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## AUDIT COMMITTEE

### MANDATE AND TERMS OF REFERENCE

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#### A. Role and Objective

The Audit Committee (the "Committee") is a committee of the board of directors (the "Board") of Baytex Energy Corp. (the "Corporation") to which the Board has delegated certain of its responsibilities. The primary responsibility of the Committee is to review the interim and annual financial statements of the Corporation and to recommend their approval or otherwise to the Board. The Committee is also responsible for reviewing and determining, in its capacity as a committee of the Board, the appointment and compensation of the external auditors of the Corporation, overseeing the work of the external auditors, including the nature and scope of the audit of the annual financial statements of the Corporation, pre-approving services to be provided by the external auditors and reviewing the assessments prepared by management and the external auditors on the effectiveness of the Corporation's internal controls over financial reporting. The objectives of the Committee are to assist the Board in monitoring and overseeing:

1. the preparation and disclosure of the financial statements of the Corporation and related matters;
2. communication between directors and the external auditors;
3. the external auditors' qualifications and independence;
4. compliance with legal and regulatory requirements;
5. the performance of the Corporation's external auditor;
6. the integrity, credibility and objectivity of financial reports and statements; and
7. the relationship among the Committee, all independent directors, management and the external auditors.

#### B. Membership of the Committee

1. The Committee shall be comprised of not less than three members all of whom are "independent" directors and "financially literate" within the meaning of National Instrument 52-110 "Audit Committees" and the laws, rules and regulations of the U.S. Securities and Exchange Commission ("SEC") and the New York Stock Exchange ("NYSE"), as applicable, subject to any permitted phase-in periods that may apply. The members of the Committee shall be appointed by the Board from time to time based on the recommendation of the Nominating & Governance Committee.
2. At least one member of the Committee shall have accounting or related financial management expertise, as the Board interprets such qualification in its business judgment. For certainty, any member of the Committee that qualifies as an "audit committee financial expert" under the rules of the SEC will be deemed to meet this requirement. Members of the Committee may not be "affiliates" of the Corporation or any subsidiary of the Corporation. Subject to any permitted exceptions, members of the Committee may not accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the Corporation or any subsidiary thereof.

3. A member of the Committee may not simultaneously serve on the audit committees of more than three public companies, unless the Board first determines that such simultaneous service would not impair the ability of such member to effectively serve on the Committee. Any such determination must be publicly disclosed in accordance with the rules of the NYSE.
4. The Board shall appoint a Chair of the Committee, who shall be an independent director.
5. Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee as soon as such member ceases to be a director. The Board may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to the foregoing, each member of the Committee shall hold such office until the close of the next annual meeting of shareholders of the Corporation following appointment as a member of the Committee.

**C. Mandate and Responsibilities of the Committee**

1. It is the responsibility of the Committee to:
  - a. recommend the audit firm to be nominated as the Corporation's auditors, for approval by the shareholders of the Corporation; and
  - b. oversee the staffing, planning, and execution of the audit by the external auditor. The external auditors shall report directly to the Committee.
2. It is the responsibility of the Committee to satisfy itself on behalf of the Board with respect to the Corporation's internal control systems by:
  - a. identifying, monitoring and mitigating business risks, as detailed further below; and
  - b. ensuring compliance with legal, ethical and regulatory requirements.
3. It is a primary responsibility of the Committee to review with **management** and the **external auditors** the interim and annual financial statements of the Corporation, including disclosures made under "Management's Discussion and Analysis", prior to their submission to the Board for approval. The review process should include, without limitation:
  - a. reviewing major issues regarding accounting policies and principles and financial statement presentations, including any changes in accounting principles, or in their application;
  - b. reviewing major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material or significant control deficiencies;
  - c. reviewing significant management judgments, estimates and assumptions that affect the application of accounting policies and their reported amounts;
  - d. reviewing analyses prepared by management and/or the external auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;
  - e. reviewing accounting treatment of unusual or non-recurring transactions;
  - f. ascertaining compliance with covenants under loan agreements;

- g. reviewing disclosure requirements for commitments and contingencies;
  - h. reviewing adjustments raised by the external auditors, whether or not included in the financial statements;
  - i. reviewing unresolved differences between management and the external auditors;
  - j. reviewing the type and presentation of information to be included in the Corporation's earnings press releases (paying particular attention to any use of "pro forma" or "adjusted" non-GAAP information prior to their public release);
  - k. reviewing the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Corporation;
  - l. obtaining explanations of significant variances with comparative reporting periods; and
  - m. determining through inquiry if there are any related party transactions and ensuring that the nature and extent of such transactions are properly disclosed.
4. The Committee is to review all public disclosure of audited or unaudited financial information by the Corporation before its release (and, if applicable, prior to its submission to the Board for approval), including the interim and annual financial statements of the Corporation, management's discussion and analysis of results of operations and financial condition, earnings press releases, the annual information form and any annual report filed with the U.S. Securities and Exchange Commission. The Committee must be satisfied that adequate procedures are in place for the review of the Corporation's disclosure of financial information and shall periodically assess the accuracy of those procedures.
5. The Committee shall discuss the Corporation's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies, recognizing that this review and discussion may be done generally (consisting of a discussion of the types of information to be disclosed and the types of presentations to be made).
6. With respect to the **external auditors** of the Corporation, the Committee shall:
- a. in its capacity as a committee of the Board, be directly responsible for the compensation, retention and oversight of the work of the external auditors (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the listed issuer, including the terms of their engagement for the integrated audit;
  - b. review annually with the external auditors their plan for the audit and, upon completion of the audit, their reports upon the financial statements of the Corporation and its subsidiaries
  - c. review with the external auditors their assessment of the internal controls of the Corporation, their written reports containing recommendations for improvement, and management's response and follow-up to any identified weaknesses.
  - d. meet with the external auditors at least four times per year (in connection with their review of the interim and annual financial statements) and at such other times as the external auditors and the Committee consider appropriate.
  - e. review with the external auditors any problems or difficulties the external auditors may have encountered during the provision of its audit services and management's response, including any

restrictions on the scope of activities or access to the requested information and any significant disagreements with management;

