

ADVANTAGE ENERGY INCOME FUND

Information Circular - Proxy Statement dated March 7, 2006

**For the Annual General and Special Meeting of Unitholders
to be held on Wednesday, April 26th, 2006**

SOLICITATION OF PROXIES

This Information Circular - Proxy Statement is furnished in connection with the solicitation of proxies by Advantage Investment Management Ltd., the manager (the "Manager") of Advantage Energy Income Fund (the "Trust", the "Fund" or "Advantage"), for use at the Annual General and Special Meeting of the holders (the "Unitholders") of trust units ("Trust Units") of the Trust (the "Meeting") to be held on the 26th day of April, 2006 at 3:00 p.m. (Calgary time) in the McMurray Room at the Calgary Petroleum Club, 319 - 5th Avenue S.W., Calgary, Alberta, and at any adjournment thereof, for the purposes set forth in the Notice of Annual General and Special Meeting.

The Trust has outstanding two types of securities that entitle holders to vote generally at meetings of Unitholders: Trust Units and special voting units ("Special Voting Units"). One Special Voting Unit was issued to Computershare Trust Company of Canada (the "Exchangeable Shares Trustee") as trustee under a voting and exchange trust agreement for the benefit of holders of exchangeable shares ("Exchangeable Shares") issued by the Trust's wholly-owned subsidiary, Advantage Oil & Gas Ltd. ("AOG" or the "Corporation"). The Trust Units and the Special Voting Unit vote together as a single class on all matters. Each Trust Unit outstanding on the Record Date (as defined below) is entitled to one vote. The Special Voting Unit which is outstanding is entitled to one vote for each Exchangeable Share outstanding on the Record Date. The Exchangeable Shares Trustee is required to vote the Special Voting Unit in the manner that holders of Exchangeable Shares instruct, and to abstain from voting on the Exchangeable Shares for which the Exchangeable Shares Trustee does not receive instructions. The procedures for holders of Exchangeable Shares to instruct the Exchangeable Shares Trustee about voting at the Meeting are explained in the "Voting Direction for Holders of Exchangeable Shares" (the "Voting Direction") that has been provided to holders of Exchangeable Shares together with this Information Circular - Proxy Statement. See also the discussion under "Voting by Holders of Exchangeable Shares" contained in this Information Circular - Proxy Statement.

Instruments of Proxy must be received by Computershare Trust Company of Canada, Stock Transfer Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, not less than 24 hours before the time for the holding of the Meeting or any adjournment thereof. Computershare Trust Company of Canada, the trustee of the Trust (the "Trustee"), has fixed the record date for the Meeting at the close of business on March 7, 2006 (the "Record Date"). Only Unitholders of record as at that date are entitled to receive notice of the Meeting. Unitholders of record will be entitled to vote those Trust Units included in the list of Unitholders entitled to vote at the Meeting prepared as at the Record Date, even if the Unitholder has since disposed of his or her Trust Units. No Unitholder who became a Unitholder after the Record Date shall be entitled to vote at the Meeting.

The instrument appointing a proxy shall be in writing and shall be executed by the Unitholder or his/her attorney authorized in writing or, if the Unitholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.

The persons named in the enclosed form of proxy are directors and/or officers of AOG and/or the Manager. Each Unitholder has the right to appoint a proxyholder other than the persons designated above, who need not be a Unitholder, to attend and to act for the Unitholder and on behalf of the Unitholder at the Meeting. To exercise such right, the names of the nominees of management should be crossed out and the name of the Unitholder's appointee should be legibly printed in the blank space provided.

NOTICE TO BENEFICIAL HOLDERS OF TRUST UNITS

The information set forth in this section is of significant importance to many Unitholders of the Trust, as a substantial number of the Unitholders of the Trust do not hold Trust Units in their own name. Unitholders who do not hold their Trust Units in their own name (referred to herein as "Beneficial Unitholders") should note that only proxies deposited by Unitholders whose names appear on the records of the Trust as the registered holders of Trust Units can be recognized and acted upon at the Meeting. If Trust Units are listed in an account statement provided to a Unitholder by a broker, then in almost all cases those Trust Units will not be registered in the Unitholder's name on the records of the Trust. Such Trust Units will likely be registered under the name of the Unitholder's broker or an agent of that broker. In Canada, the vast majority of such Trust Units are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms). Trust Units held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Unitholder. Without specific instructions, the broker/nominees are prohibited from voting Trust Units for their clients. The Trust does not know for whose benefit the Trust Units registered in the name of CDS & Co. are held.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Unitholders in advance of unitholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Unitholders in order to ensure that their Trust Units are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Unitholder by its broker is identical to the form of proxy provided to registered Unitholders; however, its purpose is limited to instructing the registered Unitholder how to vote on behalf of the Beneficial Unitholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to ADP Investor Communications ("ADP"). ADP typically mails a scannable Voting Instruction Form in lieu of the Form of Proxy. Beneficial Unitholders are requested to complete and return the Voting Instruction Form forwarded to them by mail or facsimile. Alternatively, Beneficial Unitholders can call a toll-free telephone number or access ADP's dedicated voting website at www.proxyvotecanada.com to deliver their voting instructions and vote the Trust Units held by them. ADP then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Trust Units to be represented at the Meeting. **A Beneficial Unitholder receiving a Voting Instruction Form cannot use that Voting Instruction Form to vote Trust Units directly at the Meeting as the Voting Instruction Form must be returned as directed by ADP well in advance of the Meeting in order to have the Trust Units voted.**

The foregoing discussion similarly applies to holders of Exchangeable Shares who do not hold their Exchangeable Shares in their own name. Only holders of Exchangeable Shares whose name appears on the records of AOG as the registered holders of Exchangeable Shares are entitled to instruct the Exchangeable Shares Trustee as to how to exercise voting rights in respect of their Exchangeable Shares at the Meeting.

REVOCABILITY OF PROXY

A Unitholder who has submitted a proxy may revoke it at any time prior to the exercise thereof. If a person who has given a proxy attends at the Meeting in person at which such proxy is to be voted, such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the Unitholder or his/her officer or attorney authorized in writing or, if the Unitholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized and deposited either at the head office of the Manager at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chair of the Meeting on the day of the Meeting, or any adjournment thereof, and upon either of such deposits, the proxy is revoked.

A holder of Exchangeable Shares who has submitted a Voting Direction may revoke it at any time prior to the Meeting. In addition to revocation in any other manner permitted by law a Voting Direction may be revoked by instrument in writing executed by the holder of Exchangeable Shares or his attorney authorized in writing or, if the holder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized and deposited at the office of the Exchangeable Shares Trustee at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the Voting Direction is to be acted upon, or with a representative of the Exchangeable Shares Trustee in attendance at the Meeting on the day of the Meeting or any adjournment thereof, and upon either of such deposits, the Voting Direction is revoked.

PERSONS MAKING THE SOLICITATION

The solicitation is made on behalf of the Manager of the Trust. The costs incurred in the preparation and mailing of the Instrument of Proxy, Notice of Annual General Meeting and this Information Circular - Proxy Statement will be borne by the Trust. In addition to solicitation by mail, proxies may be solicited by personal interviews, telephone or other means of communication and by directors, officers and employees of the Manager, who will not be specifically remunerated therefore.

EXERCISE OF DISCRETION BY PROXY

The Trust Units represented by proxy in favour of management nominees shall be voted on any ballot at the Meeting and, where the Unitholder specifies a choice with respect to any matter to be acted upon, the Trust Units shall be voted on any ballot in accordance with the specification so made.

In the absence of such specification, the Trust Units will be voted in favour of the matters to be acted upon. The persons appointed under the Instrument of Proxy furnished by the Trust are conferred with discretionary authority with respect to amendments or variations of those matters specified in the Instrument of Proxy and Notice of Annual General Meeting. At the time of printing this Information Circular - Proxy Statement, management of the Trust knows of no such amendment, variation or other matter.

