

**Report of Organizational Actions  
 Affecting Basis of Securities**

OMB No. 1545-0224

▶ See separate instructions.

**Part I Reporting Issuer**

1 Issuer's name <b>Africa Oil Corp.</b>		2 Issuer's employer identification number (EIN) <b>None</b>	
3 Name of contact for additional information <b>Ronda Fullerton</b>	4 Telephone No. of contact <b>604.606.3888</b>	5 Email address of contact <b>rondaf@namdo.com</b>	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact <b>Suite 2000 - 885 West Georgia Street</b>		7 City, town, or post office, state, and Zip code of contact <b>Vancouver, British Columbia V6C 3E8</b>	
8 Date of action <b>June 20, 2011</b>		9 Classification and description <b>Common Shares</b>	
10 CUSIP number <b>00829C101</b>	11 Serial number(s) <b>N/A</b>	12 Ticker symbol <b>AOI</b>	13 Account number(s) <b>N/A</b>

**Part II Organizational Action** Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ **On June 20, Africa Oil Corp. ("AOC") acquired all of the issued and outstanding shares of Lion Energy Corp. ("Lion") in exchange for 0.2 of one AOC share for each common share of Lion (the "Arrangement") (the Arrangement is described in full in the Notice of Special Meeting and Information Circular of Lion, dated May 10, 2011, which is available at [www.sedar.com](http://www.sedar.com)).**

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ **See the attached discussion entitled "Certain United States Federal Income Tax Considerations" included in the Notice of Special Meeting and Information Circular of Lion, dated May 10, 2011, for a description of the quantitative effect of the organizational action on the basis of securities.**

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ **See attached.**

**For purposes of calculating the fair market value, the estimated fair market value of AOC shares is CDN\$1.41, which is the closing price for AOC common shares on the Toronto Venture Stock Exchange on June 20, 2011. The closing exchange rate on June 20, 2011 was 1 Canadian dollar to 1.02 U.S. dollars. Therefore, the US dollar fair market value of each AOC share is estimated to be USD\$1.43. Shareholders should consult with their own tax advisors to determine what measure of fair market value is appropriate.**


**Part II Organizational Action (continued)**


17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ Although not free from doubt, AOC believes that its acquisition of Lion pursuant to the Arrangement should qualify as a reorganization within the meaning of Section 368(a) of the Code. Consequently, the federal income consequences to Lion shareholders should be determined under Code Sections 354, 356 and 1221. In addition, because Lion believes that it may have been a passive foreign investment company as defined under Code Section 1297(a) (a "PFIC") immediately before the reorganization, Code Sections 1291-8 may be applicable. Shareholders should consult their own tax advisors regarding the application of the PFIC rules.

18 Can any resulting loss be recognized? ▶ See attached.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ In general, any gain recognized should be reported by shareholders for the taxable year which includes June 20, 2011 (e.g., a calendar year shareholder would report the transaction on his or her federal income tax return filed for the 2011 calendar year).

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

**Sign Here**  
Signature  Date ▶ January 20, 2012  
Print your name ▶ RONDA FULLERTON Title ▶ Asst. Corp. Secretary

**Paid Preparer Use Only**  
Print/Type preparer's name John Hollnake Preparer's signature  Date 1/20/2012 Check  if self-employed PTIN PO1988630  
Firm's name ▶ Dorsey & Whitney LLP Firm's EIN ▶ 41-0223337  
Firm's address ▶ Columbia Center, 701 Fifth Avenue, Suite 6100, Seattle, Washington 98104 Phone no. (206)903-8812

#### **CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS**

The following general summary fairly describes certain U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) with respect to the Arrangement and the acquisition, ownership, and disposition of AOC Shares received pursuant to the Arrangement. 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 as a result of the Arrangement or as a result of the acquisition, ownership, and disposition of AOC Shares received pursuant to the Arrangement. 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 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 Arrangement or the acquisition, ownership, and disposition of AOC Shares. 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 of the Arrangement or the acquisition, ownership, and disposition of AOC Shares.

No 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 Arrangement and the acquisition, ownership, and disposition of AOC Shares

received pursuant to the Arrangement. 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 positions taken in this summary.

This summary is based in part on facts described in this Circular and on various other assumptions, opinions, representations and determinations made by AOC and Lion. Any alteration or incorrectness of such facts, assumptions, opinions, representations or determinations could adversely affect the discussion in this summary.

