22, 2013	US$0.55	70,000[(1)]
Alan Friedman Executive Vice-President and Director	August 31, 2009 November 22, 2010	August 31, 2011 November 22, 2013	US$0.50 US$0.55	9,000 75,000[(1)]
Alan Rootenberg Chief Financial Officer through January 11, 2011	November 22, 2010	November 22, 2013	$US0.55	25,000
Daniel Bloch Director, Secretary through August 23, 2010	N/A	N/A	Nil	Nil
Colin Kinley President and COO	November 22, 2010	November 22, 2013	US$0.55	25,000
Denny Johnson Senior Vice-President, Exploration and Development	August 31, 2009	August 31, 2011	US$0.50	2,000
Gadi Levin Secretary from August 23, 2010 and CFO from January 11, 2011	N/A	N/A	Nil	Nil

Name and Position	Grant Date	Expiry Date	Exercise Price	Total
Yael Reznik Cramer Director	N/A	N/A	Nil	Nil
Eli Barkat [(2)] Director	December 3, 2010 November 22, 2010	December 3, 2013 November 22, 2013	US$0.40 US$0.55	1,101,750 5,000,000
Total:				**6,475,950**

1. Held by spouse
2. Consists of 5,000,000 warrants held by BRM and 1,101,750 warrants held by DS Apex Mergers & Acquisitions Ltd., which is 60% owned by BRM. BRM is beneficially owned by Eli Barkat, Nir Barkat and Yuval Rakav. The warrants issued to DS Apex Mergers & Acquisitions Ltd were in consideration for placement services provided to us in connection with the Adira Financing – see Item 10C "Material Contracts" .

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

Equity Compensation Plans

The following table summarizes our compensation plans under which equity securities are authorized for issuance as at September 30, 2010.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the second column)
Equity compensation plans approved by security holders	5,659,000	$0.39	605,000
Equity compensation plans not approved by security holders	Nil	$0.25	N/A
Total:	5,659,000	$0.39	605,000

(1) The number of securities remaining available for future issuance under our 10% rolling stock option plan as at the end of our most recently completed financial year is calculated on the basis of 10% of the Company's issued and outstanding shares as at such date (being 10% of 62,640,001 =6,264,000).

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

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

and consultants of the Company and its subsidiaries or employees of companies providing management or consulting services to the Company or its subsidiaries.

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

As of January, 2011, 7,309,000options had been granted under the 2009 Stock Option Plan as follows:

On August 31, 2009, 3,334,000 options were granted to the former holders of Adira Energy stock options, in exchange for previously outstanding Adira Energy options. The exercise price per common share of these options is $0.25. These options will expire on August 20, 2014 and are subject to various vesting terms.

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

On January 27, 2010, 1,270,000 options were granted to certain directors and officers of the Company. The exercise price per common share of these options is $0.60. These options will expire on January 26, 2015 and are subject to various vesting terms.

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

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

On January 11, 2011, 1,650,000 options were granted to certain directors and officers of the Company. The exercise price per common share of these options is $0.79. These options will expire on January 11, 2016 and are subject to various vesting terms.

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

ITEM 7 MAJOR SHAREHOLDER AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

Major Shareholders

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

Name and Municipality of Residence	Number of Common Shares Owned[1]	Percentage[2]
Dennis Bennie Toronto, Canada	6,261,068[3]	6.95%
Ilan Diamond Raanana, Israel	4,709,883[4]	5.23%
Alan Friedman Toronto, Canada	5, 988,267[5]	6.64%
BRM , Israel[5]	10,000,000	11.09%
Lapidoth Israel Oil Prospectors Corp. Ltd., Israel [6]	6,250,000	6.9%

(1) Based on beneficial share ownership data as of the date hereof. For these purposes, "beneficial ownership" means the sole or shared power to vote or direct the voting or to dispose or direct the disposition of any security. Unless otherwise indicated, each shareholder listed has sole voting or dispositive power with respect to such common shares.

(2) Based on 90,140,001 of our common shares issued and outstanding as of January 31, 2011.

(3) Includes 100,000 shares held by spouse.

(4) Includes 140,000 shares held by spouse.

(5) Includes 884,667 held by spouse

(6) BRM is a private investment company beneficially owned by Mr. Eli Barkat, Mr. Nir Barkat and Mr. Yuval Rakav.

(7) Lapidoth Israel Oil Prospectors Corp. Ltd is beneficially owned by Mr. Yaakov Luxembourg.

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

Significant Changes in Ownership.

For significant changes of ownership of the holdings of the major shareholders, please see Item 4A –"Acquisition of Adira Energy" and "Adira Financing".

Geographic Breakdown of Shareholders

As of December 31, 2010, our shareholder register indicates that our common shares are held as follows:

Location	Number of Shares	Percentage of Total Shares	Number of Registered Shareholders of Record
United States	1,695,776	1.9%	57
Canada	56,104,009	62.2%	101
Other	32,340,216	35.9%	32
Total	90,140,001	100%	190

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

Transfer Agent

Our securities are recorded in registered form on the books of our transfer agent, Computershare Trust Company of Canada, located at 3rd Floor, 510 Burrard Street, Vancouver, BCV6C 3B9. However, the majority of such shares are registered in the name of intermediaries such as brokerage houses and clearing houses (on behalf of their respective

brokerage clients). We do not have knowledge or access to the identities of the beneficial owners of such shares registered through intermediaries.

Control

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

Insider Reports under Canadian Securities Law

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

B. Related Party Transactions

No director or senior officer of the Company, and no associate or affiliate of the foregoing persons, and no insider has or has had any material interest, direct or indirect, in any transactions, or in any proposed transaction, which in either such case has materially affected or will materially affect us or our predecessors since the beginning of our last completed fiscal year except as follows:

During the year ended September 30, 2010, and for the 175 day period ended September 30, 2009 we incurred the following expenses with related parties:

- $204,452 in consulting fees to individuals that are directors and officers of the Company or to private companies which are controlled by a director and officers of the Company (September 30, 2009 - $148,152);
- $279,149 in technical consulting fees to a company in which a director is the President and Chief Operating Officer, (September 30, 2009 - $75,000); and
- $112,166 in technical consulting fees to a corporation controlled by an officer, (September 30, 2009 - $20,000).