VOTING BY HOLDERS OF EXCHANGEABLE SHARES

The Exchangeable Shares Trustee holds one Special Voting Unit of the Trust. The Special Voting Unit is entitled to a number of votes at the Meeting equal to the aggregate number of outstanding Exchangeable Shares. Each holder of Exchangeable Shares is entitled to give the Exchangeable Shares Trustee voting instructions for a number of votes equal to the number of that holder's Exchangeable Shares. A Voting Direction is the means by which a holder of Exchangeable Shares may authorize the voting of his or her voting rights at the Meeting. The Exchangeable Shares Trustee will exercise each

vote only as directed by the relevant holder on the Voting Direction. In the absence of instructions from a holder as to voting, the Exchangeable Shares Trustee will not exercise those votes. A holder of Exchangeable Shares may also instruct the Exchangeable Shares Trustee to give him or her a proxy entitling him or her or a designee of the holder to vote personally the relevant number of votes or to grant to management of the Trust a proxy to vote those votes.

VOTING TRUST UNITS AND PRINCIPAL HOLDERS THEREOF

The Trust was formed pursuant to the provisions of the Trust Indenture dated April 17, 2001, as amended by the First Supplemental Indenture dated as of May 22, 2001, between the Trustee and Advantage Oil & Gas Ltd. and 687371 Alberta Ltd. as the settlor and as further amended and restated as of June 25, 2002, May 28, 2003, May 26, 2004, April 27, 2005 and December 13, 2005 (collectively, the "Trust Indenture").

The Trust is authorized to issue an unlimited number of Trust Units. As at March 1, 2006, 59,411,659 Trust Units were issued and outstanding. The Corporation is also entitled to issue Special Voting Units. As at March 1, 2006, one Special Voting Unit had been issued. As at March 1, 2006 the Corporation also has outstanding \$1,921,000 principal amount of 10% convertible unsecured subordinated debentures (the "10% Debentures"), \$6,666,000 principal amount of 9% convertible unsecured subordinated debentures (the "9% Debentures"), \$6,488,000 principal amount of 8.25% convertible unsecured subordinated debentures (the "8.25% Debentures") \$46,766,000 principal amount of 7.75% convertible unsecured subordinated debentures (the "7.75% Debentures") and \$52,593,000 principal amount of 7.50% convertible subordinated debentures (the "7.50% Debentures"). The 10% Debentures, 9% Debentures, 8.25% Debentures, 7.75% Debentures and 7.50% Debentures are convertible into Trust Units at conversion prices of \$13.30 per Trust Unit, \$17.00 per Trust Unit, \$16.50 per Trust Unit, \$21.00 per Trust Unit and \$20.25 per Trust Unit respectively, subject to adjustments in certain events. The 10% Debenture, 9% Debenture, 8.25% Debenture, 7.75% Debentures and 7.50% Debentures, are collectively referred to as the "Debentures").

At the Meeting, upon a show of hands, every Unitholder present in person or represented by proxy and entitled to vote shall have one vote. On a poll or ballot, every Unitholder present in person or by proxy has one vote for each Trust Unit of which such Unitholder is the registered holder. All votes on special resolutions shall be by a ballot and no demand for a ballot shall be necessary.

When any Trust Unit is held jointly by several persons, any one of them may vote at the Meeting in person or by proxy in respect of such Trust Unit, but if more than one of them shall be present at the Meeting in person or by proxy, and such joint owners of the proxy so present disagree as to any vote to be cast, the joint owner present or represented whose name appears first in the register of Unitholders maintained by the Trustee shall be entitled to cast such vote.

To the best of the knowledge of the Trustee, the Manager, and the directors of AOG, there is no person or corporation which beneficially owns, directly or indirectly, or exercises control or direction over Trust Units carrying more than 10% of the voting rights attached to the issued and outstanding Trust Units of the Trust which may be voted at the Meeting.

The percentage of Trust Units of the Trust that are owned, directly or indirectly, by the directors and officers of AOG as a group as at March 1, 2006 is approximately 3.6% (2,108,797 Trust Units). In addition, the directors and officers of AOG as a group own, directly or indirectly, \$754,000 principal amount of Debentures.

QUORUM FOR MEETING

At the Meeting, a quorum shall consist of two or more persons either present in person or represented by proxy and representing in the aggregate not less than 10% of the outstanding Trust Units. If a quorum is not present at the Meeting within one half hour after the time fixed for the holding of the Meeting, it shall stand adjourned to such day being not less than fourteen (14) days later and to such place and time as may be determined by the Chair of the Meeting. At such Meeting, the Unitholders present either personally or by proxy shall form a quorum. In the case of a meeting, at which a special resolution is under consideration, such adjournments are required to be for not less than 21 days and notice is to be given at least 10 days prior to the date of the adjourned meeting.

APPROVAL REQUIREMENTS

All of the matters to be considered at the Meeting are ordinary resolutions requiring approval by more than 50% of the votes cast in respect of the resolution by or on behalf of Unitholders present in person or represented by proxy at the Meeting.

MATTERS TO BE ACTED UPON AT MEETING

1. Appointment of Trustee of the Trust

The Trust Indenture provides that the Unitholders at each annual meeting shall re-appoint the Trustee or appoint a successor to the Trustee. Accordingly, Unitholders will consider an ordinary resolution to re-appoint Computershare Trust Company of Canada ("Computershare") as trustee of the Trust to hold office until the end of the next annual meeting.

2. Selection of Directors of AOG

Pursuant to the terms of the shareholder agreement dated as of May 24, 2001, between the Manager, AOG and the Trustee, as trustee of the Trust (the "Shareholder Agreement"), it is provided that the Board of Directors of AOG is to consist of a minimum of five (5) and a maximum of nine (9) members and it is proposed that the Board of Directors be comprised of seven (7) members. The Shareholder Agreement also provides that as long as the Manager is the manager of the Trust, it is entitled to designate two (2) of the members of the Board of Directors of AOG and the balance of the members of the Board of Directors of AOG are to be selected by a vote of Unitholders at a meeting of Unitholders held in accordance with the Trust Indenture and that following such meeting the Trustee shall elect the individuals so selected by the Unitholders to the Board of Directors of AOG. One of the directors so selected by the Unitholders will be the Chair of the Board of Directors of AOG.

The five (5) nominees for selection as directors of AOG by Unitholders are as follows:

Ronald A. McIntosh
 Roderick M. Myers
 Carol D. Pennycook
 Steven Sharpe
 Rodger A. Tourigny

The names and provinces of residence of the five (5) persons nominated for selection as directors of AOG by Unitholders, the number of Trust Units of the Trust beneficially owned, directly or indirectly, or over which each exercises control or direction, the offices held by each in AOG, the time served as director, and the principal occupation of each are as follows:

Name and Province of Residence	Number of Trust Units Beneficially Owned or Controlled	Offices Held and Time as Director	Principal Occupation
Ronald A. McIntosh ⁽¹⁾⁽²⁾⁽³⁾⁽⁵⁾ Alberta, Canada	6,841	Director since September 25, 1998 ⁽⁶⁾	Chair of NAV Energy Trust, a publicly traded royalty trust
Roderick M. Myers ⁽²⁾⁽³⁾⁽⁵⁾ British Columbia, Canada	282,951	Director since December 31, 1996 ⁽⁶⁾	Independent businessman
Carol D. Pennycook ⁽³⁾⁽⁵⁾ Ontario, Canada	3,000	Director since May 26, 2004	Partner at the law firm of Davies Ward Phillips & Vineberg LLP
Steven Sharpe ⁽¹⁾⁽³⁾⁽⁵⁾ Ontario, Canada	3,945	Non-Executive Chair and Director since May 24, 2001	Managing Partner of Blair Franklin Capital Partners Inc., an investment banking firm
Rodger A. Tourigny ⁽¹⁾⁽⁵⁾⁽⁷⁾ Alberta, Canada	Nil	Director since December 31, 1996 ⁽⁶⁾	President of Tourigny Management Ltd., a private oil and gas consulting company

Notes:

