

# BAYTEX

ENERGY CORP.

## Year-end 2017 Reserves

Baytex's year-end 2017 proved and probable reserves were evaluated by Sproule Unconventional Limited ("Sproule") and Ryder Scott Company, L.P. ("Ryder Scott"), both independent qualified reserves evaluators. Sproule prepared our reserves report by consolidating the Canadian properties evaluated by Sproule with the United States properties evaluated by Ryder Scott, in each case using Sproule's December 31, 2017 forecast price and cost assumptions. Ryder Scott also evaluated the possible reserves associated with our Eagle Ford assets.

All of our oil and gas properties were evaluated or audited in accordance with National Instrument 51-101 "Standards of Disclosure for Oil and Gas Activities" ("NI 51-101") and the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook"). Reserves associated with our thermal heavy oil projects at Peace River, Gemini (Cold Lake) and Kerrobert have been classified as bitumen. Complete reserves disclosure will be included in our Annual Information Form for the year ended December 31, 2017, which will be filed on or before March 31, 2018.

## 2017 Highlights

Highlights of the evaluation of our Total Proved plus Probable ("2P"), Total Proved ("1P") and Proved Developed Producing ("PDP") reserves are provided below. Finding and development ("F&D") and finding, development and acquisition ("FD&A") costs are all reported inclusive of future development costs ("FDC").

- **Active Development in the U.S. and Canada Drives Reserves Growth:** Continued strong performance and capital investment levels in the Eagle Ford along with a resumption of activity in Canada delivered reserves and value growth. Relative to year-end 2016, total company 2P reserves increased 6% to 432 mmboe (201% production replacement) while 1P reserves increased 1% to 256 mmboe (111% production replacement). As a percentage of 2P reserves, oil and NGL reserves represented 80%.
- **Strong Recycle Ratios:** Total company 2P F&D of \$7.26/boe and 2P FD&A of \$9.11/boe improved relative to our three-year averages of \$10.45/boe and \$10.51/boe, respectively. Based on our 2017 operating netback of \$19.62/boe (including financial derivatives gain), we generated strong recycle ratios of 2.7x for F&D and 2.2x for FD&A in 2017. 1P and PDP F&D recycle ratios improved to 2.2x and 1.4x, respectively.
- **Growth in Value:** The net present value (before income taxes) of the future net revenue attributable to our reserves, discounted at 10%, is estimated to be \$4.1 billion (\$3.9 billion at year-end 2016). This led to a net asset value<sup>(1)</sup>, discounted at 10%, of \$10.08 per share (11% higher than year-end 2016). We maintained a strong reserves life index ("RLI"), excluding thermal reserves, of 9.5 years on a proved basis and 14.3 years on a proved plus probable basis, which is calculated using annualized Q4/2017 production.
- **Continued Outperformance in the Eagle Ford:** Eagle Ford 2P reserves increased 8% to 233.3 mmboe, replacing 225% of production. Since acquiring the assets in June 2014, 2P reserves in the Eagle Ford have grown 40%. Positive technical revisions of 20.8 mmboe were realized in the Eagle Ford, reflecting enhanced type well profiles. We have also booked an initial 5.7 mmboe in our new fractured Austin Chalk play in the northern part of our acreage.
- **Resumption of Activity in Canada:** Canada 2P reserves increased 5% to 198.7 mmboe, replacing 175% of production due to a return to active development in Canada, including the integration of the heavy oil assets acquired in the Peace River region in January 2017.

Note:

(1) Based on the estimated reserves value of \$4.1 billion plus a value for undeveloped land holdings, net of long-term debt, asset retirement obligations and working capital. See "Net Asset Value".

The following table reconciles the change in reserves during 2017 by reserves category and operating area.

<b>(gross reserves, mmboe)</b>	<b>Eagle Ford</b>	<b>Heavy Oil</b>	<b>Canada Conventional</b>	<b>Thermal</b>	<b>Total</b>
<b>Proved Developed Producing</b>					
December 31, 2016	60.8	28.3	9.0	0.4	98.5
Additions, net of revisions	16.7	9.6	1.2	0.0	27.5
Production	(13.4)	(9.4)	(2.5)	(0.3)	(25.6)
December 31, 2017	64.1	28.5	7.7	0.1	100.4
% Change	5%	1%	(14%)	—	2%
<b>Proved</b>					
December 31, 2016	168.1	55.2	15.9	13.5	252.7
Additions, net of revisions	17.0	9.0	2.3	0.1	28.5
Production	(13.4)	(9.4)	(2.5)	(0.3)	(25.6)
December 31, 2017	171.7	54.8	15.7	13.3	255.6
% Change	2%	(1%)	(1%)	(1%)	1%
<b>Proved Plus Probable</b>					
December 31, 2016	216.5	85.0	35.3	69.3	406.1
Additions, net of revisions	30.2	20.1	1.2	0.0	51.5
Production	(13.4)	(9.4)	(2.5)	(0.3)	(25.6)
December 31, 2017	233.3	95.7	34.0	69.0	432.0
% Change	8%	13%	(4%)	0%	6%

## Petroleum and Natural Gas Reserves as at December 31, 2017

The following table sets forth our gross and net reserves volumes at December 31, 2017 by product type and reserves category using Sproule's forecast prices and costs. Please note that the data in the table may not add due to rounding.