During the year ended September 30, 2008, AMG incurred the following expenses with related parties:

During the 2008 fiscal year, the Company incurred $54,568 of mainly G&A costs through DLJ, a wholly owned subsidiary of Trans-Orient. The amount represents costs incurred by DLJ on behalf of the Company for administrative and accounting services. At September 30, 2008, the Company owed DLJ $2,604.

During the 2008 fiscal year, a director was paid $12,955 (2007: $9,421 and 2006: $5,553) indirectly through DLJ for time spent on the Company.

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

Dennis Bennie, Ilan Diamond and Alan Friedman purchased an aggregate of 9,736,167 common shares of Adira Energy (3,493,270, 2,670,589 and 3,572,308 common shares, respectively) at a price of CDN$0.05 per share, such amount being the approximate amount of personal expenses incurred primarily by the Dennis Bennie, Ilan Diamond, Alan Friedman in conducting the business prior to incorporation. An aggregate of 1,250,000 common shares of Adira Energy (625,000, 625,000 and 0 common shares, respectively) were subsequently directly and beneficially purchased at a price of $0.05 per share. The shares of Adira Energy were subsequently split resulting in these three individuals holding, beneficially and directly, 10,986,167 shares (4,118,270, 3,572,308 and 3,295,589 respectively). Post split, an aggregate of 236,400 common shares of Adira Energy (236,400, 0 and 0 common shares, respectively) were subsequently purchased at a price of $0.25 per share. These shares were subsequently exchanged for an equivalent number of shares of the Company on completion of the acquisition of Adira Energy pursuant to the Securities Exchange Agreement dated August 4, 2009 among the Company, Adira Energy, Dennis Bennie, Ilan Diamond and Alan Friedman.

C. Interests of Experts and Counsel

The names of the experts are as follows:

(a) Aird &Berlis LLP, counsel to the Company;

(b) Petrotech Engineering Ltd., author of the Eitan Technical Report;

(c) MSCM LLP, Chartered Accountants; and

(d) Smythe Ratcliffe LLP, Chartered Accountants.

Except as otherwise disclosed herein, none of Aird & Berlis LLP, Petrotech Engineering Ltd., Smythe Ratcliffe or MSCM LLP, or any director, officer, employee or partner thereof, as applicable, received or has received a direct or indirect interest in the property of the Company or of any associate or affiliate of the Company. As of the date hereof, the directors, officers, employees and partners, as applicable, of each of the aforementioned companies and partnerships beneficially own, directly or indirectly in the aggregate less than one percent of the securities of the Company. No director, officer, employee or partner, as applicable, of the aforementioned companies or partnerships is currently expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate of affiliate of the Company.

ITEM 8 FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

Financial Statements

The financial statements required as part of this Form 20-F are filed under Item 17 of this Form 20-F.

Legal Proceedings

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

Dividends

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

B. Significant Changes

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

ITEM 9 THE OFFER AND LISTING

Common Shares

Our authorized capital consists of an unlimited number of common shares without par value, of which 62,640,001 common shares and are issued and outstanding as of September 30, 2010 and 90,140,001 as of December 31, 2010. All shares are initially issued in registered form. Except for the escrowed shares (see below) there are no restrictions on the transferability of our common shares imposed by our constituting documents.

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

A. Offer and Listing Details- Price History

Trading Markets

Our common shares are traded on the OTC Bulletin Board in the United States under the symbol "ADENF". The following table shows the progression in the high and low closing trading prices of our common shares on the OTC Bulletin Board for the periods listed.

	High ($)	Low ($)
Annual (fiscal year)		
2010	0.90	0.22
2009	0.38	0.03

	High ($)	Low ($)
2008	0.50	0.11
2007	0.90	0.32
2006	1.41	0.125

Quarterly

Fiscal 2010		
Fourth Quarter	0.15	0.25
Third Quarter	0.6	0.28
Second Quarter	0.74	0.39
First Quarter	0.54	0.22
Fiscal 2009		
Fourth Quarter	0.38	0.21
Third Quarter	0.38	0.06
Second Quarter	0.10	0.05
First Quarter	0.12	0.03
Fiscal 2008		
Fourth Quarter	0.33	0.11
Third Quarter	0.50	0.21
Second Quarter	0.39	0.21
First Quarter	0.50	0.27

Monthly

January 2011	0.83	0.63	
December 2010	0.90	0.45	
November 2010	0.55	0.35	
October 2010	0.48	0.33	
September 2010	0.50	0.34	
August 2010	0.50	0.29	

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

	High (CAD)	**Low (CAD)**
December 2010	0.55	0.90
January 2011	0.80	0.60

Escrowed Securities

Pursuant to our listing on the TSXV in December 2010, a number of our common shares are subject to escrow pursuant to the policies of the TSXV, namely:

Designation of Class	Number of Securities held in escrow or that are subject to a contractual restriction on transfer	% of Class
Common Shares	2,848,000	3.16%

B. Plan of Distribution

Not applicable.

C. Markets

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

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10 ADDITIONAL INFORMATION

A. Share Capital

Not applicable

B. Memorandum and Articles of Incorporation

We were incorporated on February 20, 1997 as "Trans New Zealand Oil Company" under the laws of the State of Nevada, USA. We changed our name to "AMG Oil Ltd." on July 27, 1998. On November 27, 2008, we changed our jurisdiction of incorporation from Nevada to the Canadian federal jurisdiction under the *Canada Business Corporation Act.* Our corporate constituting documents are comprised of our Articles of Association ("**Articles**") and our By-Laws ("**By-Laws**"). Information regarding out Articles and By-laws is incorporated by reference from our Form 20-F filed previously on September 4, 2009.