- (1) Member of Audit Committee.
- (2) Member of Independent Reserve Evaluation Committee.
- (3) Member of Human Resources, Compensation and Corporate Governance Committee.
- (4) AOG does not have an executive committee of its Board of Directors.
- (5) Each of Messrs. McIntosh and Myers owns 72,500 Trust Unit incentive rights. Each of Mr. Sharpe and Ms. Pennycook owns 37,500 Trust Unit incentive rights. Mr. Tourigny owns 52,500 Trust Unit incentive rights. See "Remuneration of Directors of AOG". In addition, Mr. McIntosh owns \$19,000 principal amount of Debentures and Mr. Myers owns \$500,000 principal amount of Debentures.
- (6) The period of time served as a director of AOG includes the period of time served, where applicable, as a director of Search Energy Corp. ("Search") prior to the reorganization of Search into a trust structure and the change of name of Search to Advantage Oil & Gas Ltd. Each of the directors were appointed directors of post-reorganization Search on May 24, 2001.
- (7) Mr. Tourigny was a director of Shenandoah Resources Ltd. ("Shenandoah") prior to it being placed into receivership on September 17, 2002 and prior to the issuance of cease trade orders in respect of Shenandoah's securities by the Alberta Securities Commission and the British Columbia Securities Commission on November 8, 2002 and October 23, 2002, respectively. Cease trade orders were issued because Shenandoah failed to file certain required financial statements. As of the date hereof, the cease trade orders remain outstanding. Shenandoah's common shares were suspended from trading on the TSX Venture Exchange on April 24, 2002. Mr. Tourigny resigned his directorship with Shenandoah effective September 17, 2002. Mr. Tourigny was also a director of Probe Exploration Inc. ("Probe") prior to its receivership and prior to the issuance of cease trade orders in respect of Probe's securities by the Alberta Securities Commission and the Ontario Securities Commission on July 7, 2000 and July 17, 2000, respectively. The cease trade orders were issued because Probe failed to file certain required financial statements. As at the date hereof, the cease trade orders remain outstanding. Probe's common shares were suspended from trading on the Toronto Stock Exchange ("TSX") on March 17, 2000, and were subsequently delisted from the TSX at the close of business on March 16, 2001. Mr. Tourigny resigned his directorship with Probe effective April 14, 2000.

As stated above, pursuant to the Shareholder Agreement, the Manager is entitled to designate two (2) of the members of the Board of Directors of AOG. The Manager intends to designate the following persons as members of the Board of Directors of AOG:

Kelly I. Drader
Gary F. Bourgeois

The names and municipalities of residence of Messrs Bourgeois and Drader, the number of Trust Units of the Trust beneficially owned, directly or indirectly, or over which each exercises control or direction, the offices held by each in AOG, the time served as director and the principal occupation of each are as follows:

Name and Province of Residence	Number of Trust Units Beneficially Owned or Controlled	Offices Held and Time as Director	Principal Occupation
Kelly I. Drader Alberta, Canada	666,326	President and Chief Executive Officer and Director since May 24, 2001	President and Chief Executive Officer of AOG and the Manager
Gary F. Bourgeois Ontario, Canada	326,623	Vice President and Director since May 24, 2001	Vice President, Corporate Development of AOG and Vice President of the Manager

3. Appointment of Auditors of the Trust

The Trust Indenture provides that the auditors of the Trust will be selected at each annual meeting of Unitholders. Accordingly, Unitholders will consider an ordinary resolution to appoint the firm of KPMG LLP, Chartered Accountants, Calgary, Alberta, to serve as auditors of the Trust until the next annual meeting of the Unitholders. KPMG LLP have been the auditors of the Trust since July 25, 2002.

The Shareholder Agreement provides that the auditors of AOG will be the same as the auditors of the Trust.

Unitholders are hereby informed that AOG will pass a shareholders resolution in writing to elect each of the directors selected by the Unitholders and the Manager as directors of AOG and to appoint the auditors of the Trust as the auditors of AOG.

Certain information regarding the audit committee, including the fees paid to the Trust's auditors in the last fiscal year, that is required to be disclosed in accordance with Multilateral Instrument 52-110 of the Canadian Securities Administrators will be contained in the Trust's renewal annual information form for the year ended December 31, 2005, an electronic copy of which is available on the internet on the Trust's SEDAR profile at www.sedar.com.

4. Issuance of Trust Units (in lieu of cash) for Payment of Annual Performance Fee

As set forth under the heading "The Manager - Management Fees", in accordance with Section 3.1 of the amended and restated management agreement (the "Management Agreement") entered into by the Manager, AOG and the Trustee, as trustee for and on behalf of the Trust, dated December 30, 2005, the Manager is entitled to an annual fee (the "Performance Fee") equal to 10% of the Total Return Amount (as defined in the Management Agreement) for the Return Period (in this case being January 1, 2006 to December 31, 2006). Pursuant to the Management Agreement, the Manager has the option of receiving all or part of its Performance Fee in Trust Units at the "Unit Market Price" which is defined in the Management Agreement as "the weighted average trading price per trust unit for such Trust Units for the 10 consecutive trading days immediately preceding such date (in the present case being December 31, 2006) and the 10 consecutive trading days from and including such date on the Toronto Stock Exchange and the New York Stock Exchange".

For the year ended December 31, 2005, the Performance Fee was \$10,544,306 and the Manager elected, pursuant to the Management Agreement, that 100% of the Performance Fee be payable in Trust Units, resulting in the issuance of 475,262 Trust Units of which 190,105 were allocated to the Manager and 285,158 were allocated to employees of AOG.

The policies of the TSX dictate that the payment of the Performance Fee in Trust Units is considered to be a "security based compensation arrangement" and, accordingly, the TSX requires that the payment in Trust Units of any Performance Fee earned by the Manager be approved by a majority of the Trust Units voted at the Meeting by unitholders of the Trust.

The TSX requires that a fixed number of trust units be approved pursuant to such resolution. In that regard, the Board of Directors of AOG has determined to fix the number of Trust Units that may be issued pursuant to the Performance Fee for the 2006 year to not exceed 2,000,000 Trust Units. This figure represents an upper limit, and the actual number of Trust Units that may be issued will be dependent upon the aggregate Performance Fee earned and the Unit Market Price. In addition, the Manager will have had to have elected to receive its Performance Fee in Trust Units. AOG has encouraged the Manager to elect to receive its Performance Fees in Trust Units as the Board of Directors of AOG believes that payment of such Performance Fees in Trust Units (as opposed to cash) better aligns the interests of the Manager with the interest of the unitholders.

Accordingly, the Board of Directors of AOG have reserved an aggregate of up to 2,000,000 Trust Units for issuance to the Manager as payment for the Performance Fee, subject to regulatory and unitholder approval. A vote of unitholders requires the approval of the majority of votes cast, in person or by proxy, at the Meeting.

At the Meeting, unitholders will be asked to consider, and, if thought fit, to pass an ordinary resolution as follows:

"BE IT RESOLVED THAT the issuance of up to 2,000,000 Trust Units to or as directed by Advantage Investment Management Ltd. (the "Manager") in satisfaction of the annual performance fee earned or to be earned by the Manager pursuant to the terms of the Management Agreement, be approved."

The principal reason for the issuance of Trust Units to the Manager is to align the economic interests of the Manager with the interests of the unitholders. If the issuance of the Trust Units is not approved, the Trust and AOG will have to satisfy payment of any annual Performance Fee earned in 2006 by a cash payment to or as directed by the Manager, which may result in a reduction of the aggregate sum of distributions to unitholders or an increase in the debt of the Trust.

EXECUTIVE COMPENSATION

Cash and Other Compensation

The information provided below relates to remuneration paid to the Corporation's Chief Executive Officer, Chief Financial Officer and each of the Corporation's four most highly compensated executive officers during for the years ended December 31, 2003 to December 31, 2005 (the "Named Executive Officers"). All figures are in Canadian dollars unless indicated otherwise.