**NOTICE PURSUANT TO IRS CIRCULAR 230: NOTHING CONTAINED IN THIS SUMMARY CONCERNING ANY U.S. FEDERAL TAX ISSUE IS INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED, BY A U.S. HOLDER, FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES UNDER THE CODE (AS DEFINED BELOW). THIS SUMMARY WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED BY THIS INFORMATION CIRCULAR. EACH U.S. HOLDER SHOULD SEEK U.S. FEDERAL TAX ADVICE, BASED ON SUCH U.S. HOLDER'S PARTICULAR CIRCUMSTANCES, FROM AN INDEPENDENT TAX ADVISOR.**

### Scope of This Disclosure Authorities

#### *Authorities*

This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), U.S. 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 Circular. 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 Lion Shares (or, after the Arrangement, AOC Shares) participating in the Arrangement or exercising Dissent Rights pursuant to the Arrangement 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 (a) 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 (b) has a valid election in effect under applicable U.S. 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 Lion Shares participating in the Arrangement or exercising Dissent Rights that is not a U.S. Holder. This summary does not address the U.S. federal income tax consequences applicable to non-U.S. Holders arising from the Arrangement or the acquisition, ownership, and disposition of AOC Shares received pursuant to the Arrangement. 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 tax, and foreign tax consequences (including the potential application of and operation of any income tax treaties) relating to the Arrangement and the acquisition, ownership, and disposition of AOC Shares received pursuant to the Arrangement.

*Transactions Not Addressed*

This summary does not address the U.S. federal income tax consequences of transactions effected prior or subsequent to, or concurrently with, the Arrangement (whether or not any such transactions are undertaken in connection with the Arrangement), including, without limitation, the following:

- any conversion into Lion Shares or AOC Shares of any notes, debentures or other debt instruments;
- any vesting, conversion, assumption, disposition, exercise, exchange, or other transaction involving any rights to acquire Lion Shares or AOC Shares, including the Lion Options or the AOC Options; and
- any transaction, other than the Arrangement, in which Lion Shares or AOC Shares are acquired.

*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 of the Arrangement to U.S. Holders that are subject to special provisions under the Code, including 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 Lion Shares (or after the Arrangement, AOC 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 Lion Shares (or after the Arrangement, AOC Shares) in connection with the exercise of employee stock options or otherwise as compensation for services; (g) U.S. Holders that hold Lion Shares (or after the Arrangement, AOC Shares) other than as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment purposes); and (h) U.S. Holders that own, directly, indirectly, or by attribution, 5% or more, by voting power or value, of the outstanding Lion Shares (or after the Arrangement, AOC Shares). 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 Lion Shares (or after the Arrangement, AOC Shares) in connection with carrying on a business in Canada; (d) persons whose Lion Shares (or after the Arrangement, AOC 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 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 tax, and foreign tax consequences relating to the Arrangement and the acquisition, ownership, and disposition of AOC Shares received pursuant to the Arrangement.

If an entity that is classified as a partnership (or "pass-through" entity) for U.S. federal income tax purposes holds Lion Shares (or after the Arrangement, AOC Shares), the U.S. federal income tax consequences to such partnership and the partners of such partnership of participating in the Arrangement and the acquisition, ownership, and disposition of AOC Shares received pursuant to the Arrangement generally will depend in part on the activities of the partnership and the status of such partners. Partners of entities that are classified as partnerships for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences of the Arrangement and the acquisition, ownership, and disposition of AOC Shares received pursuant to the Arrangement.

## Certain U.S. Federal Income Tax Consequences of the Arrangement

### *Characterization of the Arrangement*

Pursuant to the Plan of Arrangement: (a) the U.S. Holders will exchange Lion Shares and receive AOC Shares; (b) each Lion Option shall be exchanged for an AOC Replacement Option and (c) Lion Warrants will be adjusted upon exercise to provide for the purchase of an adjusted number of AOC Shares (the "Arrangement Transactions"). This summary assumes that the Arrangement Transactions will be treated for U.S. federal income tax purposes as a single, integrated transaction.

