

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

FORM 20-F

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

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016

OR

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

OR

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

Commission file number 000-30087

ADIRA ENERGY LTD.

(Exact name of Registrant specified in its charter)

CANADA

(Jurisdiction of incorporation or organization)

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Canada M2P 1N6

(Address of principal executive offices)

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

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

Title of Each Class

Name of each exchange on which registered

None

Not applicable

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

COMMON SHARES

(Title of Class)

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

The number of outstanding shares of the Company's only class of capital or common stock as at December 31, 2016 was **17,112,022 common shares**.

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

Yes No

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

Yes No

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

Yes No

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

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Emerging growth company

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

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

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

Item 17 Item 18

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

Yes No

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

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

YES NO

TABLE OF CONTENTS

GENERAL	- 1 -
PART I	- 2 -
ITEM 1 - IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS	- 2 -
ITEM 2 - OFFER STATISTICS AND EXPECTED TIMETABLE	- 2 -
ITEM 3 - KEY INFORMATION	- 2 -
A. Selected Financial Data	- 2 -
B. Capitalization and Indebtedness	- 6 -
C. Reasons for the Offer and Use of Proceeds	- 6 -
D. Risk Factors	- 6 -
ITEM 4 INFORMATION ON THE COMPANY	- 12 -
A. History and Development of the Company	- 12 -
B. Business Overview	- 13 -
C. Organizational Structure	- 14 -
D. Property, Plant and Equipment	- 14 -
ITEM 5 OPERATING AND FINANCIAL REVIEW AND PROSPECTS	- 15 -
A. Operating Results	- 15 -
B. Liquidity and Capital Resources	- 17 -
C. Research and Development, Patents and Licences	- 19 -
D. Trend Information	- 19 -
E. Off-Balance Sheet Arrangements	- 20 -
F. Tabular Disclosure of Contractual Obligations	- 20 -
G. Safe Harbor	- 20 -
ITEM 6 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES	- 20 -
A. Directors and Senior Management	- 20 -
B. Compensation	- 23 -
C. Board Practices	- 25 -
D. Employees	- 27 -
E. Share Ownership	- 27 -
ITEM 7 MAJOR SHAREHOLDER AND RELATED PARTY TRANSACTIONS	- 30 -
A. Major Shareholders	- 30 -
B. Related Party Transactions	- 31 -
C. Interests of Experts and Counsel	- 32 -
ITEM 8 FINANCIAL INFORMATION	- 32 -
A. Consolidated Statements and Other Financial Information	- 32 -
B. Significant Changes	- 32 -
ITEM 9 THE OFFER AND LISTING	- 32 -
A. Offer and Listing Details – Price History	- 33 -
As at December 31, 2013, none of our securities were subject to escrow.	- 34 -
B. Plan of Distribution	- 34 -
C. Markets	- 34 -
D. Selling Shareholders	- 34 -
E. Dilution	- 34 -
F. Expenses of the Issue	- 35 -
ITEM 10 ADDITIONAL INFORMATION	- 35 -
A. Share Capital	- 35 -
B. Memorandum and Articles of Incorporation	- 35 -
C. Material Contracts	- 35 -
D. Exchange Controls	- 35 -
E. Taxation	- 36 -
F. Dividends and Paying Agents	- 43 -
G. Statement by Experts	- 43 -
H. Documents on Display	- 43 -
I. Subsidiary Information	- 43 -

ITEM 11	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	- 43 -
A.	Transaction Risk and Currency Risk Management	- 43 -
B.	Interest Rate Risk and Equity Price Risk	- 43 -
C.	Exchange Rate Sensitivity	- 43 -
D.	Commodity Price Risk	- 43 -
ITEM 12	DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES	- 44 -
Part II		- 44 -
ITEM 13	DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES	- 44 -
ITEM 14	MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS	- 44 -
ITEM 15	CONTROLS AND PROCEDURES	- 44 -
ITEM 16A	AUDIT COMMITTEE FINANCIAL EXPERTS	- 45 -
ITEM 16B	CODE OF ETHICS	- 45 -
ITEM 16C	PRINCIPAL ACCOUNTANT FEES AND SERVICES	- 45 -
ITEM 16D	EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES	- 46 -
ITEM 16E	PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS	- 46 -
ITEM 16F	CHANGES TO REGISTRANT'S CERTIFYING ACCOUNTANT	- 46 -
ITEM 16G	CORPORATE GOVERNANCE	- 46 -
ITEM 16H	MINE SAFETY DISCLOSURE	- 47 -
PART III		- 47 -
ITEM 17	FINANCIAL STATEMENTS	- 47 -
ITEM 18	FINANCIAL STATEMENTS	- 47 -
ITEM 19	EXHIBITS	- 47 -

GENERAL

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

In this Form 20-F, references to:

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

“**Adira Barbados**” means Adira Energy Investments (Barbados) Ltd., a Barbados corporation that was dissolved on December 31, 2013;

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

“**Adira Geo**” means Adira Geo Global Ltd., an Israeli corporation that was voluntarily deregistered and liquidated in December 2015;

“**Adira Group**” means Adira together with: (a) its wholly-owned subsidiary, Adira Energy; (b) its wholly-owned indirect (through Adira Energy) subsidiaries, Adira Israel, Adira Services (voluntarily dissolved in February 2016), Adira Technologies (voluntarily dissolved in July 2015), Adira Energy CBM Ltd., and Adira Energy Holdings (Barbados) Ltd. (which wholly owned Adira Barbados until Adira Barbados was dissolved on December 31, 2013); and (c) Adira’s 60% indirect (through Adira Energy) subsidiary, Adira Geo (voluntarily dissolved in December 2015);

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

“**Adira Services**” means Adira Energy Israel Services Ltd., an Israeli corporation that was voluntarily deregistered and liquidated in February 2016;

“**Adira Technologies**” means Adira Oil Technologies Ltd., an Israeli corporation that was voluntarily deregistered and liquidated in July 2015;

“**We**”, “**us**”, “**our**”, and the “**Company**” mean collectively and individually, the companies that form the Adira Group; and

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

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

Unless otherwise provided, all references in this annual report to numbers of Adira’s common shares reflect the 1-for-3 reverse stock split which took place on August 9, 2013.

Except as noted, the information set forth in this Form 20-F is as of December 31, 2016 and all information included in this document should only be considered correct as of such date.

NOTE REGARDING FORWARD LOOKING STATEMENTS

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

In particular, without limiting the generality of the foregoing disclosure, the statements contained in Item 4.B. – “Business Overview”, Item 5 – “Operating and Financial Review and Prospects” and Item 11 – “Quantitative and Qualitative Disclosures About Market Risk” are inherently subject to a variety of risks and uncertainties that could cause actual results, performance or achievements to differ significantly.

PART I

ITEM 1 IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2 OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3 KEY INFORMATION

A. Selected Financial Data

Adira Energy

Until recently, Adira was carrying on business as an oil and gas exploration company with a focus on early-stage exploration in the State of Israel. The focus of the Company has changed as detailed below. The Company’s current trading symbol on the TSX Venture Exchange (the “Exchange”) is “ADL”. The Company also trades on the OTC Bulletin Board with the trading symbol “ADENF” and on the Frankfurt Stock Exchange with the trading symbol “OAM1”.

Our Company had an option (the “Yam Hadera Option”) to acquire up to a 15% participating interest in the Yam Hadera license (the “Yam Hadera License”) from Modiin Energy LP (“MELP”). The Yam Haera license is located 30 kilometers offshore Israel, between Hadera and Haifa. The Yam Hadera Option was exercisable until 14 days prior to the signing of a rig contract for the Yam Hadera License. On September 22, 2014, the Petroleum Commissioner advised MELP that the Yam Hadera License had expired, without further extension being granted, due to the milestones in their work program not being achieved. On October 22, 2014, MELP sent a letter of appeal to the decision with the Minister of Energy and Water; however, in December 2015, MELP was notified that their appeal was denied and that the license has expired.

- 2 -

In light of the expiry of the Yam Hadera License, we have determined that we should terminate our oil and gas exploration business as of December 31, 2015. We are now a shell company as defined in Rule 12b-2 of the Exchange Act.

Letter of Intent

In anticipation of the possibility that MELP’s appeal in respect of the Yam Hadera License would be denied by the Minister of Energy and Water, and given the increasing challenging market conditions for oil and gas exploration throughout 2015, our Company’s management had been looking for additional business opportunities. On November 5, 2015, the Company and SMAART Holdings Inc. (“SMAART”) and the shareholders of SMAART entered into a letter of intent (the “LOI”) pursuant to which SMAART and Adira will complete a transaction (the “Transaction”), pursuant to which the resulting corporation (the “Resulting Issuer”) will seek listing on a Canadian stock exchange.

Management has recently become aware that, as a matter of policy and subject to very limited exceptions, the TSX Venture Exchange (the “TSXV”) will not accept for listing any company that engages in a cannabis-related business in any jurisdiction where such business is prohibited under applicable federal law, including the United States. Currently, the Canadian Securities Exchange (the “CSE”) does not have a similar policy, and may provide an alternative to the TSXV as a stock market for the Resulting Issuer’s common shares, provided that the Resulting Issuer would meet the listing standards prescribed by the CSE.

SMAART is a British Columbia based corporation that owns a Nevada, USA subsidiary, SMAART Holdings Corp., which in turn owns the following active subsidiaries:

- (i) Empower Healthcare Corporation (“EHC”) is an Oregon based corporation that provides physician services to patients. EHC focuses on pain management services and is a pioneer in the recommendation of cannabis based products to its patients.
- (ii) The Hemp & Cannabis Company (“THCC”) is an Oregon corporation. THCC owns and leases real estate that was used to cultivate cannabis with state licenses in both Oregon and Washington.
- (iii) SMAART Inc. is an Oregon corporation that provides administrative services to SMAART owned companies.
- (iv) The Hemp & Cannabis Company (Washington) owns a property in Washington state that previously was used to cultivate cannabis on behalf of clinic patients.

The Transaction is subject to a number of conditions typical in a transaction of this nature, including without limitation, the approval by at least 66 2/3% of the votes cast by Adira shareholders at a special meeting of Adira shareholders to approve the Transaction and the approval of the TSXV (and/or other applicable Canadian stock exchange). On closing of the Transaction, it is expected that current shareholders of Adira will own 10% of the Resulting Issuer, while the current shareholders of SMAART will own the remaining 90%.

In connection with the Transaction, Adira advanced US\$25,000 to SMAART to meet the SMAART’s ongoing working capital requirements pending the completion of this Transaction. Subsequent to the year end, SMAART repaid this loan.

In addition, SMAART intends to complete an unregistered financing to close concurrently with the completion of the Transaction, for net proceeds of at least \$2,400,000 CDN. [There is no assurance that SMAART will be successful in completing the proposed financing, and completion of the Transaction is not conditional on any minimum amount of proceeds being realized from the financing.] If SMAART succeeds in completing the contemplated financing, it is anticipated that the net proceeds will be available as working capital for the Resulting Issuer.

- 3 -

The Board of Directors of the Resulting Issuer will initially consist of seven directors, five of which shall be nominated by SMAART and two of which shall be nominated by Adira.

On August 9, 2013, we completed a reverse stock split (the “**Consolidation**”) of our common shares on the basis of one new common share for every three old common shares. The Consolidation was effective for trading purposes on August 13, 2013.

Effective September 29, 2014, we completed a second reverse stock split (the “**Second Consolidation**”) of our common shares on the basis of one new common share for every five old common shares.

The selected historical information presented in the table below for the years ended December 31, 2016, 2015, 2014, 2013, and 2012 are derived from the audited consolidated financial statements of Adira for such period, and have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”). The selected financial information presented below should be read in conjunction with the audited consolidated financial statements and the notes thereto of Adira Group, and with the information appearing under each of Item 4 – “Information on the Company” and Item 5 – “Operating and Financial Review and Prospects” of this Form 20-F. All financial data presented in this Form 20-F are qualified in their entirety by reference to the consolidated financial statements and their notes.