<b>CANADA</b>	<b>Forecast Prices and Costs</b>					
	<b>Heavy Oil</b>		<b>Bitumen</b>		<b>Light and Medium Oil</b>	
	<b>Gross<sup>(1)</sup></b>	<b>Net<sup>(2)</sup></b>	<b>Gross<sup>(1)</sup></b>	<b>Net<sup>(2)</sup></b>	<b>Gross<sup>(1)</sup></b>	<b>Net<sup>(2)</sup></b>
<b>Reserves Category</b>	<b>(mbbl)</b>	<b>(mbbl)</b>	<b>(mbbl)</b>	<b>(mbbl)</b>	<b>(mbbl)</b>	<b>(mbbl)</b>
Proved						
Developed Producing	26,276	20,748	94	92	1,482	1,441
Developed Non-Producing	1,750	1,498	7,744	7,072	1	1
Undeveloped	18,680	16,608	5,428	4,546	125	122
Total Proved	46,706	38,854	13,266	11,709	1,608	1,564
Probable	39,757	33,563	55,726	43,833	1,225	1,090
Total Proved Plus Probable	86,463	72,417	68,992	55,542	2,833	2,654

<b>CANADA</b>	<b>Forecast Prices and Costs</b>					
	<b>Natural Gas Liquids<sup>(3)</sup></b>		<b>Conventional Natural Gas<sup>(4)</sup></b>		<b>Oil Equivalent<sup>(5)</sup></b>	
	<b>Gross<sup>(1)</sup></b>	<b>Net<sup>(2)</sup></b>	<b>Gross<sup>(1)</sup></b>	<b>Net<sup>(2)</sup></b>	<b>Gross<sup>(1)</sup></b>	<b>Net<sup>(2)</sup></b>
<b>Reserves Category</b>	<b>(mbbl)</b>	<b>(mbbl)</b>	<b>(mmcf)</b>	<b>(mmcf)</b>	<b>(mboe)</b>	<b>(mboe)</b>
Proved						
Developed Producing	1,075	761	43,929	37,680	36,249	29,322
Developed Non-Producing	21	12	27,034	25,309	14,021	12,801
Undeveloped	1,522	1,228	46,856	41,080	33,564	29,351
Total Proved	2,618	2,002	117,819	104,069	83,834	71,474
Probable	3,132	2,428	89,963	77,782	114,834	93,878
Total Proved Plus Probable	5,750	4,430	207,782	181,853	198,667	165,352

<b>UNITED STATES</b>	<b>Forecast Prices and Costs</b>					
	<b>Tight Oil</b>		<b>Natural Gas Liquids<sup>(3)</sup></b>		<b>Shale Gas</b>	
	<b>Gross<sup>(1)</sup></b>	<b>Net<sup>(2)</sup></b>	<b>Gross<sup>(1)</sup></b>	<b>Net<sup>(2)</sup></b>	<b>Gross<sup>(1)</sup></b>	<b>Net<sup>(2)</sup></b>
<b>Reserves Category</b>	<b>(mbbl)</b>	<b>(mbbl)</b>	<b>(mbbl)</b>	<b>(mbbl)</b>	<b>(mmcf)</b>	<b>(mmcf)</b>
Proved						
Developed Producing	20,191	14,809	28,052	20,742	61,139	45,273
Developed Non-Producing	32	23	111	81	209	152
Undeveloped	30,074	22,022	53,784	39,590	111,506	82,186
Total Proved	50,296	36,854	81,947	60,413	172,855	127,611
Probable	11,390	8,361	35,830	26,333	75,686	55,607
Total Proved Plus Probable	61,686	45,215	117,777	86,745	248,541	183,218
Possible <sup>(6)</sup>	19,992	14,679	41,964	30,862	89,370	65,736
Total Proved Plus Probable Plus Possible	81,679	59,894	159,741	117,607	337,910	248,954

**UNITED STATES**

<u>Reserves Category</u>
Proved
Developed Producing
Developed Non-Producing
Undeveloped
Total Proved
Probable
Total Proved Plus Probable
Possible <sup>(b)</sup>
Total Proved Plus Probable Plus Possible

**Forecast Prices and Costs**

<u>Conventional Natural Gas<sup>(4)</sup></u>		<u>Oil Equivalent<sup>(5)</sup></u>	
<u>Gross<sup>(1)</sup></u>	<u>Net<sup>(2)</sup></u>	<u>Gross<sup>(1)</sup></u>	<u>Net<sup>(2)</sup></u>
<u>(mmcf)</u>	<u>(mmcf)</u>	<u>(mboe)</u>	<u>(mdbl)</u>
34,115	25,076	64,119	47,276
91	65	193	140
29,812	21,794	107,410	78,942
64,018	46,935	171,722	126,358
10,761	7,900	61,628	45,278
74,778	54,835	233,349	171,635
19,577	14,372	80,115	58,892
94,356	69,207	313,464	230,528

