ADVANTAGE
ENERGY INCOME FUND

Advantage Energy Income Fund – News Release

November 14, 2005

Advantage Announces 3rd Quarter Results

Conference Call & Webcast on November 14, 2005

Advantage Energy Income Fund (TSX: AVN.UN) ("Advantage" or the "Fund") is pleased to announce its unaudited operating and financial results for the third quarter ended September 30, 2005.

A conference call will be held on Monday, November 14, 2005 at 9:00 a.m. (11:00 a.m. Eastern time) and can be accessed toll-free at **1-877-407-9205**. A replay of the call will be available from approximately 5:00 p.m. on Monday November 14, 2005 until approximately midnight, November 21, 2005 and can be accessed by dialing toll free **1-877-660-6853**. The account number is **286**, conference ID number **173176** (both are required for playback). A live web cast of the conference call will be accessible via the Internet on Advantage's website at www.advantageincome.com.

	Three months ended Sept.30, 2005	Three months ended Sept.30, 2004	Nine months ended Sept.30, 2005	Nine months ended Sept.30, 2004
Financial ($000)				
Revenue before royalties	**$ 95,715**	$ 56,722	**$ 266,400**	$ 164,739
per Unit (1)	**$ 1.67**	$ 1.39	**$ 4.73**	$ 4.18
per boe	**$ 52.01**	$ 38.24	**$ 47.76**	$ 38.47
Funds from operations	**$ 55,575**	$ 31,074	**$ 150,635**	$ 91,667
per Unit (2)	**$ 0.97**	$ 0.75	**$ 2.66**	$ 2.30
per boe	**$ 30.21**	$ 20.95	**$ 27.02**	$ 21.40
Net income	**$ 18,674**	$ 4,965	**$ 49,226**	$ 19,183
per Trust Unit - basic and diluted	**$ 0.33**	$ 0.12	**$ 0.87**	$ 0.48
Cash distributions declared	**$ 43,069**	$ 28,730	**$ 134,101**	$ 82,447
per Unit (2)	**$ 0.75**	$ 0.69	**$ 2.37**	$ 2.07
Payout ratio (%)	**77%**	92%	**89%**	90%
Expenditures on property and equipment	**$ 20,732**	$ 25,485	**$ 75,269**	$ 78,710
Working capital deficit (3)	**$ 6,829**	$ 9,537	**$ 6,829**	$ 9,537
Bank indebtedness (long-term)	**$ 256,093**	$ 184,437	**$ 256,093**	$ 184,437
Convertible debentures (face value)	**$ 140,358**	$ 176,462	**$ 140,358**	$ 176,462
Operating				
Daily Production				
Natural gas (mcf/d)	**75,994**	75,425	**80,574**	74,788
Crude oil and NGLs (bbls/d)	**7,340**	3,550	**7,003**	3,167
Total boe/d @ 6:1	**20,006**	16,121	**20,432**	15,632
Average prices (including hedging)				
Natural gas ($/mcf)	**$ 7.79**	$ 5.76	**$ 7.16**	$ 6.08
Crude oil and NGLs ($/bbl)	**$ 61.10**	$ 51.20	**$ 56.91**	$ 46.24
Supplemental (000)				
Trust Units outstanding at end of period	**57,555**	44,350	**57,555**	44,350
Trust Units issuable				
Convertible Debentures	**7,104**	9,261	**7,104**	9,261
Exchangeable Shares	**124**	-	**124**	-
Trust Units Rights Incentive Plan	**310**	310	**310**	310
Trust Units outstanding and issuable at end of period	**65,093**	53,921	**65,093**	53,921
Basic weighted average Units	**57,371**	40,887	**56,290**	39,403

(1) based on basic weighted average Trust Units outstanding
(2) based on Trust Units outstanding at each cash distribution record date
(3) working capital deficit excludes hedging liabilities

MESSAGE TO UNITHOLDERS

Highlights of the third quarter include:

- Funds from operations for the third quarter was $55.6 million or $0.97 per Unit compared to $31.1 million or $0.75 per Unit for the same period of 2004. This represents a payout ratio of 77% of funds from operations for the three months ended September 30, 2005. If hedging losses are excluded from the calculation, the Fund's payout ratio would have been 69% during the third quarter. Advantage is unhedged as of November 1, 2005.
- The Fund declared three distributions during the quarter totalling $0.75 per Unit. The distributions amounted to $0.25 per Unit, payable on August 15, September 15 and October 17 to Unitholders of record on July 29, August 31 and September 30, respectively. Since inception, the Fund has distributed $404 million or $11.08 per Unit.
- Production volumes increased by 24% to 20,006 boe/d in the third quarter of 2005 from 16,121 boe/d in the third quarter of 2004. Third quarter production was comparable to the second quarter of 2005.
- Natural gas production for the third quarter of 2005 was 76.0 mmcf/d, a 1% increase over the 75.4 mmcf/d reported in the third quarter of 2004.
- Crude oil and natural gas liquids production averaged 7,340 bbls/d compared to 3,550 bbls/d in the third quarter of 2004 representing an increase of 107%. Increased oil production in 2005 is primarily the result of the acquisitions of the Anadarko assets in September 2004 and Defiant Energy in December 2004 and continued successful development oil drilling throughout 2005. Advantage's crude oil production is mainly comprised of long life assets that exhibit low rates of decline.
- During the third quarter the Fund participated in the drilling of 14.2 net (36 gross) wells. Three oil wells were drilled at Nevis, Alberta and five natural gas wells were drilled at Bantry, Alberta. Single wells were also drilled on the Fund's core properties at Steelman, Saskatchewan and at Sweetgrass, Sunset, Shouldice and Wildmere, all in Alberta.

NYSE Listing

- On November 14, 2005, Advantage announced it is seeking final approval from the New York Stock Exchange ("NYSE") to list its Trust Units and anticipates being listed for trading before mid-December 2005 under the symbol "AAV". We believe a listing on the NYSE will result in improved liquidity for all Unitholders, greater access to the U.S. capital markets, and improved cost of capital for future acquisitions.

Inclusion in S&P/TSX Composite Index

- On October 11, 2005 Standard & Poor's confirmed that it will proceed with its previously announced schedule for including income trusts in the S&P/TSX Composite Index. Advantage has been selected as one of the trusts that will be added to the Index in the coming months. The addition of income trusts to the Index is positive and we expect the move to result in a broader investment base for the trust sector which will increase liquidity and improve market efficiency.

Federal Government's Consultation Process on Income Trusts

- In September 2005 the Department of Finance released a consultation paper "Tax and Other Issues Related to Publicly Listed Flow-Through Entities (Income Trusts and Limited Partnerships)". The paper is available at www.fin.gc.ca/toce/2005/toirplf_e.html. The purpose of the paper is to promote discussion and third party input on a number of key questions by providing background information on flow-through entities ("FTE") and related economic efficiency issues, an international comparison, as well as the estimated impact of FTE's on federal tax revenues. The issues for consideration and consultation include the impact of their tax treatment on how businesses are organized in Canada, the impact on federal tax revenue, the potential role tax-exempt investors may have in this market and the impact of tax treatment on the Canadian economy. The Department of Finance has invited submissions until December 31, 2005 in an effort to quickly resolve the issue. This consultation process has created significant uncertainty within the market which has been evident through the additional volatility in the trading prices of the sector. At this time it is unknown what changes, if any, to existing tax legislation may occur. However, any change in legislation may have significant negative implications for the Fund's Unitholders. Advantage plans to actively participate in the consultation process to ensure the interests of the Fund and Unitholders are properly represented.
- We encourage individual Unitholders to contribute to the process by contacting their parliamentary representatives and making submissions to the Department of Finance. A directory of Members of Parliament can be found at www.canada.gc.ca/directories/direct_e.html. Written submissions can be made by email to trusts-fiducies@fin.gc.ca or to the Minister of Finance, the Honourable Ralph Goodale, Department of Finance, 140 O'Connor Street, Ottawa, Ontario, K1A 0A6, via fax at (613) 996-9790, or via e-mail at Goodale.R@parl.gc.ca.

MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion and Analysis ("MD&A"), dated as of November 14, 2005, provides a detailed explanation of the financial and operating results of Advantage Energy Income Fund ("Advantage", the "Fund", "us", "we" or "our") for the three months ended September 30, 2005 and should be read in conjunction with the financial statements contained within this interim report and the audited financial statements and MD&A for the year ended December 31, 2004. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and all references are to Canadian dollars unless otherwise indicated. All per barrel of oil equivalent ("boe") amounts are stated at 6:1 conversion rate for natural gas to oil.

Non-GAAP Measures

The Fund discloses several financial measures in the MD&A that do not have any standardized meaning prescribed under GAAP. These financial measures include funds from operations and per Trust Unit, cash netbacks, and payout ratio. Management believes that these financial measures are useful supplemental information to analyze operating performance, leverage and provide an indication of the results generated by the Fund's principal business activities prior to the consideration of how those activities are financed or how the results are taxed. Investors should be cautioned that these measures should not be construed as an alternative to net income, cash flow from operating activities or other measures of financial performance as determined in accordance with GAAP. Advantage's method of calculating these measures may differ from other companies, and accordingly, they may not be comparable to similar measures used by other companies.