The Arrangement Transactions have been structured with the intent that the Arrangement will qualify as a tax-deferred "reorganization" within the meaning of Section 368(a) of the Code (a "Reorganization"). Because the determination of whether the Arrangement will qualify as a Reorganization depends on the resolution of complex issues and facts, some of which will not be known until the closing of the Arrangement Transactions, there can be no assurance that the Arrangement will qualify as a Reorganization. In addition, since the Arrangement Transactions will be effected pursuant to applicable provisions of Canadian corporate law that are not identical to analogous provisions of U.S. corporate law, there can be no assurance that the IRS or a U.S. court would not take the view that the Arrangement does not qualify as a Reorganization. Neither Lion nor AOC has sought or obtained either a ruling from the IRS regarding any of the tax consequences of the Arrangement. Accordingly, there can be no assurance that the IRS will not challenge the treatment of the Arrangement as a Reorganization or that the U.S. courts will uphold the status of the Arrangement as a Reorganization in the event of an IRS challenge. The tax consequences of the Arrangement qualifying as a Reorganization or as a taxable transaction are discussed below. U.S. Holders should consult their own U.S. tax advisors regarding the proper tax reporting of the Arrangement.

### *Tax Consequences if Lion is Classified as a PFIC*

A U.S. Holder of Lion Shares would be subject to special, adverse tax rules in respect of the Arrangement if Lion was classified as a "passive foreign investment company" under the meaning of Section 1297 of the Code (a "PFIC") for any tax year during which such U.S. Holder holds or held Lion Shares.

A non-U.S. corporation is classified as a PFIC for each tax year in which (i) 75% or more of its income is passive income (as defined for U.S. federal income tax purposes) or (ii) on average for such tax year, 50% or more of its assets (based on the quarterly average of the fair-market of such assets) either produce or are held for the production of passive income. For purposes of the PFIC provisions, "gross income" generally means sales revenues less cost of goods sold, and "passive income" generally includes dividends, interest, royalties, rents, and gains from commodities or securities transactions, including certain transactions involving oil and gas. In determining whether or not it is classified as a PFIC, a non-U.S. corporation is required to take into account its pro rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest.

Lion believes that it was a PFIC during one or more prior tax years, and based on current business plans and financial projections, Lion believes it may be a PFIC during its current tax year. PFIC classification is factual in nature, and generally cannot be determined until the close of the tax year in question. 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 the PFIC status of Lion during the current tax year which includes the Effective Date or any prior tax year.

Under proposed U.S. Treasury Regulations, absent application of the "PFIC-for-PFIC Exception" discussed below, if Lion is classified as a PFIC for any tax year during which a U.S. Holder holds Lion Shares, special rules may increase such U.S. Holder's U.S. federal income tax liability with respect to the Arrangement. Under the default PFIC rules:

- the Arrangement may be treated as a taxable exchange even if such transaction qualifies as a Reorganization as discussed below;

- any gain on the sale, exchange or other disposition of Lion Shares and any "excess distribution" (defined as an annual distribution that is more than 25% in excess of the average annual distribution over the past three years) will be allocated ratably over such U.S. Holder's holding period;
- the amount allocated to the current tax year and any year prior to the first year in which Lion was classified as a PFIC will be taxed as ordinary income in the current year;
- the amount allocated to each of the other tax years will be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year; and
- an interest charge for a deemed deferral benefit will be imposed with respect to the resulting tax attributable to each of the other tax years, which interest charge is not deductible by non-corporate U.S. Holders.

A U.S. Holder that has made a "mark-to-market" election under Section 1296 of the Code or a timely and effective election to treat Lion as a "qualified electing fund" under Section 1295 of the Code (a "QEF Election") may generally mitigate or avoid the PFIC consequences described above with respect to the Arrangement.

U.S. Holders should be aware that there can be no assurances that Lion will satisfy the record keeping requirements that apply to a QEF, or that Lion will supply U.S. Holders with information that such U.S. Holders require to report under the QEF rules, in the event that Lion is a PFIC during its tax year ended December 31, 2010, or for its current tax year. Thus, U.S. Holders may not be able to make a QEF Election with respect to their Lion Shares. Each U.S. Holder should consult its own tax advisor regarding the availability of, and procedure for making, a QEF Election.