C. Material Contracts

The material contracts to which we are a party which were entered into during the last two years are as follows:

- Securities Exchange Agreement dated August 4, 2009 among the Company, Adira Energy, Alan Friedman, Dennis Bennie and Ilan Diamond.

- Securities Exchange Agreement dated effective August 4, 2009 among the Company and the minority shareholders of Adira Energy

- Agency Agreement between Adira Energy and Sandfire Securities Inc. dated August 31, 2009 pursuant to which Adira Energy issued 7,600,000 Units in the Private Placement as described in Item 4.A of this Form 20-F.

- Subscription Agreement entered into between Adira Energy and the subscribers for the 7,600,000 Unit Private Placement described in Item 4.A of this Form 20-F.

- Form of Subscription Agreement entered into between the Company Oil Ltd and the subscribers for the 400,000 Unit Private Placement described in Item 4.A of this Form 20-F

- Form of Subscription Agreement entered into between the Company and the subscribers for the 27,500,000 subscription receipts described in Item 4.A of this Form 20-F. A copy of this agreement is attached hereto as Exhibit 4.7

- Agreement with the Modi'in Energy Limited Partnership, its general partner, Modi'in Energy Management (1992) Limited and Brownstone Ventures, Inc. described in Item 4.B of this Form 20-F and a summary of which is attached as Exhibit 4.8.

- Letter of Intent with Brownstone dated September 20, 2009, as amended, pursuant which Brownstone was granted the right, to earn a 15% participating interest in any existing or future oil and gas blocks acquired by the Company in offshore State of Israel for a three year period commencing July 15, 2009 upon assuming an obligation to contribute 15% of all costs associated with such projects. A copy of the Brownstone LOI is attached hereto as Exhibit 4.9.

- Agency Agreement between Adira Energy and DS Apex and Mergers Ltd. dated November 22, 2010 in connection with the part of the Adira Financing placed by DS Apex Mergers & Acquisitions Ltd. in certain jurisdictions, excluding Canada and the United States of America ,as described in Item 4.A of this Form 20-F. A copy of this Agency agreement is attached hereto as Exhibit 4.10

- Nominee agreement with BRM relating to the appointment of directors on behalf of BRM. A copy of the Nominee agreement is attached hereto as Exhibit 4.11.

D. Exchange Controls

There is no law or governmental decree or regulation in Canada that restricts the export or import of capital, or affects the remittance of dividends, interest or other payments to a non-resident holder of common shares of the Company, other than withholding tax requirements. See "Taxation".

There is no limitation imposed by Canadian law or by the charter or other constituent documents of the Company on the right of a non-resident to hold or vote common shares of the Company, other than as provided in the *Investment Canada Act* (Canada) (the "**Investment Act**").

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

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

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

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

For a proposed indirect acquisition that would result in an acquisition of control of the Company through the acquisition of a non-Canadian parent entity, the investment would be reviewable where (a) the value of the Canadian assets acquired in the transaction is CAD $50 million or more, or (b) the value of the Canadian assets is greater than 50% of the value of all of the assets acquired in the transaction and the value of the Canadian assets is CAD $5 million or more.

In the case of a direct acquisition by or from a "WTO investor", the threshold is significantly higher, and is adjusted for inflation each year. The 2008 threshold was CAD$295 million. Other than the exception noted below, an indirect acquisition involving a WTO investor is not reviewable under the Investment Act.

The higher WTO threshold for direct investments and the exemption for indirect investments do not apply where the relevant Canadian business is carrying on the following businesses that have been deemed to be sensitive: (i) the production of oil and gas and the ownership of an interest in a producing oil and gas property in Canada; (ii) the provision of any "financial service"; (iii) the provision of any "transportation service"; or (iv) a "cultural business".

Certain transactions relating to common shares of the Company are exempt from the Investment Act, including

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

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

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

E. Taxation

Material Canadian Federal Income Tax Consequences for United States Residents

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

This summary is based on the current provisions of the Tax Act including all regulations thereunder, the Treaty, all proposed amendments to the Tax Act, the regulations and the Treaty publicly announced by the Government of Canada to the date hereof, and our understanding of the current administrative practice of the Canada Revenue

Agency. It has been assumed that all currently proposed amendments will be enacted as proposed and that there will be no other relevant change in any governing law or administrative practice, although no assurances can be given in these respects. The summary does not take into account Canadian provincial, U.S. federal (which follows further below), state or other foreign income tax law or practice. **The tax consequences to any particular U.S. Holder will vary according to the status of that holder as an individual, trust, corporation, partnership or other entity, the jurisdictions in which that holder is subject to taxation, and generally according to that holder's particular circumstances. Accordingly, this summary is not, and is not to be construed as, Canadian tax advice to any particular U.S. Holder. All U.S. Holders are advised to consult with their own tax advisors regarding their particular circumstances. The discussion below is qualified accordingly.**

Dividends

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

Disposition

For purposes of the following discussion, we have assumed that our shares will remain listed on the TSX. A U.S. Holder is not subject to tax under the Tax Act in respect of a capital gain realized on the disposition of our shares in the open market unless the shares are "taxable Canadian property" to the holder thereof and the U.S. Holder is not entitled to relief under the Treaty. Our shares will be taxable Canadian property to a U.S. Holder (a) if, at any time during the 60 months preceding the disposition, the U.S. Holder or persons with whom the U.S. Holder did not deal at arm's length alone or together owned 25% or more of our issued shares of any class or series, or (b) in other specific circumstances, including where shares were acquired for other securities in a tax-deferred transaction. If our shares constitute taxable Canadian property to the holder, the holder will (unless relieved under the Treaty) be subject to Canadian income tax on any gain. The taxpayer's capital gain or loss from a disposition of the share is the amount, if any, by which the proceeds of disposition exceed (or are exceeded by) the aggregate of the adjusted cost base and reasonable expenses of disposition. One-half of the capital gain is included in income and one-half of the capital loss is deductible from capital gains realized in the same year. Unused capital losses may be carried back three taxation years or forward indefinitely and applied to reduce capital gains realized in those years.