Funds from operations as presented is based on cash flow from operating activities before changes in non-cash working capital and expenditures on asset retirement. Both cash netbacks and payout ratio are dependent on the determination of funds from operations. Cash netbacks summarize the primary cash revenues and expenses on a per boe basis that comprise funds from operations. Payout ratio represents the cash distributions declared for the period as a percentage of funds from operations.

Forward-Looking Information

The information in this report contains certain forward-looking statements that involve substantial known and unknown risks and uncertainties, certain of which are beyond Advantage's control, including: the impact of general economic conditions, industry conditions, changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced, increased competition, fluctuations in commodity prices and foreign exchange and interest rates, stock market volatility and obtaining required approvals of regulatory authorities. Advantage's actual results, performance or achievement could differ materially from those expressed in, or implied by, such forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do, what benefits that Advantage will derive from them.

Overview

	Three months ended September 30		%	Nine months ended September 30		%
	2005	2004	change	2005	2004	change
Funds from operations ($000)	$ 55,575	$ 31,074	79%	$ 150,635	$ 91,667	64%
per Trust Unit[(1)]	$ 0.97	$ 0.75	29%	$ 2.66	$ 2.30	16%
Net income ($000)	$ 18,674	$ 4,965	276%	$ 49,226	$ 19,183	157%
per Trust Unit - basic and diluted	$ 0.33	$ 0.12	175%	$ 0.87	$ 0.48	81%

[(1)] Based on Trust Units outstanding at each cash distribution record date.

Funds from operations increased 79% for the three months and 64% for the nine months ended September 30, 2005, as compared to the same periods of 2004. The growth in funds from operations has been primarily due to increased production through acquisitions and development activity combined with continued strong commodity prices. These factors have also positively impacted net income which increased 276% for the three months and 157% for the nine months ended September 30, 2005, as compared to 2004. Net income per Trust Unit increased 175% for the three months and 81% for the nine months ended September 30, 2005. The primary factor that causes significant variability of Advantage's funds from operations, cash flows and net income is commodity prices. Refer to the section "Commodity Prices & Marketing" for a more detailed discussion of commodity prices and our price risk management.

Cash Distributions

	Three months ended September 30 2005	Three months ended September 30 2004	% change	Nine months ended September 30 2005	Nine months ended September 30 2004	% change
Cash distributions declared ($000)	$ 43,069	$ 28,730	50%	$134,101	$ 82,447	63%
per Trust Unit[1]	$ 0.75	$ 0.69	9%	$ 2.37	$ 2.07	14%
Payout ratio (%)	77%	92%	(15)%	89%	90%	(1)%

[1] Based on Trust Units outstanding at each cash distribution record date.

Cash distributions are determined by Management and the Board of Directors. We closely monitor our distribution policy considering forecasted cash flows, optimal debt levels, capital spending activity, working capital requirements, and other potential cash expenditures. It is our long-term objective to provide stable and sustainable cash distributions to the Unitholders. However, it is also our objective to continue growing the Fund and to increase distributions as prudent.

Cash distributions per Trust Unit was $0.75 for the three months and $2.37 for the nine months ended September 30, 2005, representing increases of 9% and 14% compared to the same periods of 2004. These increases were achievable primarily due to the significant increase in funds from operations during the relative periods. Funds from operations per Trust Unit was $0.97 for the three months and $2.66 for the nine months ended September 30, 2005, representing increases of 29% and 16%, respectively. The significant increase in funds from operations has allowed us to increase distributions to the Unitholder while also reducing the payout ratio to 77% for the three months ended September 30, 2005. During the third quarter, funds from operations were reduced by $6.5 million for realized hedging losses. Excluding these realized hedging losses, Advantage's payout ratio for the third quarter would have been 69%. The current outstanding hedges are concluded October 31, 2005 which will allow the Fund to realize the full benefit of the current high commodity prices during the remainder of the fourth quarter of 2005 and into 2006.

Cash distributions to Unitholders for the third quarter of 2005 were paid as follows:

Period ended	Record date	Payment date	Distribution	Distribution per Unit
July 31, 2005	July 29, 2005	Aug. 15, 2005	$ 14,337	$ 0.25
Aug. 31, 2005	Aug. 31, 2005	Sept. 15, 2005	14,342	0.25
Sept. 30, 2005	Sept. 30, 2005	Oct. 17, 2005	14,390	0.25
			$ 43,069	$ 0.75

Revenue

Revenue ($000)	Three months ended September 30 2005	Three months ended September 30 2004	% change	Nine months ended September 30 2005	Nine months ended September 30 2004	% change
Natural gas excluding hedging	$ 57,661	$ 42,417	36%	$160,901	$130,032	24%
Realized hedging losses	(3,209)	(2,414)	33%	(3,314)	(5,417)	(39)%
Natural gas including hedging	$ 54,452	$ 40,003	36%	$157,587	$124,615	26%
Crude oil and NGLs excluding hedging	$ 44,570	$ 16,719	167%	$112,321	$ 40,124	180%
Realized hedging losses	(3,307)	-	-	(3,508)	-	-
Crude oil and NGLs including hedging	$ 41,263	$ 16,719	147%	$108,813	$ 40,124	171%
Total revenue	$ 95,715	$ 56,722	69%	$266,400	$164,739	62%

Petroleum and natural gas revenues have increased significantly for the three and nine months ended September 30, 2005. The main contributing factors include increased daily production levels, especially crude oil and natural gas liquids ("NGLs"), and the considerable strength of commodity prices. The increased revenues have been partially offset by realized hedging losses experienced during the applicable periods. However, the current outstanding hedges are concluded October 31, 2005 which will allow the Fund to entirely benefit from the high commodity prices during the remainder of the fourth quarter of 2005 and into 2006.

Production

	Three months ended September 30 2005	2004	% change	Nine months ended September 30 2005	2004	% change
Natural gas (mcf/d)	75,994	75,425	1%	80,574	74,788	8%
Crude oil (bbls/d)	6,131	2,894	112%	5,838	2,540	130%
NGLs (bbls/d)	1,209	656	84%	1,165	627	86%
Total (boe/d)	20,006	16,121	24%	20,432	15,632	31%
Natural gas (%)	63%	78%		65%	80%	
Crude oil (%)	31%	18%		29%	16%	
NGLs (%)	6%	4%		6%	4%	

Natural gas production increased 1% for the three months and 8% for the nine months ended September 30, 2005, as compared to 2004. Crude oil production increased 112% for the three months and 130% for the nine months ended September 30, 2005. NGLs production increased 84% for the three months and 86% for the nine months ended September 30, 2005. The Fund's total daily production averaged 20,006 boe/d for the third quarter and 20,432 boe/d for the nine months ended September 30, 2005, increases of 24% and 31% respectively as compared to the same periods of 2004. The growth in overall production from 2004 was primarily the result of the property acquisition from Anadarko Canada Corporation ("Anadarko") on September 15, 2004 and the acquisition of Defiant Energy Corporation ("Defiant") on December 21, 2004. Production increases were also realized due to Advantage's ongoing development program, especially relating to production additions at Nevis, Alberta. Advantage's production continues to be primarily natural gas weighted representing 63% of total production. However, crude oil production has increased from 18% in the third quarter of 2004 to 31% of total production for the current quarter. This has enabled the Fund to benefit from the significant increase in crude oil commodity prices that has occurred over that period of time.

As a result of the Fund's active capital development program, production additions have been partially offset by flush production declines that are normally experienced with new production. However, as the areas mature, per well production levels will stabilize with lower rates of decline. Additional production challenges encountered by Advantage during 2005, as well as the entire sector, has included delays in production additions due to extremely wet field conditions, plant turnarounds and maintenance programs.

Commodity Prices & Marketing

Natural Gas

($/mcf)	Three months ended September 30 2005	2004	% change	Nine months ended September 30 2005	2004	% change
Realized natural gas prices						
Excluding hedging	$ 8.25	$ 6.11	35%	$ 7.31	$ 6.35	15%
Including hedging	$ 7.79	$ 5.76	35%	$ 7.16	$ 6.08	18%
AECO monthly index	$ 8.15	$ 6.62	23%	$ 7.42	$ 6.68	11%

Realized natural gas prices excluding hedging increased 35% for the three months and 15% for the nine months ended September 30, 2005, as compared to 2004. The most significant development during the third quarter that has placed increased pressure on natural gas prices has been Hurricanes Katrina and Rita that ravaged the Gulf of Mexico. Significant damage was sustained by drilling platforms, production facilities, refineries and other facilities throughout the region. Production has been slow to recover with considerable production still shut-in. Reduced production levels have been partially mitigated with reduced demand but concerns continue regarding supply from the region. We believe that the short and long term pricing fundamentals for natural gas remain strong. These fundamentals include (i) the continued strength of crude oil prices which has eliminated the economic advantage of fuel switching away from natural gas, (ii) continued tightness in supply that has resulted from increased demand and the decline in North American natural gas production levels and (iii) ongoing weather related factors such as hot summers, cold winters and annual hurricane season in the Gulf of Mexico all of which have an impact on the delicate supply/demand balance that exists.