**TOTAL**

<u>Reserves Category</u>
Proved
Developed Producing
Developed Non-Producing
Undeveloped
Total Proved
Probable
Total Proved Plus Probable
Possible <sup>(6)(7)</sup>
Total Proved Plus Probable Plus Possible

**Forecast Prices and Costs**

<u>Heavy Oil</u>		<u>Bitumen</u>		<u>Light and Medium Oil</u>	
<u>Gross<sup>(1)</sup></u>	<u>Net<sup>(2)</sup></u>	<u>Gross<sup>(1)</sup></u>	<u>Net<sup>(2)</sup></u>	<u>Gross<sup>(1)</sup></u>	<u>Net<sup>(2)</sup></u>
<u>(mdbl)</u>	<u>(mdbl)</u>	<u>(mdbl)</u>	<u>(mdbl)</u>	<u>(mdbl)</u>	<u>(mdbl)</u>
26,276	20,748	94	92	1,482	1,441
1,750	1,498	7,744	7,072	1	1
18,680	16,608	5,428	4,546	125	122
46,706	38,854	13,266	11,709	1,608	1,564
39,757	33,563	55,726	43,833	1,225	1,090
86,463	72,417	68,992	55,542	2,833	2,654
—	—	—	—	—	—
86,463	72,417	68,992	55,542	2,833	2,654

**TOTAL**

<u>Reserves Category</u>
Proved
Developed Producing
Developed Non-Producing
Undeveloped
Total Proved
Probable
Total Proved Plus Probable
Possible <sup>(6)(7)</sup>
Total Proved Plus Probable Plus Possible

**Forecast Prices and Costs**

<u>Tight Oil</u>		<u>Natural Gas Liquids<sup>(3)</sup></u>		<u>Shale Gas</u>	
<u>Gross<sup>(1)</sup></u>	<u>Net<sup>(2)</sup></u>	<u>Gross<sup>(1)</sup></u>	<u>Net<sup>(2)</sup></u>	<u>Gross<sup>(1)</sup></u>	<u>Net<sup>(2)</sup></u>
<u>(mdbl)</u>	<u>(mdbl)</u>	<u>(mdbl)</u>	<u>(mdbl)</u>	<u>(mmcf)</u>	<u>(mmcf)</u>
20,191	14,809	29,128	21,503	61,139	45,273
32	23	131	93	209	152
30,074	22,022	55,306	40,818	111,506	82,186
50,296	36,854	84,564	62,414	172,855	127,611
11,390	8,361	38,962	28,760	75,686	55,607
61,686	45,215	123,526	91,175	248,541	183,218
19,992	14,679	41,964	30,862	89,370	65,736
81,679	59,894	165,491	122,037	337,910	248,954

**TOTAL****Forecast Prices and Costs**

<b>Reserves Category</b>	<b>Conventional Natural Gas<sup>(4)</sup></b>		<b>Oil Equivalent<sup>(5)</sup></b>	
	<b>Gross<sup>(1)</sup></b>	<b>Net<sup>(2)</sup></b>	<b>Gross<sup>(1)</sup></b>	<b>Net<sup>(2)</sup></b>
	<b>(mmcf)</b>	<b>(mmcf)</b>	<b>(mboe)</b>	<b>(mboe)</b>
Proved				
Developed Producing	78,045	62,756	100,368	76,598
Developed Non-Producing	27,125	25,374	14,214	12,941
Undeveloped	76,668	62,874	140,974	108,293
Total Proved	181,837	151,004	255,556	197,831
Probable	100,723	85,683	176,461	139,155
Total Proved Plus Probable	282,561	236,687	432,017	336,987
Possible <sup>(6)(7)</sup>	19,577	14,372	80,115	58,892
Total Proved Plus Probable Plus Possible	302,138	251,059	512,131	395,879

## Notes:

- (1) "Gross" reserves means the total working and royalty interest share of remaining recoverable reserves owned by Baytex before deductions of royalties payable to others.
- (2) "Net" reserves means Baytex's gross reserves less all royalties payable to others.
- (3) Natural Gas Liquids includes condensate.
- (4) Conventional Natural Gas includes associated, non-associated and solution gas.
- (5) Oil equivalent amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil. BOEs may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
- (6) Possible reserves are those reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.
- (7) The total possible reserves include only possible reserves from the Eagle Ford assets. The possible reserves associated with the Canadian properties have not been evaluated.

**Reserves Reconciliation**

The following table reconciles the year-over-year changes in our gross reserves volumes by product type and reserves category using Sproule's forecast prices and costs. Please note that the data in table may not add due to rounding.