Notwithstanding the foregoing, if (i) the Arrangement qualifies as a Reorganization, (ii) Lion was classified as a PFIC for any tax year during which a U.S. Holder holds or held Lion Shares, and (iii) AOC also qualifies as a PFIC for the tax year that includes the day after the Effective Date of the Arrangement, then proposed U.S. Treasury Regulations generally provide for Reorganization treatment to apply to such U.S. Holder's exchange of Lion Shares for AOC Shares pursuant to the Arrangement (for a discussion of the general nonrecognition treatment of a Reorganization, see discussion below under the heading "Tax Consequences if the Arrangement Qualifies as a Reorganization"). For purposes of this summary, this exception will be referred to as the "PFIC-for-PFIC Exception." In addition, in order to qualify for the PFIC-for-PFIC Exception, proposed U.S. Treasury Regulations require a U.S. Holder to report certain information to the IRS on Form 8621 together with such U.S. Holder's U.S. federal income tax return for the tax year in which the Arrangement occurs.

AOC believes that it qualified as a PFIC for its tax year ended December 31, 2010. No determination has been made as to whether AOC will be classified as a PFIC for its current tax year. PFIC classification is factual in nature, and generally cannot be determined until the close of the tax year in question. 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 the PFIC status of AOC for any tax year. Accordingly, if the proposed U.S. Treasury Regulations were finalized and made applicable to the Arrangement (even if this occurs after the Effective Date of the Arrangement), it is unclear if the PFIC-for-PFIC Exception would apply to U.S. Holders with respect to the Arrangement.

Each U.S. Holder should consult its own tax advisor regarding the potential application of the PFIC rules to the exchange of Lion Shares for AOC Shares pursuant to the Arrangement, and the information reporting responsibilities under the proposed U.S. Treasury Regulations in connection with the Arrangement.

In addition, the proposed U.S. Treasury Regulations discussed above were proposed in 1992 and have not been adopted in final form. The proposed U.S. Treasury Regulations state that they are to be effective for transactions occurring on or after April 11, 1992. However, because the proposed U.S. Treasury Regulations have not yet been adopted in final form, they remain in proposed form and there is no assurance they will be finally adopted in the form and with the effective date proposed. Further, it is uncertain whether the IRS would consider the proposed U.S. Treasury Regulations to be effective for purposes of determining the U.S. federal income tax treatment of the Arrangement. In the absence of the proposed U.S. Treasury Regulations being finalized in their current form, the

U.S. federal income tax consequences to a U.S. Holder set forth below in the discussion "Tax Consequences if the Arrangement Qualifies as a Reorganization" or "Treatment of the Arrangement as a Taxable Transaction" may be applicable. If gain is not recognized under the proposed U.S. Treasury Regulations, a U.S. Holder's holding period for the AOC Shares for purposes of applying the PFIC rules presumably would include the period during which the U.S. Holder held its Lion Shares. Consequently, a subsequent disposition of the AOC Shares presumably would be taxable under the default PFIC rules described above. U.S. Holders should consult their own tax advisors regarding whether the proposed U.S. Treasury Regulations under Section 1291 would apply if the Arrangement qualifies as a Reorganization.

***Tax Consequences if the Arrangement Qualifies as a Reorganization***

If the Arrangement qualifies as a Reorganization, and the default PFIC rules discussed above do not apply, then the following U.S. federal income tax consequences will result for U.S. Holders:

- (a) a U.S. Holder of Lion Shares who exchanges Lion Shares for AOC Shares and Canadian currency will recognize gain (but not loss) to the extent of the lesser of (1) the excess of the fair market value of the AOC Shares and the U.S. dollar value of the Canadian currency on the date of receipt over the adjusted tax basis of the Lion Shares surrendered, and (2) the U.S. dollar value of the Canadian currency on the date of receipt;
- (b) the aggregate tax basis of a U.S. Holder in the AOC Shares acquired in exchange for Lion Shares pursuant to the Arrangement will be equal to such U.S. Holder's aggregate tax basis in the Lion Shares surrendered in exchange therefore, increased by the amount of gain recognized and decreased by the U.S. dollar value of the Canadian currency on the date of receipt; and
- (c) the holding period of a U.S. Holder for the AOC Shares acquired in exchange for Lion Shares pursuant to the Arrangement will include such U.S. Holder's holding period for Lion Shares; and
- (d) U.S. Holders who exchange Lion Shares for AOC Shares pursuant to the Arrangement generally will be required to report certain information to the IRS on their U.S. federal income tax returns for the tax year in which the Arrangement occurs, and to retain certain records related to the Arrangement.

The IRS could challenge a U.S. Holder's treatment of the Arrangement as a Reorganization. If this treatment were successfully challenged, then the Arrangement would be treated as a taxable transaction, with the consequences discussed immediately below (including the recognition of any realized gain).