A U.S. Holder whose shares do constitute taxable Canadian property should consult with the holder's own tax advisors regarding any possible relief (if any) from Canadian tax under the Treaty based on applicable circumstances at the relevant time. Such Treaty relief should not be anticipated under current circumstances.

United States Tax Consequences

United States Federal Income Tax Consequences

The following is a discussion of all material United States federal income tax consequences, under current law, generally applicable to a U.S. Holder (as hereinafter defined) of our common shares. This discussion does not address all potentially relevant federal income tax matters and it does not address consequences peculiar to persons subject to special provisions of federal income tax law, such as those described below as excluded from the definition of a U.S. Holder. In addition, this discussion does not cover any state, local or foreign tax consequences. (See "Taxation - Canadian Federal Income Tax Consequences" above). Accordingly, we urge holders and prospective holders of our common shares to consult their own tax advisors about the specific federal, state, local and foreign tax consequences to them of purchasing, owning and disposing of our common shares, based upon their individual circumstances.

The following discussion is based upon the sections of the Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury Regulations, published Internal Revenue Service ("**IRS**") rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time and which are subject to differing interpretations.

This discussion does not consider the potential effects, both adverse and beneficial, of any proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time.

U.S. Holders

As used herein, a "U.S. Holder" means a holder of our common shares who is a citizen or individual resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or of any political subdivision thereof, an entity created or organized in or under the laws of the United States or of any political subdivision thereof which has elected to be treated as a corporation for United States federal income tax purposes (under Treasury Regulation Section 301.7701-3), an estate whose income is taxable in the United States irrespective of source or a trust subject to the primary supervision of a court within the United States and control of a United States fiduciary as described in Section 7701(a)(30) of the Code. This summary does not address the tax consequences to, and U.S. Holder does not include, persons subject to specific provisions of federal income tax law, such as tax-exempt organizations, qualified retirement plans, individual retirement accounts and other tax-deferred accounts, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, non-resident alien individuals, persons or entities that have a "functional currency" other than the U.S. dollar, shareholders subject to the alternative minimum tax, shareholders who hold common shares as part of a straddle, hedging or conversion transaction, and shareholders who acquired their common shares through the exercise of employee stock options or otherwise as compensation for services. This summary is limited to U.S. Holders who own our common shares as capital assets and who own (directly and indirectly, pursuant to applicable rules of constructive ownership) no more than 5% of the value of our total outstanding stock. This summary does not address the consequences to a person or entity holding an interest in a shareholder or the consequences to a person of the ownership, exercise or disposition of any options, warrants or other rights to acquire common shares. In addition, this summary does not address special rules applicable to United States persons (as defined in Section 7701(a)(30) of the Code) holding common shares through a foreign partnership or to foreign persons holding common shares through a domestic partnership.

Distribution on Our Common Shares

In general, U.S. Holders receiving dividend distributions (including constructive dividends) with respect to our common shares are required to include in gross income for United States federal income tax purposes the gross amount of such distributions, equal to the U.S. dollar value of such distributions on the date of receipt (based on the exchange rate on such date), to the extent that we have current or accumulated earnings and profits, without reduction for any Canadian income tax withheld from such distributions. Such Canadian tax withheld may be credited, subject to certain limitations, against the U.S. Holder's federal income tax liability or, alternatively, may be deducted in computing the U.S. Holder's federal taxable income by those who itemize deductions. (See more detailed discussion at "Foreign Tax Credit" below). To the extent that distributions exceed our current or accumulated earnings and profits, they will be treated first as a return of capital up to the U.S. Holder's adjusted basis in the common shares and thereafter as gain from the sale or exchange of property. Preferential tax rates for long-term capital gains are applicable to a U.S. Holder which is an individual, estate or trust. There are currently no preferential tax rates for long-term capital gains for a U.S. Holder which is a corporation.

In the case of foreign currency received as a dividend that is not converted by the recipient into U.S. dollars on the date of receipt, a U.S. Holder will have a tax basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Generally any gain or loss recognized upon a subsequent sale or other disposition of the foreign currency, including the exchange for U.S. dollars, will be ordinary income or loss. However, an individual whose realized gain does not exceed $200 will not recognize that gain, provided that there are no expenses associated with the transaction that meet the requirements for deductibility as a trade or business expense (other than travel expenses in connection with a business trip) or as an expense for the production of income.

Dividends paid on our common shares generally will not be eligible for the dividends received deduction provided to corporations receiving dividends from certain United States corporations. A U.S. Holder which is a corporation and which owns shares representing at least 10% of our voting power and value may, under certain circumstances, be entitled to a 70% (or 80% if the U.S. Holder owns shares representing at least 20% of our voting power and value) deduction of the United States source portion of dividends received from us (unless we qualify as a "passive foreign investment company," as defined below). We do not anticipate that we will earn any United States income,

however, and therefore we do not anticipate that any U.S. Holder will be eligible for the dividends received deduction.

Under current Treasury Regulations, dividends paid on our common shares, if any, generally will not be subject to information reporting and generally will not be subject to U.S. backup withholding tax. However, dividends and the proceeds from a sale of our common shares paid in the U.S. through a U.S. or U.S. related paying agent (including a broker) will be subject to U.S. information reporting requirements and may also be subject to the 28% U.S. backup withholding tax, unless the paying agent is furnished with a duly completed and signed Form W-9. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a refund or a credit against the U.S. Holder's U.S. federal income tax liability, provided the required information is furnished to the IRS.

