

UPDATE REGARDING PROPOSED TRANSACTION BETWEEN SMAART HOLDINGS INC. AND ADIRA ENERGY LTD.

Toronto – February 8, 2018 – Adira Energy Ltd. (“Adira” or the “Company”) (TSX-V:ADL) and **SMAART Holdings Inc.** (the “**Target**”) wish to provide additional information concerning the background to the proposed transaction between these two companies as most recently outlined in the press release dated August 10, 2017 and the information circular of the Company dated January 10, 2018 (the “**Information Circular**”). The following disclosure is intended to ensure compliance with Multilateral Instrument 61-101- Protection of Minority Security Holders in Special Transactions (“**MI-61-101**”).

Background to the Transaction

In the first half of 2015, management, directors and the shareholders of the Company considered the current status of Adira as a publicly listed company. As an oil and gas exploration company, the prevailing conditions in the public capital markets meant that accessing funds to further any exploration efforts was challenging. Without a future capital infusion or access to capital, the Company would not be viable as a going concern and unable to meet its obligations as a public company.

As such, Adira began to explore other means to raise additional capital. Through an existing shareholder of Target, the Company was made aware of this company and its wish to go public. Negotiations ensued in which a transaction was contemplated whereby the Target would go public by utilizing the Company’s status as a reporting issuer in the provinces of British Columbia, Alberta and Ontario.

On November 4, 2015, such negotiations were formalized through the entering into of a non-binding letter of intent (the “**LOI**”). Pursuant to the LOI, it was contemplated that the Target would amalgamate with a wholly owned subsidiary of the Company to form a new company (“**Amalco**”). Adira would therefore own all of the assets of the Target through its 100% ownership of Amalco, and in return the shareholders of the Target would receive shares of Adira (the “**Transaction**”). Through a proposed consolidation, it was contemplated that the former Adira shareholders would own 10% of Adira following the completion of the Transaction (the “**Resulting Issuer**”), while the former shareholders of the Target would own the remaining 90%.

Throughout 2016 and the first half of 2017, both Adira and the Target engaged in due diligence concerning each company’s respective operations and relevant financial, legal and accounting matters. In particular, the Target and Adira completed the necessary financial and accounting work necessary to prepare the books of the Target as a prelude to completing the audit that would be required to take the Target public. With such accounting issues satisfactorily completed, the Target and the Company prepared to advance the Transaction.

In order to reflect the prevailing market conditions and consistent with the results of the due diligence review of Adira and the Target, a revised LOI was entered into on August 9, 2017 (the “**Revised LOI**”). While the structure of the Transaction remained largely consistent with the original LOI, it was determined that the former shareholders of the Target would now own 95%

of the Resulting Issuer, and the former Adira shareholders 5%. In deciding to enter into the Revised LOI, both the board of directors of the Company and the special committee of the board decided that the financial situation of the Company remained challenging and entering into the Transaction would be the best opportunity for Adira to raise additional capital. Potential risks involved with the Target's operations in the United States, particularly the dichotomy between the legislation at both the federal and state levels in the United States concerning the status of marijuana for recreational and medical use, were also considered. In the end, however, the Target's position as a growing business in the expanding medical marijuana sector and the opportunity to participate in this industry through the completion of the Transaction was deemed to be in the best interests of Adira and fair to its shareholders.

Other MI 61-101 Considerations

There have been no prior valuations of Adira, as such term is defined in MI 61-101. Similarly, Adira has not received any bona fide offer to purchase the Company within the 24 months prior to entering into the LOI with SMAART. In accordance with section 5.5(b) of MI 61-101, the Company is not required to obtain a formal valuation in connection with the Transaction as its common shares are listed on the TSX Venture Exchange.

As indicated in Schedule "D" to the Information Circular, it is currently the intention of the Corporation to sell Adira Energy Israel Ltd, its indirectly wholly owned subsidiary, for nominal consideration prior to the completion of the Transaction. It is also currently contemplated that another subsidiary, Adira Energy Holding Corp., will be wound up pursuant to the provisions of applicable corporate law following the completion of the Transaction.

As further indicated in Information Circular, 3,520,535 common shares in the capital of the Company (the "**Common Shares**") are held by interested parties as defined pursuant to MI 61-101, comprised of 2,886,929 Common Shares held by Dennis Bennie (representing approximately 16.87% of the issued and outstanding Common Shares), 330,273 Common Shares held by Alan Friedman (representing approximately 1.93% of the issued and outstanding Common Shares) and 303,333 Common Shares held by Alan Rootenberg (representing approximately 1.77% of the issued and outstanding Common Shares). Following the completion of the Transaction but prior to giving effect to the private placement that is expected to close in connection thereto, it is anticipated that Mr. Bennie and related parties will hold approximately 11,372,462 Common Shares (20.04%), Mr. Friedman and related parties will hold approximately 662,886 Common Shares (1.17%) and Mr. Rootenberg and related parties will hold approximately 3,667,586 Common Shares (6.46%).

Amalgamation Agreement

A copy of the Amalgamation Agreement entered into by Adira, a wholly owned subsidiary of Adira and the Target concerning the completion of the Transaction is available under the Company's SEDAR profile located at www.sedar.com. Additional information concerning both Adira and the Target and further particulars concerning the Transaction is also available in the Information Circular that was mailed to the shareholders of the Company and also available under the Company's SEDAR profile.

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Forward Looking Statements

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS: This press release may contain “forward-looking information” within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact, included herein may be forward-looking information. Generally, forward-looking information may be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “proposed”, “is expected”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases, or by the use of words or phrases which state that certain actions, events or results may, could, would, or might occur or be achieved. This forward-looking information in respect of Adira and the Target reflects Adira’s or the Target’s, as the case may be, current beliefs and is based on information currently available to Adira and the Target, respectively, and on assumptions Adira or the Target, as the case may be, believes are reasonable. These assumptions include, but are not limited to, management’s assumptions about the sale of certain assets of Adira and the satisfaction of the conditions precedent under the Amalgamation Agreement, including, without limitation, listing on the CSE, the delisting from the TSXV, the receipt of requisite shareholder approval, completion of the proposed private placement and the closing of the Transaction.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Adira or the Target to be materially different from those expressed or implied by such forward-looking information. Such risks and other factors may include, without limitation: general business, economic, competitive, political and social uncertainties; delay or failure to receive board or regulatory approvals; changes in legislation, including environmental, criminal and health legislation affecting the Target and the proposed business of the Resulting Issuer and the timing and availability of external financing on acceptable terms. Although Adira and the Target have attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking information. Readers are cautioned that the foregoing list of factors is not exhaustive. Readers are further cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which

they are placed will occur. Such information, although considered reasonable by management at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated. Forward-looking statements contained in this press release are expressly qualified by this cautionary statement.

The forward-looking statements contained in this press release represent the expectations of Adira and the Target as of the date of this press release and, accordingly, are subject to change after such date. However, Adira and the Target each expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities law.

Neither the TSXV nor its regulation service provider (as that term is defined in the policies of the TSXV) accepts responsibility for the adequacy or accuracy of this release.