***Treatment of the Arrangement as a Taxable Transaction***

If the Arrangement does not qualify as a Reorganization for U.S. federal income tax purposes, subject to the PFIC rules discussed above, then the following U.S. federal income tax consequences will result for U.S. Holders:

- (a) a U.S. Holder will recognize gain or loss in an amount equal to the difference, if any, between (i) the fair market value (expressed in U.S. dollars) of the AOC Shares received in exchange for Lion Shares pursuant to the Arrangement and (ii) the adjusted tax basis (expressed in U.S. dollars) of such U.S. Holder in Lion Shares exchanged;
- (b) the tax basis of a U.S. Holder in the AOC Shares received in exchange for Lion Shares pursuant to the Arrangement would be equal to the fair market value of such AOC Shares on the date of receipt; and
- (c) the holding period of a U.S. Holder for the AOC Shares received in exchange for Lion Shares pursuant to the Arrangement will begin on the day after the date of receipt.

If Lion is not classified as a PFIC for any tax year in which a U.S. Holder held Lion Shares, any gain or loss described in clause (a) immediately above generally would be capital gain or loss, which will be long-term capital



gain or loss if such Lion 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 complex limitations under the Code.

#### ***U.S. Holders Exercising Dissent Rights***

A U.S. Holder that exercises Dissent Rights in the Arrangement and is paid cash in exchange for all of such U.S. Holder's Lion Shares generally will recognize gain or loss in an amount equal to the difference, if any, between (a) the amount of cash received by such U.S. Holder in exchange for Lion Shares (other than amounts, if any, that are or are deemed to be interest for U.S. federal income tax purposes, which amounts will be taxed as ordinary income) and (b) the tax basis of such U.S. Holder in such Lion Shares surrendered. Subject to the PFIC rules discussed in this summary, such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if such Lion Shares have been 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. Deductions for capital losses are subject to complex limitations under the Code.

#### **Passive Foreign Investment Company Rules Related to the Acquisition, Ownership and Disposition of AOC Shares**

If AOC were to constitute a PFIC (as defined above) for any year during a U.S. Holder's holding period of AOC Shares, then certain different and potentially adverse rules will effect the U.S. federal income tax consequences to a U.S. Holder resulting from the acquisition, ownership and disposition of AOC Shares. In addition, in any year in which AOC is classified as a PFIC, such holder would be required to file an annual report with the IRS containing such information as Treasury Regulations and/or other IRS guidelines may require.

AOC believes that it qualified as a PFIC for its tax year ended December 31, 2010. No determination has been made as to whether AOC will be classified as a PFIC for its current tax year. PFIC classification is factual in nature, and generally cannot be determined until the close of the tax year in question. 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 the PFIC status of AOC for any tax year.

In addition, under certain attribution rules, if AOC is a PFIC, U.S. Holders will be deemed to own their proportionate share of the stock of any subsidiary of AOC which is also a PFIC (a "Subsidiary PFIC"), and will be subject to U.S. federal income tax on their proportionate share of (a) a distribution on the stock of a Subsidiary PFIC and (b) a disposition or deemed disposition of the stock of a Subsidiary PFIC, both as if such U.S. Holders directly held the shares of such Subsidiary PFIC. Each U.S. Holder should consult its own tax advisor regarding the PFIC status of AOC and each Subsidiary PFIC.

#### **Default PFIC Rules Under Section 1291 of the Code**

If AOC is a PFIC, the U.S. federal income tax consequences to a U.S. Holder of the acquisition, ownership, and disposition of AOC Shares will depend on whether such U.S. Holder makes a QEF Election or a mark-to-market election under Section 1296 of the Code (a "Mark-to-Market Election"). A U.S. Holder that does not make either a QEF Election or a Mark-to-Market Election will be referred to in this summary as a "Non-Electing U.S. Holder."

A Non-Electing U.S. Holder will be subject to the rules of Section 1291 of the Code with respect to (a) any gain recognized on the sale or other taxable disposition of AOC Shares and (b) any excess distribution received on the AOC Shares. A distribution generally will be an "excess distribution" to the extent that such distribution (together with all other distributions received in the current tax year) exceeds 125% of the average distributions received during the three preceding tax years (or during a U.S. Holder's holding period for the AOC Shares, if shorter).

Under Section 1291 of the Code, any gain recognized on the sale or other taxable disposition of AOC Shares, and any "excess distribution" received on AOC Shares, must be ratably allocated to each day in a Non-Electing U.S.