- 4 -

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

	2016	2015	Year Ended December 31,		2012
			2014	2013	
	(\$ thousands)				
Balance Sheet Data					
Cash and cash equivalents	19	124	334	617	2,394
Total Assets	52	163	409	3,226	15,340
Total Liabilities	341	237	223	3,803	10,330
Total Shareholders' Equity (deficit)	(289)	(74)	186	(577)	5,010

	2016	2015	Year ended December 31		2012
			2014	2013	
	(\$ thousands)				
Operating Data					
Revenues and other income	-	-	-	17	1,889
Expenses:					
Exploration expenses	-	-	-	677	1,026
General and administrative expenses	268	349	602	2,813	5,304
Gain on settlement of accounts payable and others payables	-	(25)	(1,374)	-	-
Impairment charge	-	-	-	5,168	7,810
Total expenses	268	324	(772)	8,658	14,140
Operating profit (loss)	268	324	772	(8,641)	(12,251)
Financing income					
Loss on foreign exchange	(8)	(23)	(37)	(30)	(745)
Gain on revaluation of warrant liability	45	78	-	-	-
Profit (loss) before income taxes	(215)	(269)	735	(5,644)	(10,516)
Income taxes	-	-	-	-	(41)
Net profit (loss) and comprehensive profit (loss)	(215)	(269)	735	(5,644)	(10,557)
Basic and diluted net (loss) profit per share attributable to equity holders of the parent					
	(0.01)	(0.02)	0.06	(0.47)	(1.19)
Weighted average number of common shares used in computing basic and diluted net loss per share					
	17,112,022	15,439,508	12,158,302	12,052,073	2,954,241

Adira has never declared or paid any cash or other dividends.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

An investment in our securities is highly speculative and involves a high degree of risk. Our Company may face a variety of risks that may affect our operations or financial results and many of those risks are driven by factors that we cannot control or predict. Before investing in our company's securities, investors should carefully consider the following risks. The risks and uncertainties described below are not the only risks and uncertainties that we face or that an investment in our securities entails. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. Any of the following risks could materially and adversely affect our business, financial condition, prospects and results of operations. In that case, investors may lose all or a part of their investment. The risks discussed below also include forward-looking statements and the out actual results may differ substantially from those discussed in these forward-looking statements. See "Note Regarding Forward Looking Statements" and "Operating and Financial Review and Prospects".

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.

At December 31, 2016, we had an accumulated deficit of \$34.3 million. These circumstances raise doubt about our ability to continue as a going concern, as described in the Note 1 to our consolidated financial statements for the year ended December 31, 2016, 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.

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

We have historically been a holding company and we plan to conduct substantially all of our operations through subsidiaries. We have no direct operations and, other than remaining cash or cash equivalents and the shares of our subsidiaries, no significant assets. Assuming our holding company structure remains, we will be dependent on the cash flows from our subsidiaries to meet our obligations, including payment of principal and interest on any debt we incur. The ability of certain of our subsidiaries to provide us with payments may be constrained by the following factors:

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

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

All of our assets are currently 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 currently located outside the United States. In addition, some of our directors and/or officers are nationals and/or residents of countries other than the United States, and all or a substantial portion of such persons' assets are located outside the United States.

As a result, it may be difficult for investors to enforce within the United States any judgments obtained against us or our officers or directors, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof. Consequently, investors may be effectively prevented from pursuing remedies under United States federal securities laws against them.

We may be adversely affected by current global financial conditions.

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

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

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

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

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

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

As disclosed elsewhere in this annual report, we have entered into a non-binding letter of intent that contemplates our acquisition of SMAART Holdings Inc. ("SMAART"), a private British Columbia corporation that, through its direct and indirect subsidiaries, is involved in the medical marijuana industry primarily in the States of Oregon and Washington. If we are successful in consummating our acquisition of SMAART, we expect that we will be required to hire consultants and employees to carry out the operations of the Resulting Issuer. Such growth, if any, will place significant strain on our current personnel, systems and resources. We believe that we will also be required to improve our management, technical, information and accounting systems, controls and procedures. We may not be able to maintain the quality of our operations, control our costs, continue complying with all applicable regulations and expand our internal management, technical information and accounting systems to support our desired growth. If we fail to manage our anticipated growth effectively, our business could be adversely affected.

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

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

Risks Associated with Our Business

The consummation of our proposed acquisition of SMAART is subject to a number of contingencies and cannot be assured.

Our proposed acquisition of SMAART is contemplated by a non-binding letter of intent, and the transaction is subject to a number of conditions typical in a transaction of this nature, including without limitation, the approval by at least 66 2/3% of the votes cast by Adira shareholders at a special meeting of Adira shareholders to approve the transaction and the approval of the TSXV (and/or any other Canadian stock exchange on which the Resulting Issuer may seek listing). There is no assurance that our acquisition of SMAART will proceed. We have no other business prospects at this time, and if we are not successful in completing our proposed acquisition of SMAART, our Company may be left with inadequate resources to seek out and evaluate other opportunities.

Assuming we are successful in consummating our acquisition of SMAART, our future success will be dependent on additional states legalizing medical marijuana.

Assuming we are successful in consummating our acquisition of SMAART, our future success will depend on the continued development of the medical marijuana market, and on our ability to penetrate that market. According to the Marijuana Policy Project, a pro-legalization group, medical marijuana is legal in 29 states and Washington, D.C., Puerto Rico and Guam. However, continued development of the medical marijuana market is dependent upon continued legislative authorization of marijuana at the state level for medical purposes and, in certain states, including Oregon, based on the specifics of the legislation passed in that state, on local governments authorizing a sufficient number of dispensaries. Any number of factors could slow or halt the progress. Further, progress, while encouraging, is not assured and the process normally encounters set-backs before achieving success. While there may be ample public support for legislative proposal, key support must be created in the legislative committee or a bill may never advance to a vote. Numerous factors impact the legislative process. Any one of these factors could slow or halt the progress and adoption of marijuana for medical purposes, which would limit the market for our products and negatively impact our business and revenues.

The alternative medicine industry faces strong opposition.

It is believed by many that well-funded, significant businesses may have a strong economic opposition to the medical marijuana industry as currently formed. We believe that the pharmaceutical industry clearly does not want to cede control of any compound that could become a strong selling drug. For example, medical marijuana will likely adversely impact the existing market for Marinol, the current "marijuana pill" sold by mainstream pharmaceutical companies. Further, the medical marijuana industry could face a material threat from the pharmaceutical industry should marijuana displace other drugs or simply encroach upon the pharmaceutical industry's market share for compounds such as marijuana and its component parts. The pharmaceutical industry is well funded with a strong and experienced lobby that eclipses the funding of the medical marijuana movement. Any inroads the pharmaceutical industry makes in halting or rolling back the medical marijuana movement could have a detrimental impact on the market for our products and thus on our business, operations and financial condition.

Marijuana remains illegal under U.S. federal law.

Marijuana remains illegal under U.S. federal law. It is a Schedule-I controlled substance. Even in those jurisdictions in which the use of medical marijuana has been legalized at the state level, its prescription is a violation of federal law. The United States Supreme Court has ruled in *United States v. Oakland Cannabis Buyers' Coop.* and *Gonzales v. Raich* that it is the federal government that has the right to regulate and criminalize cannabis, even for medical purposes. Therefore, federal law criminalizing the use of marijuana trumps state laws that legalize its use for medicinal purposes.

According to the Marijuana Policy Project, a pro-legalization group, medical marijuana is legal in 29 states and Washington, D.C., Puerto Rico and Guam. In addition, eight states and the District of Columbia have legalized recreational cannabis use. In 2013, the U.S. Department of Justice issued a memorandum (commonly referred to as the "**Cole Memorandum**") to the U.S. Attorneys offices (federal prosecutors) directing that federal prosecution of individuals and businesses that rigorously comply with state regulatory provisions in states that have strictly-regulated legalized medical or recreational cannabis programs be given low priority. This federal policy was reinforced by the passage of a federal omnibus spending bill in 2014 (the "**2014 Spending Bill**") that included the so-called Rohrabacher–Farr amendment which prohibits the use of federal funds to interfere in the implementation of state laws legalizing cannabis and state medical marijuana laws. The Department of Justice, which encompasses the Drug Enforcement Agency, was subject to the 2014 Spending Bill.

The Rohrabacher–Farr amendment remained in the federal omnibus spending bill for the 2016 fiscal year that was signed into law by President Obama on December 18, 2015. In September 2016, the amendment was included in a short-term spending bill passed by Congress and signed into law, which allowed it to remain in effect through December 9, 2016 when it was again renewed pursuant to a further short-term spending bill until April 28, 2017.

The 2014 Spending Bill has been cited as evidence of the development of bi-partisan support in the U.S. Congress for legalizing the use of cannabis. However, it remains unclear whether the federal government will eventually repeal the federal prohibition on cannabis, and there is no assurance that the Rohrabacher–Farr amendment will be extended past April 28, 2017. Political and regulatory risks also exist due to the recent election of Donald Trump to the U.S. Presidency, and the appointment of Sen. Jeff Sessions to the post of Attorney General with effect from February 9, 2017. Mr. Trump's positions regarding marijuana are remain unclear. However, Sen. Sessions has been a consistent opponent of marijuana legalization efforts throughout his political career, and has publicly commented that the Justice Department will commit to enforcing federal laws on marijuana in an "appropriate way". It remains unclear what stance the Department of Justice under the new administration might take toward legalization efforts in U.S. states, but federal enforcement of the Controlled Substances Act and other applicable laws is possible.

We may have difficulty accessing the service of U.S. banks.

As discussed above, the use of marijuana is illegal under federal law. Therefore, if we are successful in consummating our acquisition of SMAART, there is a compelling argument that U.S. banks would not be able to accept for deposit funds from the drug trade and therefore would not be able to do business with our Company. On February 14, 2014 the U.S. Department of the Treasury Financial Crimes Enforcement Network ("**FinCEN**") released guidance to banks "clarifying Bank Secrecy Act expectations for financial institutions seeking to provide services to marijuana-related businesses." Under these guidelines, financial institutions must submit a "suspicious activity report" ("**SAR**") as required by federal money laundering laws. These marijuana related SARs are divided into three categories: marijuana limited, marijuana priority, and marijuana terminated, based on the financial institution's belief that the marijuana business follows state law, is operating out of compliance with state law, or where the banking relationship has been terminated. In the United States, a bill has been tabled in Congress to grant banks and other financial institutions immunity from federal criminal prosecution for servicing marijuana-related businesses if the underlying marijuana business follows state law. This bill has not been passed and there can be no assurance with that it will be passed in its current form or at all.

In addition, U.S. Rep. Jared Polis (D-CO) has recently re-introduced proposed legislation in Congress that contemplates, among other things, the removal of marijuana from the Controlled Substance Act schedules and regulate it like alcohol.

While these are positive developments in this regard, there can be no assurance this legislation will be successful, that even with the FinCEN guidance that banks will decide to do business with medical marijuana retailers, or that in the absence of actual legislation state and federal banking regulators will not strictly enforce current prohibitions on banks handling funds generated from an activity that is illegal under federal law. If, in the future, we are unable to open accounts and otherwise use the service of U.S. banks, our ability to carry on business in the United States may become untenable.

Our Company is organized under the laws of Canada.

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

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

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

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

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

Risks Associated with our Common Shares

There is no assurance that a publicly-traded market for the Resulting Issuer’s common shares will be available if Adira proceeds with the acquisition of SMAART

As a matter of policy and subject to very limited exceptions, the TSX Venture Exchange (the “TSXV”) will not accept for listing any company that engages in a cannabis-related business in any jurisdiction where such business is prohibited under applicable federal law, including the United States. Currently, the Canadian Securities Exchange (the “CSE”) does not have a similar policy, and may provide an alternative to the TSXV as a stock market for the Resulting Issuer’s common shares. However, there is no assurance that the Resulting Issuer will meet the listing standards prescribed by the CSE if Adira proceeds with the acquisition of SMAART.

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

The market price of our common shares may experience significant volatility. Numerous factors, including many over which we have no control, may have a significant impact on the market price of our common shares including, among other things: regulatory developments in target markets affecting us, our customers or our competitors; actual or anticipated fluctuations in our quarterly operating results; changes in financial estimates or other material comments by securities analysts relating to us, our competitors or the industry in general; announcements by other companies in the industry relating to their operations, strategic initiatives, financial condition or financial performance or to the industry in general; announcements of acquisitions or consolidations involving industry competitors or industry suppliers; addition or departure of our executive officers; and sales or perceived sales of additional common shares of Adira. In addition, the stock market in recent years has experienced extreme price and trading volume fluctuations that often have been unrelated or disproportionate to the operating performance of individual companies. These broad market fluctuations may adversely affect the price of the common shares of Adira regardless of our operating performance. There can be no assurance that an active market for the Common Shares will be established or persist and the share price may decline.

We are now considered a shell company; as such our stock cannot be sold pursuant to Rule 144 at this time.

We are now a shell company as defined in Rule 405 under the Securities Act. As such, pursuant to Rule 144(i) under the Securities Act, our shares will not be able to be sold pursuant to Rule 144 until we cease to be considered a shell company and twelve months have elapsed from the date we have filed adequate information (Form 10 information) with the SEC disclosing that we are not longer a shell company.

The value of securities issued by us might be affected by matters not related to our operating performance.

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

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

An investment in our Company will likely be diluted.