- f. the Committee must pre-approve all services to be provided to the Corporation or its subsidiaries by the external auditors. In pre-approving any service, the Committee shall consider the impact that the provision of such service may have on the external auditors' independence. The Committee may delegate to one or more of its members the authority to pre-approve services, provided that the member report to the Committee at the next scheduled meeting such pre-approval and the member comply with applicable laws, rules and regulations and such other procedures as may be established by the Committee from time to time.
  - g. when there is to be a change in the external auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change;
  - h. at least annually, review the qualifications, performance and independence of the external auditors including:
    - i. review the experience and qualifications of the senior members of the external auditors' team;
    - ii. confirm with the external auditors that it is in compliance with applicable legal, regulatory and professional standards relating to auditor independence;
    - iii. review annual reports from the external auditors regarding its independence and consider whether there are any non-audit services or relationships that may affect the objectivity and independence of the external auditors and, if so, recommend to the Board to take appropriate action to satisfy itself of the independence of the external auditor; and obtain and review such reports from the external auditors as may be required by applicable legal and regulatory requirements;
    - iv. iv. assess performance of the auditors through discussions and or surveys of management and the Board obtain and review a report by the external auditors describing the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the external auditors' independence) all relationships between the external auditors and the Corporation;
    - v. review and evaluate the lead partner of the external auditor;
    - vi. ensure the regular rotation of the lead audit partner as required by law, and consider whether, in order to assure continuing external auditor independence, there should be regular rotation of the audit firm itself. The Committee should present its conclusions with respect to the external auditors to the full Board.
    - vii. review and approve the Corporation's hiring policies regarding employees and former employees of the present and former external auditors of the Corporation.
7. Periodically review with management the need for an internal audit function.

8. The Committee shall review the risk assessment and risk management policies and procedures of the Corporation used to identify, manage and mitigate the principle business risks facing the Corporation (as assigned to the Committee under the Corporation's Enterprise Risk Management system) which is to include reviewing with management:
  - a. foreign currency, interest rate and commodity price risk mitigation strategies, including the use of derivative financial instruments and compliance with the Corporation's Hedging Instruments Risk Management Policy;
  - b. credit risk;
  - c. the insurance coverages maintained by the Corporation;
  - d. any legal claims or other contingency, including tax assessments that could have a material effect on the financial position or operation results of the Corporation; and
  - e. the adequacy of the security measures that are in place in respect of the Corporation's information systems and the information technology utilized by the Corporation, including cyber risk.
9. The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of the Corporation and its subsidiary entities of concerns regarding questionable accounting or auditing matters, as well as, other matters submitted through the Whistleblower program
10. The Committee shall have the authority to investigate any financial activity of the Corporation. All employees of the Corporation and its subsidiary entities are to cooperate as requested by the Committee.
11. The Committee shall report forthwith any issues arising in connection with its duties, the results of meetings and reviews undertaken and any associated recommendations to the Board.

**D. Meetings and Administrative Matters**

1. At all meetings of the Committee every question shall be decided by a majority of the votes cast. In case of an equality of votes, the Chair of the meeting shall not be entitled to a second or casting vote.
2. The Chair shall preside at all meetings of the Committee, unless the Chair is not present, in which case the members of the Committee present shall designate from among the members present a Chair for purposes of the meeting.
3. A quorum for meetings of the Committee shall be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those governing the Board unless otherwise determined by the Committee or the Board.
4. Meetings of the Committee should be scheduled to take place at least four times per year and at such other times as the Chair may determine.
5. Agendas, approved by the Chair, shall be circulated to Committee members along with background information on a timely basis prior to the Committee meetings.

6. The Committee may invite those officers, directors and employees of the Corporation and its subsidiary entities as it may see fit from time to time to attend at meetings of the Committee and assist thereat in the discussion and consideration of the matters being considered by the Committee, provided that the Chief Financial Officer of the Corporation shall attend all meetings of the Committee, unless otherwise excused from all or part of any such meeting by the Chair of the meeting.
7. Minutes of the Committee's meetings will be recorded and maintained and made available to any director who is not a member of the Committee upon request.
8. The Committee shall meet periodically with management and the independent auditor in separate in-camera sessions.
9. The Committee shall conduct an annual evaluation of its performance in fulfilling its duties and responsibilities under this mandate, and shall assess the adequacy of the reporting and information provided by management to support the Committee's oversight responsibilities.
10. The Committee may retain persons having special expertise and/or obtain independent professional advice, including, without limitation, independent counsel or other advisors, as it determines necessary to carry out its duties, at the expense of the Corporation.
11. The Corporation shall provide appropriate funding, as determined by the Committee, in its capacity as a committee of the Board, for payment of (i) compensation to any external auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation; (ii) compensation to any advisors employed by the Committee; and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.
12. Any issues arising from the Committee's meetings that bear on the relationship between the Board and management should be communicated to the Chair of the Board or the Lead Independent Director, as applicable, by the Committee Chair.
13. At least annually, the Committee shall, in a manner it determines to be appropriate, review and assess the adequacy of its mandate and recommend to the Board of Directors any improvements to this mandate that the Committee determines to be appropriate.