Summary Compensation Table

Name and Principal Position	Year Ended Dec. 31	Annual Compensation			Long-Term Compensation			
					Awards		Payouts	All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation	Securities Under Options/SARs Granted (#)	Shares or Units Subject to Resale Restrictions (\$)	LTIP Payouts (\$)	
Kelly I. Drader ⁽²⁾ President and Chief Executive Officer	2005	190,550	Nil	Nil	Nil	Nil	Nil	Nil
	2004	206,000	Nil	Nil	Nil	Nil	Nil	Nil
	2003	206,000	Nil	Nil	Nil	Nil	Nil	Nil
Patrick J. Cairns ⁽²⁾ Senior Vice President	2005	173,063	Nil	Nil	Nil	Nil	Nil	Nil
	2004	177,500	Nil	Nil	Nil	Nil	Nil	Nil
	2003	177,500	Nil	Nil	Nil	Nil	Nil	Nil
Peter Hanrahan, Vice President, Finance and Chief Financial Officer	2005	152,088	86,057 ⁽¹⁾	Nil	Nil	Nil	Nil	Nil
	2004	143,750	43,700 ⁽¹⁾	Nil	Nil	Nil	Nil	Nil
	2003	125,000	36,164 ⁽¹⁾	Nil	Nil	Nil	Nil	Nil
Gary Bourgeois ⁽²⁾ Vice President, Corporate Development	2005	139,718	Nil	Nil	Nil	Nil	Nil	Nil
	2004	143,300	Nil	Nil	Nil	Nil	Nil	Nil
	2003	143,300	Nil	Nil	Nil	Nil	Nil	Nil
Rick Mazurkewich Vice President, Operations	2005	152,013	86,057 ⁽¹⁾	Nil	Nil	Nil	Nil	Nil
	2004	149,032	61,899 ⁽¹⁾	Nil	Nil	Nil	Nil	Nil
	2003	143,300	60,273 ⁽¹⁾	Nil	Nil	Nil	Nil	Nil
Weldon Kary Vice President, Exploitation	2005	152,088	86,057 ⁽¹⁾	Nil	Nil	Nil	Nil	Nil
	2004	136,316	45,393 ⁽¹⁾	Nil	Nil	Nil	Nil	Nil
	2003	127,500	44,200 ⁽¹⁾	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) Represents amounts allocated to Messrs. Hanrahan, Mazurkewich and Kary pursuant to the quarterly Operating Fee payable to the Manager as further distributed to the employees of AOG. See "Management Agreement - Management Fees". Messrs. Hanrahan, Mazurkewich and Kary also received a percentage of the Performance Fee allocated to employees of AOG. For services rendered during 2003, Messrs. Hanrahan, Mazurkewich and Kary were allocated \$561,737, \$936,228 and \$749,978, respectively, which amounts were paid in Trust Units after reductions for the applicable statutory withholdings. For services rendered during 2004, Messrs. Hanrahan, Mazurkewich and Kary were allocated \$823,462, \$1,024,640 and \$823,462, respectively, which amounts were paid in Trust Units after reduction for the applicable statutory withholdings. For services rendered during 2005, Messrs. Hanrahan, Mazurkewich and Kary were allocated \$465,937, \$457,268 and \$503,507, respectively, which amounts were paid in Trust Units after reduction for the applicable statutory withholdings.
- (2) These officers hold economic interests in the Manager and, accordingly, receive an indirect compensation through amounts paid to the Manager. See "Management Agreement - Management Fees".

Management Agreement

The Trustee, as trustee for and on behalf of the Trust, the Manager and AOG entered into the Management Agreement, pursuant to which AOG and the Trust engaged Advantage Investment Management Ltd. as manager of the Trust and AOG.

The Manager

The offices of the Manager are located at Suite 3100, 150 - 6th Avenue S.W., Calgary, Alberta, T2P 3Y7. The name, province of residence, positions held and principal occupation of each director and senior officer of the Manager are set forth below:

Name and Province of Residence	Position with AOG and/or the Manager	Principal Occupation
Kelly I. Drader Alberta, Canada	Director, President and Chief Executive Officer of AOG and the Manager	President and Chief Executive Officer of AOG
Gary F. Bourgeois Ontario, Canada	Director, Vice President, Corporate Development of AOG and Director and Vice President of the Manager	Vice President, Corporate Development of AOG
Patrick J. Cairns Alberta, Canada	Senior Vice President of AOG and Director and Vice President and Secretary of the Manager	Senior Vice President of AOG

In addition to salaries received in their capacities as executive officers of AOG, Messrs Drader, Bourgeois and Cairns also indirectly receive management fees in their capacities as shareholders of the Manager.

Management Fees

In its role under the Management Agreement as manager and administrator of AOG and the Trust, the Manager receives the following fees:

- (a) a fee (the "Operating Fee") in an amount equal to 1.5% of Operating Cash Flow (as defined in the Management Agreement), such amount to be calculated as at the end of each calendar quarter or portion thereof if applicable and paid on the 45th day following any such calendar quarter or if such day is not a business day, on the next business day; and
- (b) a Performance Fee equal to 10% of the Total Return Amount (which means in respect of any Return Period an amount equal to the Total Return Percentage (as defined in the Management Agreement) minus 8% if the Return Period (as defined in the Management Agreement) is a full calendar year and adjusted appropriately should the Return Period be less than a full calendar year, multiplied by the Market Capitalization (as defined in the Management Agreement) for that Return Period), such amount to be calculated as at the end of each Return Period and paid on the 15th day following the end of each such Return Period or if such day is not a business day, on the next business day.

In addition, the Manager has the option (subject to any necessary regulatory approval) to elect to receive all or part of the Performance Fee in Trust Units at the Unit Market Price calculated as at the end of the relevant period. For the year ended December 31, 2005, the Performance Fee payable to the Manager and employees of AOG totalled an aggregate of \$10,544,306 and the Operating Fee totalled \$3,665,145. In respect of the 2005 Performance Fee, the Manager elected that 100% of the fee be payable in Trust Units, resulting in the issuance of 475,262 Trust Units to the Manager and the employees of AOG. In accordance with the terms of the Management Agreement, \$6,326,583 (paid with 285,157 Trust Units) of the \$10,544,306 Performance Fee for 2005 and \$2,355,290 of the \$1,309,855 Operating Fee for 2005 was allocated to the employees of AOG with the balance allocated to the Manager.

For the year ended December 31, 2004, the Performance Fee payable to the Manager and employees of AOG totalled an aggregate of \$21,632,128 and the Operating Fee totalled \$2,622,672. In respect of the 2004 Performance Fee, the Manager elected that 77% of the fee be payable in Trust Units, resulting in the issuance of 763,373 Trust Units to the Manager and the employees of AOG. In accordance with the terms of the Management Agreement, \$8,652,851 (paid with 398,631 Trust Units) of the \$21,632,128 Performance Fee for 2004 and \$929,068 of the \$2,322,670 Operating Fee for 2004 was allocated to the employees of AOG with the balance allocated to the Manager.

For the year ended December 31, 2003, the Performance Fee payable to the Manager and employees of AOG totalled an aggregate of \$19,592,085 and the Operating Fee totalled \$1,679,492. In respect of the 2003 Performance Fee, the Manager elected that 100% of the fee be payable in Trust Units, resulting in the issuance of 1,099,104 Trust Units to the Manager and the employees of AOG. In accordance with the terms of the Management Agreement, \$6,530,695 (paid with 366,368 Trust Units) of the \$19,592,085 Performance Fee for 2003 and \$559,831 of the \$1,679,492 Operating Fee for 2003 was allocated to the employees of AOG with the balance allocated to the Manager.

The Manager's representatives who act as employees or officers of AOG are entitled to participate in any benefit plans put in place for AOG employees (including under any incentive plan) by AOG, and are entitled to industry competitive salaries (as approved by the Board of Directors of AOG) for acting in such capacity. For the years ended December 31, 2005, 2004 and 2003 representatives of the Manager who acted as employees or officers of AOG received an aggregate of \$503,331, \$526,800 and \$670,000, in salary, respectively.

The Manager does not receive any acquisition or disposition fees.