**Reconciliation of Gross Reserves <sup>(1)(2)</sup>  
By Principal Product Type  
Forecast Prices and Costs**

<b>Gross Reserves Category</b>	<b>Heavy Oil</b>			<b>Bitumen</b>		
	<b>Proved (mbbl)</b>	<b>Probable (mbbl)</b>	<b>Proved + Probable (mbbl)</b>	<b>Proved (mbbl)</b>	<b>Probable (mbbl)</b>	<b>Proved + Probable (mbbl)</b>
December 31, 2016	46,875	29,325	76,199	13,465	55,835	69,300
Extensions	638	500	1,138	—	—	—
Infill Drilling	369	364	732	—	—	—
Improved Recoveries	—	1,997	1,997	—	—	—
Technical Revisions	1,121	(2,861)	(1,740)	197	(142)	55
Discoveries	—	—	—	—	—	—
Acquisitions <sup>(3)</sup>	7,941	11,334	19,275	—	—	—
Dispositions	(1,221)	(974)	(2,195)	—	—	—
Economic Factors	(89)	73	(16)	(80)	33	(47)
Production	(8,927)	—	(8,927)	(317)	—	(317)
December 31, 2017	46,706	39,757	86,463	13,266	55,726	68,992

<b>Gross Reserves Category</b>	<b>Light and Medium Crude Oil</b>			<b>Tight Oil</b>		
	<b>Proved (mbbl)</b>	<b>Probable (mbbl)</b>	<b>Proved + Probable (mbbl)</b>	<b>Proved (mbbl)</b>	<b>Probable (mbbl)</b>	<b>Proved + Probable (mbbl)</b>
December 31, 2016	2,293	1,794	4,087	49,714	8,399	58,113
Extensions	—	—	—	—	—	—
Infill Drilling	—	—	—	1,307	2,252	3,559
Improved Recoveries	—	—	—	—	—	—
Technical Revisions <sup>(4)</sup>	422	31	453	3,821	736	4,557
Discoveries	—	—	—	—	—	—
Acquisitions	—	—	—	—	—	—
Dispositions	(720)	(559)	(1,279)	—	—	—
Economic Factors	38	(41)	(3)	8	3	11
Production	(425)	—	(425)	(4,553)	—	(4,553)
December 31, 2017	1,608	1,225	2,833	50,296	11,390	61,686

<b>Gross Reserves Category</b>	<b>Natural Gas Liquids <sup>(5)</sup></b>			<b>Shale Gas</b>		
	<b>Proved (mbbl)</b>	<b>Probable (mbbl)</b>	<b>Proved + Probable (mbbl)</b>	<b>Proved (mmcf)</b>	<b>Probable (mmcf)</b>	<b>Proved + Probable (mmcf)</b>
December 31, 2016	82,692	31,825	114,516	173,828	59,075	232,903
Extensions	90	224	314	—	—	—
Infill Drilling	1,393	1,095	2,488	2,096	6,464	8,560
Improved Recoveries	—	—	—	—	—	—
Technical Revisions <sup>(4)</sup>	6,487	5,758	12,245	7,590	10,190	17,781
Discoveries	—	—	—	—	—	—
Acquisitions	115	81	196	—	—	—
Dispositions	—	—	—	—	—	—
Economic Factors	(50)	(21)	(71)	(133)	(43)	(177)
Production	(6,162)	—	(6,162)	(10,526)	—	(10,526)
December 31, 2017	84,564	38,962	123,526	172,855	75,686	248,541

Gross Reserves Category	Conventional Natural Gas <sup>(6)</sup>			Oil Equivalent <sup>(7)</sup>		
	Proved (mmcf)	Probable (mmcf)	Proved + Probable (mmcf)	Proved (mboe)	Probable (mboe)	Proved + Probable (mboe)
December 31, 2016	172,016	98,112	270,127	252,679	153,375	406,053
Extensions	2,067	5,042	7,109	1,073	1,564	2,637
Infill Drilling	3,421	845	4,266	3,987	4,929	8,916
Improved Recoveries	—	—	—	—	1,997	1,997
Technical Revisions <sup>(4)</sup>	21,703	(6,086)	15,617	16,931	4,206	21,137
Discoveries	—	—	—	—	—	—
Acquisitions <sup>(3)</sup>	4,241	3,008	7,249	8,763	11,916	20,679
Dispositions	(2)	(2)	(4)	(1,942)	(1,534)	(3,475)
Economic Factors	(608)	(195)	(803)	(296)	8	(289)
Production	(21,001)	—	(21,001)	(25,639)	—	(25,639)
December 31, 2017	181,837	100,724	282,560	255,556	176,461	432,017

Notes:

- (1) "Gross" reserves means the total working and royalty interest share of remaining recoverable reserves owned by Baytex before deductions of royalties payable to others.
- (2) Reserves information as at December 31, 2017 and 2016 is prepared in accordance with NI 51-101.
- (3) Heavy oil and conventional natural gas acquisitions are principally attributable to reserves associated with the Peace River assets acquired on January 20, 2017.
- (4) Positive technical revisions for tight oil, natural gas liquids and shale gas are largely the result of enhanced type well profiles on our Eagle Ford acreage.
- (5) Natural gas liquids include condensate.
- (6) Conventional natural gas includes associated, non-associated and solution gas.
- (7) Oil equivalent amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil. BOEs may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

### Reserves Life Index

The following table sets forth our reserves life index, which is calculated by dividing our proved and proved plus probable reserves (excluding thermal reserves) at year-end 2017 by annualized Q4/2017 production.

