

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") was prepared as of August 9, 2016, and is a review of the results of operations and the liquidity and capital resources of Keyera Corp. and its subsidiaries (collectively "Keyera"). The MD&A should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements ("accompanying financial statements") of Keyera Corp. for the three and six months ended June 30, 2016, and the notes thereto as well as the audited consolidated financial statements of Keyera Corp. for the year ended December 31, 2015, and the related MD&A. The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") also referred to as GAAP, and are stated in Canadian dollars. Additional information related to Keyera, including its Annual Information Form, is available on SEDAR at www.sedar.com or on Keyera's website at www.keyera.com.

This MD&A contains non-GAAP measures and forward-looking statements and readers are cautioned that the MD&A should be read in conjunction with Keyera's disclosure under "NON-GAAP FINANCIAL MEASURES" and "FORWARD-LOOKING STATEMENTS" included at the end of this MD&A.

Keyera's Business

Keyera operates one of the largest midstream businesses in Canada. Midstream entities operate in the oil and gas industry between the upstream sector, which includes oil and gas exploration and production businesses, and the downstream sector, which includes the refining, distribution and marketing of finished products. Keyera is organized into two integrated business units:

1. Gathering and Processing Business Unit – Keyera owns and operates raw gas gathering pipelines and processing plants, which collect and process raw natural gas, remove waste products and separate the economic components, primarily natural gas liquids ("NGLs"), before the sales gas is injected into long-distance pipeline systems for transportation to end-use markets.
2. Liquids Business Unit, consisting of the following operating segments:

Liquids Infrastructure (formerly referred to as NGL Infrastructure) – Keyera owns and operates a network of facilities for the processing, storage and transportation of the by-products of natural gas processing, including NGLs such as ethane, propane, butane and condensate. In addition, this segment includes Keyera's iso-octane facilities also referred to as Alberta EnviroFuels ("AEF") and facilities for handling crude oil.

Marketing – Keyera markets a range of products associated with its two infrastructure business lines, primarily propane, butane, condensate and iso-octane, and also engages in crude oil midstream activities.

CONSOLIDATED FINANCIAL RESULTS

The following table highlights some of the key consolidated financial results for the three and six months ended June 30, 2016 and 2015:

(Thousands of Canadian dollars, except per share data)	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Net earnings	59,679	15,587	129,810	72,167
Net earnings per share (basic)	0.34	0.09	0.74	0.43
Total operating margin	153,990	171,190	329,776	325,241
Adjusted EBITDA ¹	157,130	156,923	302,192	341,430
Cash flow from operating activities	57,867	126,434	235,558	403,997
Distributable cash flow ²	137,677	92,305	254,126	232,099
Distributable cash flow per share ² (basic)	0.78	0.54	1.45	1.37
Dividends declared	67,440	58,479	132,102	114,248
Dividends declared per share	0.38	0.35	0.75	0.68
Payout ratio ³	49%	63%	52%	49%

Notes:

¹ Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization, accretion, impairment expenses, unrealized gains/losses and any other non-cash items such as gains/losses on the disposal of property, plant and equipment. Adjusted EBITDA is not a standard measure under GAAP. See the section titled "EBITDA" for a reconciliation of Adjusted EBITDA to its most closely related GAAP measure.

² Distributable cash flow is not a standard measure under GAAP. See the section titled, "Dividends: Distributable Cash Flow", for a reconciliation of distributable cash flow to its most closely related GAAP measure.

³ Payout ratio is defined as dividends declared to shareholders divided by distributable cash flow and is not a standard measure under GAAP.

Keyera recorded solid financial results for the three months ended June 30, 2016. Despite continued low commodity prices and lower throughput in the Gathering and Processing segment, each of Keyera's business segments performed well in the second quarter of 2016. As described in more detail throughout this MD&A, these results were achieved largely due to the strategic location and capabilities of Keyera's gas plants and Liquids Infrastructure assets, its effective and disciplined approach to risk management in its Marketing business, and incremental cash flow generated from several major capital projects that were completed in 2015.

Net Earnings

For the quarter ended June 30, 2016, net earnings were \$60 million, \$44 million higher than the same period in 2015. Higher net earnings were achieved in the second quarter of 2016 due to the following factors:

- a net foreign currency non-cash gain of \$10 million in 2016 compared to a loss of \$43 million that largely related to the change in fair value of U.S. currency swaps; and
- an income tax expense of \$25 million in 2016 compared to \$40 million in the prior year.

These positive variances were partly offset by lower operating margin from Keyera's Marketing business as discussed in further detail below.

For the six months ended June 30, 2016, net earnings were \$130 million, \$58 million higher than the same period in 2015 due to the following factors:

- a net foreign currency non-cash gain of \$16 million in 2016 compared to a loss of \$36 million that primarily relates to the translation of U.S. denominated debt into Canadian dollars at the end of each respective period; and
- an impairment charge of \$20 million recorded in the first quarter of 2015, relating to the shut-down of the Bonnie Glen Pipeline.