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

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

Acquiring, holding or disposing of our common shares may have tax consequences under the laws of Canada and the United States that are not disclosed in this Form 20-F. In particular, potential investors that are U.S. taxpayers should be aware that we may be considered a “passive foreign investment company” (a “PFIC”) under Section 1297(a) of the U.S. Internal Revenue Code (the “Code”) with respect to U.S. shareholders. A non-U.S. corporation is classified as a PFIC under the Code for each tax year in which (i) 75% or more of its gross income is passive income (as defined for U.S. federal income tax purposes) or (ii) on average for such tax year, 50% or more (by value) of its assets either produces or is held for the production of passive income. The tax rules applicable to PFICs are very complex and, in some cases, uncertain. Each U.S. investor should consult its own tax advisor with respect to such rules. If our Company is a PFIC for any year during a U.S. taxpayer’s holding period, then such taxpayer may be required to treat any gain recognized by such person upon a sale or disposition of our common shares as ordinary (rather than capital) income, and any resulting U.S. federal income tax may be increased by an interest charge. Rules similar to those applicable to dispositions will generally apply to certain amounts treated as “excess distributions” in respect of the common shares.

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

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

ITEM 4 INFORMATION ON THE COMPANY

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

We presently do not have any oil and gas reserves, 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 4101 Yonge Street, Suite 706, Toronto, Ontario, Canada, M2P 1N6. Our telephone number is (416) 361 2216.

Incorporation and Continuation

We are a Canadian corporation existing under the CBCA.

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

- 12 -

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

Our common shares are registered under Section 12(g) of the Exchange Act. Our current trading symbol on the OTC Bulletin Board (the “OTCBB”) is “ADENF” and our current trading symbol on the TSX Venture Exchange (the “TSXV”) is “ADL”.

Acquisition of Adira Energy

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

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

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. We 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. We are also a reporting issuer under the securities legislation of the provinces of Alberta and Ontario.

Capital Expenditures and Divestitures

During the year ended December 31, 2016, we did not incur any capital expenditures.

Takeover Offers

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

B. Business Overview

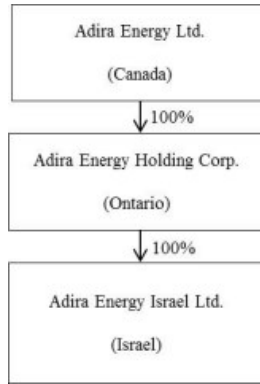
We were formerly an oil and gas exploration company focused on early-stage exploration in the State of Israel. During 2015 Oil and Gas Offshore Israel licenses in which we held options, all expired, and we determined that we should terminate our oil and gas exploration business as of December 31, 2015. As a result, we became a shell company. As discussed above, we are focusing on advancing our proposed transaction with SMART.

Effects of Government Regulations

See Item 3D - “Risk Factors”.

C. Organizational Structure

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



Notes:

- (1) Adira Energy Ltd. is a holding corporation and is the registered and beneficial owner of 100% of Adira Energy Holding Corp. Adira Energy Ltd.
- (2) Adira Energy Holding Corp. is a holding corporation and is the registered and beneficial owner of Adira’s foreign subsidiary, , Adira Energy Israel Ltd. During 2015, the other foreign subsidiaries will have liquidated.
- (3) Adira Energy Israel Ltd. is currently inactive.

D. Property, Plant and Equipment

(a) Corporate Office

Our executive offices located at 4101 Yonge Street, Suite 706, Toronto, Ontario, Canada, M2P 1N6.

(b) Special Skill and Knowledge

Dennis Bennie, our Chairman and Alan Friedman, our Executive Vice President – Corporate Development, have significant experience in evaluating and executing transaction similar to the one with SMAART.

(c) Foreign Operations

During the fiscal years ended December 31, 2015, and 2014, all of our oil and gas exploration activities were in the State of Israel. We terminated our oil and gas exploration business as of December 31, 2015.

During the year ended December 31, 2016, we have focused on advancing our proposed transaction with SMAART.

(d) Competitive Conditions

We are currently a shell company, and do not have exposure to any competitive conditions.

(e) **Dependence on Customers and Suppliers**

We have no active business operations. As such, we are not dependent upon a concentration of customers or suppliers.

(f) **Environmental Protection and Policies**

We currently do not have exposure to any environmental protection requirements and policies. In particular, we are now aware of any exposure to environmental protection requirements in relation to our discontinued oil and gas exploration activities.

ITEM 5 OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following is a discussion and analysis of our activities, consolidated results of operations and financial condition as of and for the year ended December 31, 2016. It should be read in conjunction with our audited consolidated financial statements and related notes for the year ended December 31, 2016. Our financial statements have been prepared in accordance with IFRS as issued by the IASB.

A. Operating Results

Results of Operations

Consolidated results of operations for the year ended December 31, 2016 compared to the year ended December 31, 2015.

General and Administrative Expenses

For the year ended December 31, 2016, general and administrative expenses amounted to \$268 thousand as compared to \$349 thousand for year ended December 31, 2015. The decrease in general and administrative expenses in 2016 resulted primarily from the continued significant reduction in compensation to officers of the Company.

Gain on settlement of accounts payable and others payables

For the year ended December 31, 2016 the Company recorded a gain on settlement of \$Nil as compared to \$25 thousand for year ended December 31, 2015. The amount in 2015 was from settlement agreements reached with suppliers which were lower than the obligations recorded as of December 31, 2014.

Financing Income/Expense and Gain on Foreign Exchange

For the year ended December 31, 2016, gain on foreign exchange was \$8 thousand as compared to a loss of \$23 thousand for the year ended December 31, 2015. Our Company is exposed to financial risk related to the fluctuation of foreign exchange rates. Most of our monetary assets are held in Canadian dollars; however, the Company incurs expenditures in NIS, US Dollars and Canadian dollars. The Company has not hedged its exposure to currency fluctuations.

The gain on revaluation of warrant liability for the year ended December 31, 2016 was \$45 thousand as compared to \$78 thousand for the year ended December 31, 2015, and results from the warrants issued in May 2015 being denominated in Canadian dollars while our functional currency is US dollars. The fair value of the warrants are classified as a financial liability which is re-measured to fair value at the end of each period. The changes in fair value are included in gain on revaluation of warrant liability.

Net Loss

The Company reported a net loss and comprehensive loss for the year ended December 31, 2016 of \$215 thousand as compared to \$269 thousand for year ended December 31, 2015. The losses in 2016 and 2015 is as a result of the Company incurring general and administrative expenses with no corresponding income.

Consolidated results of operations for the year ended December 31, 2015 compared to the year ended December 31, 2014.

General and Administrative Expenses

For the year ended December 31, 2015, general and administrative expenses amounted to \$349 thousand as compared to \$602 thousand for year ended December 31, 2014. The decrease in general and administrative expenses in 2015 resulted primarily from significant reduction in compensation to officers of the Company and a decrease in rent.

Gain on settlement of accounts payable and others payables

For the year ended December 31, 2015 the Company recorded a gain on settlement of \$25 thousand, arising from settlement agreements reached with suppliers which were lower than the obligations recorded as of December 31, 2014.

Financing Income/Expense and Gain on Foreign Exchange

For the year ended December 31, 2015, loss on foreign exchange was \$23 thousand as compared to \$37 thousand for the year ended December 31, 2014. The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. The Company's recently discontinued oil and gas exploration business activities were operated in Israel, most of its monetary assets are held in U.S. dollars and most of its expenditures are made in U.S. dollars. However, it also has expenditures in NIS and Canadian dollars. The Company has not hedged its exposure to currency fluctuations.

The gain on revaluation of warrant liability for the year ended December 31, 2015 was \$78 thousand, and results from the warrants issued in May 2015 being denominated in Canadian dollars while our functional currency is US dollars. The fair value of the warrants are classified as a financial liability which is re-measured to fair value at the end of each reporting period. The changes in fair value are included in gain on revaluation of warrant liability. For the year ended December 31, 2014, the amount was Nil.

Net Profit

The Company reported a net loss and comprehensive loss for the year ended December 31, 2015 of \$269 thousand as compared to a net profit and comprehensive profit of \$735 thousand for year ended December 31, 2014. The loss in 2015 is as a result of the Company incurring general and administrative expenses with no corresponding income.

The primary reason for profit in 2014 was the Company's ability to significantly reduce general and administration expenses, and Adira Israel obtaining significant discounts from settlement agreements reached with suppliers which were lower than the obligations recorded as of December 31, 2013.

Inflation

During the years ended December 31, 2016, 2015 and 2014, inflation has not had a material impact on our operations.

Foreign Exchange Risk

We are exposed to financial risk related to the fluctuation of foreign exchange rates. We operate in Israel, most of our monetary assets are held in U.S. dollars and most of our expenditures are made in U.S. dollars. However, we also have expenditures in NIS and Canadian dollars. We have not hedged our exposure to currency fluctuations.

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 shares.

We have an accumulated deficit of \$34.3 million as of December 31, 2016 (\$34,134 as at December 31, 2015), and had negative cash flows from operations of \$105 thousand for the year ended December 31, 2016 (\$391 thousand for the year ended December 31, 2015). We no longer hold any interests in any oil and gas exploration projects. Our ability to continue as a going concern depends upon our ability to complete our acquisition of SMAART and to obtain financing to continue our operations.

There can be no assurance that we will be able to continue to raise funds in which case we may be unable to meet its obligations. We are considering various alternatives with respect to raising additional capital to remedy any future shortfall in capital, but to date has made no specific plans or arrangements.

Year ended December 31, 2016 compared to year ended December 31, 2015

During the year ended December 31, 2016, the Company's overall position of cash and cash equivalents decreased by \$105 thousand.

The Company's net cash used in operating activities during the year ended December 31, 2016 was \$105 thousand as compared to \$391 thousand for the year ended December 31, 2015. This decrease is primarily as a result of an increase in accounts payable.

Cash used in investing activities during the year ended December 31, 2016 was \$Nil as compared \$15 thousand during the year ended December 31, 2015. The use of cash in 2015 relates primarily to the granting of a loan receivable in the amount of \$25 thousand to SMAART in contemplation of the Transaction, offset by the decrease of restricted cash during the year. SMAART repaid this loan subsequent to the year ended December 31, 2016.

Cash provided by financing activities for the year ended December 31, 2016 was \$Nil as compared to \$196 thousand during the year ended December 31, 2015. The cash provided in 2015 is as a result of the completion of a private placements of shares.

Year ended December 31, 2015 compared to year ended December 31, 2014

During the year ended December 31, 2015, the Company's overall position of cash and cash equivalents decreased by \$210 thousand.

The Company's net cash used in operating activities during the year ended December 31, 2015 was \$441 thousand as compared to \$380 thousand for the year ended December 31, 2014. This increase is primarily as a result of a decrease in accounts payable.

Cash used in investing activities during the year ended December 31, 2015 was \$15 thousand as compared to cash generated from investing activities of \$37 thousand during the year ended December 31, 2014. The use of cash in 2015 relates primarily to the granting of a loan in the amount of \$25 thousand to SMAART in contemplation of the Transaction, offset by the decrease of restricted cash during the same period.

Cash provided by financing activities for the year ended December 31, 2015 was \$196 thousand as compared to \$60 thousand during the year ended December 31, 2014. The cash provided in 2015 and 2014 is as a result of the completion of two separate private placements of shares.

Year ended December 31, 2014 compared to year ended December 31, 2013

During the year ended December 31, 2014, our overall position of cash and cash equivalents decreased by \$283 thousand.

Our net cash used in operating activities during the year ended December 31, 2014 was \$380 thousand as compared to \$2.0 million for the year ended December 31, 2013. This decrease is due to the significantly reduced activities during 2014 as compared to 2013.

Cash generated from investing activities during the year ended December 31, 2014 was \$37 thousand as compared to cash used in investing activities of \$234 thousand during the year ended December 31, 2013. The generation of cash from investment activities in 2014 relates to the release of restricted deposits and in 2013 to the sale of equipment and other assets.

Cash provided by financing activities for the year ended December 31, 2014 was \$60 thousand as compared to nil during the year ended December 31, 2013. The cash provided in 2014 is as a result of the completion of a private placement of shares.

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

Capital Resources

At December 31, 2016, our cash and cash equivalents were \$19 thousand (December 31, 2015 - \$124 thousand). The majority of this balance is being held in Canadian Dollars. Our working capital at December 31, 2016 was negative \$222 thousand as compared to positive \$38 thousand at December 31, 2015. We decreased our working capital as a result of a large increase in accounts payable. Subsequent to the year-end a significant service provider has agreed to settle its accounts payable balance in the amount \$155 thousand in return for shares to be issued concurrently with the closing of the SMAART Transaction.

Commitments

We have no commitments to the Ministry of Energy and Water Resources of the State of Israel or any other government authority, and no outstanding contractual commitments, in respect of our expired oil and gas options described in this annual report.

Critical Accounting Policies and Estimates

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

- Share-based payment transactions;
- Impairment of financial assets; and
- Warrant liability;

Share-based payment transactions

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

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

The cost of equity-settled transactions is recognized in profit or loss, together with a corresponding increase in equity, during the period which the performance and service conditions are to be satisfied, ending on the date on which the relevant employees become fully entitled to the award (the “**vesting period**”). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and our best estimate of the number of equity instruments that will ultimately vest. The expense or income recognized in profit or loss represents the movement in the cumulative expense recognized at the end of the reporting period. No expense is recognized for awards that do not ultimately vest.