The Operating Fee and Performance Fee referred to in paragraphs (a) and (b) above (collectively, the "Management Fees") have funded all employee bonuses and incentive plans and were historically allocated such that the Manager received 66⅔% of the Management Fees and the employees of AOG receive 33⅓% of the Management Fees. The Management Agreement was amended effective October 4, 2004 with the Performance Fee allocated such that the Manager received 60% of the Management Fees and the employees of AOG receive 40% of the Management Fees. As a result of further amendments to the Management Agreement, effective December 30, 2005, the Performance Fee will be allocated by the Manager on the following basis:

the Manager	40%
Employees of AOG	60%

The allocation of the Management Fees and the Termination Fees (as defined below) amongst the employees of AOG have been distributed based upon the recommendations of the Manager as approved by the Board of Directors of AOG.

Term and Termination

The initial term (the "Initial Term") of the original Management Agreement ran from May 21, 2001 to May 21, 2004, and on each anniversary date of the Management Agreement it automatically renews on an "evergreen" basis for additional one-year periods, provided that the Board of Directors of AOG has not given notice to the Manager prior to any such renewal that such renewal shall not occur. In all instances of termination (except where the Management Agreement terminates at the end of a Renewal Term), a termination fee equal to the Management Fees paid for the immediately-prior 2½ years shall be payable.

In addition, the Manager will be entitled to receive any unpaid fees that have accrued prior to termination and to reimbursement by the Trust and AOG of general and administrative costs and expenses related to the Manager's performance under the Management Agreement, other than costs related solely to the Manager and costs related to employee bonuses and incentive plans.

Report on Executive Compensation

The Human Resources, Compensation and Corporate Governance Committee is comprised of Steven Sharpe (Chair), Ronald McIntosh, Roderick Myers and Carol Pennycook and is charged with, among other things, a periodic review and recommendation of compensation of the executive officers of the Corporation.

The compensation paid to the Manager in respect of the management and administration of Advantage and the Corporation is fixed by contract. The Management Agreement also requires that certain employees of the Manager become employees and executive officers of AOG and receive equivalent employee benefits to those received by AOG's executive officers and receive industry-competitive salaries as approved by the Board of Directors, from time to time, while they hold such positions during the term of the Management Agreement.

To date, the Corporation's current compensation plan for its executive officers has consisted of a base salary and bonuses. As the Management Agreement requires that those employees of the Manager who also serve as executive officers of the Corporation, including the Chief Executive Officer of AOG, receive industry-competitive salaries, the Human Resources, Compensation and Corporate Governance Committee, when making such salary determinations, takes into consideration individual salaries paid to executives of other issuers of comparable size within the oil and gas industry. Such information is obtained from independent consultants who regularly review compensation practices in Canada. The Chief Executive Officer's salary level was within the lower end of the median range for oil and gas issuers of the size of the Corporation. The process undertaken by the Human Resources, Compensation and Corporate Governance Committee to determine the Chief Executive Officer's salary is consistent with the terms of the Management Agreement, which requires that the Chief Executive Officer receive an industry competitive salary, as approved by the Board of Directors.

Advantage has not adopted a formal bonus plan. Bonuses paid to executive officers to date have been based upon recommendations made by the Corporation's Chief Executive Officer to the Human Resources, Compensation and Corporate Governance Committee which, after review and consideration, makes a further recommendation to the Board of Directors for approval. Bonuses paid to executive officers will be paid out of the Management Fees otherwise payable to the Manager. Under the Management Agreement, the Manager is entitled to receive reimbursement for its general and administrative costs, however, employee bonuses and other amounts paid to employees under incentive plans are not reimbursable.

The responsibility of the Corporation's Chief Executive Officer is to provide direction and leadership in setting and achieving goals which will create value for the Trust's unitholders. The combination of base salary, coupled with the Chief Executive Officers beneficial interest in the Manager provides incentive to the Chief Executive Officer and the Corporation's other executive officers to strategically grow the Trust, with such growth to be reflected in the market price of the units of the Trust, thereby benefiting the executive officers and the unitholders of the Trust.

The foregoing report is respectfully submitted to Unitholders by the Human Resources, Compensation and Corporate Governance Committee:

Steven Sharpe (Chair)
 Ronald A. McIntosh
 Roderick M. Myers
 Carol D. Pennycook

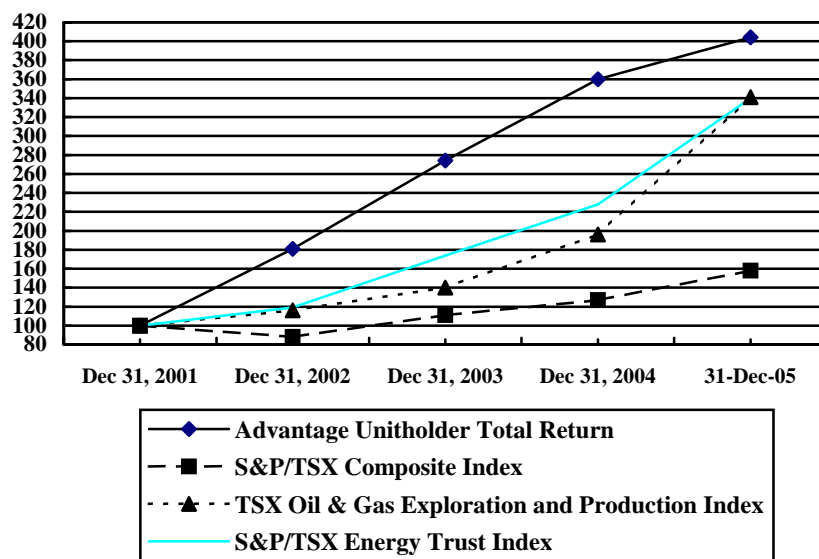
Securities Authorized for Issuance Under Equity Compensation Plans

The following sets forth information in respect of securities authorized for issuance under the Corporation's equity compensation plans as at December 31, 2005. The only such plan in existence is the Trust Unit Rights Incentive Plan described under the heading "Remuneration of Directors of AOG".

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders	310,000 Trust Units	\$10.42	100,000 Trust Units
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total	310,000 Trust Units	\$10.42	100,000 Trust Units

PERFORMANCE CHART

The following graph illustrates changes from December 31, 2001 to December 31, 2005, in cumulative Unitholder return, assuming an initial investment of \$100 in Trust Units with all cash distributions reinvested, compared to the S&P/TSX Composite Index, the TSX Oil & Gas Producers Index and the S&P/TSX Capped Energy Trust Index, with all dividends and distributions reinvested.⁽¹⁾



	2001/12/31	2002/12/31	2003/12/31	2004/12/31	2005/12/31
Advantage Energy Income Fund Unitholder Total Return	100	181	274	360	404
S&P/TSX Composite Index	100	88	111	127	158
TSX Oil & Gas Exploration and Production Index	100	116	140	196	341
S&P/TSX Energy Trust Index	100	119	174	228	340

Note:

- (1) The Advantage Energy Income Fund Unitholder Return incorporates the actual cash distributions declared from December 31, 2001 to December 31, 2005 respectively.

CORPORATE GOVERNANCE

General

The Trust has considered recent legislative changes, proposals and recommendations of the applicable regulatory authorities and the Canadian Securities Administrators in respect of corporate governance practices. The impact of Multilateral Instrument 52-110 in respect of audit committees, Multilateral Instrument 52-109 in respect of certification of disclosure on issuer's annual interim filings, National Instrument 51-101 in respect of standards of disclosure for oil and gas activities, National Instrument 51-102 in respect of continuous disclosure obligations and National Instrument 58-101 and National Policy 58-201 providing guidance on corporate governance practices (the "Guidelines") have been considered.

As a Canadian issuer listed on the New York Stock Exchange (the "NYSE"), Advantage is not required to comply with most of the NYSE rules and listing standards and instead may comply with domestic requirements. As a foreign private issuer, Advantage is only required to comply with three of the NYSE Rules: 1) have an audit committee that satisfies the requirements of the United States Securities Exchange Act of 1934; 2) the Chief Executive Officer must promptly notify the NYSE in writing after an executive officer becomes aware of any material non-compliance with the applicable NYSE Rules; and 3) provide a brief description of any significant differences between its corporate governance practices and those followed by U.S. companies listed under the NYSE. Advantage has reviewed the NYSE listing standards and confirms that its corporate governance practices do not differ significantly from such standards.

