



## Premium Dividend™ and Dividend Reinvestment Plan

### Questions and Answers

The following series of questions and answers explains some of the key features of the Premium Dividend™ and Dividend Reinvestment Plan (the "*Plan*") of Baytex Energy Corp. ("*Baytex*").

**The answers are, however, of a summary nature only, and are expressly subject to the complete text of the Plan, a copy of which may be obtained from the Plan Agent's website at [www.valianttrust.com/investor-services](http://www.valianttrust.com/investor-services), by calling the Plan Agent at 1-866-313-1872, or from Baytex's website at [www.baytexenergy.com](http://www.baytexenergy.com). Shareholders of Baytex should carefully read the complete text of the Plan before making any decisions regarding participation in the Plan.**

#### 1. What does the Plan offer?

If you are an eligible holder ("*Shareholder*") of common shares ("*Shares*") of Baytex as described in the Plan and summarized under Question #4 below, the Plan provides an opportunity for you to receive, by reinvesting the cash dividends ("*Dividends*") declared payable by Baytex on your Shares, either:

- (a) a premium cash payment (the "*Premium Dividend*™") equal to 101% of the amount of your reinvested Dividends, which payment will be made pursuant to the "*Premium Dividend*™ *Component*" of the Plan; or
- (b) additional Shares at a discounted subscription price of 3% of the prevailing Average Market Price (as defined in the Plan), which new Shares will be issuable pursuant to the "*Dividend Reinvestment Component*" of the Plan,

in either case upon and subject to the terms and conditions of the Plan.

The discount to the Average Market Price applicable to purchases made under the Dividend Reinvestment Component is currently set at 3%. However, the directors of Baytex may, in their sole discretion, at any time, with effect at the time of declaration of the next Dividend payment date, determine to change or eliminate the then-applicable discount in respect of the Dividend Reinvestment Component of the Plan. Additionally, at its sole discretion, Baytex may purchase Shares on the open market to settle purchases made under the Dividend Reinvestment Component, at the then-current market price, without any discount.

Participation in either the Premium Dividend™ Component or the Dividend Reinvestment Component will involve the reinvestment of your Dividends in new Shares. New Shares acquired under the Premium Dividend™ Component will be disposed of through a designated broker (the "*Plan Broker*"), currently Canaccord Genuity Corp., in exchange for the Premium Dividend™ and new Shares acquired under the Dividend Reinvestment Component will be accumulated and held for your account under the Plan.

The amount of the Premium Dividend™ and/or the number of new Shares that may be acquired under the Plan is subject to proration in certain events.

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™ denotes trademark of Canaccord Genuity Corp.

The effective date of the Plan is June 15, 2015, with initial application to the dividend payable by Baytex on July 15, 2015 to Shareholders of record on June 30, 2015.

**You are not required to participate in the Plan.** If you do not elect to participate, then you will continue to receive your regular Dividends in the usual manner.

The Plan replaces the Dividend Reinvestment Plan of Baytex, as amended and restated effective January 24, 2011 (the "*Previous DRIP*"). If you were a participant in the Previous DRIP, please see Question #5 below regarding your continued participation and enrollment in the Plan.

In order to participate in either the Premium Dividend™ Component or the Dividend Reinvestment Component, you must enroll, or be deemed to have enrolled, in the Plan directly or indirectly through the broker, investment dealer, financial institution or other nominee through which you hold your Shares ("*your broker*").

**2. How does participating in the Plan result in my receiving the Premium Dividend™ or additional Shares?**

Participation in either the Premium Dividend™ Component or the Dividend Reinvestment Component involves the reinvestment of your Dividends in new Shares purchased on your behalf from Baytex.

If you are validly enrolled in the Premium Dividend™ Component, either directly or indirectly through your broker, then new Shares purchased through reinvestment of your Dividends will be disposed of through the Plan Broker in exchange for the Premium Dividend™, which will in turn be remitted to you by the plan agent (currently Valiant Trust Company) (the "*Plan Agent*") directly or through your broker, as applicable, in the same manner that regular Dividends are paid by Baytex. If you are validly enrolled in the Dividend Reinvestment Component, then new Shares purchased through reinvestment of your Dividends will be credited to your account under the Plan or, if you are enrolled through your broker, with your broker.