Holder's holding period for the respective AOC Shares. The amount of any such gain or excess distribution allocated to the tax year of disposition or distribution of the excess distribution and to years before the entity became a PFIC, if any, would be taxed as ordinary income. The amounts allocated to any other tax year would be subject to U.S. federal income tax at the highest tax rate applicable to ordinary income in each such year, and an interest charge would be imposed on the tax liability for each such year, calculated as if such tax liability had been due in each such year. A Non-Electing U.S. Holder that is not a corporation must treat any such interest paid as "personal interest," which is not deductible.

If AOC is a PFIC for any tax year during which a Non-Electing U.S. Holder holds AOC Shares, AOC will continue to be treated as a PFIC with respect to such Non-Electing U.S. Holder, regardless of whether AOC ceases to be a PFIC in one or more subsequent tax years. A Non-Electing U.S. Holder may terminate this deemed PFIC status by electing to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above) as if such AOC Shares were sold on the last day of the last tax year for which AOC was a PFIC.

#### QEF Election

A U.S. Holder that makes a timely and effective QEF Election for the first tax year in which its holding period of its AOC Shares begins, generally, will not be subject to the rules of Section 1291 of the Code discussed above with respect to its AOC Shares. A U.S. Holder that makes a timely and effective QEF Election will be subject to U.S. federal income tax on such U.S. Holder's pro rata share of (a) the net capital gain of AOC, which will be taxed as long-term capital gain to such U.S. Holder, and (b) the ordinary earnings of AOC, which will be taxed as ordinary income to such U.S. Holder. Generally, "net capital gain" is the excess of (a) net long-term capital gain over (b) net short-term capital loss, and "ordinary earnings" are the excess of (a) "earnings and profits" over (b) net capital gain. A U.S. Holder that makes a QEF Election will be subject to U.S. federal income tax on such amounts for each tax year in which AOC is a PFIC, regardless of whether such amounts are actually distributed to such U.S. Holder by AOC. However, for any tax year in which AOC is a PFIC and has no net income or gain, U.S. Holders that have made a QEF Election would not have any income inclusions as a result of the QEF Election. If a U.S. Holder that made a QEF Election has an income inclusion, such a U.S. Holder may, subject to certain limitations, elect to defer payment of current U.S. federal income tax on such amounts, subject to an interest charge. If such U.S. Holder is not a corporation, any such interest paid will be treated as "personal interest," which is not deductible.

A U.S. Holder that makes a QEF Election generally (a) may receive a tax-free distribution from AOC to the extent that such distribution represents "earnings and profits" of AOC that were previously included in income by the U.S. Holder because of such QEF Election and (b) will adjust such U.S. Holder's tax basis in the AOC Shares to reflect the amount included in income or allowed as a tax-free distribution because of such QEF Election. In addition, a U.S. Holder that makes a QEF Election generally will recognize capital gain or loss on the sale or other taxable disposition of AOC Shares.

The procedure for making a QEF Election, and the U.S. federal income tax consequences of making a QEF Election, will depend on whether such QEF Election is timely. A QEF Election will be treated as "timely" if such QEF Election is made for the first year in the U.S. Holder's holding period for the AOC Shares in which AOC was a PFIC. A U.S. Holder may make a timely QEF Election by filing the appropriate QEF Election documents at the time such U.S. Holder files a U.S. federal income tax return for such year.

A QEF Election will apply to the tax year for which such QEF Election is timely made and to all subsequent tax years, unless such QEF Election is invalidated or terminated or the IRS consents to revocation of such QEF Election. If a U.S. Holder makes a QEF Election and, in a subsequent tax year, AOC ceases to be a PFIC, the QEF Election will remain in effect (although it will not be applicable) during those tax years in which AOC is not a PFIC. Accordingly, if AOC becomes a PFIC in another subsequent tax year, the QEF Election will be effective and the U.S. Holder will be subject to the QEF rules described above during any subsequent tax year in which AOC qualifies as a PFIC.

U.S. Holders should be aware that there can be no assurances that AOC will satisfy the record keeping requirements that apply to a QEF, or that AOC will supply U.S. Holders with information that such U.S. Holders require to report

under the QEF rules, in the event that AOC is a PFIC. Thus, U.S. Holders may not be able to make a QEF Election with respect to their AOC Shares. Each U.S. Holder should consult its own tax advisor regarding the availability of, and procedure for making, a QEF Election.