Foreign Tax Credit

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

A U.S. Holder who pays (or has withheld from distributions) Canadian income tax with respect to the ownership of our common shares may be entitled, at the option of the U.S. Holder, to either receive a deduction or a tax credit for such foreign tax paid or withheld. Generally, it will be more advantageous to claim a credit because a credit reduces United States federal income taxes on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer's income subject to tax. This election is made on a year-by-year basis and generally applies to all foreign taxes paid by (or withheld from) the U.S. Holder during that year. There are significant and complex limitations which apply to the credit, among which is the general limitation that the credit cannot exceed the proportionate share of the U.S. Holder's United States income tax liability that the U.S. Holder's foreign source income bears to his or its worldwide taxable income. In the determination of the application of this limitation, the various items of income and deduction must be classified into foreign and domestic sources. Complex rules govern this classification process. In addition, this limitation is calculated separately with respect to "passive income" and "general income," and dividends distributed by us will generally constitute "passive income" for these purposes. The availability of the foreign tax credit and the application of the limitations on the credit are fact specific, and U.S. Holders of our common shares should consult their own tax advisors regarding their individual circumstances.

Disposition of Our Common Shares

In general, U.S. Holders will recognize gain or loss upon the sale of our common shares equal to the difference, if any, between (i) the amount of cash plus the fair market value of any property received, and (ii) the shareholder's tax basis in our common shares. Preferential tax rates apply to long-term capital gains of U.S. Holders which are individuals, estates or trusts. In general, gain or loss on the sale of our common shares will be long-term capital gain or loss if the common shares are a capital asset in the hands of the U.S. Holder and are held for more than one year. Deductions for net capital losses are subject to significant limitations. For U.S. Holders that are not corporations, any unused portion of such net capital loss may be carried over to be used in later tax years until such net capital loss is thereby exhausted. For U.S. Holders that are corporations (other than corporations subject to Subchapter S of the Code), an unused net capital loss may be carried back three years and carried forward five years from the loss year to be offset against capital gains until such net capital loss is thereby exhausted.

Other Considerations

Set forth below are certain material exceptions to the above-described general rules describing the United States federal income tax consequences resulting from the holding and disposition of common shares:

Foreign Investment Company

If 50% or more of the combined voting power or total value of our outstanding shares is held, directly or indirectly, by citizens or residents of the United States, United States domestic partnerships or corporations, or estates or trusts other than foreign estates or trusts (as defined by the Code Section 7701(a)(31)), and we are found to be engaged primarily in the business of investing, reinvesting, or trading in securities, commodities, or any interest therein, it is possible that we may be treated as a "foreign investment company" as defined in Section 1246 of the Code, causing

all or part of any gain realized by a U.S. Holder selling or exchanging common shares to be treated as ordinary income rather than capital gain. We do not believe that we currently qualify as a foreign investment company. However, there can be no assurance that we will not be considered a foreign investment company for the current or any future taxable year.

Passive Foreign Investment Company

United States income tax law contains rules governing "passive foreign investment companies" ("**PFIC**") which can have significant tax effects on U.S. Holders of foreign corporations. These rules do not apply to non-U.S. Holders. Section 1297 of the Code defines a PFIC as a corporation that is not formed in the United States if, for any taxable year, either (i) 75% or more of its gross income is "passive income," which includes interest, dividends and certain rents and royalties or (ii) the average percentage, by fair market value (or, if the corporation is not publicly traded and either is a controlled foreign corporation or makes an election, by adjusted tax basis), of its assets that produce or are held for the production of "passive income" is 50% or more. We do not believe that we were a PFIC for our taxable year ending September 30, 2010, however, we appear to have been a PFIC for our taxable year ending September 30, 2009, and at least certain prior fiscal years. In addition, we may also qualify as a PFIC in future fiscal years. Each of our U.S. Holders is urged to consult a tax advisor with respect to how the PFIC rules affect such U.S. Holder's tax situation.

Each of our U.S. Holders who holds stock in a foreign corporation during any year in which such corporation qualifies as a PFIC is subject to United States federal income taxation under one of three alternative tax regimes at the election of such U.S. Holder. The following is a discussion of such alternative tax regimes applied to such U.S. Holders of our stock. In addition, special rules apply if a foreign corporation qualifies as both a PFIC and a "controlled foreign corporation" (as defined below) and a U.S. Holder owns, actually or constructively, 10% or more of the total combined voting power of all classes of stock entitled to vote of such foreign corporation (See more detailed discussion at "Controlled Foreign Corporation" below).

A U.S. Holder who elects to treat us as a qualified electing fund ("**QEF**") will be subject, under Section 1293 of the Code, to current federal income tax for any taxable year to which the election applies in which we qualify as a PFIC on his pro rata share of our (i) "net capital gain" (the excess of net long-term capital gain over net short-term capital loss), which will be taxed as long-term capital gain, and (ii) "ordinary earnings" (the excess of earnings and profits over net capital gain), which will be taxed as ordinary income, in each case, for the shareholder's taxable year in which (or with which) our taxable year ends, regardless of whether such amounts are actually distributed. A U.S. Holder's tax basis in the common shares will be increased by any such amount that is included in income but not distributed.