The amount of the Premium Dividend™ or the number of additional Shares that may be purchased under the Plan is subject to proration in certain events, as more particularly described in the Plan. See also Question #10 below.

**3. What are the advantages of the Plan?**

The Premium Dividend™ Component provides a means by which you can, in effect, increase your cash receipts by 1% through the reinvestment of regular Dividends in new Shares and the disposition of such new Shares in exchange for the Premium Dividend™, being a cash amount equal to 101% of the reinvested Dividends.

The Dividend Reinvestment Component provides a convenient and cost-effective way for you to increase your investment in Baytex without incurring commissions, service charges or similar fees in connection with the purchase of additional Shares (subject to any fees that may be charged by your broker). Shares purchased from Baytex's treasury with reinvested Dividends will be bought at a discount of up to 3% to the Average Market Price, as determined by the directors of Baytex from time to time. Alternatively, at the sole discretion of Baytex, such Shares may be purchased by or on behalf of Baytex on the open market at the applicable market price then in effect, without any discount. Subject to the policies of your broker, full investment of reinvested funds is possible since fractions of Shares can be credited to accounts maintained under the Plan.

**4. Is the Plan available to all Shareholders?**

Your eligibility to participate in either the Dividend Reinvestment Component or the Premium Dividend™ Component will depend on whether you meet the residency and other criteria set forth in the Plan.

***Residents of Canada.*** Shareholders who are resident in Canada may participate in either the Dividend Reinvestment Component or the Premium Dividend™ Component.

***Residents of the United States.*** Shareholders who are resident in the United States may participate in the Dividend Reinvestment Component of the Plan. Please see the prospectus relating to the Plan which forms part of the registration statement on Form F-3 filed with the U.S. Securities and Exchange Commission. **Shareholders who are resident in the United States or are otherwise a "U.S. person" as that term is defined in Regulation S under the United States Securities Act of 1933, as amended, cannot participate in the Premium Dividend™ Component.** A "U.S. person" includes, without limitation, any natural person resident in the United States, any partnership or corporation organized or incorporated under the laws of the United States, any estate of which any executor or administrator is a U.S. person and any trust of which any trustee is a U.S. person.

***Residents of Other Foreign Jurisdictions.*** Shareholders who are resident in any jurisdiction outside of Canada (other than the United States) may participate in the Dividend Reinvestment Component only if their participation is permitted by the laws of the jurisdiction in which they reside and provided that Baytex is satisfied, in its sole discretion, that such laws do not subject the Plan or any of Baytex, the Plan Agent or the Plan Broker to additional legal or regulatory requirements. Any such Shareholders wishing to participate in the Dividend Reinvestment Component should consult legal counsel where they reside to determine their eligibility to participate. **Shareholders who are not resident in Canada may not participate in the Premium Dividend™ Component.**

Baytex and the Plan Agent also reserve the right to deny or cancel participation in the Plan in certain extraordinary circumstances described in the Plan, or prescribe a minimum number of Shares that a particular Shareholder must hold to be eligible for, or continue to be enrolled in, the Plan. See "*Eligibility Requirements*" in the Plan.

**5. Am I required to take action if I was previously enrolled in the Previous DRIP?**

The Plan replaces the Previous DRIP. If you were enrolled in the Previous DRIP, and you wish to participate in the Premium Dividend™ Component of the Plan, you must enroll in the Plan either (i) directly if you are a registered Shareholder, or (ii) if you are a beneficial Shareholder whose Shares are held through your broker, indirectly through your broker. If you are a registered Shareholder who was enrolled in the Previous DRIP, you will automatically be deemed to be enrolled and a participant in the Dividend Reinvestment Component of the Plan, without any further action on your part. If you are a beneficial Shareholder who was enrolled in the Previous DRIP, you should contact your broker to confirm continued participation in the Dividend Reinvestment Component. Please see Question #6 below regarding your enrollment in the Plan.