	Q4/2017 Actual	Reserves Life Index (years)	
	Production	Proved	Proved Plus Probable
Oil and NGL (bbl/d)	56,046	9.0	13.4
Natural Gas (mcf/d)	81,063	12.0	17.9
Oil Equivalent (boe/d)	69,556	9.5	14.3

## Capital Program Efficiency

Based on the evaluation of our petroleum and natural gas reserves prepared in accordance with NI 51-101 by our independent qualified reserves evaluators, the efficiency of our capital programs (including FDC) is summarized in the following table.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>Three-Year Total / Average 2015 - 2017</u>
Capital Expenditures (\$ millions)				
Exploration and development	\$ 326.3	\$ 224.8	\$ 521.0	\$ 1,072.1
Acquisitions (net of dispositions)	59.9	(63.6)	1.6	(2.1)
Total	<u>\$ 386.1</u>	<u>\$ 161.2</u>	<u>\$ 522.7</u>	<u>\$ 1,070.0</u>
Change in Future Development Costs – Proved (\$ millions)				
Exploration and development	\$ (132.6)	\$ (219.4)	\$ (397.9)	\$ (749.9)
Acquisitions (net of dispositions)	35.5	7.6	6.0	49.1
Total	<u>\$ (97.1)</u>	<u>\$ (211.8)</u>	<u>\$ (391.9)</u>	<u>\$ (700.8)</u>
Change in Future Development Costs – Proved plus Probable (\$ millions)				
Exploration and Development	\$ (76.4)	\$ 108.8	\$ (399.9)	\$ (367.5)
Acquisitions (net of dispositions)	160.6	1.9	0.5	163.0
Total	<u>\$ 84.2</u>	<u>\$ 110.7</u>	<u>\$ (399.4)</u>	<u>\$ (204.5)</u>
Proved Reserves Additions (mboe)				
Exploration and development	21,695	5,041	21,729	48,465
Acquisitions (net of dispositions)	6,821	(1,564)	537	5,794
Total	<u>28,516</u>	<u>3,477</u>	<u>22,266</u>	<u>54,259</u>
Proved plus Probable Reserves Additions (mboe)				
Exploration and development	34,398	17,253	15,782	67,433
Acquisitions (net of dispositions)	17,204	(2,408)	126	14,922
Total	<u>51,602</u>	<u>14,845</u>	<u>15,908</u>	<u>82,355</u>
F&D costs (\$/boe) <sup>(1)</sup>				
Proved	\$ 8.93	\$ 1.07	\$ 5.67	\$ 6.65
Proved plus probable	\$ 7.26	\$ 19.33	\$ 7.68	\$ 10.45
FD&A costs (\$/boe) <sup>(2)</sup>				
Proved	\$ 10.13	\$ — <sup>(5)</sup>	\$ 5.88	\$ 6.80
Proved plus probable	\$ 9.11	\$ 18.33	\$ 7.75	\$ 10.51
Ratios (based on proved plus probable reserves)				
Production replacement ratio <sup>(3)</sup>	201%	58%	52%	100%
Recycle ratio <sup>(4)</sup>	2.7x	0.9x	2.9x	2.2x

### Notes:

- (1) F&D costs are calculated as total exploration and development expenditures (excluding acquisition and divestitures and including the change in FDC) divided by reserves additions from exploration and development activity.
- (2) FD&A costs are calculated as total capital expenditures (including acquisition and divestitures and the change in FDC) divided by total reserves additions.
- (3) Production Replacement Ratio is calculated as total reserves additions (including acquisitions and divestitures) divided by annual production.
- (4) Recycle Ratio is calculated as operating netback divided by F&D costs (proved plus probable). Operating netback is calculated as revenue (including realized financial derivatives gains and losses) less royalties, operating expenses and transportation expenses.
- (5) 2016 FD&A costs (proved) were negative due to the reduction in estimated Future Development Costs.



## Net Present Value of Reserves (Forecast Prices and Costs)

The following table summarizes Sproule and Ryder Scott's estimate of the net present value before income taxes of the future net revenue attributable to our reserves using Sproule's forecast prices and costs (and excluding the impact of any hedging activities). Please note that the data in the table may not add due to rounding.