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

Impairment of financial assets

At the end of each reporting period, we assess whether there is objective evidence of impairment of a financial asset or group of financial assets carried at amortized cost.

Objective evidence of impairment of debt instruments and receivables exists as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows. Evidence of impairment may include indications that the debtor is experiencing financial difficulties, including liquidity difficulty and default in interest or principal payments. The amount of the loss recorded in profit or loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate (the effective interest rate computed at initial recognition). If the financial asset has a variable interest rate, the discount rate is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account (see allowance for doubtful accounts above). In a subsequent period, the amount of the impairment loss is reversed if the recovery of the asset can be related objectively to an event occurring after the impairment was recognized. The amount of the reversal, up to the amount of any previous impairment, is recorded in profit or loss.

Warrant liability

As the warrants have an exercise and presentation price denominated in Canadian dollars which differs from the Company's functional currency they do not qualify for classification as equity. These warrants have been classified as warrant liability and are recorded initially at the fair value and revalued at each reporting date, using the Black-Scholes valuation method. Changes in fair value for each period are included in comprehensive profit and loss for the period.

C. Research and Development, Patents and Licences

Not applicable.

D. Trend Information

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

E. Off-Balance Sheet Arrangements

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

We have no contractual obligations as of December 31, 2016.

G. Safe Harbor

Not applicable.

ITEM 6 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The size of Adira’s Board of Directors (the “**Board**”) is currently set at four. All of Adira’s directors are elected annually by the shareholders and hold office until the 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 Adira’s articles of incorporation.

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

Name ⁽¹⁾	Position
Dennis Bennie ⁽²⁾⁽³⁾	Director and Chairman
Alan Friedman ⁽²⁾	Director and Executive Vice-President, Corporate Development
Alan Rootenberg ⁽²⁾⁽³⁾	Director
Gadi Levin	Chief Executive Officer Chief Financial Officer Secretary

Notes:

- (1) Neither age nor date of birth of directors or senior managers is required to be reported in our home country (Canada) nor otherwise publicly disclosed.
- (2) Member of Audit Committee.
- (3) “Independent” for purposes of National Instrument 52-110– Audit Committees (“**NI 52-110**”).

Directors and Senior Management of the Subsidiaries

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

Adira Energy Holding Corp. (Ontario)

Name and Residence	Position	Date First Elected/ appointed	Principal Occupation During Last 5 Years
Gadi Levin Lev Hasharon, Israel	Chief Executive Officer and Chief Financial Officer	January 11, 2011	VP and Chief Financial Officer for two Israeli investment houses in the fields of private equity, hedge funds and real estate estate (July 2008 to December 2009 and January 2010 to June 2010, respectively).
Alan Friedman Toronto, Canada	President, Secretary and Director	April 4, 2008	Founder, President and Chief Executive Officer of Rivonia Capital Inc., South African lawyer
Dennis Bennie Toronto, Canada	Director	April 4, 2008	Founder, XDL Venture Capital Fund and XDL Capital Invest

Adira Energy Israel Ltd. (Israel)

Name and Residence	Position	Date First Elected	Principal Occupation During Last 5 Years
Gadi Levin Lev Hasharon, Israel	Chief Executive Officer and Chief Financial Officer	January 11, 2011	VP and Chief Financial Officer for two Israeli investment houses in the fields of private equity, hedge funds and real estate estate (July 2008 to December 2009 and January 2010 to June 2010, respectively).

The following is biographical information on our directors and officers who are acting in the capacity of director or officer as of the date hereof:

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

Mr. Alan Friedman. Mr. Friedman became Executive Vice-President and a director of Adira on August 31, 2009. Prior to joining Adira, Mr. Friedman was a founding member of Adira Holding Co. and had been its President since its inception in April 2009. Mr. Friedman is a South African qualified attorney and has played an integral role in the acquisition of various mining and oil and gas assets, financings and go-public transactions for many resource companies over the past 13 years. Mr. Friedman is also the co-founder and Director of Eco (Atlantic) Oil & Gas Ltd., a TSXV listed oil and gas exploration company, developing various oil assets offshore and onshore Namibia. He was also a director and co-founder of Aurynx Gold Corp., a TSX listed Namibian gold exploration company having been sold to B2 Gold for more than \$150 million. Mr. Friedman is the President and Chief Executive Officer of Rivonia Capital Inc. and a director of the Canada-South Africa Chamber of Business.

Mr. Alan Rootenberg. Mr. Rootenberg is a chartered accountant with experience in the oil and gas, mineral exploration and technology industries. He has served as a senior executive for number of publicly traded companies. Alan has also served as President and Chief Executive Officer of a TSXV listed technology company. Alan has a Bachelor of Commerce degree from the University of the Witwatersrand in Johannesburg, South Africa and holds a CPA designation.

Mr. Gadi Levin. Mr. Levin became Adira's Chief Executive Officer on September 1, 2015. Mr. Levin became Chief Financial Officer of Adira's subsidiaries in July 2010, Secretary of Adira in August 2010, and was appointed as Adira's Chief Financial Officer in January 2011. He served as the Acting Principal Executive Officer of Adira during the interim period from the effective date of the termination of February 24, 2012, to February 27, 2012. Mr. Levin previously served as the Vice President of Finance and Chief Financial Officer for two Israeli investment houses in the fields of private equity, hedge funds and real estate (July 2008 to December 2009 and January 2010 to June 2010, respectively). For the five years prior to that he worked as a financial consultant. 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.

Cease trade orders, bankruptcies, penalties or sanctions

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

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

- (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer., other than in the case of Alan Rootenberg where in April 2008, he resigned as interim Chief Financial Officer of Talware Networx Inc., a TSXV listed company. Thirteen months later, in May 2009, the common shares of Talware Networx Inc. were the subject of a cease trade order and the company was delisted from the TSXV.

To the best of our knowledge, no director or executive officer of Adira or a shareholder holding a sufficient number of securities of Adira to affect materially the control of Adira:

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

To the best of our knowledge, no director or executive officer of Adira, or a shareholder holding a sufficient number of Adira's securities to affect materially the control Adira, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Some of our officers and directors 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 we are or may be interested.

Our directors and officers 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 we 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 (formerly the Chief Executive Officer and a director of the Company,) and Dennis Bennie took the initiative in organizing the Company and may be considered to have been promoters of the Company. See Item 6E - *Share Ownership* for details of the shareholdings of such individuals.

B. Compensation

During the year ended December 31, 2016, 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 \$5 all of which relates to consulting fees and share based compensation to directors (2015 - \$84 thousand of which \$39 thousand relates to salaries and share based compensation to executive officers and \$45 thousand relates to consulting fees and share based compensation to directors, 2014 - \$272 thousand of which \$234 thousand relates to salaries and share based compensation to executive officers and \$38 thousand relates to consulting fees and share based compensation to directors).

Executive Compensation

Compensation Discussion and Analysis

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

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

We have no other forms of compensation, although payments may be made from time to time to individuals or companies they control for the provision of consulting services. Such consulting services are paid for 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 Adira or a change in responsibilities following a change in control, other than as described in this Form 20-F.

Summary Compensation Table

The following table provides a summary of compensation that we paid to our senior management during the fiscal year then ended December 31, 2016 (in thousands of US Dollars):

Names and Principal Position	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
				Annual incentive plans	Long-term incentive plans			
Gadi Levin, Chief Executive Officer and Chief Financial Officer	-	-	-	-	-	-	-	-
Alan Friedman, Executive Vice President, Corporate Development	-	-	-	-	-	-	-	-

Option Based Awards

Stock options are granted to provide an incentive to our directors, officers, employees and consultants to achieve our longer-term objectives; to give suitable recognition to the ability and industry of such persons who contribute materially to our success; and to attract and retain persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in Adira. We award stock options to our 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.

We have 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

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

Long-Term Incentive Plan Awards

We did not make any long-term incentive plan awards during the years ended December 31, 2016 and 2015.

Pension, Retirement or Similar Benefits

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

Employment Agreements

As of the date of this Annual Report, we have no employment agreements with any of the officers of Adira.

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 Adira’s articles and the CBCA. One of the objectives of the Board with respect to the nomination is to maintain the composition of the Directors in a way that provides the best mix of skills and experience to guide our long-term strategy and ongoing business operations.

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

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’s review of the performance of our company and the Chief Executive Officer as measured against objectives established in the prior year by the Board and the CEO. 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, Compensation and Disclosure Committees

Audit Committee

We have a standing Audit Committee that assists the directors of Adira in overseeing all material aspects of reporting, control and audit functions, except those specifically related to the responsibilities of another standing committee of the Board. The role of the Audit Committee includes a particular focus on the qualitative aspects of financial reporting to shareholders and on our processes for the management of business/financial risk and for compliance with significant applicable legal, ethical, and regulatory requirements. The Audit Committee is responsible for, among other things, the making recommendations to our Board with respect to the appointment and remuneration of our independent accountant. A copy of our Audit Committee Charter was filed as an exhibit to our Form 10-KSB filed for our 2003 fiscal year.

As of the date hereof, our Audit Committee is comprised of Dennis Bennie, Alan Rootenberg and Alan Friedman.

We have procedures for the review and pre-approval of any services performed by our auditors. The procedures require that all proposed engagements of the auditors for audit and non-audit services be submitted to the Audit Committee for approval prior to the beginning of any such services. The Audit Committee considers such requests, and, if acceptable to a majority of the Audit Committee members, pre-approves such audit and non-audit services by a resolution authorizing management to engage the auditors for such audit and non-audit services. During such deliberations, the Audit Committee assesses, among other factors, whether the services requested would be considered "prohibited services" as contemplated by the regulations of the SEC, and whether the services requested and the fees related to such services could impair the independence of the auditors.

Pursuant to section 6.1 of NI 52-110, as adopted by the Canadian Securities Administrators (the "CSA"), Adira is exempt from the requirements of Parts 3 and 5 of NI 52-110 for the year ended December 31, 2013, by virtue of Adira being a "venture issuer" (as defined in NI 52-110).

Part 3 of NI 52-110 prescribes certain requirements for the composition of audit committees of non-exempt companies that are reporting issuers under Canadian provincial securities legislation. Part 3 of NI 52-110 requires, among other things that an audit committee be comprised of at three directors, each of whom, is, subject to certain exceptions, independent and financially literate in accordance with the standards set forth in NI 52-110.

Part 5 of NI 52-110 requires an annual information form that is filed by a non-exempt reporting issuer under National Instrument 51-102 – *Continuous Disclosure Obligations*, as adopted the CSA, to include certain disclosure about the issuer's audit committee, including, among other things: the text of the audit committee's charter; the name of each audit committee member and whether or not the member is independent and financially literate; whether a recommendation of the audit committee to nominate or compensate an external auditor was not adopted by the issuer's board of directors, and the reasons for the board's decision; a description of any policies and procedures adopted by the audit committee for the engagement of non-audit services; and disclosure of the fees billed by the issuer's external auditor in each of the last two fiscal years for audit, tax and other services.

Compensation Committee

Adira has a Compensation Committee comprised of Dennis Bennie, Alan Rootenberg and Alan Friedman. Currently, any material commitments, inclusive of remuneration, are required to be pre-approved by the Board, following recommendation of the Compensation Committee

- 26 -

Disclosure Committee

Adira has a Disclosure Committee comprised of Dennis Bennie and Alan Friedman. The purpose of the Disclosure Committee is to provide assistance to the Chief Executive Officer and the Chief Financial Officer in fulfilling their responsibilities regarding the identification and disclosure of material information about us, and the accuracy, completeness and timeliness of our financial reports.

D. Employees

As of December 31, 2016, we employed no employees.

E. Share Ownership

Shares

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

Holder name	No. of Shares held	Percentage of holding		Percentage of holding on a fully diluted basis(1)	
		% in capital	% in voting	% in capital	% in voting
Dennis Bennie ⁽²⁾	2,886,929	16.87%	16.87%	20.50%	20.50%
Alan Friedman ⁽³⁾	330,273	1.93%	1.93%	1.85%	1.85%
Gadi Levin ⁽⁴⁾	-		0.00%	0.35%	0.35%

Alan Rootenberg ⁽⁵⁾	303,333	1.77%	1.77%	2.72%	2.72%
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Notes:

- (1) "Fully diluted basis" means with the exercise of all warrants and options.
- (2) Mr. Dennis Bennie is an interested party in Adira by virtue of his share holdings and by virtue of him serving as the chairman of the Board. Mr. Bennie indirectly holds all of the shares through companies controlled by himself and through his spouse.
- (3) Mr. Alan Friedman is an interested party in Adira by virtue of his share holdings and by virtue of him serving as a director and as Adira's chief business development officer.
- (4) Mr. Levin is an interested party in Adira by virtue of him serving as an officer in Adira.
- (5) Mr. Rootenberg is an interested party in Adira by virtue of his share holdings and by virtue of him serving as a director in Adira.