Set out in Schedule "A" attached hereto is a description of the Trust's corporate governance practices, which have been established with reference to the terms of the Trust Indenture, Shareholder Agreement and Management Agreement. As a result of these contractual obligations and the structure of the Trust, in some cases compliance with the Guidelines is or could be inconsistent with the terms of the Trust Indenture, Shareholders Agreement and Management Agreement. However, management and the Board of Directors of AOG believe that, where practical, their approach to corporate governance is substantially consistent with the Guidelines.

REMUNERATION OF DIRECTORS OF AOG

The Chair of AOG is paid a flat fee annual retainer of \$80,000, the Chair of the Audit Committee is paid a flat fee annual retainer of \$65,000 and each of the other directors of AOG, with the exception of those who are employees of AOG and the Manager, receive a flat fee annual retainer of \$50,000 plus expenses of attending Board of Directors meetings. In the fiscal period of the Trust ended December 31, 2005, a total of \$345,000 in fees were paid to the independent directors of AOG. No meeting fees were paid to independent directors during the last completed fiscal year, as, absent exceptional circumstances, directors are not entitled to meeting fees.

In addition to the aforementioned fees, the independent directors of AOG receive Trust Unit incentive rights (the "Rights") pursuant to the Trust Unit Rights Incentive Plan (the "Plan"). To date, 175,000 Rights were granted on August 16, 2002 and 225,000 Rights were granted on June 17, 2004 at Initial Exercise Prices of \$11.38 per Trust Unit and \$18.42 per Trust Unit, respectively, being the closing market price of the Trust Units on the TSX on the day prior to such grants.

The Plan allows for the decrease in the exercise price of the Rights over time based upon distributions made by the Trust to Unitholders. While Rights are outstanding, the holder of the Rights is entitled to receive the benefit of such distributions by way of a decreased exercise price in amounts equal to the distributions made during such period (such decreased price being referred to as the "Revised Exercise Price"). The Plan provides that the holder of the Rights may elect to exercise the Rights at the Initial Exercise Price or the Revised Exercise Price. A maximum of 500,000 Trust Units may be issued under the Plan, of which 400,000 Rights have been issued to date and 90,000 of which have been exercised.

INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS AND OTHERS

There is not, and has not been, any indebtedness outstanding from directors or officers of AOG or directors or senior officers of the Manager or, in each case, their respective known associates and affiliates, or the Trustee or its affiliates to the Trust or AOG at any time during the year ended December 31, 2005.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

There were no other material interests, direct or indirect, of directors of AOG or directors and senior officers of the Manager, nominees for director of AOG, any Unitholder who beneficially owns more than 10% of the Trust Units of the Trust, or any other Informed Person (as defined in National Instrument 51-102) or any known associate or affiliate of such persons in any transaction during 2005 or in any proposed transaction which has materially affected or would materially affect the Trust or AOG other than (i) certain insiders purchasing Trust Units or Debentures under the public offerings of such securities completed during 2005, and (ii) as disclosed herein.

INTEREST OF CERTAIN PERSONS AND COMPANIES IN MATTERS TO BE ACTED UPON

The Manager is not aware of any material interest of any director or nominee for director of AOG or of any director or officer of the Manager, or of any associate or affiliate of any of the foregoing in respect of any matter to be acted on at the Meeting, except as disclosed herein.

OTHER MATTERS

The Manager knows of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Annual General Meeting; however, if any other matter properly comes before the Meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person or persons voting the proxy.

ADDITIONAL INFORMATION

Additional information relating to the Trust is available on SEDAR at www.sedar.com. The Trust will provide, without charge to a unitholder, a copy of the latest annual information form and any documents incorporated therein by reference, the 2005 annual report to unitholders containing comparative financial statements for 2005 together with the auditors' report thereon and management's

discussion and analysis, interim financial statements for subsequent periods, and this information circular, upon request to the Vice President, Finance and Chief Financial Officer, Advantage Energy Income Fund, 3100, 150 – 6th Avenue S.W., Calgary, Alberta, T2P 3Y7. If you wish, this information may also be accessed on our website (www.advantageincome.com).

SCHEDULE "A"

Advantage Form 58-101F1 Corporate Governance Disclosure

GUIDELINES

COMMENTARY

1. Board of Directors

- | (a) Disclose the identity of directors who are independent. | Ronald A. McIntosh, Roderick M. Myers, Steven Sharpe, Carol D. Pennycook, Lamont Tolley and Rodger A. Tourigny are all independent within the meaning of NI 58-101. | | | | | | | | | | |
|--|--|-------------------------|---------------------------------------|-----------------|------------------------------------|-----------------|--|------------------------------|---|----------------|------------------|
| (b) Disclose the identity of directors who are not independent, and describe the basis for that determination. | Kelly Drader is not independent as he is the President and Chief Executive Officer. Gary Bourgeois is not independent as he is the Vice President, Corporate Development. | | | | | | | | | | |
| (c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the "board") does to facilitate its exercise of independent judgement in carrying out its responsibilities. | During the most recently completed financial year, there were eight directors in total, six of whom are independent. | | | | | | | | | | |
| (d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer. | <table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;"><u>Name of Director</u></th> <th style="text-align: left; border-bottom: 1px solid black;"><u>Name of Other Reporting Issuer</u></th> </tr> </thead> <tbody> <tr> <td>Ronald McIntosh</td> <td>NAV Energy Trust
CI Energy Ltd.</td> </tr> <tr> <td>Rodger Tourigny</td> <td>NAV Energy Trust
Burmis Energy Inc.</td> </tr> <tr> <td>Lamont Tolley⁽¹⁾</td> <td>Rally Energy Corp.
Delphi Energy Corp.</td> </tr> <tr> <td>Roderick Myers</td> <td>Find Energy Ltd.</td> </tr> </tbody> </table> <p>(1) Not standing for re-election at the upcoming meeting of Advantage unitholders.</p> | <u>Name of Director</u> | <u>Name of Other Reporting Issuer</u> | Ronald McIntosh | NAV Energy Trust
CI Energy Ltd. | Rodger Tourigny | NAV Energy Trust
Burmis Energy Inc. | Lamont Tolley ⁽¹⁾ | Rally Energy Corp.
Delphi Energy Corp. | Roderick Myers | Find Energy Ltd. |
| <u>Name of Director</u> | <u>Name of Other Reporting Issuer</u> | | | | | | | | | | |
| Ronald McIntosh | NAV Energy Trust
CI Energy Ltd. | | | | | | | | | | |
| Rodger Tourigny | NAV Energy Trust
Burmis Energy Inc. | | | | | | | | | | |
| Lamont Tolley ⁽¹⁾ | Rally Energy Corp.
Delphi Energy Corp. | | | | | | | | | | |
| Roderick Myers | Find Energy Ltd. | | | | | | | | | | |
| (e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors. | The independent directors hold regularly scheduled in camera sessions, without non-independent directors and members of management present either before or after each meeting of the board and otherwise as required. During 2005, twelve of such meetings were held. | | | | | | | | | | |
| (f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent | <p>The chair of the board (the "Chair"), Steven Sharpe, is an independent director within the meaning of NI 58-101, and has the following role and responsibilities:</p> <ul style="list-style-type: none"> • The Chair shall, when present, preside at all meetings of the board and, unless otherwise determined by the directors, at all meetings of shareholders. • The Chair shall endeavour to provide overall leadership to the board without limiting the principle of collective responsibility and the ability of the board to function as a unit. • To the extent that is reasonably practicable, to provide advice, counsel and | | | | | | | | | | |

GUIDELINES**COMMENTARY**

directors.

mentorship to the CEO, Committee Chairs, and fellow directors.