Crude Oil and NGLs

($/bbl)	Three months ended September 30 2005	2004	% change	Nine months ended September 30 2005	2004	% change
Realized crude oil and NGLs prices						
Excluding hedging	$ 66.00	$ 51.20	29%	$ 58.75	$ 46.24	27%
Including hedging	$ 61.10	$ 51.20	19%	$ 56.91	$ 46.24	23%
Realized crude oil prices excluding hedging	$ 68.73	$ 52.82	30%	$ 61.00	$ 47.88	27%
Realized NGLs prices excluding hedging	$ 52.18	$ 44.04	18%	$ 47.49	$ 39.59	20%
WTI ($US/bbl)	$ 63.17	$ 43.88	44%	$ 55.45	$ 39.11	42%
$US/$Cdn exchange rate	$ 0.83	$ 0.77	8%	$ 0.82	$ 0.75	9%

Realized crude oil and NGLs prices excluding hedging increased 29% for the three months and 27% for the nine months ended September 30, 2005, as compared to the same periods of 2004. Advantage's crude oil prices are based on the benchmark pricing of West Texas Intermediate Crude ("WTI") adjusted for quality, transportation costs and US/Canadian exchange rates. The price of WTI fluctuates based on worldwide supply and demand fundamentals. There has been significant price volatility experienced whereby WTI has increased 44% for the three months and 42% for the nine months ended September 30, 2005, compared to 2004. Many developments during the quarter have resulted in this price increase including Hurricanes Katrina and Rita that pushed WTI in relative terms to record levels not experienced in over two decades. Production levels have been slower to recover than anticipated with considerable production still shut-in. Additional concerns have also been raised regarding the lack of growth of North American refining capacity and the continued strength of global demand. These key issues persist and will continue to impact overall commodity prices. With the current high price levels, it is notable that demand has remained considerably resilient and the economy does not appear to be adversely impacted. We believe that the pricing fundamentals for crude oil remain strong with many factors affecting the continued strength including (i) supply management and supply restrictions by the OPEC cartel, (ii) ongoing civil unrest in the Middle East, Venezuela and Nigeria, (iii) increased world wide demand, particularly in China and India and (iv) North American refinery capacity constraints. Partially offsetting the strength of WTI oil prices has been the strength of the Canadian dollar relative to the U.S. dollar.

Price Risk Management

Commodity price volatility is a major risk that the Fund continually monitors. Advantage has an established commodity risk management program approved by the Board that allows Management to enter financial instruments, within certain guidelines, that will provide stability to funds from operations and shield Unitholders distributions from price volatility. Given the magnitude of such contract arrangements, liquidity risk can be a major concern for an organization. We mitigate this risk by only dealing with major financial institutions and other counterparties that possess suitable credit ratings.

We entered several such financial instruments for both natural gas and crude oil in early 2005 for the period from April to October 2005. Advantage's natural gas hedging program resulted in losses of $3.2 million during the third quarter of 2005 or $0.46/mcf compared to hedging losses of $2.4 million or $0.35/mcf for the same period of 2004. The increase in the hedging losses has been primarily due to the much stronger natural gas prices as compared to 2004. The Fund's remaining natural gas contracts on 56.9 mmcf/d expired at the end of October.

Advantage's crude oil hedging program resulted in losses of $3.3 million or $4.90/bbl during the third quarter of 2005. Advantage did not have any crude oil hedges in place for the same period of 2004. The Fund has one remaining oil hedge contract for 1,750 bbls/d which expired at the end of October.

As at September 30, 2005 the Fund has the following hedges in place:

Description of Hedge	Term	Volume		Average Price
Natural gas - AECO				
Fixed price	April to October 2005	34,123 mcf/d		Cdn$7.45/mcf
Collar	April to October 2005	11,374 mcf/d	Floor	Cdn$6.86/mcf
			Ceiling	Cdn$8.18/mcf
Collar	April to October 2005	11,374 mcf/d	Floor	Cdn$7.02/mcf
			Ceiling	Cdn$8.02/mcf
Crude oil - WTI				
Collar	April to October 2005	1,750 bbls/d	Floor	US$47.00/bbl
			Ceiling	US$56.75/bbl

At September 30, 2005, the mark-to-market valuation of Advantage's outstanding hedges was a loss of $7.6 million. The Fund does not apply hedge accounting and current accounting standards requires this amount to be included in the income statement as an unrealized hedging loss with a corresponding hedging liability recorded on the balance sheet. The mark-to-market valuation is the estimated value to settle the financial contracts as at September 30, 2005 and is based on pricing models, estimates, assumptions and market data available at that time. The actual gain or loss realized on regular settlement can vary materially due to subsequent fluctuations in commodity prices as compared to the valuation assumptions. As at October 31, 2005 all outstanding hedge contracts were concluded resulting in an actual realized hedging loss of approximately $7.1 million.

Royalties

	Three months ended September 30 2005	Three months ended September 30 2004	% change	Nine months ended September 30 2005	Nine months ended September 30 2004	% change
Royalties, net of Alberta Royalty Credit ($000)	$ 18,355	$ 11,111	65%	$ 51,009	$ 32,241	58%
per boe	$ 9.97	$ 7.49	33%	$ 9.14	$ 7.53	21%
As a percentage of revenue excluding hedging	18.0%	18.8%	(0.8)%	18.7%	18.9%	(0.2)%

Advantage pays royalties to the owners of mineral rights from which we have leases. The Fund currently has mineral leases with provincial governments, individuals and other companies. Royalties are shown net of Alberta Royalty Credit which is a royalty rebate provided by the Alberta government to certain producers. Royalties have increased in total and on a boe basis as compared to 2004 as both production and commodity prices have increased substantially. However, royalties as a percentage of revenue excluding hedging has decreased to 18.0% for the three months ended September 30, 2005 as compared to 18.8% for the same period of 2004. This decrease has been primarily due to a shift in our portfolio of assets that has increased production from properties and areas that attract lower royalty rates.

Operating Costs

	Three months ended September 30 2005	Three months ended September 30 2004	% change	Nine months ended September 30 2005	Nine months ended September 30 2004	% change
Operating costs ($000)	$ 14,203	$ 9,185	55%	$ 40,560	$ 25,723	58%
per boe	$ 7.72	$ 6.19	25%	$ 7.27	$ 6.01	21%

Operating costs have increased 55% for the three months and 58% for the nine months ended September 30, 2005, as compared to 2004 primarily due to costs associated with properties acquired from Anadarko and Defiant during the second half of 2004. Operating costs per boe have increased 25% for the three months and 21% for the nine months ended September 30, 2005. Operating costs have steadily increased over the past several years due to higher power costs and higher field costs associated with the shortage of supplies and services that has resulted from the high level of industry activity. Management of operating costs will be a persistent challenge as the commodity price environment places additional strain on current available support and service resources.

General and Administrative and Management Fees

	Three months ended September 30 2005	Three months ended September 30 2004	% change	Nine months ended September 30 2005	Nine months ended September 30 2004	% change
General and administrative expense ($000)	$ 901	$ 908	(1)%	$ 3,931	$ 2,542	55%
per boe	$ 0.49	$ 0.61	(20)%	$ 0.70	$ 0.59	19%
Management fee ($000)	$ 947	$ 547	73%	$ 2,622	$ 1,602	64%
per boe	$ 0.51	$ 0.37	38%	$ 0.47	$ 0.37	27%
Performance incentive ($000)	$ -	$ 11,321	(100)%	$ -	$ 14,221	(100)%

General and administrative ("G&A") expense has decreased 1% for the three months ended September 30, 2005 but has increased 55% for the nine months ended September 30, 2005, as compared to 2004. G&A expense has increased overall due to higher staff levels required for the growth of the Fund from production additions and acquisitions. The current staff complement has Advantage well positioned to continue the present growth strategy and to seize future opportunities.

Management fees have increased 73% for the three months and 64% for the nine months ended September 30, 2005, as compared to the same period of 2004. Management fees per boe have increased 38% for the three months and 27% for the nine months ended September 30, 2005. Management fees are calculated based on 1.5% of operating cash flow, which is defined as revenues less royalties and operating expenses. The increase in total management fees and management fees per boe is primarily due to the increase in revenue as a result of higher production and commodity prices.

The Fund Manager is entitled to earn a performance fee to the extent that the total annual return of the Fund exceeds 8%. The total annual return is calculated at the end of each year by dividing the year over year change in Unit price plus cash distributions by the opening Unit price. One tenth (10%) of the amount of the total annual return in excess of 8% is multiplied by the market capitalization (defined as the opening Unit price times the weighted average number of Trust Units outstanding during the year) to determine the performance fee. For the three months and nine months ending September 30, 2005 no performance fee incentive has been accrued given that the total annualized return of the Fund was less than the 8% threshold as at November 14, 2005. The Manager does not receive any form of compensation in respect of acquisition or divestiture fees nor is there any form of stock option plan for the Manager or the employees of Advantage.The management fees and performance fees are shared amongst all management and employees.

