



CANADIAN UNITHOLDERS

The information contained herein is intended to provide general guidance to assist in 2009 income tax reporting for holders of Baytex trust units who are Canadian residents. It is not intended to constitute legal or tax advice to any holder or potential holder of Baytex trust units. Readers should consult their own legal or tax advisors as to their particular tax consequences of holding Baytex trust units.

For the 2009 taxation year, the treatment of distributions for Canadian unitholders is 100% return on capital (taxable income) and 0% return of capital (tax deferred).

For purposes of the Income Tax Act (Canada), Baytex is a mutual fund trust. Each year, an income tax return is filed by the Trust with the taxable income allocated to, and taxable in the hands of, its unitholders. Distributions paid by the Trust can be both a return of capital (i.e., tax deferred) and a return on capital (i.e., income). The allocation between these two streams is dependent upon the tax deductions that the Trust is entitled to claim against royalty and interest income received and any income the Trust earns directly. The level of these tax deductions is primarily driven by the Trust's resource property deductions.

Each year the taxable income portion, or return on capital, is calculated and reported in the Trust's T3 return and allocated to each unitholder who received distributions in that taxation year. T3 Supplementary forms are mailed to unitholders before March 31st. Registered unitholders will receive a T3 Supplementary form directly from the transfer agent. Beneficial unitholders will receive a T3 Supplementary form from their broker or other intermediary. The T3 Supplementary form will report only the taxable income component. This income is taxed in the same manner as interest income. The tax deferred, or return of capital, portion impacts the unitholder's original adjusted cost base of the units ("ACB"). The ACB is used in calculating capital gains or losses on the disposition of trust units. The ACB of each trust unit is reduced by the return of capital portion of distributions received. When a unitholder's ACB drops below zero during a taxation year, the negative amount is considered by the Canada Revenue Agency to be a capital gain and the ACB is re-set to zero by paying income tax on the capital gain resulting from the negative ACB.

Canadian unitholders who hold their trust units in a Registered Retirement Savings Plan, Registered Retirement Income Fund, Deferred Profit Sharing Plan, Registered Education Savings Plan, Registered Disability Savings Plan or Tax Free Savings Account need not report any income related to trust unit distributions on their 2009 income tax return.

The following table sets out the tax treatment of the 2009 monthly distributions for Canadian income tax purposes:

(Canadian dollars per unit)

Record Date	Payment Date	Taxable Amount (Income)	Tax Deferred Amount	Total Distributions
30-Jan-09	17-Feb-09	\$0.18	\$0.00	\$0.18
27-Feb-09	16-Mar-09	\$0.12	\$0.00	\$0.12
31-Mar-09	15-Apr-09	\$0.12	\$0.00	\$0.12
30-Apr-09	14-May-09	\$0.12	\$0.00	\$0.12
29-May-09	15-Jun-09	\$0.12	\$0.00	\$0.12
30-Jun-09	15-Jul-09	\$0.12	\$0.00	\$0.12
31-Jul-09	17-Aug-09	\$0.12	\$0.00	\$0.12
31-Aug-09	15-Sep-09	\$0.12	\$0.00	\$0.12
30-Sep-09	15-Oct-09	\$0.12	\$0.00	\$0.12
30-Oct-09	16-Nov-09	\$0.12	\$0.00	\$0.12
30-Nov-09	15-Dec-09	\$0.12	\$0.00	\$0.12
31-Dec-09	14-Jan-10	\$0.18	\$0.00	\$0.18
Total		<u>\$1.56</u>	<u>\$0.00</u>	<u>\$1.56</u>