- The Chair shall be responsible to ensure that board meetings function satisfactorily and that the tasks of the board are handled in the most reasonable fashion under the circumstances. In this connection, it is recommended that the Chair attempt to ensure that the individual director's particular knowledge and competence are used as best is possible in the board work for the benefit of the Corporation. The Chair shall endeavour to encourage full participation and discussion by individual directors, stimulate debate, facilitate consensus and ensure that clarity regarding decisions is reached and duly recorded.
- The Chair shall endeavour to ensure that the board's deliberations take place when all of the directors are present and, to the extent that is reasonably practicable, to ensure that all essential decisions are made when all of the directors are present.
- The Chair shall encourage board members to ask questions and express view points during meetings.
- The Chair shall deal effectively with dissent and work constructively towards arriving at decisions and achieving consensus.
- The Chair shall endeavour to ensure that the independent members of the board meet in separate, regularly scheduled, non-management closed sessions with internal personnel or outside advisors, as needed or appropriate.
- The Chair shall endeavour to establish a line of communication with a Chief Executive Officer of the Corporation to ensure that board meetings can be scheduled to deal with important business that arises outside of the regular quarterly meetings.
- The Chair shall endeavour to fulfill his or her board leadership responsibilities in a manner that will ensure that the board is able to function independently of management. The Chair shall consider, and provide for meetings of all of the independent directors without management being present. The Chair shall endeavour to ensure reasonable procedures are in place to allow for directors to engage outside advisors at the expense of the Corporation in appropriate circumstances, subject to the approval of the Corporate Governance Committee.
- The Chair shall endeavour to ensure that the board meets at least four times annually and as many additional times as necessary to carry out its duties effectively and shall endeavour to ensure that the unitholders meet at least once annually and as many additional times as required by law.
- With respect to meetings of directors or shareholders, it is the duty of the Chair to enforce the Rules of Order.
- The Chair shall liaise with the Corporate Secretary of the Corporation to ensure that a proper notice and agenda has been disseminated, and that appropriate accommodations have been made for all board and shareholder meetings and shall also liaise with the Committee Chairs, other directors, the Chief Executive Officer and outside advisors, as appropriate, to establish the agenda for each board meeting.
- The Chair shall endeavour to:
 - ensure that the boundaries between the board and Management responsibilities are clearly understood and respected and that relationships between the board and Management are conducted in a professional and constructive manner;
 - facilitate effective communication between directors and Management, both inside and outside of board meetings;
 - actively participate and oversee the administration of the annual evaluation of performance and effectiveness of the board, board Committees, all individual directors, committees chairs (other than the Board Chair or any committee upon which the Board Chair sits as the Chair) and CEO;
 - when appropriate, assist directors in their transition from the board and to

GUIDELINES**COMMENTARY**

- | | |
|---|---|
| | <p style="margin-left: 40px;">support the orientation of new directors and the continuing education of current directors; and</p> <ul style="list-style-type: none"> o to ensure that an annual performance evaluation of the Board Chair (and any committee upon which the Board Chair sits as the Chair) is conducted, soliciting input from all directors and appropriate members of Management and to carry out any other appropriate duties and responsibilities as may be assigned by the board from time to time. |
| <p>(g) Disclose the attendance record of each directors for all board meetings held since the beginning of the issuer's most recently completed financial year.</p> | <p>There was a total of 11 board of directors meetings in 2005. The attendance record of each director is as follows:</p> <p>Gary F. Bourgeois attended 100% of the meetings (11 out of 11).</p> <p>Kelly I. Drader attended 100% of the meetings (11 out of 11).</p> <p>Roderick M. Myers attended 91% of the meetings (10 out of 11).</p> <p>Carol D. Pennycook attended 91% of the meetings (10 out of 11).</p> <p>Steven Sharpe attended 100% of the meetings (11 out of 11).</p> <p>Lamont Tolley attended 90% of the meetings (10 out of 11).</p> <p>Rodger A. Tourigny attended 82% of the meetings (9 out of 11).</p> <p>Ronald A. McIntosh attended 82% of the meetings (9 out of 11).</p> |
| <p>2. Board Mandate – Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.</p> | <p>The mandate of the board is attached to the Management Information Circular – Proxy Statement as Schedule B.</p> |
| <p>3. Position Descriptions</p> | |
| <p>(a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.</p> | <p>The board has developed written position descriptions for the chair of the board and chair of each committee of the board.</p> |
| <p>(b) Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.</p> | <p>The board and the CEO have developed a written position description for the CEO.</p> |
| <p>4. Orientation and Continuing Education</p> | |
| <p>(a) Briefly describe what measures the board takes to orient new directors regarding (i) the role of the board, its committees and its directors, and (ii) the nature and operation of the issuer's business.</p> | <p>The board provides new directors with access to all background documents of the Trust, including all corporate records and prior board materials. New board members are offered access to all officers of the Trust for orientation of new members as to the nature and operations of the business.</p> |
| <p>(b) Briefly describe what measures, if any, the board takes to provide continuing education</p> | <p>The Trust will consider any request for it to pay for any education courses for any members of the board relating to corporate governance or financial literacy. In</p> |

GUIDELINES**COMMENTARY**

for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.

addition, management of the Trust is available to members of the board to discuss operational and other matters.

5. Ethical Business Conduct

(a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:

The board has adopted a written Code of Business Conduct and Ethics and Code of Ethics for Senior Officers.

(i) disclose how a person or company may obtain a copy of the code;

The Code of Business Conduct and Ethics and Code of Ethics for Senior Officers, are located on SEDAR at www.sedar.com and is available on our website at www.advantageincome.com.

(ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and

The board monitors compliance with the code by requiring quarterly certifications by its senior officers as to their compliance with the code (and the board requests immediate notification of any departures from the code). The "whistleblower" policy provides a procedure for the submission of information by any employee relating to possible violations of the code.

(iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.

There were no material change reports filed pertaining to any departures from the code.

(b) Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.

Board members and executive officers are required to declare the nature and extent of any material interest in any transactions or agreements and may not vote in relation to any such matter. In certain cases an independent committee may be formed to deliberate on such matters in the absence of the interested party.

(c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.

Due to the fact that the Corporation has a Code of Conduct, a reporting process pursuant to such Code of Conduct, a Board Mandate and Terms of Reference for the Human Resources, Compensation and Corporate Governance Committee, the Corporation sees no need for additional steps at this time.

6. Nomination of Directors

(a) Describe the process by which the board identifies new candidates for board nomination.

The Human Resources, Compensation and Corporate Governance Committee is responsible for identifying new candidates for board nomination having regard to the strengths and constitution of the board members and their perception of the needs of the Trust.

(b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.

The Human Resources, Compensation and Corporate Governance Committee is comprised of only independent directors.

(c) If the board has nominating committee,

The Human Resources, Compensation and Corporate Governance Committee is

GUIDELINES**COMMENTARY**

describe the responsibilities, powers and operation of the nominating committee.

responsible for identifying new candidates for board nomination having regard to the strengths and constitution of the board members and their perception of the needs of the Trust.

7. Compensation

(a) Describe the process by which the board determines the compensation for the issuer's directors and officers.

The Human Resources, Compensation and Corporate Governance Committee conducts a review of directors' and officers' compensation having regard to the Trust's peers, various governance reports on current trends in directors' compensation and independently compiled compensation data for directors and officers of reporting issuers of comparative size to the Trust.

(b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.

The Human Resources, Compensation and Corporate Governance Committee is comprised of only independent directors.

(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.

The Human Resources, Compensation and Corporate Governance Committee was constituted to assist the board in meeting their responsibilities by

- reviewing and reporting to the board of directors concerning the overall compensation program and philosophy;
- reviewing and recommending to the board of directors the compensation program, remuneration levels and incentive plans and any changes therein for senior management, including the chief executive officer;
- reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of those goals and objectives, and either, as a Committee or together with the independent directors (as determined by the board) determine and approve the CEO's compensation based on this evaluation;
- making recommendations to the board of directors with respect to compensation of executive officers other than the CEO and incentive compensation and equity-based plans that are subject to board approval;
- reviewing the adequacy and form of compensation to the directors ensuring it realistically reflects their responsibilities and risk; make recommendations to the board of directors;
- reviewing and evaluating management's recommendations as to the allocation of Management Fees and Termination Fees (in each case as defined in the Management Agreement) and formulate a recommendation to the board of directors for approval;
- reviewing annually and recommending for approval to the board of directors the executive compensation disclosure and "Report of the Compensation Committee" disclosure of the Corporation in its information circular;
- reviewing annually the Committee's Terms of Reference;
- administering the Trust Unit Incentive Rights Plan approved by the board of directors and any other incentive plans implemented by the Corporation, in accordance with their respective terms; and
- producing a report on executive officer compensation on an annual basis.