Interest

	Three months ended September 30 2005	Three months ended September 30 2004	% change	Nine months ended September 30 2005	Nine months ended September 30 2004	% change
Interest expense ($000)	$ 2,469	$ 1,645	50%	$ 7,410	$ 4,322	71%
per boe	$ 1.34	$ 1.11	21%	$ 1.33	$ 1.01	32%
Bank indebtedness ($000)	$ 256,093	$ 184,437	39%	$ 256,093	$ 184,437	39%
Average effective interest rate	4.0%	3.6%	0.4%	4.2%	3.9%	0.3%

Interest expense has increased 50% for the three months and 71% for the nine months ended September 30, 2005, as compared to 2004. Interest expense per boe has increased 21% for the three months and 32% for the nine months ended September 30, 2005. The increases in interest expense is attributable to a higher average debt level associated with the growth of the Fund. The increased debt has been used to finance continued development activities and pursuit of expansion opportunities. We monitor the debt level to ensure an optimal mix of financing and cost of capital that will provide a maximum return to Unitholders. Our current credit facilities have been a favorable financing alternative with an effective interest rate of only 4% for the three months ended September 30, 2005. The Fund's interest rates are primarily based on short term Bankers Acceptance rates plus a stamping fee.

Interest and Accretion on Convertible Debentures

	Three months ended September 30 2005	Three months ended September 30 2004	% change	Nine months ended September 30 2005	Nine months ended September 30 2004	% change
Interest on convertible debentures ($000)	$ 2,818	$ 1,786	58%	$ 8,483	$ 5,546	53%
per boe	$ 1.53	$ 1.21	26%	$ 1.52	$ 1.30	17%
Accretion on convertible debentures ($000)	$ 550	$ 351	57%	$ 1,650	$ 1,107	49%
per boe	$ 0.30	$ 0.24	25%	$ 0.30	$ 0.26	15%
Convertible debentures maturity value ($000)	$140,358	$176,462	(20)%	$140,358	$176,462	(20)%

Interest expense on convertible debentures has increased 58% for the three months and 53% for the nine months ended September 30, 2005, as compared to 2004. Accretion expense has increased 57% for the three months and 49% for the nine months ended September 30, 2005. Interest and accretion expense increased primarily due to the issuance of $50 million 7.75% and $75 million 7.5% convertible debentures in September 2004 to partially finance the Anadarko asset acquisition. The increased interest from the additional debentures is partially offset by a general reduction of the other outstanding debenture balances resulting from holders exercising the conversion option. Interest and accretion will continue to decrease in the future as debentures are continually converted to Trust Units.

Cash Netbacks (per boe)

	Three months ended September 30 2005	Three months ended September 30 2004	Nine months ended September 30 2005	Nine months ended September 30 2004
Revenue	$ 55.55	$ 39.87	$ 48.98	$ 39.73
Hedging	(3.54)	(1.63)	(1.22)	(1.26)
Royalties	(9.97)	(7.49)	(9.14)	(7.53)
Operating costs	(7.72)	(6.19)	(7.27)	(6.01)
Operating netback	$ 34.32	$ 24.56	$ 31.35	$ 24.93
General and administrative	(0.49)	(0.61)	(0.70)	(0.59)
Management fees	(0.51)	(0.37)	(0.47)	(0.37)
Interest expense	(1.34)	(1.11)	(1.33)	(1.01)
Interest on convertible debentures	(1.53)	(1.21)	(1.52)	(1.30)
Taxes	(0.24)	(0.31)	(0.31)	(0.26)
Funds from operations	$ 30.21	$ 20.95	$ 27.02	$ 21.40

Depletion, Depreciation and Accretion

	Three months ended September 30 2005	Three months ended September 30 2004	% change	Nine months ended September 30 2005	Nine months ended September 30 2004	% change
Depletion, depreciation & accretion ($000)	$ 34,250	$ 24,134	42%	$102,515	$ 65,135	57%
per boe	$ 18.61	$ 16.27	14%	$ 18.38	$ 15.21	21%

Depletion and depreciation of property and equipment is provided on the unit of production method based on total proved reserves. The depletion, depreciation and accretion ("DD&A") provision has increased 42% for the three months and 57% for the nine months ended as compared to 2004. The increased provision is the result of higher production volumes and a higher per boe rate. The DD&A rate per boe has increased 14% for the three months and 21% for the nine months ended September 30, 2005.

Taxes

Current taxes paid or payable for the three months ended September 30, 2005 primarily represents capital tax and amounted to $0.4 million, compared to $0.5 million expensed in the three months ended September 30, 2004. Current taxes for the nine months ended September 30, 2005 was $1.8 million, an increase from $1.1 million for the same period of 2004. Capital taxes are based on debt and equity levels of the Fund at the end of the year and have increased due to Advantage's significant growth. As a result of new legislation, capital taxes are to be gradually eliminated over the next several years.

Future income taxes arise from differences between the accounting and tax bases of the operating company's assets and liabilities. For the three months ended September 30, 2005, the Fund recognized an income tax recovery of $4.2 million compared to a $7.1 million recovery for the third quarter of 2004. The future income tax recovery for the nine months ended September 30, 2005 was $10.3 million compared to $16.6 million for the similar period ended September 30, 2004.

In the Fund's structure, payments are made between the operating company and the Fund transferring income tax obligations to the Unitholders. Therefore, it is expected, based on current legislation that no cash income taxes are to be paid by the operating company or the Fund in the future, and as such, the future income tax liability recorded on the balance sheet will be recovered through earnings over time. As at September 30, 2005 the operating company had a future income tax liability balance of $100.1 million. Canadian generally accepted accounting principles require that a future income tax liability be recorded when the book value of assets exceeds the balance of tax pools.

In September 2005 the Department of Finance released a consultation paper "Tax and Other Issues Related to Publicly Listed Flow-Through Entities (Income Trusts and Limited Partnerships)". The paper is available at www.fin.gc.ca/toce/2005/toirplf_e.html. The purpose of the paper is to promote discussion and third party input on a number of key questions by providing background information on flow-through entities ("FTE") and related economic efficiency issues, an international comparison, as well as the estimated impact of FTE's on federal tax revenues. The issues for consideration and consultation include the impact of their tax treatment on how businesses are organized in Canada, the impact on federal tax revenue, the potential role tax-exempt investors may have in this market and the impact of tax treatment on the Canadian economy. The Department of Finance has invited submissions until December 31, 2005 in an effort to quickly resolve the issue. This consultation process has created significant uncertainty within the market which has been evident through the additional volatility in the trading prices of the sector. At this time it is unknown what changes, if any, to existing tax legislation may occur. However, any change in legislation may have significant negative implications for the Fund's Unitholders. Advantage plans to actively participate in the consultation process to ensure the interests of the Fund and Unitholders are properly represented.

We encourage individual Unitholders to contribute to the process by contacting their parliamentary representatives and making submissions to the Department of Finance. A directory of Members of Parliament can be found at www.canada.gc.ca/directories/direct_e.html. Written submissions can be made by email to trusts-fiducies@fin.gc.ca or to the Minister of Finance, the Honourable Ralph Goodale, Department of Finance, 140 O'Connor Street, Ottawa, Ontario, K1A 0A6, via fax at (613) 996-9790, or via e-mail at Goodale.R@parl.gc.ca.

Non-Controlling Interest

Non-controlling interest expense for the nine month period ended September 30, 2005 was $0.2 million. Non-controlling interest expense represents the net income attributable to Exchangeable Share ownership interests. The non-controlling interest was created when Advantage Oil & Gas Ltd. ("AOG") issued Exchangeable Shares as partial consideration for the acquisition of Defiant that occurred at the end of 2004. The Exchangeable Shares and Trust Units are considered economically equivalent since all shares must be exchanged for either Trust Units or cash over time, based on the current market price of the Trust Units. Since the Exchangeable Shares are required to be exchanged, there is no permanent non-controlling interest. At September 30, 2005, only 110,296 Exchangeable Shares were outstanding and non-controlling interest expense will continue to be insignificant.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Fund has contractual obligations in the normal course of operations including purchases of assets and services, operating agreements, transportation commitments and sales contracts. These obligations are of a recurring and consistent nature and impact cash flow in an ongoing manner. The following table is a summary of the Fund's remaining contractual obligations and commitments. Advantage has no guarantees or off-balance sheet arrangements other than as disclosed.

($ millions)	Total	2005	2006	2007	2008	2009	2010 & thereafter
				Payments due by period			
Building lease	$ 3.5	$ 0.3	$ 1.4	$ 1.3	$ 0.5	-	-
Capital lease	$ 1.9	$ 0.1	$ 0.4	$ 1.4	-	-	-
Pipeline/transportation	$ 3.9	$ 0.7	$ 2.5	$ 0.6	$ 0.1	-	-
Convertible debentures(1)	$ 140.4	-	-	$ 2.8	$ 8.7	$ 79.1	$ 49.8
Total contractual obligations	$ 149.7	$ 1.1	$ 4.3	$ 6.1	$ 9.3	$ 79.1	$ 49.8

(1) As at September 30, 2005, Advantage had $140.4 million convertible debentures outstanding. Each series of convertible debentures are convertible to Trust Units based on an established conversion price. The Fund expects that the obligations related to convertible debentures will be settled through the issuance of Trust Units.