Options

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

Name	Position	Allotment Date	Expiration Date	Exercise Price (US Dollar)(1)	Vesting Details	Total(2)
Dennis Bennie	Chairman	Aug. 22, 2012	Aug. 21, 2017	\$ 2.176	R ⁽³⁾	101,333
Alan Rootenberg	Director	Aug. 22, 2012	Aug. 21, 2017	\$ 2.16	R ⁽³⁾	667
Alan Friedman	Executive Vice President, Corporate Development and Director	Aug. 22, 2012	Aug. 21, 2017	\$ 0.86	R ⁽³⁾	70,667
Gadi Levin	Chief Executive Officer and Chief Financial Officer	Aug. 22, 2012	Aug. 21, 2017	\$ 2.16	R ⁽³⁾	60,667

Notes

- (1) The exercise prices of employee stock options in 2010 were set in US Dollars and as of 2011, in Canadian Dollars. The tables show all amounts in US Dollars.
- (2) Each stock option may be exercised to purchase one of our common shares at the exercise price.
- (3) Type R stock options vest 33.33% every twelve months over two years with the initial vesting on August 22, 2012.

Warrants

Warrants, exercisable into common shares of Adira, held by our officers and directors are set forth below as of the date hereof.

Name	Position	Allotment date	Expiration date	Exercise price	Total
Dennis Bennie	Co-Chairman of the Board	May 7, 2015	May 6, 2018	US\$0.04	2,000,000
Alan Rootenberg	Director	May 7, 2015	May 6, 2018	US\$0.04	300,000

Equity Compensation Plans

The following table summarizes our compensation plans under which equity securities are authorized for issuance as at December 31, 2016.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans ⁽¹⁾ (excluding securities reflected in the second column)
Equity compensation plans approved by securityholders	5,056,00	0.14	1,475,203
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total:	5,056,00	0.14	1,475,202

Notes:

(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 our issued and outstanding common shares as at such date (being 10% of 17,112,022 – 236,000 = 1,475,202).

On August 31, 2009, the Board adopted a new 10% rolling stock option plan (the “**Stock Option Plan**”) to replace the existing plan. The Stock Option Plan was ratified by the shareholders of Adira on December 17, 2009, and has since been approved by the shareholders of Adira on an annual basis.

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

The maximum number of common shares which may be issued pursuant to options previously granted and those granted under the 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 Stock Option Plan contains no vesting requirements, but permits the Board to specify a vesting schedule in its discretion.

On January 11, 2011, the Board adopted an annex to the 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 Stock Option Plan and is to be read as a continuation of the 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 Stock Option Plan, the Board selected the capital gains tax track pursuant to the Israeli tax legislation which came into effect on January 1, 2003.

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, as at December 31, 2016, no person, corporation or other entity beneficially owns, directly or indirectly, or controls more than 5% of our common shares, except as follows:

Name	Number of Common Shares Owned ⁽¹⁾⁽²⁾	Percentage ⁽³⁾
Dennis Bennie	2,886,929 ⁽⁴⁾	16.87%
Goodman Investment Counsel Inc.	1,055,180 ⁽⁵⁾	6.17%

Notes:

(1) Under Rule 13d-3, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares: (i) voting power, which includes the power to vote, or to direct the voting of shares; and (ii) investment power, which includes the power to dispose or direct the disposition of shares. Certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire the shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of these acquisition rights. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person's actual ownership or voting power with respect to the number of common shares actually outstanding on the date hereof.

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

(3) Based on 17,112,022 common shares of Adira issued and outstanding as of the date of this filing.

(4) Includes shares held by spouse.

(5) Includes shares held by Goodman Investment Counsel Inc. and associated companies that are controlled by Mr. Nathan Goodman.

Geographic Breakdown of Shareholders

As of December 31, 2016, 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	107,622	0.63	57
Canada	16,265,784	95.05	40
Other	738,616	4.32	21
Total	17,112,022	100	118

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

Transfer Agent

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

Control

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

Insider Reports under the British Columbia Securities Act

Since the Company is a reporting issuer under the Securities Acts of British Columbia, Alberta and Ontario, certain “insiders” of the Company (including its directors, certain executive officers, and persons who directly or indirectly beneficially own, control or direct more than 10% of its common shares) are generally required to file insider reports of changes in their ownership of Adira’s common shares five days following the trade under National Instrument 55-104 – Insider Reporting Requirements and Exemptions, as adopted by the Canadian Securities Administrators. All insider reports must be filed electronically five days following the date of the trade at www.sedi.ca. The public is able to access these reports at www.sedi.ca.

B. Related Party Transactions

None of our directors or senior officers, no associate or affiliate of the foregoing persons, and no insider has or had any material interest, direct or indirect, in any transactions, or in any proposed transaction, which in either such case has materially affected or will materially affect us or our predecessors during the year ended December 31, 2016 except as follows:

- (a) During the year ended December 31, 2016, we incurred \$6 thousand in consulting fees and operating expenses to private companies which are controlled by some of our directors or officers (year ended December 31, 2015 - \$58 thousand).

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

- (b) Compensation of key management personnel:

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

	Year ended December 31,		
	2016	2015	2014
	U.S. dollars in thousands		
Short-term employee benefits	\$ -	\$ 38	\$ 212
Share based compensation	-	1	22
	<u>\$ -</u>	<u>\$ 39</u>	<u>\$ 234</u>

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

	Year ended December 31,		
	2016	2015	2014
	U.S. dollars in thousands		
Share based compensation	\$ 5	\$ 45	\$ 38

C. Interests of Experts and Counsel

Not applicable.

ITEM 8 FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

Financial Statements

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

Legal Proceedings

Adira is not involved in any legal, arbitration or governmental proceedings and, to Adira's knowledge, no material legal, arbitration or governmental proceedings involving Adira are pending or contemplated against Adira.

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 the Board's 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 17,112,022 common shares were issued and outstanding as of December 31, 2016. All shares are initially issued in registered form. 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 the Board; and (iii) receive our remaining property on liquidation, dissolution or winding up.

A. Offer and Listing Details – Price History

Trading Markets

Our current trading symbol on the TSXV is “ADL”. We also trade on the OTCBB with the trading symbol “ADENF” and on the Frankfurt Stock Exchange with the trading symbol “OAMI”.

As disclosed elsewhere in this annual report, we completed the Consolidation of our common shares on August 9, 2013, on the basis of one new common share for every three old common shares. The Consolidation was effective for trading purposes on August 13, 2013; for a period of approximately two weeks thereafter, our common shares traded on the OTCBB under the symbol “ADEND”.

The following table shows the progression in the high and low closing trading prices of our common shares on the OCTBB, on a post-Consolidation basis, for the periods listed.

Annual (fiscal year)	High (\$)	Low (\$)
2016	0.01	0.01
2015	0.085	0.03
2014	0.20	0.01
2013	1.78	0.06
2012	5.10	1.37
Quarterly		
Fiscal 2016		
Fourth Quarter	0.01	0.01
Third Quarter	0.01	0.01
Second Quarter	0.01	0.01
First Quarter	0.01	0.01
Fiscal 2015		
Fourth Quarter	0.03	0.02
Third Quarter	0.04	0.02
Second Quarter	0.06	0.03
First Quarter	0.06	0.03
Monthly		
April 1, 2017 to April 24, 2017	0.01	0.01
March 2017	0.01	0.01
February 2017	0.01	0.01
January 2017	0.01	0.01
December 2016	0.01	0.01
November 2016	0.01	0.01

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

Annual (fiscal year)	High (\$)	Low (\$)
2016	0.04	0.04
2015	0.04	0.04
2014	0.20	0.03
2013	1.73	0.05
2012	5.10	1.35
Quarterly		
Fiscal 2016		
Fourth Quarter	0.04	0.04
Third Quarter	0.04	0.04
Second Quarter	0.04	0.04
First Quarter	0.04	0.04
Fiscal 2015		
Fourth Quarter	0.05	0.04
Third Quarter	0.06	0.03
Second Quarter	0.08	0.04
First Quarter	0.09	0.04
Monthly		
April 1, 2017 to April 27, 2017	0.04	0.04
March 2017	0.04	0.04
February 2017	0.04	0.04
January 2017	0.04	0.04
December 2016	0.04	0.04
November 2016	0.04	0.04

Escrowed Securities

As at December 31, 2016 and 2015, none of our securities were subject to escrow.

B. Plan of Distribution

Not applicable.

C. Markets

Our common shares are traded on the TSXV under the symbol “ADL”, in the United States on the OTC Bulletin Board under the symbol “ADENF” and on the Frankfurt Stock Exchange under the symbol “0AMI”.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10 ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Incorporation

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

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

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

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

C. Material Contracts

We currently are not party to any material contracts.

D. Exchange Controls

There are no governmental laws, decrees or regulations in Canada relating to restrictions on the export or import of capital, or affecting remittance of interest, dividends or other payments to non-resident holders of our common shares. However, the *Investment Canada Act* (Canada) will prohibit implementation, or if necessary, require divestiture of an investment deemed “reviewable” under the Investment Canada Act by an investor that is not a “Canadian” as defined in the Investment Canada Act, unless after review the Minister responsible for the *Investment Canada Act* is satisfied that the “reviewable” investment is likely to be of net benefit to Canada.

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

The Investment Canada 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. Investments by non-Canadians to acquire control over existing Canadian businesses or to establish new ones are either reviewable or notifiable under the Investment Canada Act. If an investment by a non-Canadian to acquire control over an existing Canadian business is reviewable under the Investment Canada Act, the Investment Canada Act generally prohibits implementation of the investment unless, after review, the Minister of Industry is satisfied that the investment is likely to be of net benefit to Canada.

An investment in our common shares by a non-Canadian, who is not a resident of a World Trade Organization (“WTO”) member, would be reviewable under the Investment Canada Act if it was an investment to acquire control of our Company and the value of the assets of our Company was CAN\$5 million or more. An investment in our common shares by residents of WTO members would be reviewable only if it was an investment to acquire control of our Company and the value of the assets of our Company was equal to or greater than a specified amount, which is published by the Minister after its determination for any particular year. This amount is currently CAN \$600 million; it will increase to CAN \$800 million starting April 24, 2017 and CAN \$1 billion starting April 24, 2019.

A non-Canadian would be deemed to acquire control of our Company for the purposes of the Investment Canada Act if the non-Canadian acquired a majority of our outstanding common shares (or less than a majority but controlled our Company in fact through the ownership of one-third or more of our outstanding common shares) unless it could be established that, on the acquisition, we were not controlled in fact by the acquirer through the ownership of such common shares. Certain transactions in relation to our common shares would be exempt from review under the Investment Canada Act, including, among others, the following:

- (a) the acquisition of voting shares or other voting interests by any person in the ordinary course of that person’s business as a trader or dealer in securities;
- (b) the acquisition of control of our Company in connection with the realization of security granted for a loan or other financial assistance and not for any purpose related to the provisions of this Act, if the acquisition is subject to approval under the Bank Act (Canada), the Cooperative Credit Associations Act (Canada), the Insurance Companies Act (Canada) or the Trust and Loan Companies Act (Canada); and
- (c) the acquisition of control of our Company by reason of an amalgamation, merger, consolidation or corporate reorganization following which the ultimate direct or indirect control of our Company, through the ownership of voting interests, remains unchanged.

E. Taxation

Material Canadian Federal Income Tax Consequences for United States Residents

The following summarizes the material Canadian federal income tax considerations 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, (i) is not resident in Canada, (ii) deals at arm’s length with, and is not affiliated with, us, (iii) holds our shares as capital property and does not use or hold, and is not deemed to use or hold, our shares in the course of carrying on, or otherwise in connection with, a business in Canada, and (b) for the purposes of the Canada-United States Income Tax Convention (1980) (the “Treaty”) and at all relevant times, is a resident solely of the United States, has never been a resident of Canada, is a “qualifying person” who is fully entitled to the benefit of the Treaty 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, authorized foreign bank, financial institutions (including those to which the mark-to-market provisions of the Tax Act apply), special financial institutions, or any other holder to which special circumstances may apply.

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

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

Dividends

Dividends paid or credited or deemed to be paid or credited to a U.S. Holder by us will be subject to Canadian withholding tax. The Tax Act requires a 25% withholding unless reduced under an applicable 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 qualified company and beneficially owns at least 10% of our voting shares). We will be required to withhold the applicable withholding tax from any dividend and remit it to the Canadian government for the U.S. Holder's account.