### Summary of Net Present Value of Future Net Revenue As at December 31, 2017 Forecast Prices and Costs Before Income Taxes and Discounted at (%/year)

#### CANADA

Reserves Category	0% (\$000s)	5% (\$000s)	10% (\$000s)	15% (\$000s)	20% (\$000s)
Proved					
Developed Producing	\$ 394,678	\$ 392,339	\$ 359,063	\$ 327,713	\$ 300,965
Developed Non-Producing	322,386	195,869	135,648	98,310	73,393
Undeveloped	475,480	362,040	278,773	216,443	168,923
Total Proved	1,192,544	950,248	773,484	642,465	543,281
Probable	2,428,609	1,326,481	806,284	526,528	360,482
Total Proved Plus Probable	\$ 3,621,153	\$ 2,276,730	\$ 1,579,768	\$ 1,168,994	\$ 903,763

#### UNITED STATES

Reserves Category	0% (\$000s)	5% (\$000s)	10% (\$000s)	15% (\$000s)	20% (\$000s)
Proved					
Developed Producing	\$ 1,771,167	\$ 1,311,579	\$ 1,045,543	\$ 875,040	\$ 757,316
Developed Non-Producing	4,334	3,227	2,537	2,080	1,763
Undeveloped	2,492,733	1,523,326	1,009,941	705,898	510,856
Total Proved	4,268,233	2,838,131	2,058,020	1,583,018	1,269,934
Probable	1,679,658	812,362	452,804	276,144	178,484
Total Proved Plus Probable	5,947,892	3,650,494	2,510,824	1,859,162	1,448,419
Possible <sup>(1)</sup>	2,750,546	1,581,035	1,046,186	752,174	570,766
Total Proved Plus Probable Plus Possible <sup>(1)</sup>	\$ 8,698,438	\$ 5,231,529	\$ 3,557,009	\$ 2,611,337	\$ 2,019,185

#### TOTAL

Reserves Category	0% (\$000s)	5% (\$000s)	10% (\$000s)	15% (\$000s)	20% (\$000s)
Proved					
Developed Producing	\$ 2,165,845	\$ 1,703,918	\$ 1,404,606	\$ 1,202,752	\$ 1,058,281
Developed Non-Producing	326,719	199,096	138,185	100,390	75,156
Undeveloped	2,968,213	1,885,366	1,288,713	922,341	679,779
Total Proved	5,460,777	3,788,380	2,831,504	2,225,483	1,813,216
Probable	4,108,268	2,138,844	1,259,087	802,673	538,966
Total Proved Plus Probable	9,569,045	5,927,224	4,090,592	3,028,156	2,352,182
Possible <sup>(1)(2)</sup>	2,750,546	1,581,035	1,046,186	752,174	570,766
Total Proved Plus Probable Plus Possible <sup>(1)(2)</sup>	\$ 12,319,591	\$ 7,508,259	\$ 5,136,777	\$ 3,780,330	\$ 2,922,948

#### Notes:

- (1) Possible reserves are those reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.
- (2) The total possible reserves include only possible reserves from the Eagle Ford assets. The possible reserves associated with the Canadian properties have not been evaluated.

## Sproule Forecast Prices and Costs

The following table summarizes the forecast prices used by Sproule in preparing the estimated reserves volumes and the net present values of future net revenues at December 31, 2017.

Year	WTI Cushing US\$/bbl	Canadian Light Sweet C\$/bbl	Western Canada Select C\$/bbl	Henry Hub US\$/MMbtu	AECO-C Spot C\$/MMbtu	Operating Cost Inflation Rate %/Yr	Capital Cost Inflation Rate %/Yr	Exchange Rate \$US/\$Cdn
2017 act.	50.95	61.84	48.78	3.02	2.20	2.2	(3.4)	0.771
2018	55.00	65.44	51.05	3.25	2.85	0.0	0.0	0.790
2019	65.00	74.51	59.61	3.50	3.11	2.0	2.0	0.820
2020	70.00	78.24	64.94	4.00	3.65	2.0	2.0	0.850
2021	73.00	82.45	68.43	4.08	3.80	2.0	2.0	0.850
2022	74.46	84.10	69.80	4.16	3.95	2.0	2.0	0.850
2023	75.95	85.78	71.20	4.24	4.05	2.0	2.0	0.850
2024	77.47	87.49	72.62	4.33	4.15	2.0	2.0	0.850
2025	79.02	89.24	74.07	4.42	4.25	2.0	2.0	0.850
2026	80.60	91.03	75.55	4.50	4.36	2.0	2.0	0.850
2027	82.21	92.85	77.06	4.59	4.46	2.0	2.0	0.850
2028	83.86	94.71	78.61	4.69	4.57	2.0	2.0	0.850
Thereafter	Escalation rate of 2.0%							

## Future Development Costs

The following table sets forth future development costs deducted in the estimation of the future net revenue attributable to the reserves categories noted below.

	Future Development Costs As of December 31, 2017 Forecast Prices and Costs (\$000s)					
	CANADA		UNITED STATES		TOTAL	
	Proved Reserves	Proved plus Probable Reserves	Proved Reserves	Proved plus Probable Reserves	Proved Reserves	Proved plus Probable Reserves
2018	98,043	126,225	136,837	149,937	234,879	276,163
2019	155,071	188,546	311,259	315,979	466,330	504,524
2020	133,323	357,593	302,301	316,986	435,624	674,579
2021	6,348	263,674	232,243	297,916	238,591	561,590
2022	12,401	122,321	146,451	249,786	158,852	372,107
Remaining	1,734	309,933	141,785	471,862	143,519	781,794
Total (undiscounted)	406,921	1,368,291	1,270,875	1,802,465	1,677,796	3,170,757

## Properties with No Attributed Reserves

The following table sets forth our undeveloped land holdings as at December 31, 2017.

