

October 11, 2012

Canada's Adira Energy in the limelight as eastern Mediterranean gas shimmers

It's shaping up to be a big year ahead for Canada's Adira Energy, with excitement mounting in the gas-rich eastern Mediterranean zone. In 2013, TSX.V-listed Adira plans to commence drilling a series of wells targeting Israel's oil potential, something that has thus far proved fairly elusive for the region's drillers. The drilling campaign is expected to get going around the same time Israel's huge Tamar gas field enters production, which will feed domestic demand for years to come.

It's an interesting time all-round for those active in this new upstream territory, following a succession of major gas finds off both Israel and Cyprus in recent years. The largest of these, the Leviathan field, contains 17 trillion cubic feet (tcf) of gas. Discovered in 2010 by a group led by US-based Noble Energy - which is also leading the Tamar development - it was the largest natural gas discovery in a decade. Israel is currently planning how much of this gas to keep for itself and how much it should allocate for export. It's a huge gas find by any measure, and Strategically priceless for a country like Israel.

But for Adira, the hope is that while Israel's offshore gas may be the story of the day, it is oil that is the next big thing. With Noble Energy also testing for deep oil at the Leviathan site - it hopes to find some 600 million barrels of oil beneath the gas - it is not alone in its belief that there is oil waiting to be found. Scientists at the US Geological Survey estimate that the Levant Basin, an area that spans across offshore Israel and its neighbours, could hold up to 1.7 billion barrels of oil.

"Our core property is Gabriella, which is projected to begin drilling in Q2 2013," says Adira's chief executive Jeff Walter. He says activity for the remainder of this year will focus on purchasing any long lead items required for the programme, such as drill pipe, casing and well heads. "This additional activity will ensure we have the services in place to properly test the well once we get to the objective Jurassic carbonates."

While Gabriella is first up, two other "high quality assets" are advancing too, he adds - Yitzhak and Samuel - with wells also expected to be drilled at both sites next year. At Gabriella, it is targeting a resource potential of about 110 million barrels of oil, with a further 79 million barrels at Yitzhak, plus gas and condensates.

Adira operates all three license areas, which are all close to the shore - the Samuel license is along the coastline in southern Israel, close to the established, but tiny, Noa gas field - and all close to existing infrastructure. Should the company announce a discovery next year, it would entail "technically routine developments" according to Walter.

Other major oil prospects being targeted by other investors offshore Israel include Shemen with a potential 270 million barrels and Yam Hadera with a potential 133 million barrels. If any of these drill sites are confirmed then it will ignite interest in Israel's offshore oil potential.

Some thought has already been given to development options, with hub concepts being drawn up that could link Gabriella, Yitzhak and Yam Hadera. With a complement of in-house geoscientists, Adira is certainly up for the offshore challenge and all of the technical complexities that presents. "We are uniquely different from other operators in Israel because we utilise local talent and do not outsource our interpretations. This enables Adira to control its own destiny," reckons Walter.

The company has also brought in large engineering partners such as Halliburton to work in its offices alongside its own geoscientists to plan and executive the upcoming drilling campaign. The only solely eastern Med-focused company trading in North America, Adira finds itself in a good, upcoming location, expectation is building, and where large-scale development will become a reality next where year. Onshore, there is plenty going on, with the company seeking a secondary listing on the Tel Aviv stock market, as it seeks to benefit from the wave of investor interest in the area.

The discovery of huge gas reserves offshore has certainly piqued the interest of domestic investors, with Israel currently spending about US\$25 million a day on fuel imports. A Tel Aviv listing would undoubtedly help the company tap into this bullish market sentiment for the country's nAscent offshore oil and gas sector. And Adira is well connected too. In August, it appointed Amos Lasker, the former president and chief executive of Israel Electric Corporation, the national power company and the largest local buyer of gas, as co-chair on its board of directors.

And while there's enough going on for now, there is a watchful eye on developments around the rest of the region, with Egypt a long-established gas exporter, and Lebanon keen to kick-start its offshore oil and gas search. "We are always looking for new opportunities to supplement our portfolio," says Walters. "Adira will ensure that we maintain a diversification of risk profiles. Our focus is on projects in the eastern Mediterranean where we can add value to our shareholders."

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