Disposition

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

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

United States Tax Consequences

United States Federal Income Tax Consequences

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

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

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

Scope of this Summary

Authorities

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

U.S. Holders

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

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

Non-U.S. Holders

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

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

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

If an entity or arrangement that is classified as a partnership (or other “pass-through” entity) for U.S. federal income tax purposes holds our common shares, the U.S. federal income tax consequences to such entity and the partners (or other owners) of such entity generally will depend on the activities of the entity and the status of such partners (or owners). This summary does not address the tax consequences to any such owner. Partners (or other owners) of entities or arrangements that are classified as partnerships or as “pass-through” entities for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences arising from and relating to the acquisition, ownership, and disposition of our common shares.

Ownership and Disposition of our common shares

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

Taxation of Distributions

A U.S. Holder that receives a distribution, including a constructive distribution, with respect to our common share will be required to include the amount of such distribution in gross income as a dividend (without reduction for any foreign income tax withheld from such distribution) to the extent of the current or accumulated “earnings and profits” of we, as computed for U.S. federal income tax purposes. To the extent that a distribution exceeds the current and accumulated “earnings and profits” of we, such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder’s tax basis in our common shares and thereafter as gain from the sale or exchange of such our common shares (see “Sale or Other Taxable Disposition of Common Shares” below). However, we may not maintain the calculations of earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder should therefore assume that any distribution by us with respect to our common shares will constitute ordinary dividend income. Dividends received on our common shares generally will not constitute qualified dividend income eligible for the “dividends received deduction”. Subject to applicable limitations and provided that we are eligible for the benefits of the Canada-U.S. Tax Convention, dividends paid by us to non-corporate U.S. Holders, including individuals, generally will be eligible for the preferential tax rates applicable to long-term capital gains for dividends, provided certain holding period and other conditions are satisfied, including that we are not classified as a PFIC (as defined below) in the tax year of distribution or in the preceding tax year. The dividend rules are complex, and each U.S. Holder should consult its own tax advisor regarding the application of such rules.

Sale or Other Taxable Disposition of Common Shares

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

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

Passive Foreign Investment Company Rules

If we were to constitute a PFIC for any year during a U.S. Holder’s holding period, then certain potentially adverse rules would affect the U.S. federal income tax consequences to a U.S. Holder resulting from the acquisition, ownership and disposition of our common shares. We do not believe that we were a PFIC during our tax years ended September 30, 2010 and December 31, 2010, 2011, 2012, and 2013; we have made no determination as to whether we were a PFIC during our tax year ended December 31, 2014. However, we believe we were a PFIC in prior tax years. PFIC classification is fundamentally factual in nature, generally cannot be determined until the close of the tax year in question, and is determined annually. Additionally, the analysis depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. Consequently, there can be no assurances regarding our PFIC status for any tax year during which U.S. Holders hold our common shares.

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

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

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

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

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

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

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

Additional Considerations

Additional Tax on Passive Income

Individuals, estates and certain trusts whose income exceeds certain thresholds will be required to pay a 3.8% Medicare surtax on “net investment income” including, among other things, dividends and net gain from disposition of property (other than property held in certain trades or businesses). U.S. Holders should consult with their own tax advisors regarding the effect, if any, of this tax on their ownership and disposition of our common shares.

Receipt of Foreign Currency

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

Foreign Tax Credit

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

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

Backup Withholding and Information Reporting

Under U.S. federal income tax law and Treasury Regulations, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. For example, U.S. return disclosure obligations (and related penalties) are imposed on individuals who are U.S. Holders that hold certain specified foreign financial assets in excess certain threshold amounts. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. U.S. Holders may be subject to these reporting requirements unless our common shares are held in an account at certain financial institutions. Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult with their own tax advisors regarding the requirements of filing information returns, including the requirement to file an IRS Form 8938.

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

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

Exhibits attached to this Form 20-F are also available for viewing at our offices, 4101 Yonge Street, Suite 706, Toronto, Ontario, Canada M2P 1N6; or you may request them by calling our office at [\(416\) 361-2216](tel:4163612216). 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 – “Organizational Structure” of this Annual Report on Form 20-F.

ITEM 11 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are not subject to any material market risks.

A. Transaction Risk and Currency Risk Management

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

B. Interest Rate Risk and Equity Price Risk

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

C. Exchange Rate Sensitivity

We are exposed to financial risk related to the fluctuation of foreign exchange rates. Our oil and gas operations are in Israel. Most of our monetary assets are held in US dollars and most of our expenditures are made in US dollars. However, we also have expenditures in NIS and Canadian dollars. A significant change in the currency rates between the NIS and the Canadian dollars relative to the US dollar could have an effect on our future results of operations, financial position or cash flows, depending on our currency management techniques. We have not hedged our exposure to currency fluctuations. An increase or decrease of 5% of the NIS and Canadian dollars relative to the U.S dollar would not have a significant effect on.

D. Commodity Price Risk

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

ITEM 12 DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13 DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

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

None.

ITEM 15 CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

As required under the Exchange Act, we have carried out an evaluation of the effectiveness of the design and operation of our company’s disclosure controls and procedures as of the end of the period covered by this annual report on Form 20-F, being December 31, 2016. This evaluation was carried out by our Mr. Gadi Levin, who service as our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our executives concluded that our disclosure controls and procedures were effective as at December 31, 2016.

Management’s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. The Exchange Act in Rule 13a-15(f) and 15d-15(f) defines this as a process designed by, or under the supervision of, the company’s principal executive and principal financial officers and effected by the Board, 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 Mr. Gadi Levin, who serves as our Chief Executive Officer and Chief Financial Officer, our management assessed the effectiveness of our internal control over financial reporting as at December 31, 2016. In making this assessment, our 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 our internal control over financial reporting was effective as at December 31, 2016.

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 is not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this Annual Report.

Changes in Internal Control over Financial Reporting

During the period ended December 31, 2016, 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

As disclosed above, as of the date hereof, our Audit Committee is comprised of Dennis Bennie, Alan Rootenberg and Alan Friedman.

The Board has determined that each of Messrs. Bennie and Rootenberg (i) qualifies as an audit committee financial expert pursuant to Items 16A(b) and (c) of Form 20-F and (ii) is independent as defined in section 803 of the NYSE MKT Company Guide and Rule 10A-3 of the Exchange Act. In addition, all members of the audit committee are considered financially literate under applicable Canadian laws.

ITEM 16B CODE OF ETHICS

We have adopted a Code of Business Conduct that applies to all of our employees and officers, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The Code of Business Conduct meets the requirements for a "code of ethics" within the meaning of that term in Item 16B of Form 20-F. The text of our Code of Business Conduct is also posted on our website at www.adiraenergy.com, under the "Company" tab. In addition, a copy of our Code of Business Conduct will be provided to any person without charge, upon request. All requests for a copy of our code of ethics should be directed in writing to the attention of Gadi Levin, c/o Adira Energy Ltd., 4101 Yonge Street, Suite 706, Toronto, Ontario, Canada M2P 1N6, or by email at: glevin@adiraenergy.com.

During the most recently completed fiscal year, the Company has neither: (a) amended its Code of Ethics; nor (b) granted any waiver (including any implicit waiver) from any provision of its Code of Ethics.

ITEM 16C PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth information regarding the amount billed to us by our principal independent auditors, MNP LLP for the fiscal year ended December 31, 2016 and 2015:

	Year Ended December 31	
	2016	2015
Audit Fees:	\$ 10,000	\$ 25,000
Audit Related Fees:	-	-
Tax Fees:		\$ 5,000
Total:	\$ 10,000	\$ 30,000

Audit Fees

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

Audit Related Fees

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

Tax Fees

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

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

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

ITEM 16D EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

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

In the year ended December 31, 2016, the Company did not purchase any of its issued and outstanding common shares pursuant to any repurchase program or otherwise.

ITEM 16F CHANGES TO REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G CORPORATE GOVERNANCE

Not applicable.

ITEM 16H **MINE SAFETY DISCLOSURE**

Not applicable.

PART III

ITEM 17 **FINANCIAL STATEMENTS**

Not applicable.

ITEM 18 **FINANCIAL STATEMENTS**

Financial Statements Filed as Part of this Annual Report

- Report of Independent Registered Public Accounting Firm dated April 25, 2017;
- Consolidated statement of financial position for the fiscal years ended December 31, 2016 and 2015;
- Consolidated statements of comprehensive profit and loss for the fiscal years ended December 31, 2016, 2015 and 2014;
- Consolidated statements of changes in (deficit) equity for the fiscal years ended December 31, 2016, 2015 and 2014;
- Consolidated statements of cash flows for the fiscal years ended December 31, 2016, 2015 and 2014; and
- Notes to consolidated financial statements

ADIRA ENERGY LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2016, 2015 and 2014

U.S. DOLLARS IN THOUSANDS

INDEX

	<u>Page</u>
Independent Auditors' Report	49
Consolidated Statements of Financial Position	50
Consolidated Statements of Comprehensive Profit and Loss	51
Consolidated Statements of Changes in (Deficit) Equity	52
Consolidated Statements of Cash Flows	53
Notes to Consolidated Financial Statements	54 - 68

Independent Auditors' Report

To the Board of Directors and Shareholders of Adira Energy Ltd.

We have audited the accompanying consolidated statements of financial position of Adira Energy Ltd. (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive profit and loss, changes in (deficit) equity and cash flows for the years ended December 31, 2016, 2015 and 2014. The Company's management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015 and the results of its operations and its cash flows for the years ended December 31, 2016, 2015 and 2014 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1(b), the Company has experienced negative cash flows from operations since inception and has accumulated a significant deficit which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

MNP LLP

**Chartered Professional Accountants
Licensed Public Accountants**

Mississauga, Ontario
April 25, 2017

MNP

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	Note	December 31 2016	December 31 2015
Assets			
Current assets			
Cash and cash equivalents	4	\$ 19	\$ 124
Loan	5	25	25
Other receivables and prepaid expenses	6	8	\$ 14
		\$ 52	\$ 163
Liabilities			
Current liabilities			
Trade payables	7	\$ 11	\$ 60
Accrued liabilities	8	263	65
		274	125
Non-current Liabilities			
Warrant liability	9	67	112
		341	237
Equity			
Share capital	12	-	-
Additional paid-in capital	12	34,060	34,060
Accumulated deficit		(34,349)	(34,134)
Total deficit		(289)	(74)
Total liabilities and deficit		\$ 52	\$ 163

The accompanying notes are an integral part of these consolidated financial statements.

Approved on Behalf of the Board:

April 25, 2017

Date of approval of the financial statements

"Dennis Bennie"

Dennis Bennie
Chairman of the Board

"Alan Friedman"

Alan Friedman
Director

CONSOLIDATED STATEMENTS OF COMPREHENSIVE PROFIT AND LOSS

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

	Notes	Year ended December 31		
		2016	2015	2014
Expenses:				
General and administrative costs	14,16	\$ 268	\$ 349	\$ 602
Gain on settlement of accounts payable and other payables	14	-	(25)	(1,374)
Total expenses		268	324	(772)
(Loss) income before financing income, (loss) gain on foreign exchange and gain on revaluation warrant liability		(268)	(324)	772
Gain (Loss) on foreign exchange		8	(23)	(37)
Gain on revaluation of warrant liability	9	45	78	-
(Loss) income before income taxes		(215)	(269)	735
Income taxes	11	-	-	-
Net (loss) income and comprehensive (loss) income		\$ (215)	\$ (269)	\$ 735
Basic and diluted net (loss) income per share attributable to equity holders of the parent		\$ (0.01)	\$ (0.02)	\$ 0.06
Weighted average number of ordinary shares used in computing basic and diluted net loss per share		17,112,022	15,439,508	12,158,302

The accompanying notes are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENTS OF CHANGES IN (DEFICIT) EQUITY

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

	Number of shares	Attributable to equity holders of the parent			
		Share capital	Additional paid-in capital	Accumulated deficit	Total (Deficit) equity
Balance as of December 31, 2013	12,052,022	\$ -	\$ 34,023	\$ (34,600)	\$ (577)
Shares and warrants issued in private placement, net	240,000	-	60	-	60
Share-based compensation recovery	-	-	(32)	-	(32)
Net income	-	-	-	735	735
Balance as of December 31, 2014	<u>12,292,022</u>	<u>\$ -</u>	<u>\$ 34,051</u>	<u>\$ (33,865)</u>	<u>\$ 186</u>
Shares and warrants issued in private placement, net (Note 12(b)(ii))	4,820,000	-	7	-	7
Share-based compensation (Note 12(c))	-	-	2	-	2
Net loss	-	-	-	(269)	(269)
Balance as of December 31, 2015	<u>17,112,022</u>	<u>\$ -</u>	<u>\$ 34,060</u>	<u>\$ (34,134)</u>	<u>\$ (74)</u>
Net loss	-	-	-	(215)	(215)
Balance as of December 31, 2016	<u>17,112,022</u>	<u>\$ -</u>	<u>\$ 34,060</u>	<u>\$ (34,349)</u>	<u>\$ (289)</u>