**6. How do I elect to enroll in and become a participant in the Plan?**

Only registered Shareholders may directly enroll in the Plan. Beneficial owners of Shares may, however, indirectly participate in the Plan through their broker. See "*Enrollment*" in the Plan.

If you are an eligible Shareholder with Shares registered in your own name, then you may enroll in either (i) the Dividend Reinvestment Component by delivering to the Plan Agent a duly completed Enrollment Form, or (ii) the Premium Dividend Component by delivering to the Plan Agent a duly completed Enrollment Form. To obtain a copy of the Enrollment Form, see the Plan Agent's website at [www.valianttrust.com/investor-services/plan-administration](http://www.valianttrust.com/investor-services/plan-administration). A copy of the Enrollment Form may also be obtained by calling the Plan Agent at 1-866-313-1872, or from Baytex's website at [www.baytexenergy.com](http://www.baytexenergy.com). A duly completed Enrollment Form must be received by 3:00 p.m. (Calgary time) on the fifth (5th) business day preceding a Dividend record date in order to be effective for the corresponding Dividend payment date.

If you are an eligible Shareholder but your Shares are not registered in your own name, you cannot enroll in the Plan directly, but may do so indirectly through your broker by providing appropriate enrollment instructions. Your broker may require certain information or documentation from you before it will act upon your enrollment instructions. Please contact your broker to confirm any information or documentation required to give effect to your instructions, to confirm your broker's policies concerning continued participation following initial enrollment, and to inquire about applicable deadlines.

Residents of the United States will likely have to become registered shareholders in order to enroll in the Dividend Reinvestment Component of the Plan. This is a result of The Depository Trust Company, the primary custodian for United States beneficial shareholders, having decided effective March 31, 2014 that it would no longer permit beneficial shareholders whose shares were registered in the name of The Depository Trust Company to enroll in the dividend reinvestment programs of Canadian corporations such as Baytex.

**7. At what price will new Shares be purchased for my account under the Dividend Reinvestment Component?**

New Shares purchased with reinvested Dividends under the Dividend Reinvestment Component will be purchased from treasury of Baytex at a discount to the Average Market Price, as determined by the directors of Baytex from time to time. The discount to the Average Market Price applicable to purchases made under the Dividend Reinvestment Component is currently set at 3%. However, the directors of Baytex may, in their sole discretion, at any time, with effect at the time of declaration of the next Dividend payment date, determine to change or eliminate the then-applicable discount in respect of the Dividend Reinvestment Component of the Plan. Alternatively, at the sole discretion of Baytex, such Shares may be purchased by or on behalf of Baytex on the open market at the then-current market price, without any discount.

**8. How do I receive the Premium Dividend™?**

If you are an eligible Shareholder and are enrolled in the Premium Dividend™ Component, then your Dividends will, subject to proration as described in the Plan and illustrated under Question #10 below, be reinvested in new Shares under the Plan at a 3% discount to the Average Market Price, and such Shares will, without further action required from you, be disposed of through the Plan Broker in exchange for the Premium Dividend™, being a cash payment equal to 101% of the reinvested amount. The Plan Agent will in turn remit payment of the Premium Dividend™ to participants in the Premium Dividend™ Component in the same manner that regular Dividends are paid by Baytex.

**9. How am I able to receive an amount equal to 101% of my Dividend?**

New Shares issued from treasury by Baytex on a Dividend payment date pursuant to the Premium Dividend™ Component will be issued at a 3% discount to the Average Market Price. If you are an eligible Shareholder and are enrolled to participate in the Premium Dividend™ Component, then such number of Shares as is approximately equal to the number of new Shares to be purchased on the Dividend payment date with your reinvested Dividends will be pre-sold through the Plan Broker at prevailing market prices. If the prevailing market prices realized are approximately the same as the Average Market Price, then the difference between the issue price of the Shares and the price realized on the pre-sales will be approximately 3%. Of this difference, 1% will be paid to you (the Premium Dividend™ being a cash payment equal to 101% of the reinvested Dividend) and the balance (which may be more or less than 2%), if any, will be retained by the Plan Broker as compensation for its services in connection with the Plan.