Liquidity and Capital Resources

The following table is a summary of the Fund's capitalization structure.

	September 30, 2005 ($000, except as otherwise indicated)
Bank indebtedness (long-term)	$ 256,093
Working capital deficit (1)	6,829
Net debt	$ 262,922
Trust Units outstanding (000) (2)	57,679
Trust Unit closing market price	$ 21.19
Market value	$ 1,222,218
Capital lease obligations (long-term)	$ 1,437
Convertible debentures (maturity value)	140,358
Total capitalization	$ 1,626,935

(1) Working capital deficit excludes hedging liability.

(2) Trust Units outstanding includes Trust Units issuable for the outstanding exchangeable shares at the applicable exchange ratio.

Unitholders' Equity, Exchangeable Shares and Convertible Debentures

Advantage utilizes the issuance of Trust Units, exchangeable shares and convertible debentures to finance acquisitions and development activities.

As at September 30, 2005 the Fund had 57.6 million Trust Units outstanding. On February 9, 2005 Advantage issued 5,250,000 Trust Units at $21.65 per Trust Unit for gross proceeds of $113.7 million, $107.6 million net of related issuance costs. The net proceeds of the offering were used to pay down debt incurred in the acquisition of Defiant, for 2005 capital expenditures and for general corporate purposes. As at November 14, 2005, Advantage had 57.6 million Trust Units issued and outstanding.

As partial consideration for the acquisition of Defiant on December 21, 2004, AOG issued 1,450,030 Exchangeable Shares. Each Exchangeable Share issued is exchangeable for Advantage Trust Units at any time on the basis of the applicable exchange ratio in effect at that time. The exchange ratio was equal to 1.12802 at September 30, 2005 and will be increased on each date that a distribution is paid by Advantage on the Advantage Trust Units by an amount equal to the cash distribution paid divided by the five-day weighted average unit price preceding the record date. As of September 30, 2005, a total of 1,339,734 Exchangeable Shares have been exchanged for 1,367,736 Trust Units resulting in 110,296 Exchangeable Shares outstanding at quarter-end. As at November 14, 2005, 109,833 Exchangeable Shares are outstanding that are exchangeable for the issuance of 125,381 Trust Units based on the current exchange ratio of 1.14156.

As at September 30, 2005, the Fund had $140.4 million convertible debentures outstanding that were convertible to 7.1 million Trust Units based on the applicable conversion prices. During the nine months ended September 30, 2005, $8.1 million convertible debentures were exchanged for the issuance of 0.5 million Trust Units. As at November 14, 2005, $139.7 million convertible debentures were outstanding that are convertible to 7.1 million Trust Units.

Inclusion in S&P/TSX Composite Index and NYSE Listing

On October 11, 2005 Standard & Poor's confirmed that it will proceed with its previously announced schedule for including income trusts in the S&P/TSX Composite Index. Advantage has been selected as one of the trusts that will be added to the Index in the coming months. The addition of income trusts to the Index is positive and we expect the move to result in a broader investment base for the trust sector which will increase liquidity and improve market efficiency.

On November 14, 2005, Advantage announced it is seeking final approval from the New York Stock Exchange ("NYSE") to list its Trust Units and anticipates being listed for trading before mid-December 2005 under the symbol "AAV". We believe a listing on the NYSE will result in improved liquidity for all Unitholders, greater access to the U.S. capital markets, and improved cost of capital for future acquisitions.

Bank Indebtedness, Credit Facility and Other Obligations

At September 30, 2005 Advantage had bank debt outstanding of $256.1 million. Advantage has an agreement with a syndicate of four Canadian chartered banks and we have just finalized a semi-annual review of our credit facilities with the syndicate. Given the strength of production and commodity prices, this review has resulted in an increase of our current credit facilities from $335 million to $355 million providing additional liquidity and financial flexibility to pursue the Fund's strategy. The $355 million facility consisting of a $345 million extendible revolving loan facility and a $10 million operating loan facility, both of which are due for renewal in May 2006 at the option of the syndicate. The credit facilities are secured by a $500 million floating charge demand debenture, a general security agreement and a subordination agreement from the Fund covering all assets and cash flows. Given amendments made in 2005 to the repayment terms, the debt is classified as a long-term liability on the consolidated balance sheet.

At September 30, 2005 Advantage had a working capital deficiency of $6.8 million. Our working capital includes items expected for normal operations such as trade receivables, trade payables and accruals. Working capital varies primarily due to the timing of such items and the current level of business activity. Advantage has no unusual working capital requirements. We do not anticipate any problems in meeting future obligations as they become due given the strength of our funds from operations. It is also important to note that working capital is effectively integrated with Advantage's operating credit facility that is meant to assist with the timing of cash flows.

Advantage generally does not make use of capital leases to finance development expenditures. However, Advantage currently has one capital lease outstanding at September 30, 2005 for $1.8 million that was originally acquired from a prior company acquisition. In May 2005, we repaid two capital leases for $6.8 million that were assumed by Advantage on the acquisition of Defiant in December 2004.

Capital Expenditures

	Three months ended September 30		Nine months ended September 30	
($000)	2005	2004	2005	2004
Land and seismic	$ 1,161	$ 707	$ 3,251	$ 2,078
Drilling, completions and workovers	13,449	20,401	53,501	53,916
Well equipping and facilities	6,094	4,161	17,564	22,468
Other	28	216	953	248
	$ 20,732	$ 25,485	$ 75,269	$ 78,710
Acquisition of Anadarko properties	-	176,300	-	176,300
Property acquisitions	-	-	213	-
Property dispositions	(874)	-	(3,455)	(791)
Total capital expenditures	$ 19,858	$ 201,785	$ 72,027	$ 254,219

Advantage's growth strategy has been to concentrate in areas where we have large land positions where the drilling opportunities are shallow to medium depth with year round access. We focus on areas where past activity has yielded long-life reserves with high cash netbacks. Our preference is to operate a high percentage of our properties such that we can maintain control of operations and cash flows.

For the three month period ended September 30, 2005, the Fund spent $20.7 million on capital expenditures. Approximately $13.4 million was expended on drilling and completion operations where the Fund drilled a total of 14.2 net (36 gross) wells. Three 100% working interest horizontal wells were drilled and completed at Nevis, Alberta and three net (five gross) wells were drilled in Bantry, Alberta. Approximately $6.1 million was expended during the quarter on facilities and equipping primarily related to completing the construction of a central oil battery and additional compression facilities at Nevis, Alberta, facility upgrades at Gadsby, Alberta and solution gas conservation facilities at Sunset, Alberta. Capital expenditures for the nine months ended September 30, 2005 amounted to $75.3 million.

The following table summaries the various funding requirements during the nine month period ended September 30, 2005 and the sources of funding to meet those requirements.

Sources and Uses of Funds ($000)

	Nine months ended September 30, 2005
Sources of funds	
Funds from operations	$ 150,635
Units issued, net of costs	107,616
Property dispositions	3,455
	$ 261,706
Uses of funds	
Capital expenditures	$ 75,269
Asset retirement expenditures	1,580
Purchase adjustment of Defiant Energy acquisition	404
Property acquisitions	213
Distributions paid to Unitholders	132,131
Decrease in bank debt	10,961
Reduction of capital lease obligations	7,600
Increase in working capital and other	33,548
	$ 261,706

Quarterly Performance

($000, except as otherwise indicated)

	2005			2004				2003
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Daily production								
Natural gas (mcf/d)	75,994	79,492	86,350	84,336	75,425	73,283	75,649	65,280
Crude oil and NGLs (bbls/d)	7,340	6,772	6,892	6,815	3,550	3,106	2,841	2,714
Total boe/d	20,006	20,021	21,284	20,871	16,121	15,320	15,449	13,594
Average prices								
Natural gas ($/mcf)								
Excluding hedging	$ 8.25	$ 7.27	$ 6.52	$ 6.64	$ 6.11	$ 6.65	$ 6.28	$ 5.45
Including hedging	$ 7.79	$ 7.30	$ 6.47	$ 6.09	$ 5.76	$ 6.20	$ 6.28	$ 5.76
Crude oil and NGLs ($/bbl)								
Excluding hedging	$ 66.00	$ 56.57	$ 53.02	$ 47.05	$ 51.20	$ 45.36	$ 40.93	$ 35.67
Including hedging	$ 61.10	$ 56.24	$ 53.02	$ 47.05	$ 51.20	$ 45.36	$ 40.93	$ 35.67
Net revenues	$ 71,118	$ 81,144	$ 55,778	$ 68,521	$ 48,255	$ 44,436	$ 32,227	$36,074
Net income (loss) (1)	$ 18,674	$ 26,537	$ 4,015	$ 4,855	$ 4,965	$ 9,770	$ 4,448	$(3,527)
per Trust Unit, basic and diluted	$ 0.33	$ 0.46	$ 0.07	$ 0.11	$ 0.12	$ 0.25	$ 0.12	$ (0.11)
Funds from operations	$ 55,575	$ 49,705	$ 45,355	$ 34,811	$ 31,074	$ 30,693	$ 29,900	$24,126
Cash distributions declared	$ 43,069	$ 44,693	$ 46,339	$ 35,207	$ 28,730	$ 27,450	$ 26,267	$22,905
Payout ratio (%)	77%	90%	102%	101%	92%	89%	88%	95%

(1) Net income (loss) has been restated to reflect changes in accounting policies as disclosed in the Notes to the Consolidated Financial Statements.