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended		
	December 31		
	2016	2015	2014
Cash flow from operating activities			
Net (loss) income for the year	\$ (215)	\$ (269)	\$ 735
Items not affecting cash:			
Depreciation	-	-	45
Loss on sale of fixed assets	-	2	3
Revaluation of warrants	(45)	(78)	-
Share-based compensation	-	2	(32)
Gain on settlement of accounts payable and other payables	-	(25)	(1,374)
Changes in non-cash working capital:			
Decrease in accounts receivable, other receivables and prepaid expenses	6	50	2,449
Decrease in trade payables	(49)	(82)	(1,276)
Increase (decrease) in other accounts payable and accrued liabilities	198	9	(930)
	(105)	(391)	(380)
Cash flow from investing activities			
Proceeds from sale of equipment	-	1	11
Cash provided for loan receivable	-	(25)	-
Decrease in restricted cash	-	9	26
	-	(15)	37
Cash flow from financing activities			
Proceeds from issue of shares, net of share issuance costs	-	196	60
	-	196	60
Decrease in cash and cash equivalents	(105)	(210)	(283)
Cash and cash equivalents, beginning of year	124	334	617
Cash and cash equivalents, end of year	\$ 19	\$ 124	\$ 334

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016, 2015 and 2014

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

NOTE 1: GENERAL

a. Nature of operations

Adira Energy Ltd. and its subsidiaries ("Adira" or "the Company"), was an oil and gas exploration company with operations in Israel. Given the increasing challenging market conditions for oil and gas exploration throughout 2015 and 2016, the Company's management has been looking for additional business opportunities (see below). Adira is a limited company, incorporated on April 8, 2009, and domiciled in Toronto, Ontario, Canada. The registered head office is located at 4101 Yonge Street, Suite 706, Toronto, Ontario, M2P 1N6. The Company's shares are currently traded on the OTC market in the U.S. and the TSX Venture Exchange ("TSX") in Canada. The consolidated financial statements of the Company for the year ended December 31, 2016 were authorized for issue in accordance with a resolution of the directors on April 25, 2017.

Letter of intent to complete a transaction

On November 4, 2015, the Company entered into a letter of intent ("LOI") with SMAART Holdings Inc. ("SMAART") whereby the Company will acquire SMAART through a three-cornered amalgamation between the Company and its wholly owned subsidiary (the "Transaction"). In connection with the completion of the Transaction the amalgamated entity (the "Resulting Issuer") intends to be listed on the Canadian Securities Exchange.

SMAART is a British Columbia based corporation that owns a Nevada, USA subsidiary, SMAART Holdings Corp., which in turn owns the following active subsidiaries:

- (i) Empower Healthcare Corporation ("EHC") is an Oregon based corporation that provides physician services to patients. EHC focuses on pain management services and is a pioneer in the recommendation of cannabis based products to its patients.
- (ii) The Hemp & Cannabis Company ("THCC") is an Oregon corporation. THCC owns and leases real estate that was used to cultivate cannabis with state licenses in both Oregon and Washington.
- (iii) SMAART Inc. is an Oregon corporation that provides administrative services to SMAART owned companies.

The Transaction is subject to a number of conditions typical in a transaction of this nature, including without limitation, the approval by at least 66 2/3% of the votes cast by Adira shareholders at a special meeting of Adira shareholders to approve the Transaction and the approval of the TSX Venture Exchange. On closing of the Transaction, it is expected that current shareholders of Adira will own 10% of the Resulting Issuer, while the current shareholders of the SMAART will own the remaining 90%.

Another condition of the Transaction is that SMAART complete a financing to close concurrently with the completion of the Transaction.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*December 31, 2016, 2015 and 2014***U.S. dollars in thousands, except share and per share data**

NOTE 1: GENERAL (Continued)**b. Going concern**

The accompanying consolidated financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. As at December 31, 2016, the Company had an accumulated deficit of \$34,349 (2015 - \$34,134) and is not yet generating operating cash flows. As such, there is substantial doubt regarding the Company's ability to continue as a going concern.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company's ability to continue operations is dependent on management's ability to secure additional financing. Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Accordingly, the consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements.

NOTE 2: BASIS OF PREPARATION**a. Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

b. Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis, and are presented in U.S. dollars. All values are rounded to the nearest thousand (\$000), except share and per share data or when otherwise indicated.

On August 9, 2013, the Company completed a consolidation of the Company's Common Shares on the basis of one post-consolidation Common Share for every three pre-consolidation Common Shares (the "Share Consolidation").

On September 29, 2014, the Company completed a second consolidation of the Company's Common Shares on the basis of one post-consolidation Common Share for every five pre-consolidation Common Shares (the "Second Share Consolidation"). All share and per share data for all periods presented have been adjusted to reflect the decrease in number of shares resulting from the Consolidation and the Second Consolidation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016, 2015 and 2014

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

NOTE 2: BASIS OF PREPARATION (Continued)**c. Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Adira Energy Holdings Corp. and Adira Energy Israel Ltd.

On July 2015 and December 2015, the Company voluntarily liquidated and deregistered Adira Oil Technologies, and its 60% ownership in Adira Geo Global Limited, respectively.

In February 2016, the Company voluntarily liquidated and deregistered Adira Energy Israel Services Ltd.

The results are included in the consolidated statements of comprehensive income and loss up to the effective date of dissolution.

Adira Energy Israel Ltd. is currently in the process of being voluntarily liquidated and deregistered in Israel.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES**a. Significant judgments and estimates**

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are reported in the period of the change in estimate.

Fair value of derivative financial instruments: Management assesses the fair value of the Company's financial derivatives in accordance with the accounting policy stated in Note 3(i) to the consolidated financial statements. Fair value of the warrant liability has been measured using the Black-Scholes model, taking into account the terms and conditions upon which the warrants are granted. These calculations require the use of estimates and assumptions. Changes in assumptions concerning volatilities, interest rates, foreign exchange rates, and expected life could have a significant impact on the fair value attributed to the Company's financial derivatives.

b. Translation of foreign currencies

The Company's presentation currency is the U.S. dollar. The functional currency is the currency that best reflects the economic environment in which the Company operates and conducts its transactions, is separately determined for the Company and each of its subsidiaries, and is used to measure the financial position and operating results. The functional currency of the Company and its subsidiaries is the U.S. dollar. Transactions denominated in foreign currency (other than the functional currency) are recorded on initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate at that date. Exchange differences, are recognized in profit or loss. Non-monetary assets and liabilities measured at cost are translated at the exchange rate at the date of the transaction.

c. Cash equivalents

Cash equivalents are defined as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of acquisition or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Company's cash management.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016, 2015 and 2014

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

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Financial instruments

The Company's financial instruments consist of the following summarized accounts included within the consolidated statements of financial position:

Financial assets and liabilities	Classification
Cash and cash equivalents	Loans and receivables
Other receivables	Loans and receivables
Loan receivables	Loans and receivables
Trade payables	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities
Warrant liability	Fair value through profit and loss

Loans and receivables: Loans and receivables are financial assets with fixed or determinable payments not quoted in an active market. These assets are initially recognized at fair value plus transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment loss. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount on initial recognition.

Other financial liabilities: Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these other financial liabilities are measured at amortized cost using the effective interest method. Other financial liabilities are derecognized when the obligations are discharged, cancelled or expired.

Fair value through profit and loss: Derivative instruments include the warrant liability which is recorded at fair value on initial recognition and at each subsequent reporting period. Any gains or losses arising from changes in fair value are recorded in the statements of comprehensive profit and loss for the period.

Impairment of financial assets: Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include financial difficulty of the counterparty, default or delinquency in interest or principal payment or the likelihood that the borrower will enter bankruptcy or financial reorganization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an accounts receivable balance is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*December 31, 2016, 2015 and 2014*U.S. dollars in thousands, except share and per share data

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (Continued)**e. Financial instruments**

Financial instruments recorded at fair value: The Company classifies its financial instruments according to a three level hierarchy that reflects the significance of the inputs used in making fair value measurements. The three levels of the fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets or liabilities directly or indirectly; and
- Level 3 - Inputs for assets or liabilities that are not based on observable market data.

Management has determined that the warrant liability represents a level 2 input.

f. Impairment of non-financial assets

The Company evaluates the need to record an impairment of the carrying amount of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*December 31, 2016, 2015 and 2014***U.S. dollars in thousands, except share and per share data**

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (Continued)**g. Income taxes**

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent they relate to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

h. Share-based payment transactions

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

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

The cost of equity-settled transactions is recognized in profit or loss, together with a corresponding increase in equity, during the period which the performance and service conditions are to be satisfied, ending on the date on which the relevant employees become fully entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or income recognized in profit or loss represents the movement in the cumulative expense recognized at the end of the reporting period. No expense is recognized for awards that do not ultimately vest.

i. Warrant liability

As the warrants have an exercise and presentation price denominated in Canadian dollars which differs from the Company's functional currency they do not qualify for classification as equity. These warrants have been classified as warrant liability and are recorded initially at the fair value and revalued at each reporting date, using the Black-Scholes valuation method. Changes in fair value for each period are included in comprehensive profit and loss for the period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016, 2015 and 2014

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

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (Continued)**j. Loss / income per share**

Basic loss / income per share is computed by dividing the profit or loss for the period by the weighted average number of common shares outstanding during the period. Stock options and common share purchase warrants are not included in the calculation of diluted loss per share if their inclusion would be antidilutive.

k. Standards and amendments issued but not yet effective

The IASB issued new standards and amendments not yet effective.

IFRS 9, Financial Instruments ("IFRS 9") was initially issued by the IASB on November 12, 2009 and issued in its completed version in July 2014, and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for financial years beginning on or after January 1, 2018. The Company is currently assessing the effects of IFRS 9 and intends to adopt on its effective date.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15") was issued by the IASB in May 2014 and clarifies the principles for recognizing revenue from contracts with customers. IFRS 15 will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (i.e. service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 is effective for periods beginning on or after January 1, 2018 and is to be applied retrospectively. The Company's preliminary assessment of IFRS 15 has determined there will not be a significant impact to the consolidated financial statements as a result of the adoption of this standard

IFRS 16, Leases ("IFRS 16") was issued by the IASB in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. An entity applies IFRS 16 for annual periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 Revenue from Contracts with Customers has also been applied. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. The Company is currently assessing the effects of IFRS 16 and intends to adopt on its effective date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016, 2015 and 2014

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

NOTE 4: CASH AND CASH EQUIVALENTS

	December 31,	
	2016	2015
In US dollars	\$ 17	\$ 2
In Canadian dollars	1	102
In new Israeli shekels ("NIS")	1	20
	<u>\$ 19</u>	<u>\$ 124</u>

NOTE 5: LOAN RECEIVABLE

In connection with the Transaction, Adira has advanced \$25 to SMAART to meet its ongoing working capital requirements pending the completion of the transaction. Subsequent to the year-end, SMAART repaid the \$25 loan (Note 17(a)).

NOTE 6: OTHER RECEIVABLES AND PREPAID EXPENSES

	December 31,	
	2016	2015
Government authorities	\$ 1	\$ 2
Prepaid expenses	7	12
	<u>\$ 8</u>	<u>\$ 14</u>

NOTE 7: TRADE PAYABLES

Trade payables are non-interest bearing and are normally settled on 60-day terms.

NOTE 8: ACCRUED LIABILITIES

	December 31,	
	2016	2015
Accrued expenses	\$ 263	\$ 65
	<u>\$ 263</u>	<u>\$ 65</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016, 2015 and 2014

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

NOTE 9: WARRANT LIABILITY

On May 7, 2015, the Company issued 4,820,000 warrants in conjunction with a private placement (Note 13(b) (ii)). The warrants have an expiry period of 3 years from date of issuance and an exercise price of \$0.05 CDN per common share.

The warrants were valued at \$189 at the time of issuance and revalued at \$67 as at December 31, 2016 (2015 - \$112). A gain of \$45 was recorded in the Consolidated Statement of Comprehensive Profit and Loss for the year ended December 31, 2016 (2015 - \$78). The Black-Scholes option pricing model was used to measure the derivative warrant liability with the following assumptions:

	May 7, 2015	December 31, 2015	December 31, 2016
Expected life	3 years	2.35 years	1.35 years
Risk-free interest rate	0.64%	0.50%	0.87%
Dividend yield	0.00%	0.00%	0.00%
Foreign exchange rate (USD/CAD)	0.8276	0.7209	0.7437
Expected volatility	222.04%	177.23%	147.70%

NOTE 10: FINANCIAL INSTRUMENTS

The Company's activities expose it to various financial risks, such as market risks (foreign currency risk, consumer price index risk, interest risk and price risk), credit risk and liquidity risk. The Company's comprehensive risk management program focuses on actions to minimize potential adverse effects on the Company's financial performance.

a. Credit risk:

Concentration of credit risk exists with respect to the Company's cash and cash equivalents, other receivables and prepaid expenses and loans receivable. The Company's exposure as at December 31, 2016 and 2015 was for \$52 and \$163 respectively, which consisted of \$19 (2015 - \$124) in cash held in bank accounts, \$8 (2015 - \$14) in other receivables and prepaid expenses and \$25 in loan receivables (2015 - \$25).