The procedure a U.S. Holder must comply with in making an effective QEF election, and the consequences of such election, will depend on whether the year of the election is the first year in the U.S. Holder's holding period in which we are a PFIC. If the U.S. Holder makes a QEF election in such first year, i.e., a "timely" QEF election, then the U.S. Holder may make the QEF election by simply filing the appropriate documents at the time the U.S. Holder files his tax return for such first year. If, however, we qualified as a PFIC in a prior year during the U.S. Holder's holding period, then, in order to avoid the Section 1291 rules discussed below, in addition to filing documents, the U.S. Holder must elect to recognize under the rules of Section 1291 of the Code (discussed herein) (i) any gain that he would otherwise recognize if the U.S. Holder sold his stock on the qualification date or (ii) if we are a controlled foreign corporation, the U.S. Holder's pro rata share of our post-1986 earnings and profits as of the qualification date. The qualification date is the first day of our first tax year in which we qualified as a QEF with respect to such U.S. Holder. For purposes of this discussion, a U.S. Holder who makes (i) a timely QEF election or (ii) an untimely QEF election and either of the above-described gain-recognition elections under Section 1291 is referred to herein as an "Electing U.S. Holder". A U.S. Holder who holds common shares at any time during a year in which we are a PFIC and who is not an Electing U.S. Holder (including a U.S. Holder who makes an untimely QEF election and makes neither of the above-described gain-recognition elections) is referred to herein as a "Non-Electing U.S. Holder". An Electing U.S. Holder (i) generally treats any gain realized on the disposition of his common shares as capital gain and (ii) may either avoid interest charges resulting from PFIC status altogether or make an annual election, subject to certain limitations, to defer payment of current taxes on his share of our annual realized net capital gain and ordinary earnings subject, however, to an interest charge. If the U.S. Holder is not a corporation, any interest charge imposed under the PFIC regime would be treated as "personal interest" that is not deductible.

In order for a U.S. Holder to make (or maintain) a valid QEF election, we must provide certain information regarding our net capital gains and ordinary earnings and permit our books and records to be examined to verify such information. We intend to make the necessary information available to U.S. Holders to permit them to make (and maintain) QEF elections with respect to us. We urge each U.S. Holder to consult a tax advisor regarding the availability of, and procedure for making, the QEF election.

A QEF election, once made with respect to us, applies to the tax year for which it was made and to all subsequent tax years, unless the election is invalidated or terminated, or the IRS consents to revocation of the election. If a QEF election is made by a U.S. Holder and we cease to qualify as a PFIC in a subsequent tax year, the QEF election will remain in effect, although not applicable, during those tax years in which we do not qualify as a PFIC. Therefore, if we again qualify as a PFIC in a subsequent tax year, the QEF election will be effective and the U.S. Holder will be subject to the rules described above for Electing U.S. Holders in such tax year and any subsequent tax years in which we qualify as a PFIC. In addition, the QEF election remains in effect, although not applicable, with respect to an Electing U.S. Holder even after such U.S. Holder disposes of all of his or its direct and indirect interest in our shares. Therefore, if such U.S. Holder reacquires an interest in us, that U.S. Holder will be subject to the rules described above for Electing U.S. Holders for each tax year in which we qualify as a PFIC.

In the case of a Non-Electing U.S. Holder, special taxation rules under Section 1291 of the Code will apply to (i) gains realized on the disposition (or deemed to be realized by reasons of a pledge) of his common shares and (ii) certain "excess distributions," as defined in Section 1291(b), by us.

A Non-Electing U.S. Holder generally would be required to pro rate all gains realized on the disposition of his common shares and all excess distributions on his common shares over the entire holding period for the common shares. All gains or excess distributions allocated to prior years of the U.S. Holder (excluding any portion of the holder's period prior to the first day of the first year (i) which began after December 31, 1986, and (ii) for which we were a PFIC) would be taxed at the highest tax rate for each such prior year applicable to ordinary income. The Non-Electing U.S. Holder also would be liable for interest on the foregoing tax liability for each such prior year calculated as if such liability had been due with respect to each such prior year. A Non-Electing U.S. Holder that is not a corporation must treat this interest charge as "personal interest" which, as discussed above, is wholly non-deductible. The balance, if any, of the gain or the excess distribution will be treated as ordinary income in the year of the disposition or distribution, and no interest charge will be incurred with respect to such balance. In certain circumstances, the sum of the tax and the PFIC interest charge may exceed the amount of the excess distribution received, or the amount of proceeds of disposition realized, by the U.S. Holder.

If we are a PFIC for any taxable year during which a Non-Electing U.S. Holder holds our common shares, then we will continue to be treated as a PFIC with respect to such common shares, even if we are no longer definitionally a PFIC. A Non-Electing U.S. Holder may terminate this deemed PFIC status by electing to recognize gain (which will be taxed under the rules discussed above for Non-Electing U.S. Holders) as if such common shares had been sold on the last day of the last taxable year for which we were a PFIC.

Effective for tax years of U.S. Holders beginning after December 31, 1997, U.S. Holders who hold (actually or constructively) marketable stock of a foreign corporation that qualifies as a PFIC may elect to mark such stock to the market annually (a "**mark-to-market election**"). If such an election is made, such U.S. Holder will generally not be subject to the special taxation rules of Section 1291 discussed above. However, if the mark-to-market election is made by a Non-Electing U.S. Holder after the beginning of the holding period for the PFIC stock, then the Section 1291 rules will apply to certain dispositions of, distributions on and other amounts taxable with respect to our common shares. A U.S. Holder who makes the mark-to-market election will include in income for each taxable year for which the election is in effect an amount equal to the excess, if any, of the fair market value of our common shares as of the close of such tax year over such U.S. Holder's adjusted basis in such common shares. In addition, the U.S. Holder is allowed a deduction for the lesser of (i) the excess, if any, of such U.S. Holder's adjusted tax basis in the common shares over the fair market value of such shares as of the close of the tax year, or (ii) the excess, if any, of (A) the mark-to-market gains for our common shares included by such U.S. Holder for prior tax years, including any amount which would have been treated as a mark-to-market gain for any prior tax year but for the Section 1291 rules discussed above with respect to Non-Electing U.S. Holders, over (B) the mark-to-market losses for shares that were allowed as deductions for prior tax years. A U.S. Holder's adjusted tax basis in our common shares will be adjusted to reflect the amount included in or deducted from income as a result of a mark-to-market election. A mark-to-market election applies to the taxable year in which the election is made and to each

subsequent taxable year, unless our common shares cease to be marketable, as specifically defined, or the IRS consents to revocation of the election. Because the IRS has not established procedures for making a mark-to-market election, U.S. Holders should consult their tax advisor regarding the manner of making such an election. No view is expressed regarding whether our common shares are marketable for these purposes or whether the election will be available.

