

BAYTEX

ENERGY TRUST

CORPORATE CONVERSION FREQUENTLY ASKED QUESTIONS

1. When do you plan to convert to a corporation?

The corporate conversion transaction must be approved by our unitholders and we have called a special meeting for December 9, 2010 to seek their approval. Assuming receipt of all required unitholders, court, stock exchange and other regulatory approvals, we expect to complete the conversion on December 31, 2010. We plan to mail further information regarding our conversion to unitholders in early November.

2. What are the benefits to converting to a corporation?

Management anticipates that conversion will have the following benefits, among others:

- allow for a simplified and more efficient corporate structure which is easier for market participants to understand and value;
- remove the non-resident ownership restrictions with which the Trust must currently comply;
- attract and retain worldwide investors and enhance liquidity for Baytex's common shares;
- better position Baytex to invest in attractive opportunities for growth;
- permit Baytex's financial and operational performance to be more easily assessed and valued relative to its corporate peers; and
- remove the Trust from the uncertainty that exists in the income trust marketplace today.

3. Will your business strategy change?

No, management and the Board of Directors have determined that the best strategy to create value is to continue the strategy of exploiting and developing Baytex's inventory of repeatable, low risk exploitation projects. In addition, although we primarily rely on organic development projects, we will also pursue accretive acquisitions in core areas with production and reserve upside.

4. What is a growth and income oil and gas company?

A growth and income oil and gas company is one that offers investors a total return made up of both growth in reserves and production as well as an income stream from the cash flow that is generated by the business. Baytex expects to deliver a compelling return to its investors through this combination of growth and income.

5. What is your dividend policy?

Upon completion of the corporate conversion transaction, we expect to adopt a monthly dividend policy whereby a dividend will be paid on or about the 15th day of the month that follows the end of each month (to shareholders of record at the end of such month). The dividend policy is expected to follow the general corporate philosophy of financial self sufficiency whereby, over the long-term, development capital expenditures and dividend payments are planned to be financed from internally generated funds from operations. As such, the amount of future cash dividends, if any, will be subject to the discretion of the Board of Directors and may vary depending on a variety of factors and conditions existing from time to time, including fluctuations in commodity prices, production levels, capital expenditure requirements, debt service requirements, operating costs, royalty burdens, foreign exchange rates and the satisfaction of solvency tests imposed by the *Business Corporations Act* (Alberta) for the declaration and payment of dividends.

Our practice has been (and will be) to review the level of the distribution (dividend) at least annually as capital spending requirements are evaluated. This review has typically occurred in December in connection with the presentation of the annual budget for the ensuing year to the Board of Directors, with changes, if any, to the distribution (dividend) level being announced following that meeting.

6. How will the tax pools be used for the benefit of investors after the conversion to a corporation?

As an income trust, Baytex was able to deduct distributions paid to its unitholders from taxable income. As a result Baytex was able to build a balance of tax pools of approximately Cdn\$1.5 billion in Canadian tax pools and Cdn\$0.2 billion in US tax pools as at June 30, 2010. These tax pools provide a significant advantage for Baytex following the conversion by sheltering a corresponding amount of future taxable income. Based on an US\$80 WTI price and a 15% Western Canadian Select ("WCS") differential, we project that our cash income tax expenses, expressed as a percentage of funds from operations, will be nil for 2010 and 2011, and will average approximately 5% from 2012 to 2015.

7. What are the tax implications to existing investors?

The information contained herein is intended to be a general guideline and not an exhaustive discussion of all possible income tax consequences. It is not intended to constitute legal or tax advice to any holder or potential holder of trust units or common shares post-conversion. Holders or potential holders of trust units or common shares post-conversion should consult their own legal or tax advisors as to their particular tax consequences of holding trust units or common shares after the conversion has taken place.

a. Canadian non-taxable accounts (registered accounts including RRSP accounts)

For investors holding Baytex trust units in TFSAs, RRSPs, RRIFs, RESPs or DPSPs, our common shares are not expected to be treated any differently than our trust units and the conversion should not result in an immediate tax impact. Investors holding our trust units in a registered account should not need to report any amount for capital gains as a result of the conversion or income from dividends once the expected conversion takes place.