The Plan Broker will in any event be obligated to pay the full amount of the Premium Dividend™ (subject to proration as described in the Plan and illustrated under Question #10 below) against delivery of the corresponding number of new Shares, and bears the risk of unfavourable changes in market price with respect to the new Shares. If the Plan Agent for any reason does not receive sufficient funds from the Plan Broker to pay the Premium Dividend™ on all Shares of participants enrolled in the Premium Dividend™ Component, such participants will be entitled to receive from Baytex the full amount of the regular Dividend for each such Share in respect of which the Premium Dividend™ is not paid.

**10. What will I receive under the Premium Dividend™ Component if proration applies?**

The Premium Dividend™ Component is subject to the possibility of proration in certain events as described in the Plan. To the extent that your election to receive the Premium Dividend™ cannot be fulfilled, in whole or in part, as a result of such proration, or if Baytex determines not to make any new equity available (or at Baytex's election with respect to the Dividend Reinvestment Component, purchase additional Shares on the open market) under the Plan on a particular Dividend payment date, or if the Plan Broker for any reason defaults on its obligation to deliver to the Plan Agent funds sufficient to satisfy the full amount of the Premium Dividend™, or if for any other reason a Dividend cannot be reinvested under the Plan, in whole or in part, then you will be entitled to receive from Baytex the full amount of the regular Dividend for each Share in respect of which the Dividend is payable but cannot be reinvested under the Plan.

By way of example, suppose that Baytex determines that the maximum value of equity available under the Premium Dividend™ Component (after satisfying all elections under the Dividend Reinvestment Component) on the relevant Dividend payment date is \$5,000,000, and that Baytex declares a Dividend of \$0.10 per Share. In these circumstances, the maximum number of Shares in respect of which the Premium Dividend™ may be paid is 50,000,000 (being the maximum amount of equity divided by the Dividend per Share). If Shareholders (including you) holding a total of 75,000,000 Shares have elected to receive the Premium Dividend™, then two-thirds or 66<sup>2/3</sup>% proration would apply to all participants enrolled in the Premium Dividend™ Component since, in this example, the Premium Dividend™ can only be paid on 50,000,000 Shares.

If you own 1,500 Shares, are an eligible Shareholder, and are enrolled to participate in the Premium Dividend™ Component, then, in this example, you would receive the Premium Dividend™ equal to 101% of your regular Dividend in respect of 1,000 of your Shares and 100% of your regular Dividend in respect of your remaining 500 Shares. That portion of your Dividend that is not eligible for reinvestment under the Premium Dividend™ Component and to which you

would otherwise be entitled on a Dividend payment date will be paid to you in the ordinary manner.

**11. Will a Direct Registration System Advice or Share certificate be issued for new Shares purchased for me under the Plan?**

Neither a Share certificate nor a Direct Registration System Advice evidencing your registered ownership of Shares will be issued for Shares purchased under the Plan. If you are validly enrolled in the Dividend Reinvestment Component, then new Shares purchased for your account under the Dividend Reinvestment Component will be credited to your account under the Plan or, if you are enrolled indirectly through your broker, with your broker. You may, however, request a Direct Registration System Advice or certificate for any number of whole Shares held under the Plan by the Plan Agent for your account. See "*Withdrawal of Shares*" in the Plan. If you are validly enrolled in the Premium Dividend™ Component, then new Shares purchased for your account will be disposed of through the Plan Broker in exchange for the Premium Dividend™.

If you are a registered Shareholder participating directly in the Plan, then the Plan Agent will maintain an account for you with respect to purchases of Shares made under the Plan for your account and will issue an unaudited statement regarding purchases made under the Dividend Reinvestment Component on a monthly basis. These statements are your continuing record of purchases of Shares made for your account under the Plan and should be retained for income tax purposes. No statements will be provided to you in respect of purchases made under the Premium Dividend™ Component.