	Undeveloped Acres	
	Gross	Net
<b>Canada</b>		
Alberta	748,920	688,166
Saskatchewan	111,360	105,901
Total Canada	860,280	794,067
<b>United States</b>		
Texas	117	102
Total Company	860,397	794,169

Undeveloped land holdings are lands that have not been assigned reserves as at December 31, 2017. We estimate the value of our net undeveloped land holdings at December 31, 2017 to be approximately \$75.9 million, as compared to \$67.1 million as at December 31, 2016. This internal evaluation generally represents the estimated replacement cost of our undeveloped land. In determining replacement cost, we analyzed land sale prices paid at Provincial Crown and State land sales for properties in the vicinity of our undeveloped land holdings, less an allowance for near-term expiries, net of undeveloped acreage that has reserves value attributed.

## Net Asset Value

Our estimated net asset value is based on the estimated net present value of all future net revenue from our reserves, before income taxes, as estimated by the Company's independent reserves engineers, Sproule and Ryder Scott, at year-end, plus the estimated value of our undeveloped land holdings, less asset retirement obligations, long-term debt and net working capital. This calculation can vary significantly depending on the oil and natural gas price assumptions used by the independent reserves evaluators.

In addition, this calculation does not consider "going concern" value and assumes only the reserves identified in the reserves reports with no further acquisitions or incremental development, including development of possible reserves or contingent resources. As we execute our capital programs, we expect to convert possible reserves and contingent resources to reserves which may result in an increase in booked proved plus probable reserves.

The following table sets forth our net asset value as at December 31, 2017.

(\$ millions except per share amounts)	Net Asset Value Forecast Prices and Costs Before Income Taxes and Discounted at (%/year)		
	5%	10%	15%
Total net present value of proved plus probable reserves (before tax)	\$ 5,927	\$ 4,091	\$ 3,028
Undeveloped land holdings <sup>(1)</sup>	76	76	76
Asset retirement obligations <sup>(2)</sup>	(122)	(59)	(42)
Net debt	(1,734)	(1,734)	(1,734)
Net Asset Value	\$ 4,147	\$ 2,374	\$ 1,328
Net Asset Value per Share <sup>(3)</sup>	\$ 17.61	\$ 10.08	\$ 5.64

Notes:

- (1) The value of undeveloped land holdings generally represents the estimated replacement cost of our undeveloped land.
- (2) Asset retirement obligations may not equal the amount shown on the statement of financial position as a portion of these costs are already reflected in the present value of proved plus probable reserves and the discount rates applied differ.
- (3) Based on 235.5 million common shares outstanding as at December 31, 2017.

## Advisory Regarding Forward-Looking Statements

*In the interest of providing Baytex's shareholders and potential investors with information regarding Baytex, including management's assessment of Baytex's future plans and operations, certain statements in this document are "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and "forward-looking information" within the meaning of applicable Canadian securities legislation (collectively, "forward-looking statements"). In some cases, forward-looking statements can be identified by terminology such as "anticipate", "believe", "continue", "could", "estimate", "expect", "forecast", "intend", "may", "objective", "ongoing", "outlook", "potential", "project", "plan", "should", "target", "would", "will" or similar words suggesting future outcomes, events or performance. The forward-looking statements contained in this document speak only as of the date thereof and are expressly qualified by this cautionary statement.*

*Specifically, this document contains forward-looking statements relating to but not limited to: our reserves life index; the net present value before income taxes of the future net revenue attributable to our reserves; forecast prices for petroleum and natural gas; forecast inflation and exchange rates; future development costs; the value of our undeveloped land holdings; our estimated net asset value; and that we expect to convert possible reserves and contingent resources to reserves. In addition, information and statements relating to reserves are deemed to be forward-looking statements, as they involve implied assessment, based on certain estimates and assumptions, that the reserves described exist in quantities predicted or estimated, and that they can be profitably produced in the future.*

*These forward-looking statements are based on certain key assumptions regarding, among other things: petroleum and natural gas prices and differentials between light, medium and heavy oil prices; well production rates and reserve volumes; our ability to add production and reserves through our exploration and development activities; capital expenditure levels; our ability to borrow under our credit agreements; the receipt, in a timely manner, of regulatory and other required approvals for our operating activities; the availability and cost of labour and other industry services; interest and foreign exchange rates; the continuance of existing and, in certain circumstances, proposed tax and royalty regimes; our ability to develop our crude oil and natural gas properties in the manner currently contemplated; and current industry conditions, laws and regulations continuing in effect (or, where changes are proposed, such changes being adopted as anticipated). Readers are cautioned that such assumptions, although considered reasonable by Baytex at the time of preparation, may prove to be incorrect.*