(d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors

No compensation consultants nor advisors were retained in the most recently completed financial year.

GUIDELINES**COMMENTARY**

and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.

- 8. Other Board Committees** – If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

Human Resources, Compensation and Corporate Governance Committee

Members: Ronald McIntosh, Roderick Myers, Carol Pennycook and Steven Sharpe, all of whom are independent directors.

The Human Resources, Compensation and Corporate Governance Committee assists the board in fulfilling its oversight responsibilities with respect to reviewing the effectiveness of the board and its committees; developing and reviewing the Trust's approach to corporate governance matters; and reviewing, developing and recommending to the board for approval, procedures designed to ensure that the board can function independently of management. The compensation mandate of the Human Resources, Compensation and Corporate Governance Committee is disclosed in Item 7 "Compensation" above. The human resources mandate of the committee is disclosed in Item 6 "Nomination of Directors" above. The effectiveness of individual board members and the board is reviewed through a yearly self assessment and inquiry questionnaire.

There were 4 meetings of the committee in 2005.

Independent Reserve Evaluation Committee

Members: Ronald McIntosh, Roderick Myers and Lamont Tolley, all of whom are independent directors.

The Independent Reserve Evaluation Committee assists the board in meeting its responsibilities to review the qualifications, experience, reserve audit approach and costs of the independent engineering firm that performs Advantage's reserve audit and to review the annual independent engineering report. The committee reviews and recommends for approval by the board on an annual basis the statements of reserve data and other information specified in National Instrument 51-101. The committee also reviews any other oil and gas reserve report prior to release by the Trust to the public and reviews all of the disclosure in the Annual Information Form related to the oil and gas activities of the Trust.

There were 2 meetings of the committee in 2005.

- 9. Assessments** – Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.

The effectiveness of the board, its committees on the individual board members is reviewed through a yearly self assessment and inquiry questionnaire.

SCHEDULE "B"

MANDATE OF THE BOARD OF DIRECTORS

The Board of Directors (the "Board") of Advantage Oil & Gas Ltd. (the "Corporation") is responsible for the stewardship of the Corporation and Advantage Energy Income Fund (the "Trust") to the extent delegated to the Corporation under the Trust Indenture (together, "Advantage"). In discharging its responsibility, the Board will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and will act honestly and in good faith with a view to the best interests of Advantage. In general terms, the Board will endeavor to:

- (a) define the principal objective(s) of the Corporation based upon the recommendations of the chief executive officer of the Corporation (the "CEO") and others deemed appropriate for such purpose;
- (b) monitor the management of the business and affairs of Advantage with the goal of achieving Advantage's principal objective(s) as defined by the Board;
- (c) discharge the duties imposed on the Board by applicable laws; and
- (d) for the purpose of carrying out the foregoing responsibilities, take all such actions as the Board deems necessary or appropriate.

Without limiting the generality of the foregoing, the Board will endeavor to perform the following duties.

Strategic Operating, Capital Plans and Financing Plans

- require the CEO to present annually to the Board a longer range strategic plan and a shorter range business plan for Advantage's business, which plans must
 - be designed to achieve Advantage's principal objectives,
 - identify the principal strategic and operational opportunities and risk of Advantage's business, and
 - be approved by the Board as a pre-condition to the implementation of such plans;
- review progress towards the achievement of the goals established in the strategic, operating and capital plans;
- review the principal risks of the Corporation's business identified by the CEO and review management's implementation of the appropriate systems to manage these risks;
- approve the annual operating and capital budgets and plans and subsequent revisions thereof;
- approve capital expenditures in excess of \$2 million;
- approve the establishment of credit facilities and borrowings;
- approve issuances of additional Trust units or other securities to the public; and
- approve such other matters as are designated to the Board in the Amended and Restated Trust Indenture dated April 27, 2005 as it may be amended from time to time.

Monitoring and Acting

- monitor Advantage's progress towards its goals, and to revise and alter its direction through management in light of changing circumstances;

- monitor overall human resource policies and procedures, including compensation and succession planning;
- appoint the CEO and determine the terms of the CEO's employment with Advantage;
- approve the distribution policy of Advantage;
- review the systems implemented by management and the Board which are designed to maintain or enhance the integrity of Advantage's internal control and management information systems;
- monitor the "good corporate citizenship" of Advantage, including compliance by Advantage with all applicable environmental laws;
- in consultation with the CEO, establish the ethical standards to be observed by all officers and employees of Advantage and use reasonable efforts to ensure that a process is in place to monitor compliance with those standards;
- require that the CEO institute and monitor processes and systems designed to ensure compliance with applicable laws by Advantage and its officers and employees; and
- approve all matters relating to a takeover bid of Advantage.

Compliance Reporting and Corporate Communications

- review the procedures implemented by Management and the Board which are designed to ensure that the financial performance of Advantage is properly reported to unitholders, other security holders and regulators on a timely and regular basis;
- recommend to unitholders of Advantage a firm of chartered accountants to be appointed as Advantage's auditors;
- review the procedures designed and implemented by management and the independent auditors to ensure that the financial results are reported fairly and in accordance with generally accepted accounting principles;
- review the procedures implemented by Management and the Board which are designed to ensure the timely reporting of any other developments that have a significant and material impact on the value of Advantage;
- review, consider and where required, approve, the reports required under National/Instrument 51-101 of the Canadian Securities Administrators;
- report annually to unitholders on the Board's stewardship for the preceding year; and
- where required, approve any policy designed to enable Advantage to communicate effectively with its unitholders and the public generally.

Governance

- in consultation with the Chair of the Board, develop a position description for the Chair of the Board;
- facilitate the continuity, effectiveness and independence of the Board by, amongst other things,
 - selecting nominees for election to the Board,
 - appointing a Chair of the Board who is not a member of management;
 - appointing from amongst the directors an audit committee and such other committees of the Board as the Board deems appropriate,
 - defining the mandate or terms of reference of each committee of the Board,

- ensuring that processes are in place and are utilized to assess the effectiveness of the Chair of the Board, the Board as a whole, each committee of the Board and each director, and
- establishing a system to enable any director to engage an outside adviser at the expense of Advantage; and
- review annually the adequacy and form of the compensation of directors.

Delegation

- The Board may delegate its duties to and receive reports and recommendations from any committee of the Board.

Composition

- A majority of Board members should be "independent" Directors as such term is defined in Multilateral Instrument 52-110 – Audit Committees and as defined in Section 303A.02 of the Corporate Governance Rules of the New York Stock Exchange.
- On at least an annual basis, the Board shall conduct an analysis and make a positive affirmation as to the "independence" of a majority of its Board members.
- Members should have or obtain sufficient knowledge of Advantage and the oil and gas business to assist in providing advice and counsel on relevant issues.

Meetings

- The Board shall meet at least four times per year and/or as deemed appropriate by the Board Chair.
- Minutes of each meeting shall be prepared by the Secretary to the Board.
- The Chief Executive Officer or his designate(s) may be present at all meetings of the Board.
- Vice-Presidents and such other staff as appropriate to provide information to the Board shall attend meetings at the invitation of the Board.

Reporting / Authority

- Following each meeting, the Secretary will promptly report to the Board by way of providing draft copies of the minutes of the meetings.
- Supporting schedules and information reviewed by the Board at any meeting shall be available for examination by any Director upon request to the Chief Executive Officer.
- The Board shall have the authority to review any corporate report or material and to investigate activity of the Trust and to request any employees to cooperate as requested by the Board.
- The Board may retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling its responsibilities at the expense of Advantage.