Eligible Shareholders who participate in the Plan indirectly through their broker should consult such broker to confirm what statements or reports, if any, will be provided by such broker, whether for tax reporting purposes or otherwise.

**12. Can I sell Shares held for my account under the Plan?**

Any Shares held under the Plan by the Plan Agent for your account cannot be sold, pledged or otherwise disposed of while so held. If you wish to sell any such Shares, you must first withdraw them from under the Plan. See "*Withdrawal of Shares*" in the Plan.

**13. How can I change my election or terminate my participation under the Plan?**

If you are enrolled directly in the Dividend Reinvestment Component and wish to enroll in the Premium Dividend™ Component instead, or if you are enrolled directly in the Premium Dividend™ Component and wish to enroll in the Dividend Reinvestment Component instead, you may do so by delivering to the Plan Agent a new, duly completed Enrollment Form reflecting the new election. To obtain a copy of the Enrollment Form, see the Plan Agent's website at [www.valianttrust.com/investor-services/plan-administration](http://www.valianttrust.com/investor-services/plan-administration). A copy of the Enrollment Form may also be obtained by calling the Plan Agent at 1-866-313-1872, or from Baytex's website at [www.baytexenergy.com](http://www.baytexenergy.com).

If you are enrolled in the Plan directly and wish to voluntarily terminate your participation in the Plan, you may do so by delivering to the Plan Agent a duly completed termination portion of the voucher located on the statement of account issued by the Plan Agent. A termination request form may also be obtained from the Plan Agent at the address below.

If you are enrolled in the Plan indirectly through your broker, you may change your election or voluntarily terminate your participation under the Plan by providing appropriate instructions to

your broker. You should consult with your broker to confirm what information or documentation may be required to give effect to your instructions, and to inquire about any applicable deadlines. See "*Termination of Participation*" and "*Change of Election*" in the Plan.

A new Enrollment Form or termination request (or notice of an individual participant's death) must be received by 3:00 p.m. (Calgary time) on the fifth (5th) business day preceding a Dividend record date in order to take effect for that Dividend. Enrollment Forms or termination requests received after that time will not be effective until the next Dividend record date.

**14. Are there circumstances where I may not be able to acquire additional Shares or receive the Premium Dividend™, as the case may be, in accordance with my election?**

Yes. Your ability to acquire additional Shares under the Dividend Reinvestment Component or receive the Premium Dividend™ under the Premium Dividend™ Component on any particular Dividend payment date depends on the amount of new equity, if any, that Baytex determines to make available (or, if determined by Baytex with respect to the Dividend Reinvestment Component, to purchase on the open market) under the Plan for that Dividend payment date, and on the elections that other eligible Shareholders have made under the Plan.

If, in respect of any Dividend payment date, fulfilling the elections of all Plan participants would result in the issuance of more than the maximum amount of Shares determined by Baytex to be available under the Plan, then elections for the purchase of new Shares on that Dividend payment date will be accepted (i) first, from participants electing to reinvest their Dividends under the Dividend Reinvestment Component, and (ii) second, to the extent that new equity remains available under the Plan, from participants electing to receive the Premium Dividend™ under the Premium Dividend™ Component.

If Baytex is not able to accept all elections for a particular component of the Plan, then Shares issuable under that component on the applicable Dividend payment date will be prorated among all participants in that component. See Question #10 above.

The Premium Dividend™ Component is subject to the possibility of additional proration in certain events as described in the Plan.

If Baytex determines not to issue or purchase any Shares through the Plan on a particular Dividend payment date, or the availability of new Shares is prorated in accordance with the terms of the Plan, or for any other reason a Dividend cannot be reinvested under the Plan, in whole or in part, then participants will be entitled to receive from Baytex the full amount (less any applicable withholdings) of the regular Dividend on each Share in respect of which the Dividend is payable but cannot be reinvested under the Plan in accordance with the applicable election.