Under Section 1291(f) of the Code, the IRS has issued Proposed Treasury Regulations that, subject to certain exceptions, would treat as taxable certain transfers of PFIC stock by Non-Electing U.S. Holders that are generally not otherwise taxed, such as gifts, exchanges pursuant to corporate reorganizations, and transfers at death. Generally, in such cases the basis of our common shares in the hands of the transferee and the basis of any property received in the exchange for those common shares would be increased by the amount of gain recognized. Under the Proposed Treasury Regulations, an Electing U.S. Holder would not be taxed on certain transfers of PFIC stock, such as gifts, exchanges pursuant to corporate reorganizations, and transfers at death. The transferee's basis in this case will depend on the manner of the transfer. In the case of a transfer by an Electing U.S. Holder upon death, for example, the transferee's basis is generally equal to the fair market value of the Electing U.S. Holder's common shares as of the date of death under Section 1014 of the Code. The specific tax effect to the U.S. Holder and the transferee may vary based on the manner in which the common shares are transferred. Each U.S. Holder of our shares is urged to consult a tax advisor with respect to how the PFIC rules affect his or its tax situation.

Whether or not a U.S. Holder makes a timely QEF election with respect to our common shares, certain adverse rules may apply in the event that we are a PFIC and any foreign corporation in which we directly or indirectly hold shares is a PFIC (a "**lower-tier PFIC**"). Pursuant to certain Proposed Treasury Regulations, a U.S. Holder would be treated as owning his or its proportionate amount of any lower-tier PFIC shares, and generally would be subject to the PFIC rules with respect to such indirectly-held PFIC shares unless such U.S. Holder makes a timely QEF election with respect thereto. We do not currently have any subsidiaries. If we obtain any subsidiaries, we intend to make the necessary information available to U.S. Holders to permit them to make (and maintain) QEF elections with respect to each subsidiary of ours that is a PFIC.

Under the Proposed Treasury Regulations, a U.S. Holder who does not make a timely QEF election with respect to a lower-tier PFIC generally would be subject to tax (and the PFIC interest charge) on (i) any excess distribution deemed to have been received with respect to his or its lower-tier PFIC shares and (ii) any gain deemed to arise from a so-called "indirect disposition" of such shares. For this purpose, an indirect disposition of lower-tier PFIC shares would generally include (i) a disposition by us (or an intermediate entity) of lower-tier PFIC shares, and (ii) any other transaction resulting in a diminution of the U.S. Holder's proportionate ownership of the lower-tier PFIC, including an issuance of additional common shares by us (or an intermediate entity). Accordingly, each prospective U.S. Holder should be aware that he or it could be subject to tax even if such U.S. Holder receives no distributions from us and does not dispose of its common shares. We strongly urge each prospective U.S. Holder to consult a tax advisor with respect to the adverse rules applicable, under the Proposed Treasury Regulations, to U.S. Holders of lower-tier PFIC shares.

Certain special, generally adverse, rules will apply with respect to our common shares while we are a PFIC unless the U.S. Holder makes a timely QEF election. For example under Section 1298(b)(6) of the Code, a U.S. Holder who uses PFIC stock as security for a loan (including a margin loan) will, except as may be provided in regulations, be treated as having made a taxable disposition of such shares.

Controlled Foreign Corporation

If more than 50% of the total combined voting power of all our of shares entitled to vote or the total value of our shares is owned, actually or constructively, by citizens or residents of the United States, United States domestic partnerships or corporations, or estates or trusts other than foreign estates or trusts (as defined by the Code Section 7701(a)(31)), each of which own, actually or constructively, 10% or more of the total combined voting power of all of our classes of shares entitled to vote (each, a "**United States Shareholder**"), we could be treated as a controlled foreign corporation ("**CFC**") under Subpart F of the Code. This classification would affect many complex results, one of which is the inclusion of certain income of a CFC which is subject to current U.S. tax. The United States generally taxes United States Shareholders of a CFC currently on their pro rata shares of the Subpart F income of the CFC. Such United States Shareholders are generally treated as having received a current distribution out of the CFC's Subpart F income and are also subject to current U.S. tax on their pro rata shares of increases in the CFC's

earnings invested in U.S. property. The foreign tax credit described above may reduce the U.S. tax on these amounts. In addition, under Section 1248 of the Code, gain from the sale or exchange of shares by a U.S. Holder of our common shares which is or was a United States Shareholder at any time during the five-year period ending on the date of the sale or exchange is treated as ordinary income to the extent of earnings and profits attributable to the shares sold or exchanged. If a foreign corporation is both a PFIC and a CFC, the foreign corporation generally will not be treated as a PFIC with respect to United States Shareholders of the CFC. This rule generally will be effective for taxable years of United States Shareholders beginning after 1997 and for taxable years of foreign corporations ending with or within such taxable years of United States Shareholders. Special rules apply to United States Shareholders who are subject to the special taxation rules under Section 1291 discussed above with respect to a PFIC. Because of the complexity of Subpart F, a more detailed review of these rules is outside of the scope of this discussion. We do not believe that we currently qualify as a CFC. However, there can be no assurance that we will not be considered a CFC for the current or any future taxable year.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

Exhibits attached to this Form 20-F are also available for viewing at our offices, Suite 901, 30 St. Clair Avenue West, Toronto, Ontario, Canada, M4V 3A1; or you may request them by calling our office at (416) 250-6500. Copies of our financial statements and other continuous disclosure documents required under securities rules are available for viewing on the internet at www.sedar.com.

I. Subsidiary Information

See Item 4.C of this Form 20-F.

ITEM 11 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are not subject to any material market risks.

a) Transaction Risk and Currency Risk Management

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

b) Interest Rate Risk and Equity Price Risk

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

c) Exchange Rate Sensitivity

A significant portion of our administrative operations are in Canada. We typically hold most of our funds in U.S. dollars and Adira Energy reports the results of its operations in Canadian dollars. We incur most of our exploration expenditures in U.S. dollars.

d) Commodity Price Risk

While the value of our exploration properties can always be said to relate to the price of the commodity and the outlook for same, we do not have any operating mines or economic ore and therefore do not have any hedging arrangements.