The table above highlights the Fund's performance for the third quarter of 2005 and also for the preceding seven quarters. Net revenues are primarily impacted by commodity prices, production volumes and royalties. Significant increases in net revenues occurred in the third quarter of 2004 through the third quarter of 2005 due to considerably higher crude oil prices and production increases from the acquisition of the Anadarko assets in September 2004 and Defiant in December 2004.

Business Process Project and Sarbanes-Oxley

In 2002, the United States Congress enacted the Sarbanes-Oxley Act ("SOX") that applies to all companies registered with the Securities and Exchange Commission. Section 404 of the Act requires that management identify, document, assess and remediate internal controls and issue an opinion on the effectiveness of internal controls surrounding the financial reporting processes. The current deadline for Advantage to comply with the internal controls assessment is December 31, 2006. The Fund established a business process project with a team leader in May 2005 to ensure full compliance with SOX by the given deadline. The business process project will also ensure full compliance with any resulting Canadian regulations that may eventually be enacted. A comprehensive project plan has been established with full support of Management and the Board of Directors. Regular updates on status of the project and developments are provided to the Audit Committee.

Financial reporting update

During 2005 there were several changes to financial reporting requirements. The changes impacting Advantage are noted below.

Financial Instruments – Presentation and Disclosure

Effective January 1, 2005, the Fund retroactively adopted the revised accounting standard Section 3860 "Financial Instruments – Presentation and Disclosure" as issued by the Canadian Institute of Chartered Accountants. The revised standard applies to financial instruments that may be settled at the issuer's option in cash or its own equity instruments and impacts the Fund's prior accounting for convertible debentures and the performance incentive fee. The Fund previously classified the issuance of convertible debentures and the performance fee obligation as components of equity on the basis that the obligations could be settled with the issuance of Trust Units. Interest expense and issuance costs related to the debentures were charged to accumulated income as a component of equity. Based on the revised standard, a financial instrument is presented based on the substance of the contractual arrangement regardless of the means of settlement. This results in the reclassification of convertible debentures to long-term liabilities and the performance fee to current liabilities. Additionally, a financial instrument with an embedded conversion feature must be segregated between liabilities and equity based on the relative fair market value of the liability and equity portions. Therefore, the debenture liabilities are presented at less than their eventual maturity values. The liability and equity components are further reduced for issuance costs initially incurred. The discount of the liability component as compared to maturity value is accreted by the effective interest method over the debenture term. As debentures are converted to Trust Units, an appropriate portion of the liability and equity components are transferred to Unitholders' capital. Interest and accretion expense on the convertible debentures are shown on the Consolidated Statement of Income.

Exchangeable Shares

In March 2005, the CICA's Emerging Issues Committee ("EIC") amended EIC-151 "Exchangeable Securities Issued by Subsidiaries of Income Trusts" which is effective for periods ending on June 30, 2005. The EIC specifies the required criteria to present exchangeable shares as a component of Unitholders' equity. Exchangeable shares that do not meet both criteria are classified as either debt or non-controlling interest depending on the nature of the instrument. Prior to the amendment, Exchangeable Shares of AOG were shown as a component of Unitholders' equity. However, the Exchangeable Shares do not meet the requirements of the amended standard given that the shares are transferable, although not publicly traded. Therefore, Exchangeable Shares are now classified as non-controlling interest, outside of Unitholders' equity. The Exchangeable Shares and Trust Units are considered economically equivalent since all shares must be exchanged for either Trust Units or cash, based on the current market price of the Trust Units. Since the Exchangeable Shares are required to be exchanged, there is no permanent non-controlling interest. As a consequence of presenting Exchangeable Shares as non-controlling interest, a corresponding expense is recorded that reflects the earnings attributable to the non-controlling interest. When Exchangeable Shares are converted to Trust Units, the carrying value of non-controlling interest on the balance sheet is reclassified to Unitholders' capital. The Fund retroactively implemented the revised standard but there was no income impact on periods prior to 2005 given that the Exchangeable Shares were issued at the end of 2004.

Additional Information

Additional information relating to Advantage, including the annual information form, can be found on SEDAR at www.sedar.com.

November 14, 2005

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

(thousands of dollars)	September 30, 2005 (unaudited)	December 31, 2004 (restated - note 1)
Assets		
Current assets		
Accounts receivable	$ 55,865	$ 48,961
Fixed assets		
Property and equipment	1,264,084	1,190,552
Accumulated depletion and depreciation	(355,149)	(253,506)
	908,935	937,046
Goodwill	45,779	47,244
	$ 1,010,579	**$ 1,033,251**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 47,951	$ 91,165
Cash distributions payable to Unitholders	14,389	12,419
Current portion of capital lease obligations (note 2)	354	1,785
Hedging liability (note 7)	7,565	214
Bank indebtedness (note 3)	-	267,054
	70,259	372,637
Capital lease obligations (note 2)	1,437	7,606
Bank indebtedness (note 3)	256,093	-
Convertible debentures (notes 1 and 4)	130,488	136,433
Asset retirement obligations	18,300	17,503
Future income taxes	100,115	112,266
	576,692	**646,445**
Non-controlling Interest		
Exchangeable shares (note 5)	2,439	30,842
Unitholders' Equity		
Unitholders' capital (note 6i)	676,279	515,544
Convertible debentures equity component (notes 1 and 4)	6,388	6,764
Contributed surplus	1,036	1,036
Accumulated income	151,863	102,637
Accumulated cash distributions	(404,118)	(270,017)
	431,448	**355,964**
	$ 1,010,579	**$ 1,033,251**

see accompanying Notes to Consolidated Financial Statements

Consolidated Statements of Income and Accumulated Income

(thousands of dollars, except for per Unit amounts) (unaudited)	Three months ended Sept. 30, 2005	Three months ended Sept. 30, 2004	Nine months ended Sept. 30, 2005	Nine months ended Sept. 30, 2004
		(restated - note 1)		(restated - note 1)
Revenue				
Petroleum and natural gas	$ 95,715	$ 56,722	$ 266,400	$ 164,739
Unrealized hedging gain (loss) (note 7)	(6,242)	2,644	(7,351)	(7,580)
Royalties, net of Alberta Royalty Credit	(18,355)	(11,111)	(51,009)	(32,241)
	71,118	**48,255**	**208,040**	**124,918**
Expenses				
Operating	14,203	9,185	40,560	25,723
General and administrative	901	908	3,931	2,542
Unit-based compensation	-	-	-	1,036
Management fee	947	547	2,622	1,602
Performance incentive (note 8)	-	11,321	-	14,221
Interest	2,469	1,645	7,410	4,322
Interest and accretion on convertible debentures	3,368	2,137	10,133	6,653
Depletion, depreciation and accretion	34,250	24,134	102,515	65,135
	56,138	**49,877**	**167,171**	**121,234**
Income (loss) before taxes and non-controlling interest	14,980	(1,622)	40,869	3,684
Future income tax recovery	(4,181)	(7,053)	(10,282)	(16,595)
Income and capital taxes	447	466	1,750	1,096
	(3,734)	**(6,587)**	**(8,532)**	**(15,499)**
Net income before non-controlling interest	18,714	4,965	49,401	19,183
Non-controlling interest (note 5)	40	-	175	-
Net income	**18,674**	**4,965**	**49,226**	**19,183**
Accumulated income, beginning of period as previously reported	133,189	88,044	93,451	73,137
Effect of change in accounting policies (note 1)	-	4,773	9,186	5,462
Accumulated income, beginning of period as restated	133,189	92,817	102,637	78,599
Accumulated income, end of period	**$ 151,863**	**$ 97,782**	**$ 151,863**	**$ 97,782**
Net income per Trust Unit				
Basic and diluted	**$ 0.33**	**$ 0.12**	**$ 0.87**	**$ 0.48**