Partly offsetting these positive variances were: i) higher general and administration costs that included a \$6 million charge to write-off previously capitalized front-end engineering costs for various small scale projects that have a lower probability of proceeding, and a \$1 million loss on disposal of line-fill associated with the Bonnie Glen Pipeline; and ii) approximately \$9 million in higher depreciation charges associated with the growth in Keyera's asset base.

See the section of this MD&A titled, "Corporate and Other", for more information related to these charges.

Operating Margin

Keyera recorded steady operating results in the second quarter of 2016 despite the prolonged low commodity price environment and low producer activity in Alberta. Operating margin was \$154 million, \$17 million lower than the same period in 2015. Excluding the effect of unrealized non-cash gains and losses from risk management contracts in both periods and from all business segments, operating margin was \$175 million in the second quarter of 2016, virtually unchanged compared to the same period last year.

The approximately \$22 million of incremental cash flow generated from recent investments in strategic assets and the strong demand and margins earned from Keyera's condensate network were offset by the following factors:

- lower average throughput at Keyera's Gathering and Processing facilities resulting from: i) TransCanada Pipelines Limited ("TransCanada") curtailments on its sales gas pipelines during the quarter that reduced throughput at several Keyera facilities; ii) shut-in gas resulting from the low commodity price environment; and iii) natural declines in production.
- approximately \$10 million in lower operating margin from the sale of iso-octane due to lower gasoline prices and lower iso-octane premiums compared to 2015, when premiums were especially high. As U.S. gasoline production for the month of June was the second highest on record and as gasoline production and corresponding inventory levels have consistently set new five year highs for the first half of 2016, gasoline prices have been subject to downward pressure. This has resulted in lower margins from the sale of iso-octane compared to a year ago, a trend which is expected to continue into the second half of this year; and
- approximately \$7 million in lower margin from Keyera's reserves that are recorded in Other Income due to lower production volumes and significantly lower natural gas prices compared to 2015.

Operating margin for the six months ended June 30, 2016 was \$330 million, \$5 million higher than the same period in 2015. The overall increase in operating margin was a result of:

- Approximately \$41 million of incremental cash flow from Keyera's recent investments in strategic assets, some of which include the turbo expander and fractionation de-bottleneck project at the Rimbey gas plant, the Twin Rivers pipeline system that is delivering volumes to the Brazeau River and West Pembina gas plants, and the de-ethanizer facility and recently completed fractionation expansion at Fort Saskatchewan; and

- higher volumes and operating margin from Keyera's condensate network resulting from long-term, fee-for-service arrangements with several oil sands producers.

The impact of these incremental cash flows were partly offset by the same factors discussed above for the second quarter, as well as: i) lower iso-octane production at the AEF facility in the first quarter of 2016; and ii) higher railcar lease costs in Keyera's Marketing business.

See the section titled "Segmented Results of Operations" for more information on operating results by segment.

Cash Flow Metrics

For the three and six months ended June 30, 2016, cash flow from operating activities was \$58 million and \$236 million, \$69 million and \$168 million lower than the same periods last year due to the following:

- a higher cash requirement in 2016 to fund the seasonal build of inventory as NGL prices have been trending upward since the end of 2015, particularly for propane. Comparatively, NGL prices were declining in the first half of 2015 resulting in a lower cash outflow to fund inventory needs; and
- approximately \$40 million of realized cash gains that were included in the first quarter of 2015 financial results. These one-time realized cash gains related to the settlement of financial and physical risk management contracts that were put in place to protect the value of inventory existing at the end of 2014.

In the determination of distributable cash flow, changes in non-cash working capital are excluded because they are primarily the result of seasonal fluctuations in product inventories. Also deducted from distributable cash flow are maintenance capital expenditures and the long-term incentive plan expense, which are funded from current operating cash flow. Distributable cash flow is used to assess the level of cash flow generated from ongoing operations and to evaluate the adequacy of internally generated cash flow to fund dividends. Refer to the section of this MD&A titled, "Dividends: Distributable Cash Flow", for a reconciliation of cash flow from operating activities to distributable cash flow.

Distributable cash flow for the three and six months ended June 30, 2016 was \$45 million and \$22 million higher than the same periods in 2015. These robust financial results stem from: i) incremental cash flow generated from the various projects completed in the prior year; ii) strong demand for Keyera's diluent handling services including storage and transportation services; and iii) timing of maintenance capital expenditures.

Distributable cash flow is expected to be lower in the second half of 2016 due to the scheduled turnarounds at AEF and the Nordegg River gas plant. Correspondingly, maintenance capital will be higher and iso-octane production and sales will be lower in the second half of the year. Maintenance capital for the second half of 2016 is expected to range between \$70 million and \$75 million, largely attributable to these scheduled turnarounds.