ITEM 12 DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13 DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

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

None.

ITEM 15 CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, our management conducted an evaluation of the effectiveness of our Company's disclosure controls and procedures as of September 30, 2010. Our Chief Executive Officer and Chief Financial Officer, after completing this evaluation, concluded that, as of such date, our disclosure controls and procedures were effective in ensuring that information required to be disclosed by the Company was recorded, processed, summarized and reported within the time periods specified in the Exchange Act Rules and forms.

Management's Annual Report on Internal Control Over Financial Reporting

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

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

disposition of the company's assets that may have a material effect on the financial statements.

Under the supervision and with the participation of our chief executive officer and chief financial officer, our management assessed the effectiveness of the Company's internal control over financial reporting as at September 30, 2010. In making this assessment, the Company's management used the criteria, established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based upon this assessment, our management concluded that the Company's internal control over financial reporting was effective as at September 30, 2010.

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

This Annual Report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to a final rule of the SEC that permits the Company to provide only management's report in the Annual Report.

Changes in Internal Control over Financial Reporting

During the period ended September 30, 2010, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A AUDIT COMMITTEE FINANCIAL EXPERTS

The board of directors of the Company has determined that Mr. Bennie meets the SEC's definition of an "audit committee financial expert", as defined in Item 16 of Form 20F. The Board has also determined that Mr. Bennie meets the definition of an "independent director", as defined in Rule 121A of the American Stock Exchange Company Guide.

ITEM 16B CODE OF ETHICS

We do not have a written code of ethics. We have drafted a code of ethics that we anticipate will be applicable to all of our employees and officers, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. We hope to finalize this draft code of conduct and implement it in the near future.

ITEM 16C PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth information regarding the amount billed to us by our independent auditors, Smythe Ratcliffe LLP, for each as follows: (i) Smythe Ratcliffe LLP, for our fiscal period ended September 30, 2009 (ii) MSCM LLP for our fiscal year ended September 30, 2009.

	Period ended September 30	
	2010	**2009**
Audit Fees:	$60,000	$33,000
Audit Related Fees:	$0	$0
Tax Fees:	$0	$0
All Other Fees:	$0	$2,500
Total:	$78,000	$46,500

Audit Fees

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

Other Fees

Other fees relate to the review of our quarterly financial statements by our auditors.

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

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

ITEM 16D EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

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

None

ITEM 16F CHANGES TO REGISTRANT'S CERTIFYING ACCOUNTANT

On August 23, 2010, we dismissed Smythe Ratcliffe LLP. As our independent auditors and appointed MSCM LLP as our independent auditors. The change in auditors was approved by our Audit Committee and Board of Directors. Smythe Ratcliffe LLP's reports on our financial statements for our past two fiscal years did not contain an adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles, except to indicate doubt as to the Company's ability to continue as a going concern. During our past two fiscal years and until the dismissal of Smythe Ratcliffe LLP, there were no disagreements between our company and Smythe Ratcliffe LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

ITEM 16G CORPORATE GOVERNANCE

Not applicable.

PART III

ITEM 17 FINANCIAL STATEMENTS

The following attached financial statements are incorporated herein:

1. Consolidated Financial Statements of the Company for the period ended September 30, 2010, comprised of the following:

(A) Consolidated balance sheet as at September 30, 2010

(B) Consolidated statement of operations, comprehensive loss and deficit for the year ended September 30, 2010

(C) Consolidated statement of cash flows for the year ended September 30, 2010

(D) Notes to consolidated financial statements

ITEM 18 FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 17.

ITEM 19 EXHIBITS

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

Exhibit Number	Description
1.1	Articles of Conversion (1)
1.2	Articles of Continuance (1)
1.3	By-Laws (1)
1.4	Certificate and Articles of Amendment (3)
4.1	Securities Exchange Agreement among the Company, Adira Energy, Alan Friedman, Dennis Bennie and Ilan Diamond.(2)
4.2	Form of Securities Exchange Agreement among the Company, Adira Energy and the Minority Shareholders of Adira Energy.(2)
4.3	2009 Stock Option Plan (2)
4.4	Agency Agreement between Adira Energy and Sandfire Securities Inc. (2)
4.5	Form of Subscription Agreement for Adira Energy August 2009 Private Placement (2)
4.6	Form of Subscription Agreement for September 2009 Private Placement (3)
4.7	Form of Subscription Agreement for Adira Financing (4)
4.8	Summary of Agreement with the Modi'in Energy Limited Partnership, its general partner, Modi'in Energy Management (1992) Limited and Brownstone Ventures, Inc.(4)
4.9	Letter of Intent with Brownstone Ventures, Inc dated September 10, 2010 (4)
4.10	Agency Agreement between Adira Energy and DS Apex Mergers & Acquisitions Ltd dated November 22, 2010 (4)
4.11	Nominee Agreement with BRM Group Ltd (4)
8.1	List of Subsidiaries (4)
12.1	Certificate of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (4)

12.2	Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (4)
13.1	Certificate of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (4)
13.2	Certificate of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (4)
15.1	Letter from Smythe Ratcliffe LLP regarding disclosure in Item 16F of this Annual Report on Form 20F (4)

(1)Incorporated by reference from our current report on Form 8-K filed with the SEC on December 2, 2008.

(2)Incorporated by reference from our Form 20-F shell company report filed with the SEC on September 4, 2009.

(3)Incorporated by reference from our Form 20-F report filed with the SEC on January 22, 2010.

(4)Filed as an exhibit hereto.

SIGNATURES

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

ADIRA ENERGY LTD.

Per: /s/Ilan Diamond
Name: Ilan Diamond
Title: Chief Executive Officer

Date: February 2, 2011