see accompanying Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

(thousands of dollars) (unaudited)	Three months ended Sept. 30, 2005	Three months ended Sept. 30, 2004	Nine months ended Sept. 30, 2005	Nine months ended Sept. 30, 2004
		(restated - note 1)		(restated - note 1)
Operating Activities				
Net income	$ 18,674	$ 4,965	$ 49,226	$ 19,183
Add (deduct) items not requiring cash:				
Unit-based compensation	-	-	-	1,036
Non-cash performance incentive (note 8)	-	11,321	-	14,221
Future income taxes	(4,181)	(7,053)	(10,282)	(16,595)
Unrealized hedging (note 7)	6,242	(2,644)	7,351	7,580
Accretion on convertible debentures	550	351	1,650	1,107
Depletion, depreciation and accretion	34,250	24,134	102,515	65,135
Non-controlling interest	40	-	175	-
Funds from operations	55,575	31,074	150,635	91,667
Expenditures on asset retirement	(843)	(253)	(1,580)	(401)
Changes in non-cash working capital	(9,220)	(61)	(32,566)	(13,352)
Cash provided by operating activities	**45,512**	**30,760**	**116,489**	**77,914**
Financing Activities				
Units issued, net of costs (note 6i)	-	62,389	107,616	62,617
Convertible debentures issued, net of costs	-	119,567	-	119,567
Increase (decrease) in bank debt	18,791	22,730	(10,961)	81,469
Reduction of capital lease obligations	(85)	(81)	(7,600)	(239)
Cash distributions to Unitholders	(43,015)	(27,718)	(132,131)	(80,692)
Cash provided by (used in) financing activities	**(24,309)**	**176,887**	**(43,076)**	**182,722**
Investing Activities				
Expenditures on property and equipment	(20,732)	(25,485)	(75,269)	(78,710)
Property acquisitions	-	(176,300)	(213)	(176,300)
Property dispositions	874	-	3,455	791
Purchase adjustment of Defiant Energy acquisition	(52)	-	(404)	-
Changes in non-cash working capital	(1,293)	(5,862)	(982)	(6,417)
Cash used in investing activities	**(21,203)**	**(207,647)**	**(73,413)**	**(260,636)**
Net change in cash	-	-	-	-
Cash, beginning of period	-	-	-	-
Cash, end of period	$ -	$ -	$ -	$ -
Supplementary Cash Flow Information				
Taxes paid	$ 493	$ 368	$ 1,954	$ 999
Interest paid	$ 8,246	$ 954	$ 19,803	$ 4,275

see accompanying Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2005 (unaudited)

All tabular amounts in thousands, except for Units and per Unit amounts

The interim consolidated financial statements of Advantage Energy Income Fund ("Advantage" or the "Fund") have been prepared by management in accordance with Canadian generally accepted accounting principles using the same accounting policies as those set out in note 2 to the consolidated financial statements for the year ended December 31, 2004 except as described below. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of Advantage for the year ended December 31, 2004.

1. Change in Accounting Policies

(a) Financial Instruments - Presentation and Disclosure

Effective January 1, 2005, the Fund retroactively adopted the revised accounting standard Section 3860 "Financial Instruments – Presentation and Disclosure" as issued by the Canadian Institute of Chartered Accountants ("CICA"). The revised standard applies to financial instruments that may be settled at the issuer's option in cash or its own equity instruments and impacts the Fund's prior accounting for convertible debentures and the performance incentive fee. The Fund previously classified the issuance of convertible debentures and the performance fee obligation as components of equity on the basis that the obligations could be settled with the issuance of Trust Units. Interest expense and issuance costs related to the debentures were charged to accumulated income as a component of equity. Based on the revised standard, a financial instrument is presented based on the substance of the contractual arrangement regardless of the means of settlement. This results in the reclassification of convertible debentures to long-term liabilities and the performance fee to current liabilities. Additionally, a financial instrument with an embedded conversion feature must be segregated between liabilities and equity based on the relative fair market value of the liability and equity portions. Therefore, the debenture liabilities are presented at less than their eventual maturity values. The liability and equity components are further reduced for issuance costs initially incurred. The discount of the liability component as compared to maturity value is accreted by the effective interest method over the debenture term. As debentures are converted to Trust Units, an appropriate portion of the liability and equity components are transferred to Unitholders' capital. Interest and accretion expense on the convertible debentures are shown on the Consolidated Statement of Income.

The effect of this change in accounting policy has been recorded retroactively with restatement of prior periods. The effect of the adoption is presented below as increases (decreases):

Balance Sheets	December 31, 2004	December 31, 2003
Current liabilities		
Accounts payable and accrued liabilities	$ 16,570	$ 19,592
Long-term liabilities		
Convertible debentures	$ 136,433	$ 91,372
Unitholders' equity		
Convertible debentures	$ (148,450)	$ (99,984)
Convertible debentures equity component	$ 6,764	$ 4,726
Unitholders' capital	$ (20,503)	$ (21,168)
Accumulated income	$ 9,186	$ 5,462

Statements of Income	Three months ended Sept. 30, 2004	Nine months ended Sept. 30, 2004	Year ended December 31, 2004
Interest and accretion on convertible debentures	$ 2,137	$ 6,653	$ 10,425
Net income	$ (2,137)	$ (6,653)	$ (10,425)
Net income per Trust Unit (basic and diluted)	$ (0.01)	$ (0.03)	$ (0.04)

(b) Exchangeable Shares

In March 2005, the CICA's Emerging Issues Committee amended EIC-151 "Exchangeable Securities Issued by Subsidiaries of Income Trusts". The EIC specifies the required criteria to present exchangeable shares as a component of Unitholders' equity. Exchangeable shares that do not meet both criteria are classified as either debt or non-controlling interest depending on the nature of the instrument. Prior to the amendment, Exchangeable Shares of Advantage Oil & Gas Ltd. ("AOG"), a subsidiary of Advantage, were shown as a component of Unitholders' equity. However, the Exchangeable Shares do not meet the requirements of the amended standard given that the shares are transferable, although not publicly traded. Therefore, Exchangeable Shares are now classified as non-controlling interest, outside of Unitholders' equity. The Exchangeable Shares and Trust Units are considered economically equivalent since the exchange ratio is increased on each date that a distribution is paid on the Trust Units and all shares must be exchanged for either Trust Units or cash, based on the current market price of the Trust Units. Since the Exchangeable Shares are required to be exchanged, there is no permanent non-controlling interest. As a consequence of presenting Exchangeable Shares as non-controlling interest, a corresponding expense is recorded that reflects the earnings attributable to the non-controlling interest. When Exchangeable Shares are converted to Trust Units, the carrying value of non-controlling interest on the balance sheet is reclassified to Unitholders' capital. The Fund retroactively implemented the revised standard but there was no income impact on periods prior to 2005 given that the Exchangeable Shares were issued at the end of 2004.

2. Capital Lease Obligations

The Fund has capital leases on a variety of property and equipment. Future minimum lease payments at September 30, 2005 consist of the following:

2005	$ 111
2006	443
2007	1,364
	$ 1,918
Less amounts representing interest	(127)
	1,791
Current portion	(354)
	$ 1,437

3. Bank Indebtedness

Advantage has a credit facility agreement with a syndicate of Canadian chartered banks which provides for a $345 million extendible revolving loan facility and a $10 million operating loan facility. The loan's interest rate is based on either prime or bankers' acceptance rates at the Fund's option subject to certain basis point or stamping fee adjustments ranging from 0% to 1.4% depending on the Fund's debt to cash flow ratio. The credit facilities are secured by a $500 million floating charge demand debenture, a general security agreement and a subordination agreement from the Fund covering all assets and cash flows. The credit facilities are subject to review on an annual basis, with the next review anticipated to take place in May 2006. Various borrowing options are available under the credit facilities, including prime rate-based advances and bankers' acceptances loans. The credit facilities constitute a revolving facility for a 364 day term which is extendible annually for a further 364 day revolving period at the option of the syndicate. If not extended, the revolving credit facility is converted to a two year term facility with the first payment due one year and one day after commencement of the term. The credit facilities contain standard commercial covenants for facilities of this nature, and distributions by AOG to the Fund (and effectively by the Fund to Unitholders) are subordinated to the repayment of any amounts owing under the credit facilities. Distributions to Unitholders are not permitted if the Fund is in default of such credit facilities or if the amount of the Fund's outstanding indebtedness under such facilities exceeds the then existing current borrowing base. Interest payments under the debentures are also subordinated to indebtedness under the credit facilities and payments under the debentures are similarly restricted.

At September 30, 2005, the effective interest rate on the outstanding amounts under the facility was approximately 4.2%.

4. Convertible Debentures

The convertible unsecured subordinated debentures pay interest semi-annually and are convertible at the option of the holder into Trust Units of Advantage at the applicable conversion price per Unit plus accrued and unpaid interest. Based on revised accounting standards (note 1), Advantage initially records the proceeds as a liability and equity component, net of issue costs, based on their relative fair market values. The details of the convertible debentures including fair market values initially assigned and issuance costs are as follows:

	10.00%	9.00%	8.25%	7.75%	7.50%	Total
Issue Date	Oct. 18, 2002	Jul. 8, 2003	Dec. 2, 2003	Sept. 15, 2004	Sept. 15, 2004	
Maturity Date	Nov. 1, 2007	Aug. 1, 2008	Feb. 1, 2009	Dec. 1, 2011	Oct. 1, 2009	
Conversion Price	$ 13.30	$ 17.00	$ 16.50	$ 21.00	$ 20.25	
Liability component	$ 52,722	$ 28,662	$ 56,802	$ 47,444	$ 71,631	$ 257,261
Equity component	2,278	1,338	3,198	2,556	3,369	12,739
Gross proceeds	55,000	30,000	60,000	50,000	75,000	270,000
Issuance costs	(2,495)	(1,444)	(2,588)	(2,190)	(3,190)	(11,907)
Net proceeds	**$ 52,505**	**$ 28,556**	**$ 57,412**	**$ 47,810**	**$ 71,810**	**$ 258,093**

The balance of debentures outstanding at September 30, 2005 and changes in the liability and equity components during the nine month period then ended are as follows:

	10.00%	9.00%	8.25%	7.75%	7.50%	Total
Debentures outstanding	$ 2,842	$ 8,746	$ 9,287	$ 49,710	$ 69,773	$140,358
Liability component						
Balance at Dec. 31, 2004	$ 3,923	$ 10,388	$ 12,237	$ 45,548	$ 64,337	$136,433
Accretion of discount	43	131	157	461	858	1,650
Converted to Trust Units	(1,226)	(2,225)	(3,681)	(266)	(197)	(7,595)
Balance at Sept. 30, 2005	**$ 2,740**	**$ 8,294**	**$ 8,713**	**$ 45,743**	**$ 64,998**	**$130,488**
Equity component						
Balance at Dec. 31, 2004	$ 163	$ 472	$ 675	$ 2,444	$ 3,010	$ 6,764
Converted to Trust Units	(51)	(101)	(201)	(14)	(9)	(376)
Balance at Sept. 30, 2005	**$ 112**	**$ 371**	**$ 474**	**$ 2,430**	**$ 3,001**	**$ 6,388**

During the nine months ended September 30, 2005 $8,092,000 debentures were converted resulting in the issuance of 498,991 Advantage Trust Units.