SEGMENTED RESULTS OF OPERATIONS

Keyera is organized into two integrated businesses: the Gathering and Processing Business Unit and the Liquids Business Unit. The Liquids Business Unit consists of the Liquids Infrastructure and Marketing segments. A complete description of Keyera's businesses by segment can be found in Keyera's Annual Information Form, which is available at www.sedar.com.

The discussion of the results of operations for each of the operating segments focuses on operating margin. Operating margin refers to operating revenues less operating expenses and does not include the elimination of inter-segment transactions. Management believes operating margin provides an accurate portrayal of operating profitability by segment. Keyera's Gathering and Processing and Liquids Infrastructure segments charge Keyera's Marketing segment for the use of facilities at market rates. These segment measures of

profitability for the three and six months ended June 30, 2016 and 2015 are reported in note 13, Segment Information, of the accompanying financial statements.

Gathering and Processing

Keyera currently has interests in 17 active gas plants in western Canada and is operator of 15 of these facilities, making it one of the largest gas processors in Alberta. The Gathering and Processing segment includes raw gas gathering systems and processing plants strategically located in the natural gas production areas on the western side of the Western Canada Sedimentary Basin ("WCSB"). Several of the gas plants are interconnected by raw gas gathering pipelines, allowing raw gas to be directed to the gas plant best suited to process the gas. Keyera's facilities and gathering systems collectively constitute a network that is well positioned to serve drilling and production activity in the WCSB.

Operating margin for the Gathering and Processing segment was as follows:

Operating Margin and Throughput Information (Thousands of Canadian dollars)	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Revenue including inter-segment transactions	106,842	107,169	222,476	213,907
Operating expenses	(36,426)	(51,134)	(83,821)	(97,696)
Unrealized gain on electricity financial contracts	41	112	—	82
Total operating expenses	(36,385)	(51,022)	(83,821)	(97,614)
Operating margin	70,457	56,147	138,655	116,293
Gross processing throughput – (MMcf/d)	1,425	1,436	1,500	1,486
Net processing throughput ¹ – (MMcf/d)	1,089	1,098	1,150	1,162

Note:

¹ Net processing throughput refers to Keyera's share of raw gas processed at its processing facilities.

Operating Margin and Revenues

The Gathering and Processing segment recorded strong financial results for the three and six months ended June 30, 2016, despite the low commodity price environment and the low producer drilling activity in Alberta. Operating margin for the three and six months ended June 30, 2016 was \$70 million and \$139 million respectively, \$14 million and \$22 million higher than the same periods in 2015. The higher operating margin for the three and six months ended June 30, 2016 was largely due to approximately \$19 million and \$33 million of incremental cash flow associated with the following projects that came on stream in 2015:

- the Twin Rivers pipeline system that was operational in April 2015 and is delivering additional volume to the Brazeau River and West Pembina gas plants;
- the Rimbey turbo expander and fractionation de-bottlenecking projects that were operational in July 2015, including the revenue from ethane sales under a long-term contract; and
- the new Alder Flats and Zeta Creek gas plants that were operational in May and September 2015 respectively.

The effect of these incremental cash flows was partly offset by the following:

- \$2 million and \$5 million in lower revenue for the three and six months ended June 30, 2016 at the Strachan gas plant. The 2015 financial results included the recovery of turnaround costs for the turnaround completed in 2014. Recovery of these costs through higher operating revenue was completed by the end of 2015; and

- \$3 million in one-time upward adjustments to revenue that were included in the first quarter of 2015 financial results for the Simonette gas plant.

Gathering and Processing revenues for the three and six months ended June 30, 2016 was \$107 million and \$222 million, virtually unchanged compared to the second quarter of 2015 and \$9 million higher than the first half of 2015. Beginning in 2016, Keyera made additional efforts to reduce operating costs at several of its facilities in order to further improve its customers' economics. This cost reduction initiative, combined with lower electricity costs compared to the prior year, resulted in lower overall operating expenses in 2016. As most of Keyera's facilities follow a flow-through operating cost model, lower operating costs result in lower revenues with minimal impact on Keyera's overall margin.

Gathering and Processing Activity

Gross processing throughput averaged 1,425 million cubic feet per day for the second quarter of 2016, a 10% decrease compared to the first quarter of 2016 and virtually unchanged compared to the same period in 2015. Throughput in the second quarter of 2016 was negatively affected by restrictions imposed by TransCanada Pipelines Limited ("TransCanada") on its sales gas pipelines at several Keyera facilities, including the Strachan, Brazeau River, West Pembina and Minnehik Buck Lake gas plants. These pipeline restrictions were largely due to TransCanada's ongoing maintenance program and the wildfires in Fort McMurray. It is difficult to accurately quantify the effect on throughput resulting from these restrictions as several other factors, described below, reduced throughput in the quarter. The TransCanada curtailments are expected to continue into the third quarter.