**15. How will the Plan Agent purchase new Shares for me with reinvested Dividends?**

On each Dividend payment date, the Plan Agent will, on your behalf, reinvest the Dividends payable on your Shares that are validly enrolled in the Plan in new Shares purchased directly from Baytex's treasury. Such new Shares will, depending on your election, either be credited to your account under the Dividend Reinvestment Component or disposed of on your behalf in exchange for the Premium Dividend™ under the Premium Dividend™ Component. For the purposes of the Dividend Reinvestment Component only, at the sole discretion of Baytex, such Shares may be purchased by or on behalf of Baytex on the open market at the then-current market price, without any discount, and be credited to your account.

**16. What are the Canadian income tax consequences for Canadian residents participating in the Plan?**

Participation in the Plan does not relieve you of any liability for Canadian income taxes that may be payable in respect of the Dividends reinvested in new Shares under the Dividend Reinvestment Component or Shares sold on your behalf under the Premium Dividend™ Component. In determining taxes payable, it is important to recognize that multiple transactions occur under the Plan even though you may only see the result of the final transaction.

Participation in the Dividend Reinvestment Component involves two transactions:

- (i) first, you will receive a Dividend from Baytex; and
- (ii) second, you will use the cash from the Dividend to purchase new Shares at a discount of up to 3% to the Average Market Price.

Participation in the Premium Dividend™ Component involves three transactions:

- (i) first, you will receive a Dividend from Baytex;
- (ii) second, you will use the cash from the Dividend to purchase new Shares at a discount of 3% to the Average Market Price; and
- (iii) third, you will sell the new Shares purchased in exchange for the Premium Dividend™, being a cash amount equal to 101% of the reinvested Dividend.

The first transaction under each component will result in the receipt of a taxable dividend on your existing Shares equal to the amount of the Dividend, and the new Shares purchased under the second transaction will have an initial cost for tax purposes equal to the amount of the Dividend used to purchase such Shares.

Assuming that you hold your Shares (including the new Shares purchased under the Plan with the cash from the Dividend) as capital property, you should generally realize a capital gain or loss on the sale of the new Shares under the third transaction under the Premium Dividend™ Component equal to the amount by which the proceeds of disposition are greater (or less) than your average adjusted cost base of the Shares sold. In this case, the average adjusted cost base of the Shares sold at any time that are held as capital property will be the average cost of all Shares owned by you at that time, including those purchased with the cash from Dividends under the Plan. Conversely, where you acquire and hold any such new Shares as inventory, you will generally be required to include in income the profit or net gain arising from the acquisition and disposition of such Shares under the third transaction under the Premium Dividend™ Component, such that you will generally be required to include in income the amount by which the Premium Dividend™ exceeds the reinvested Dividends.

The Plan provides a further description of certain Canadian federal income tax considerations relevant to participation in the Plan. The description is, however, a summary only and does not constitute legal or tax advice to any particular Shareholder. **You are urged to consult your own tax advisors concerning the implications of your participation in the Plan having regard to your particular circumstances.**



**17. Where can I get further information?**

If you have any questions regarding the Plan, please direct them to the Plan Agent or to Baytex, as follows:

Valiant Trust Company  
310, 606 - 4<sup>th</sup> Street S.W.  
Calgary, Alberta T2P 1T1  
Attention: General Manager  
Tel: 1-866-313-1872  
Email: [inquiries@valianttrust.com](mailto:inquiries@valianttrust.com)  
Fax: (403) 233-2857

or by visiting [www.valianttrust.com](http://www.valianttrust.com)

Baytex Energy Corp.  
Suite 2800, Centennial Place, East Tower  
520 – 3<sup>rd</sup> Avenue S.W.  
Calgary, Alberta T2P 1G1

Attention: Investor Relations  
Tel: 1-800-524-5521  
Email: [investor@baytexenergy.com](mailto:investor@baytexenergy.com)  
Fax: (587) 952-3029

or by visiting [www.baytexenergy.com](http://www.baytexenergy.com)

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