Under proposed U.S. Treasury Regulations, if the Arrangement qualifies as a Reorganization, and a U.S. Holder has made a timely and effective QEF Election with respect to such U.S. Holder's Lion Shares prior to the Arrangement, the QEF election will continue to apply to the newly acquired AOC Shares. However, the newly acquired AOC Shares will be considered stock in an unpedigreed QEF (an "Unpedigreed QEF"), which is subject to both the QEF and the default rules under Section 1291 simultaneously. In order for such U.S. Holder to return to the normal QEF Election rules discussed above, a U.S. Holder of stock in an Unpedigreed QEF may elect to purge the Unpedigreed QEF status with respect to such stock by electing in the tax year in which such U.S. Holder's AOC Shares are received to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above) as if such AOC Shares were sold for fair market value on the date such U.S. Holder acquired them (the "Deemed Sale Election"). Except as discussed above, the various tax consequences of ownership and disposition of stock in an Unpedigreed QEF, and the Deemed Sale Election, are outside the scope of this summary, and U.S. Holders that have made a QEF Election with respect to their Lion Shares should consult their own tax advisors regarding the application of the PFIC rules to the ownership and disposition of AOC Shares and the availability of, and procedure for making, a Deemed Sale Election.

#### Mark-to-Market Election

A U.S. Holder may make a Mark-to-Market only if the AOC Shares are marketable stock. The AOC Shares generally will be "marketable stock" if the AOC Shares are regularly traded on (a) a national securities exchange that is registered with the SEC, (b) the national market system established pursuant to section 11A of the U.S. Exchange Act, or (c) a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located, provided that (i) such foreign exchange has trading volume, listing, financial disclosure, and other requirements and the laws of the country in which such foreign exchange is located, together with the rules of such foreign exchange, ensure that such requirements are actually enforced and (ii) the rules of such foreign exchange ensure active trading of listed stocks. If such stock is traded on such a qualified exchange or other market, such stock generally will be "regularly traded" for any calendar year during which such stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter.

A U.S. Holder that makes a Mark-to-Market Election with respect to its AOC Shares generally will not be subject to the rules of Section 1291 of the Code discussed above with respect to such AOC Shares. However, if a U.S. Holder does not make a Mark-to-Market Election beginning in the first tax year of such U.S. Holder's holding period for the AOC Shares or such U.S. Holder has not made a timely QEF Election, the rules of Section 1291 of the Code discussed above will apply to certain dispositions of, and distributions on, the AOC Shares.

A U.S. Holder that makes a Mark-to-Market Election will include in ordinary income, for each tax year in which AOC is a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the AOC Shares, as of the close of such tax year over (b) such U.S. Holder's tax basis in such AOC Shares. A U.S. Holder that makes a Mark-to-Market Election will be allowed a deduction in an amount equal to the excess, if any, of (a) such U.S. Holder's adjusted tax basis in the AOC Shares, over (b) the fair market value of such AOC Shares (but only to the extent of the net amount of previously included income as a result of the Mark-to-Market Election for prior tax years).

A U.S. Holder that makes a Mark-to-Market Election generally also will adjust such U.S. Holder's tax basis in the AOC Shares to reflect the amount included in gross income or allowed as a deduction because of such Mark-to-Market Election. In addition, upon a sale or other taxable disposition of AOC Shares, a U.S. Holder that makes a Mark-to-Market Election will recognize ordinary income or ordinary loss (not to exceed the excess, if any, of (a) the amount included in ordinary income because of such Mark-to-Market Election for prior tax years over (b) the amount allowed as a deduction because of such Mark-to-Market Election for prior tax years).

A Mark-to-Market Election applies to the tax year in which such Mark-to-Market Election is made and to each subsequent tax year, unless the AOC Shares cease to be "marketable stock" or the IRS consents to revocation of such

election. Each U.S. Holder should consult its own tax advisor regarding the availability of, and procedure for making, a Mark-to-Market Election.

Although a U.S. Holder may be eligible to make a Mark-to-Market Election with respect to the AOC Shares, no such election may be made with respect to the stock of any Subsidiary PFIC that a U.S. Holder is treated as owning, because such stock is not marketable. Hence, the Mark-to-Market Election will not be effective to eliminate the interest charge described above with respect to deemed dispositions of Subsidiary PFIC stock or distributions from a Subsidiary PFIC.

