ADVANTAGE

ENERGY INCOME FUND

January 23, 2009

International Accounting Standards Board
30 Cannon Street
London, EC4M 6XH
United Kingdom

Dear Sir or Madam:

Re: Exposure Draft "Additional Exemptions for First-time Adoptors – Proposed amendments to IFRS 1"

Advantage Energy Income Fund ("Advantage") is a Canadian oil and gas income trust with significant development and production activities in Western Canada. We are publicly traded on both the Toronto and New York Stock Exchanges. Our average daily production is between 32,000 and 33,000 barrels of oil equivalent production per day from over 3,800 producing wells. Advantage commenced operations in 2001 and we have completed seven corporate acquisitions and spent over $1.3 billion developing, exploring and acquiring producing properties. Since inception, we have followed the full cost accounting model as per Canadian Generally Accepted Accounting Principles and our accounting systems and processes have been developed to meet full cost requirements. All of our oil and gas assets are grouped within one unit of account (i.e. one cost centre) and therefore none of the asset costs are distinguishable. We are actively engaged with IFRS implementation and see significant benefits to Canada's adoption of IFRS on January 1, 2011. We are pleased by the IASB's solicitation of feedback to ensure an efficient implementation of IFRS by the various jurisdictions through the utilization of IFRS 1. We are supportive of amendments to IFRS 1 that allow jurisdictions to practically adopt IFRS without compromising the framework upon which it is based.

Question 1 – Deemed cost for oil and gas assets

Do you agree with the proposed deemed cost options for entities using full cost accounting under previous GAAP? Why or why not? If not, what alternative do you propose and why?

We are in strong agreement with the proposed deemed cost option for entities using full cost accounting under previous GAAP.

Advantage has grown from a small startup organization to a substantial producer in a short period through significant capital spending and acquisitions. The myriad and volume of information that would be required to retrospectively implement IFRS standards for oil and gas assets is significant and would produce little or no value to investors or other users. In many cases, the information is simply unavailable, an inherent consequence of significant capital activity over a period of time where full cost accounting has always been applied. For unavailable information, estimates and assumptions would have to be used to generate the necessary financial information, therefore resulting in inaccuracies and perhaps causing audit issues. Additionally, systems employed during this period were not necessarily designed to accumulate the information necessary to complete a retrospective application of IFRS. Much financial information would have to be manually prepared and recreated. Therefore, the effort and associated cost to develop opening balances on transition date would be unusually high. We also believe that the economic benefit to such a process would be considerably low. Stakeholders that are interested in understanding an oil and gas company's assets and future prospects properly refer to published reserve reports, which are independently prepared through stringent requirements based on recent data. Therefore, the purpose of historical accumulated costs is primarily one of accounting allocation to the appropriate periods of asset utilization and it has been our experience that this receives very little attention from stakeholders in our industry.

Beyond the impractical accumulation of detailed cost information, significant challenges also relate to the amortization of oil and gas intangible assets and impairment testing of cash generating units ("CGUs"). Oil and gas intangible assets would generally be amortized by the unit-of-production method based on reserves with the impairment of CGUs dependent upon reserve valuations. Unfortunately, historical reserve reports may not provide the detail or information necessary to calculate amortization of intangibles or conduct appropriate impairment calculations of CGUs.

While it can be argued that this exemption may result in a loss of comparability, we believe this argument to carry little weight. Oil and gas assets are inherently an accumulation of historical costs over various time periods, geographic regions, geological formations, and significantly different types of operations. All of these factors can result in accumulated historical costs between companies that will be significantly different and not comparable for legitimate business reasons. As well, oil and gas assets are depreciated over their separate useful lives and amortized over reserves, as applicable. Depending on the nature of the infrastructure that a company employs, the useful lives can vary remarkably, thereby impacting the oil and gas assets carrying value. Furthermore, current IFRS does not dictate the type of reserves to be utilized for unit-of-production amortization. As a result, similar companies can use different reserves for amortization purposes, resulting in a further loss of comparability. It is also important to appreciate that the oil and gas industry, particularly in Canada, spends a tremendous amount of cash flow each year to explore and develop production. Any concern regarding comparability decreases as time progresses since the opening balances continue to be depreciated and amortized while there are significant new capital additions each year. The real issue becomes one of how comparability is explained. We believe it is management's responsibility to explain their financial results to stakeholders including capital spending and efficiency. Additionally, well documented financial statements with accompanying notes help to explain the accounting policies selected by management, as well as key estimates and assumptions. Various companies and industries will select different accounting policies, estimates and assumptions based on valid business reasons that can impact comparability. Comparability is achieved with stakeholder understanding through disclosure.

Lastly, it is also important to further recognize that the IASB has an ongoing comprehensive research project for extractive activities to resolve accounting issues that are unique to our industry. We strongly support this project and look forward to being an active participant. Therefore, we believe that time is well spent on implementing IFRS in the most efficient, cost effective means possible and the industry as a whole should contribute to the extractive activities research project that will surely impact future accounting standards.

We also refer to the submission of the Oil and Gas Industry IFRS Oversight Committee, dated January 30, 2008 (obtained from IASB minutes, March 2008 Observer Note 5B per www.iasb.org), and express our full concurrence with the views expressed in that correspondence.

Question 2 – Oil and gas assets - disclosure
Do you agree with the proposed disclosure requirements relating to the deemed cost option for oil and gas assets? Why or why not?

We agree with the proposed disclosure requirements relating to the deemed cost option for oil and gas assets.

We believe that the fact that an entity uses the exemption is relevant to users of the financial statements, and disclosing the basis on which the carrying amounts with respect to oil and gas assets were allocated increases the transparency of the entity's transition to IFRS.

Question 3 – Deemed cost for operations subject to rate regulation
Do you agree with the proposed deemed cost option for entities with operations subject to rate regulation? Why or why not? If not, what alternative do you propose and why?

No comment.

Question 4 – Leases
Do you agree with the proposal not to require the reassessment of whether an arrangement contains a lease in the circumstances described in this exposure draft? Why or why not?

No comment.

Question 5 – Assessments under previous GAAP before the date of transition to IFRSs
Do you agree that the situation referred to in Question 4 is the only one in which additional relief of this type is needed? If not, in what other situations is relief necessary and why?

No comment.

Sincerely,
Advantage Energy Income Fund

Per: Craig Blackwood, CA