*Actual results achieved will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. Such factors include, but are not limited to: the volatility of oil and natural gas prices and price differentials; the availability and cost of capital or borrowing; that our credit facilities may not provide sufficient liquidity or may not be renewed; failure to comply with the covenants in our debt agreements; risks associated with a third-party operating our Eagle Ford properties; availability and cost of gathering, processing and pipeline systems; public perception and its influence on the regulatory regime; changes in government regulations that affect the oil and gas industry; changes in environmental, health and safety regulations; restrictions or costs imposed by climate change initiatives; variations in*

interest rates and foreign exchange rates; risks associated with our hedging activities; the cost of developing and operating our assets; depletion of our reserves; risks associated with the exploitation of our properties and our ability to acquire reserves; changes in income tax or other laws or government incentive programs; uncertainties associated with estimating oil and natural gas reserves; our inability to fully insure against all risks; risks of counterparty default; risks associated with acquiring, developing and exploring for oil and natural gas and other aspects of our operations; risks associated with large projects; risks related to our thermal heavy oil projects; risks associated with our use of information technology systems; risks associated with the ownership of our securities, including changes in market-based factors; risks for United States and other non-resident shareholders, including the ability to enforce civil remedies, differing practices for reporting reserves and production, additional taxation applicable to non-residents and foreign exchange risk; and other factors, many of which are beyond our control. These and additional risk factors are discussed in our Annual Information Form, Annual Report on Form 40-F and Management's Discussion and Analysis for the year ended December 31, 2017, to be filed with Canadian securities regulatory authorities and the U.S. Securities and Exchange Commission not later than March 31, 2018 and in our other public filings.

The above summary of assumptions and risks related to forward-looking statements has been provided in order to provide shareholders and potential investors with a more complete perspective on Baytex's current and future operations and such information may not be appropriate for other purposes.

There is no representation by Baytex that actual results achieved will be the same in whole or in part as those referenced in the forward-looking statements and Baytex does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities law.

### **Advisory Regarding Oil and Gas Information**

The reserves information contained in this document has been prepared in accordance with National Instrument 51-101 "Standards of Disclosure for Oil and Gas Activities" of the Canadian Securities Administrators ("NI 51-101"). Complete NI 51-101 reserves disclosure will be included in our Annual Information Form for the year ended December 31, 2017, which will be filed on or before March 31, 2018. Listed below are cautionary statements that are specifically required by NI 51-101:

- Where applicable, oil equivalent amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil. BOEs may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
- With respect to finding and development costs, the aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year.
- This document contains estimates of the net present value of our future net revenue from our reserves. Such amounts do not represent the fair market value of our reserves.

This document contains metrics commonly used in the oil and natural gas industry, such as "recycle ratio," "operating netback," and "reserves life index." These terms do not have a standardized meaning and may not be comparable to similar measures presented by other companies, and therefore should not be used to make such comparisons. Such metrics have been included in this document to provide readers with additional measures to evaluate Baytex's performance, however, such measures are not reliable indicators of Baytex's future performance and future performance may not compare to Baytex's performance in previous periods and therefore such metrics should not be unduly relied upon.

References herein to average 30-day initial production rates and other short-term production rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will commence production and decline thereafter and are not indicative of long term performance or of ultimate recovery. While encouraging, readers are cautioned not to place reliance on such rates in calculating aggregate production for us or the assets for which such rates are provided. A pressure transient analysis or well-test interpretation has not been carried out in respect of all wells. Accordingly, we caution that the test results should be considered to be preliminary.

### **Notice to United States Readers**

The petroleum and natural gas reserves contained in this document have generally been prepared in accordance with Canadian disclosure standards, which are not comparable in all respects to United States or other foreign disclosure standards. For example, the United States Securities and Exchange Commission (the "SEC") requires oil and gas issuers, in their filings with the SEC, to disclose only "proved reserves", but permits the optional disclosure of "probable reserves" and "possible reserves" (each as defined in SEC rules). Canadian securities laws require oil and gas issuers disclose their reserves in accordance with NI 51-101, which requires disclosure of not only "proved reserves" but also "probable reserves" and permits the optional disclosure of "possible reserves". Additionally, NI 51-101 defines "proved reserves", "probable reserves" and "possible reserves" differently from the SEC rules. Accordingly, proved, probable and possible reserves disclosed in this document may not be comparable to United States standards. Probable reserves are higher risk and are generally believed to be less likely to be accurately estimated or recovered than proved reserves. Possible reserves are higher risk than probable reserves and are generally believed to be less likely to be accurately estimated or recovered than probable reserves.

In addition, under Canadian disclosure requirements and industry practice, reserves and production are reported using gross volumes, which are volumes prior to deduction of royalty and similar payments. The SEC rules require reserves and production to be presented using net volumes, after deduction of applicable royalties and similar payments.

Moreover, Baytex has determined and disclosed estimated future net revenue from its reserves using forecast prices and costs, whereas the SEC rules require that reserves be estimated using a 12-month average price, calculated as the arithmetic average of the first-day-of-the-month price for each month within the 12-month period prior to the end of the reporting period. As a consequence of the foregoing, Baytex's reserve estimates and production volumes in this document may not be comparable to those made by companies utilizing United States reporting and disclosure standards.

All amounts in this document are stated in Canadian dollars unless otherwise specified.