5. Exchangeable Shares

	Number of Shares	Amount
Balance at December 31, 2004	1,450,030	$ 30,842
Converted to Trust Units	(1,339,734)	(28,578)
Non-controlling interest in net income	-	175
Balance at September 30, 2005	**110,296**	**$ 2,439**

AOG is authorized to issue an unlimited number of non-voting Exchangeable Shares. As partial consideration for the acquisition of Defiant which closed on December 21, 2004, AOG issued 1,450,030 Exchangeable Shares. The value of the Exchangeable Shares issued was determined based on the weighted average trading value of Advantage Trust Units during the two-day period before and after the terms of the acquisition were agreed to and announced. Each Exchangeable Share issued by AOG is exchangeable for Advantage Trust Units at any time (subject to the provisions of the Voting and Exchange Trust Agreement), on the basis of the applicable exchange ratio in effect at that time. The exchange ratio was equal to 1.12802 at September 30, 2005 and will be increased on each date that a distribution is paid by Advantage on the Advantage Trust Units by an amount equal to the cash distribution paid divided by the five-day weighted average unit price preceding the record date. It is not anticipated that dividends will be declared or paid on the Exchangeable Shares. The Exchangeable Shares are not publicly traded. However, holders of AOG Exchangeable

Shares can exchange all or a portion of their holdings at any time by giving notice to their investment advisor or AOG's transfer agent, Computershare Trust Company of Canada.

The Exchangeable Shares will not be entitled to any vote at meetings of shareholders of AOG but will, through a Special Voting Unit of Advantage held by the Trustee as trustee under the Voting and Exchange Trust Agreement, be entitled to vote (on the basis of the number of votes equal to the number of Advantage Trust Units into which the Exchangeable Shares are then exchangeable) with the holders of Advantage Trust Units as a class. The Exchangeable Shares will be redeemable by AOG, in certain circumstances, and will be retractable by holders of Exchangeable Shares, in certain circumstances.

Exchangeable Shares not previously redeemed or retracted will be redeemed by AOG or purchased by Advantage on January 15, 2008. If the number of Exchangeable Shares outstanding is less than 100,000, the Fund can elect to redeem the Exchangeable Shares for Trust Units or an amount in cash equal to the amount determined by multiplying the exchange ratio on the last business day prior to the redemption date by the current market price of a trust unit on the last business day prior to such redemption date.

6. Unitholders' Equity

(i) Unitholders' Capital

(a) Authorized

Unlimited number of voting Trust Units

(b) Issued

	Number of Units	Amount
Balance at December 31, 2004 (restated - note 1)	49,674,783	$ 515,544
2004 non-cash performance incentive	763,371	16,570
Issued on conversion of debentures	498,991	7,971
Issued on conversion of exchangeable shares	1,367,736	28,578
Issued for cash, net of costs	5,250,000	107,616
Balance at September 30, 2005	**57,554,881**	**$ 676,279**

On January 19, 2005 Advantage issued 763,371 Trust Units to partially satisfy the obligation related to the 2004 year end performance fee.

On February 9, 2005 Advantage issued 5,250,000 Trust Units at $21.65 per Trust Unit for net proceeds of $107.6 million (net of Underwriters' fees and other issue costs of $6.1 million). The net proceeds of the offering were used to pay down debt incurred in the acquisition of Defiant, for 2005 capital expenditures and for general corporate purposes.

(c) Trust Units Rights Incentive Plan

	Series A		Series B	
	Number	Price	Number	Price
Balance at December 31, 2004	85,000	$ 5.05	225,000	$ 16.75
Reduction of exercise price	-	(2.37)	-	(2.37)
Balance at September 30, 2005	**85,000**	**$ 2.68**	**225,000**	**$ 14.38**

The Series A Trust Unit rights were issued in 2002 and the Fund was unable to determine the fair value for the rights granted under the Plan at that time. Several essential factors required to value such rights include expected future exercise price, distributions, exercise timeframe, volatility and risk-free interest rates. In determining these assumptions, both historical data and future expectations are considered. However, when the Series A Trust Unit rights were originally granted, Advantage had only been established during the prior year and there was little historical information available that may suggest future expectations concerning such assumptions. Therefore, it was concluded that a fair value determination at that time was not possible. The Fund has disclosed pro forma results as if the Fund followed the intrinsic value methodology in accounting for such rights. The intrinsic value methodology would result in recording compensation expense for the rights based on the underlying Trust Unit price at the date of exercise or at the date of the financial statements for unexercised rights as compared to the exercise price.

Pro Forma Results	Three months ended Sept. 30, 2005	Three months ended Sept. 30, 2004	Nine months ended Sept. 30, 2005	Nine months ended Sept. 30, 2004
		(restated - note 1)		(restated - note 1)
Net income as reported	$ 18,674	$ 4,965	$ 49,226	$ 19,183
Less compensation expense for rights issued in 2002	424	301	132	534
Pro Forma net income	$ 18,250	$ 4,664	$ 49,094	$ 18,649
Net income per Trust Unit - basic and diluted				
As reported	$ 0.33	$ 0.12	$ 0.87	$ 0.48
Pro Forma	$ 0.32	$ 0.11	$ 0.87	$ 0.47

(ii) Per Unit Amounts

The calculation of net income per Trust Unit is based on the basic and diluted weighted average number of Trust Units outstanding as follows:

	Three months ended Sept. 30, 2005	Three months ended Sept. 30, 2004	Nine months ended Sept. 30, 2005	Nine months ended Sept. 30, 2004
Basic weighted average Trust Units outstanding	57,370,760	40,887,452	56,290,288	39,403,453
Diluted weighted average Trust Units outstanding	64,927,220	45,901,372	64,168,013	44,695,063

7. Financial Instruments

As at September 30, 2005 the Fund has the following hedges in place:

Description of Hedge	Term	Volume		Average Price
Natural gas - AECO				
Fixed price	April to October 2005	34,123 mcf/d		Cdn$7.45/mcf
Collar	April to October 2005	11,374 mcf/d	Floor	Cdn$6.86/mcf
			Ceiling	Cdn$8.18/mcf
Collar	April to October 2005	11,374 mcf/d	Floor	Cdn$7.02/mcf
			Ceiling	Cdn$8.02/mcf
Crude oil - WTI				
Collar	April to October 2005	1,750 bbls/d	Floor	US$47.00/bbl
			Ceiling	US$56.75/bbl

As at September 30, 2005 the settlement amount of the hedges outstanding was approximately $7.6 million and has been charged to income as an unrealized hedging loss.

8. Performance Incentive

The Manager of the Fund is entitled to earn an annual performance incentive fee which is calculated based on the total return of the Fund. During interim periods no amount is paid to the Manager, nor is the Manager entitled to receive any payment related to the Fund's performance as the actual amount is only calculated and paid on an annual basis.

The Manager earns the performance incentive fee when the Fund's total annual return exceeds 8%. The total annual return is calculated at the end of the year by dividing the year over year change in Unit price plus cash distributions by the opening Unit price. The 2005 opening Unit price was $21.71 and cash distributions for the nine months ended September 30, 2005 amounted to $2.37 per Trust Unit. Ten percent of the amount of the total annual return in excess of 8% is multiplied by the market capitalization (defined as the opening Unit price multiplied by the average number of Units outstanding during the year) to determine the performance incentive. No performance fee has been accrued for the period as the total annual return was less than the 8% threshold as at November 14, 2005. The Manager does not receive any form of compensation in respect of acquisition or divestiture activities.

Forward-Looking Information

The information in this release contains certain forward-looking statements that involve substantial known and unknown risks and uncertainties, certain of which are beyond Advantage's control, including: the impact of general economic conditions, industry conditions, changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced, increased competition, fluctuations in commodity prices and foreign exchange and interest rates, stock market volatility and obtaining required approvals of regulatory authorities. Advantage's actual results, performance or achievement could differ materially from those expressed in, or implied by, such forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do, what benefits that Advantage will derive from them.

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