#### **Other PFIC Rules**

Under Section 1291(f) of the Code, the IRS has issued proposed Treasury Regulations that, subject to certain exceptions, would cause a U.S. Holder that had not made a timely QEF Election to recognize gain (but not loss) upon certain transfers of AOC Shares that would otherwise be tax-deferred (e.g., gifts and exchanges pursuant to corporate reorganizations). However, the specific U.S. federal income tax consequences to a U.S. Holder may vary based on the manner in which AOC Shares are transferred.

Certain additional adverse rules will apply with respect to a U.S. Holder if AOC is a PFIC, regardless of whether such U.S. Holder makes a QEF Election. For example under Section 1298(3)(6) of the Code, a U.S. Holder that uses AOC Shares as security for a loan will, except as may be provided in Treasury Regulations, be treated as having made a taxable disposition of such AOC Shares.

Special rules also apply to the amount of foreign tax credit that a U.S. Holder may claim on a distribution from a PFIC. Subject to such special rules, foreign taxes paid with respect to any distribution in respect of stock in a PFIC are generally eligible for the foreign tax credit. The rules relating to distributions by a PFIC and their eligibility for the foreign tax credit are complicated, and a U.S. Holder should consult with their own tax advisor regarding the availability of the foreign tax credit with respect to distributions by a PFIC.

The PFIC rules are complex, and each U.S. Holder should consult its own tax advisor regarding the PFIC rules and how the PFIC rules may affect the U.S. federal income tax consequences of the acquisition, ownership, and disposition of AOC Shares.

#### **General U.S. Federal Income Tax Consequences Related to the Acquisition, Ownership and Disposition of AOC Shares**

The following discussion is subject to the rules described above under the heading "Passive Foreign Investment Company Rules."

#### ***Distributions on AOC Shares***

Subject to the PFIC rules discussed above, a U.S. Holder that receives a distribution, including a constructive distribution, with respect to a AOC Share will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of the current or accumulated "earnings and profits" of AOC, as computed for U.S. federal income tax purposes. Subject to the paragraph below, a dividend generally will be taxed to a U.S. Holder at ordinary income tax rates. To the extent that a distribution exceeds the current and accumulated "earnings and profits" of AOC, 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 the AOC Shares and thereafter as gain from the sale or exchange of such AOC Shares. (See "Sale or Other Taxable Disposition of AOC Shares" below). However, AOC 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 AOC with respect to the AOC Shares will constitute ordinary dividend income. Dividends received on AOC Shares generally will not be eligible for the "dividends received deduction".

For tax years beginning before January 1, 2013, a dividend paid by AOC to a U.S. Holder who is an individual, estate or trust generally will be taxed at the preferential tax rates applicable to long-term capital gains if AOC is a "qualified foreign corporation" ("QFC") and certain holding period requirements for the AOC Shares are met. AOC generally will be a QFC as defined under Section 1(h)(11) of the Code if AOC is eligible for the benefits of the Canada - U.S. Tax Convention or its shares are readily tradable on an established securities market in the U.S. However, even if AOC satisfies one or more of these requirements, AOC will not be treated as a QFC if AOC is a PFIC for the tax year during which it pays a dividend or for the preceding tax year. See the section above under the heading "Passive Foreign Investment Company Rules Related to the Acquisition, Ownership and Disposition of AOC Shares".

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 AOC Shares***

Subject to the PFIC rules discussed above, upon the sale or other taxable disposition of AOC Shares, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between the amount of cash plus the fair market value of any property received and such U.S. Holder's tax basis in such AOC Shares sold or otherwise disposed of. Gain or loss recognized on such sale or other disposition generally will be long-term capital gain or loss if, at the time of the sale or other disposition, the AOC Shares have been held for more than one year.

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

#### **Additional Considerations Foreign Tax Credit**

##### ***Foreign Tax Credit***

A U.S. Holder that pays (whether directly or through withholding) Canadian income tax in connection with the Arrangement or in connection with the ownership or disposition of AOC Shares may be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax paid. 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 tax 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 the AOC 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.

##### ***Receipt of Foreign Currency***

The amount of any distribution or proceeds paid in Canadian dollars to a U.S. Holder in connection with the ownership of AOC Shares, or on the sale, exchange or other taxable disposition of AOC Shares, or any Canadian dollars received in connection with the Arrangement (including, but not limited to, U.S. Holders exercising dissent