b. Canadian taxable accounts (non-registered accounts)

For most investors, Baytex's conversion from a trust to a dividend-paying corporation should not be considered a taxable event and should not trigger a capital gain or loss. The adjusted cost base prior to the conversion should continue as the go-forward adjusted cost base for the calculation of capital gains upon a future sale of Baytex common shares for most investors. As a corporation, we expect to pay eligible dividends which will be eligible for a dividend tax credit in Canada, as compared to the distributions that we paid as a trust.

c. US non-taxable accounts

US investors holding Baytex trust units in a non-taxable account should not be required to report any amount as capital gains as a result of the conversion to a corporation. No amounts are generally required to be reported as taxable income where Baytex trust units are held within a qualified retirement plan. This is expected to be the same for Baytex's future dividends in 2011 and beyond. For non-residents of Canada, dividends from Canadian corporations are generally subject to a 15% withholding tax. Under the terms of the Canadian/US income tax treaty, that withholding tax is not due where the investment is held in a tax-exempt account for US purposes.

d. US taxable accounts

As with US non-taxable accounts, the conversion is expected to be a tax-deferred rollover with no capital gains triggered for most US investors. In the US, Baytex's future dividends for 2011 and beyond will continue to be treated as "qualified dividend income" for US tax purposes and are not expected to be taxed in the US any differently than Baytex's trust unit distributions prior to the conversion. We expect the Canadian withholding tax of 15% to continue to apply to taxable investment accounts in the US. The withholding tax may be recovered in whole or in part as a foreign tax credit or a foreign tax deduction. We strongly recommend that you consult your own legal or tax advisor.

8. Will the conversion to a corporation be a taxable event?

We do not expect that the conversion will be a taxable event for our investors.

9. Will your ticker symbol change?

At this time, we expect that our common shares will trade under the symbol "BTE" on both the TSX and NYSE.

Advisory Regarding Forward-Looking Statements

In the interest of providing Baytex's unitholders 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 of this document and are expressly qualified by this cautionary statement.

Specifically, this document contains forward-looking statements relating to: our plan to convert to a corporate legal form, including the timing of the conversion; our business strategy as a corporation; our access to capital markets following the conversion; the taxation of our dividends; our ability to continue to deliver returns to our investors following the conversion; our ability to fund our capital expenditures and dividends from funds from operations; our ability to grow our reserve base and to add to production levels

through exploration and development activities complemented by strategic acquisitions; our dividend policy as a corporation; our ability to utilize our tax pools to reduce our taxable income following the conversion; our effective cash tax expenses in years 2010 to 2015; the income tax consequences of the conversion; our liquidity and financial capacity; and the listing of our common shares on certain stock exchanges.

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; the availability and cost of labour and other industry services; the amount of future cash distributions or dividends that we intend to pay; interest and foreign exchange rates; and the continuance of existing and, in certain circumstances, proposed tax and royalty regimes. The reader is cautioned that such assumptions, although considered reasonable by Baytex at the time of preparation, may prove to be incorrect.

Actual results achieved during the forecast period 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: fluctuations in market prices for petroleum and natural gas; fluctuations in foreign exchange or interest rates; general economic, market and business conditions; stock market volatility and market valuations; changes in income tax laws; industry capacity; geological, technical, drilling and processing problems and other difficulties in producing petroleum and natural gas reserves; uncertainties associated with estimating petroleum and natural gas reserves; liabilities inherent in oil and natural gas operations; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; risks associated with oil and gas operations; changes in royalty rates and incentive programs relating to the oil and gas industry; changes in environmental and other regulations; incorrect assessments of the value of acquisitions; and other factors, many of which are beyond the control of Baytex. These risk factors are discussed in Baytex's Annual Information Form, Form 40-F and Management's Discussion and Analysis for the year ended December 31, 2009, as filed with Canadian securities regulatory authorities and the U.S. Securities and Exchange Commission.

There is no representation by Baytex that actual results achieved during the forecast period will be the same in whole or in part as those forecast 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.