The Company manages credit risk, in respect of cash and cash equivalents, and restricted cash, by holding them at major Canadian and Israeli financial institutions in accordance with the Company's investment policy. The Company places its temporary cash and cash equivalents with high credit quality financial institutions. The Company regularly monitors credit extended to customers and their general financial condition. The Company historically has not had significant past-due receivables.

b. Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet current obligations and future commitments. The Company's approach to managing liquidity risk is to forecast cash requirements to determine whether it will have sufficient funds to meet its current liabilities when due. As of December 31, 2016, the Company had cash and cash equivalents of \$19 (2015 - \$124), other receivables, and prepaid expenses of \$8 (2015 - \$14) and loan receivable of \$25 (2015 - \$25) to settle current liabilities in the amount of \$263 (2015 - \$125) (Note 1(b)).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016, 2015 and 2014

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

NOTE 10: FINANCIAL INSTRUMENTS (Continued)

c. Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of two types of risk: interest rate risk and foreign currency risk.

1. Interest rate risk:

The Company is not exposed to significant interest rate risk due to the short-term maturity of its cash equivalents.

2. Foreign currency risk:

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. Most of the Company's monetary assets are held in U.S. dollars and most of the Company's expenditures are made in Canadian dollars. The Company has not hedged its exposure to currency fluctuations. An increase or decrease of 5% of the Canadian dollar would not have a significant effect on the Company.

NOTE 11: INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2015 – 26.5%) to the effective tax rates for the years ended December 31 is as follows:

	2016	2015
Loss before recovery of income taxes	\$ (215)	\$ (269)
Expected income tax recovery	\$ (57)	\$ (71)
Tax rate changes and other adjustments	(1,159)	(7,423)
Non-deductible expenses	(17)	(16)
Unrealized foreign exchange	-	1,290
Change in tax benefits not recognized	1,232	6,220
Income tax (recovery) expense	\$ -	\$ -

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016, 2015 and 2014

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

NOTE 11: TAXES ON INCOME (Continued)

Unrecognized Deferred Tax Assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2016	2015
Property and equipment	\$ 1	\$ 1
Share issuance costs	\$ 4	\$ 286
Deferred expenses	\$ 150	\$ -
Non-capital losses carried forward	\$ 7,714	\$ 2,931

The Canadian non-capital loss carry forwards expire as noted in the table below. Share issue and financing costs will be fully amortized in 2018. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

2027	\$ 76
2028	412
2029	764
2030	963
2031	2,003
2032	591
2033	975
2034	825
2035	694
2036	411
	\$ 7,714

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016, 2015 and 2014

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

NOTE 12: CAPITAL

a. Authorized

Unlimited number of Common shares without nominal or par value.

b. Issued and outstanding Common shares

(i) As at December 31, 2016 and 2015, the Company had 17,112,022 shares issued and outstanding.

(ii) On May 7, 2015, the Company completed a non-brokered private placement of 4,820,000 units ("Units") for gross proceeds of \$202 (\$241,000 CDN). Each Unit consisted of one Common Share and one warrant. Each warrant is exercisable to acquire one Common Share at a price of CAN\$0.05 per Common Share until May 6, 2018.

As the warrants are exercisable in a currency other than the Company's functional currency they are treated as a derivative liability (Note 10). The fair value of the warrants was \$189 and was first allocated to the liability with the residual balance of \$7, net of \$6 in share issuance costs, recorded in additional paid-in capital.

c. Stock Option Plan

Under the Company's August 31, 2009 Stock Option Plan ("the Incentive Stock Option Plan"), options may be granted to employees, officers, consultants, service providers and directors of the Company or its subsidiaries.

Stock options may be issued up to 10% of the Company's outstanding Common shares at a term and an exercise price to be determined by the Company's Board of Directors. The maximum term of the options is ten years from the date of grant.

As of December 31, 2016, an aggregate of 1,475,202 of the Company's options were still available for future grant.

The Company typically grants stock options with vesting periods of between two to four years, generally with the exercise price at the closing price of the stock on the date of the grant and an expiration date of five years from the date of grant.

A summary of the stock option plan and changes during the years ended December 31, 2016 and 2015 were as follows:

	Number of options outstanding	Weighted average exercise price
Balance, January 1, 2015	416,000	\$ 5.37
Options forfeited	<u>(144,666)</u>	<u>8.34</u>
Balance, December 31, 2015	271,334	\$ 2.85
Options forfeited	<u>(35,334)</u>	<u>7.68</u>
Balance, December 31, 2016	<u>236,000</u>	<u>\$ 2.23</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016, 2015 and 2014

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

NOTE 12: CAPITAL (Continued)

c. Stock Option Plan (Continued)

The following tables summarize information about stock options outstanding and exercisable as of December 31, 2016:

Grant date	Expiry date	Grant date fair value	Exercise price	Number of options outstanding	Number of options exercisable	Average remaining contractual life
August 22, 2012 (*)	August 21, 2017	\$ 1.05	\$ 2.23	236,000	236,000	0.64
				<u>236,000</u>	<u>236,000</u>	

(*) The exercise price is denominated in Canadian dollars and was translated to USD in the table above using the exchange rate on December 31, 2016.

Stock options granted are expensed as share-based payments. For grants made until December 31, 2011, the Company used the Black-Scholes option pricing model to value stock options granted. For grants made from January 1, 2012, the Company uses the Binominal option pricing model to value stock options granted. During the year ended December 31, 2016 the Company recorded a share-based compensation expense of \$Nil (2015 - \$2) as a result of the vesting of previously granted stock options.

d. Share purchase warrants

The Company has share purchase warrants outstanding entitling the holders to acquire Common shares as follows:

	Number of warrants (*)	Weighted average exercise price
Balance as of December 31, 2014	79,012,640	\$ 0.17
Warrants granted during 2014	4,820,000	0.04
Warrants expired during 2015	(79,012,640)	0.14
Balance as of December 31, 2015 and 2016	<u>4,820,000</u>	<u>\$ 0.04</u>

The following tables summarize information applicable to warrants outstanding as of December 31, 2016:

Issue date	Expiry date	Grant date fair value	Exercise price (*)	Number of warrants
May 7, 2015	May 6, 2018	\$ 0.04	\$ 0.04	4,820,000

(*) The exercise price of these warrants is denominated in Canadian dollars and was translated to USD in the table above using the exchange rate as of December 31, 2016.

NOTE 13: CAPITAL MANAGEMENT

The Company is in the early stage of gas and petroleum exploration. The Company has negative cash flows from current 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. The Company supervises the actual expenditure against the budget to manage its costs and commitments.

The Company's capital management objective is to maximize investment returns for shareholders 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 administrative process.

NOTE 14: RELATED PARTY TRANSACTIONS

- a. For the year ended December 31, 2016, the Company recognized \$6 for advisory fees and operating expenses to private companies controlled by the directors or by officers of the Company (2015 - \$58).

These transactions are in the ordinary course of business and are measured at the amount of consideration set and agreed by the related parties.

- b. Compensation to directors and key management personnel:

The CEO, CFO, and V.P. Business Development, and the directors are considered key management personnel.

	Year ended December 31,		
	2016	2015	2014
Short-term employee benefits	\$ -	\$ 38	\$ 212
Share-based compensation	-	1	22
	<u>\$ -</u>	<u>\$ 39</u>	<u>\$ 234</u>
Number of people	<u>2</u>	<u>2</u>	<u>2</u>

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

	Year ended December 31,		
	2016	2015	2014
Board of Directors fees	\$ 5	\$ 45	\$ 38
Number of people	<u>3</u>	<u>3</u>	<u>3</u>

For the year ended December 31, 2015, Adira Energy Ltd recorded a gain on settlement of accounts payable and other payables in the amount of \$25, arising from settlement agreements reached with related parties.

NOTE 15: COMMITMENTS AND CONTINGENCIES

As at December 31, 2016 and 2015, the Company has no commitments or contingencies.

NOTE 16: GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31,		
	2016	2015	2014
Payroll and related payments	\$ -	\$ -	\$ 307
Share-based compensation (recovery)	-	2	(32)
Professional fees	225	247	122
Rent and office expenses	7	46	90
Depreciation	-	-	45
Insurance	16	25	30
Others	20	29	40
	<u>\$ 268</u>	<u>\$ 349</u>	<u>\$ 602</u>

NOTE 17: SUBSEQUENT EVENTS

- a. Subsequent to the year-end, SMAART repaid the \$25 loan.
- b. Subsequent to the year-end, a significant service provider has agreed to settle their accounts payable balance in the amount \$155 in return for shares to be issued as part of the SMAART transaction.

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)
1.5	Certificate and Articles of Amendment (5)
4.1	2009 Stock Option Plan (2)
8.1	List of Subsidiaries (5)
12.1	Certificate of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (5)
12.2	Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (5)
13.1	Certificate of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (5)

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

SIGNATURES

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

ADIRA ENERGY LTD.

Per: /s/ Gadi Levin

Name: Gadi Levin

Title: Chief Executive Officer and Chief Financial Officer

Date: April 28, 2017

Certificate of Amendment*Canada Business Corporations Act***Certificat de modification***Loi canadienne sur les sociétés par actions*

ADIRA ENERGY LTD.

Corporate name / Dénomination sociale

449907-7

Corporation number / Numéro de société

I HEREBY CERTIFY that the articles of the above-named corporation are amended under section 178 of the *Canada Business Corporations Act* as set out in the attached articles of amendment.

JE CERTIFIE que les statuts de la société susmentionnée sont modifiés aux termes de l'article 178 de la *Loi canadienne sur les sociétés par actions*, tel qu'il est indiqué dans les clauses modificatrices ci-jointes.



Marcie Girouard

Director / Directeur

2013-08-09

Date of Amendment (YYYY-MM-DD)
Date de modification (AAAA-MM-JJ)



- 1 Corporate name
Dénomination sociale
ADIRA ENERGY LTD.
- 2 Corporation number
Numéro de la société
449907-7
- 3 The articles are amended as follows
Les statuts sont modifiés de la façon suivante

The corporation amends the description of classes of shares as follows:

La description des catégories d'actions est modifiée comme suit :

By consolidating the issued and outstanding common shares on the basis of 1 common share for every 3 common shares held.

- 4 Declaration: I certify that I am a director or an officer of the corporation.
Déclaration : J'atteste que je suis un administrateur ou un dirigeant de la société.

Original signed by / Original signé par
Alan Friedman
Alan Friedman
416-250-1955

Misrepresentation constitutes an offence and, on summary conviction, a person is liable to a fine not exceeding \$5000 or to imprisonment for a term not exceeding six months or both (subsection 230 (1) of the CBCA).

Faire une fausse déclaration constitue une infraction et son auteur, sur déclaration de culpabilité par procédure sommaire, est passible d'une amende maximale de 5 000 \$ et d'un emprisonnement maximal de six mois, ou l'une de ces peines (paragraphe 230(1) de la LCSA).

You are providing information required by the CBCA. Note that both the CBCA and the *Privacy Act* allow this information to be disclosed to the public. It will be stored in personal information bank number IC/PPU-049.

Vous fournissez des renseignements exigés par la LCSA. Il est à noter que la LCSA et la *Loi sur les renseignements personnels* permettent que de tels renseignements soient divulgués au public. Ils seront stockés dans la banque de renseignements personnels numéro IC/PPU-049.

The following table sets forth a list of our subsidiaries.

Name of Subsidiary	Jurisdiction of Incorporation
Adira Energy Holding Corp. ¹	Ontario, Canada
Adira Energy Israel Ltd. ²	Israel

Notes:

1. Adira Energy Holding Corp. is a wholly-owned direct subsidiary of the Registrant.
 2. These companies are second-tier wholly-owned indirect subsidiaries of the Registrant, which are held through Adira Energy Holding Corp.
-

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Gadi Levin, certify that:

1. I have reviewed this annual report on Form 20-F of Adira Energy Ltd. (the "Company") for the fiscal year ended December 31, 2016;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
 4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
 5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.
-

Date: April 28, 2017

/s/ Gadi Levin
Gadi Levin
Chief Executive Officer
(principal executive officer)

**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Gadi Levin, certify that:

1. I have reviewed this annual report on Form 20-F of Adira Energy Ltd. (the "Company") for the fiscal year ended December 31, 2016;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
 4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
 5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.
-

Date: April 28, 2017

/s/ Gadi Levin
Gadi Levin
Chief Financial Officer



**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Adira Energy Ltd. (the "Company") on Form 20-F for the year ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Gadi Levin, Chief Executive Officer and Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (i) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2017

/s/ Gadi Levin

Gadi Levin
Chief Executive Officer and Chief Financial Officer
(principal executive officer and principal financial officer)