Lower overall throughput in the second quarter of 2016 was also a result of the low commodity price environment, historically low gas prices in the quarter and the corresponding reduced drilling activity. Keyera has seen volume declines in certain areas, particularly at the Rimbey gas plant. Average throughput at the Rimbey gas plant was approximately 9% lower in the second quarter of 2016 compared to the first quarter of 2016. This reduction in volumes was primarily due to natural declines not being replaced by new drilling activity and a producer diverting a portion of their gas away from the Rimbey gas plant in early 2016.

Despite the reduction in overall average gross processing throughput at Keyera's facilities, second quarter financial results remained stable because of take-or-pay arrangements at certain facilities, as well as healthy margins from the sale of ethane associated with Keyera's investment in the Rimbey turbo expander. The Gathering and Processing segment purchases the ethane that is extracted from the turbo expander from producers at the facility and sells the product to a petro-chemical producer under a long-term commercial arrangement.

Keyera is encouraged by the recent modest recovery in commodity prices compared to the first quarter of 2016. There are some indications that drilling activity could increase, particularly in geological zones that are rich in natural gas liquids. Keyera's gathering and processing facilities are strategically located in some of the most geologically attractive areas of the WCSB, where producers' economics continue to be commercially competitive.

In the second quarter of 2016, Keyera entered into agreements with a subsidiary of a large creditworthy multi-national producer for the proposed construction of a natural gas gathering and processing complex in the Wapiti area south of Grand Prairie, Alberta (the "Wapiti gas plant"). This complex would be designed to process up to 300 million cubic feet per day of sour gas and 25,000 barrels per day of field condensate. Based on the current plans, the gas processing facilities would be constructed in phases of 150 million cubic feet per day of capacity. Keyera is also evaluating options for a pipeline connection to Keyera's Wapiti raw gas gathering pipeline and Simonette gas plant. The proposed Wapiti gas plant is subject to final sanctioning by either party at any time prior to the end of 2018. Based on preliminary estimates, Keyera expects the total cost of the project will be approximately \$600 million, with operations of the first phase targeted to start up in mid-2019, assuming engineering continues to progress and the project is sanctioned in a timely manner.

As part of the Wapiti gas plant project, Keyera acquired the main project site, all third-party engineering work completed to date and a successfully-tested acid gas injection well for a total cost of approximately \$19 million. Over the next several months, Keyera will complete a front-end engineering and design study and a detailed cost estimate for the project. The agreements include an area dedication and a take-or-pay commitment under a long-term gas handling agreement. Keyera is also negotiating with other producers in the area to commit additional volumes.

In August, Keyera acquired an additional 35% ownership interest in the Alder Flats gas plant and the associated gathering pipelines from Bellatrix Exploration Ltd. ("Bellatrix"). The total consideration for the acquisition was approximately \$113 million, which includes the additional working interest in the facility, a 10-year take-or-pay commitment, an area dedication and a prepayment of 35% of the estimated future construction costs of Phase 2 of the Alder Flats gas plant.

Keyera now owns 70% of the Alder Flats gas plant and gathering pipelines, while Bellatrix continues to be an owner and the operator of the facility. Currently, the Alder Flats gas plant, which is located in west central Alberta, has a licensed capacity of 110 million cubic feet per day. Phase 2 is expected to have a design inlet capacity of 120 million cubic feet per day and a target on stream date in the first half of 2018. Bellatrix is responsible for constructing Phase 2 and funding 60% of the costs.

While the ongoing low commodity price environment has significantly reduced overall producer activity in western Canada, Keyera is continuing to work with its customers to deliver cost-effective and value-added services intended to enhance their economics, while at the same time maximizing throughput and efficiencies at Keyera's gathering and processing facilities. For example, beginning in 2016 Keyera has made additional effort to reduce operating costs at several of its gas plants. Most of Keyera's facilities follow a flow-through operating cost model under which operating costs are passed on to its customers and directly improve a producer's net-back calculations when costs are reduced. Keyera also strives to provide its customers with flexibility and competitive solutions. As a recent example, Keyera commissioned a new connection from its Simonette gas plant to the TransCanada meter station that allows its customers the flexibility to flow greater volumes of gas on either the TransCanada or Alliance sales gas pipeline systems. The total capital cost of this connection is expected to be approximately \$11 million of which \$10 million was incurred since the inception of this project.

A maintenance turnaround is scheduled to be completed at the Nordegg River gas plant in the third quarter for an estimated cost of \$5 million. The costs associated with maintenance turnarounds are capitalized for accounting purposes and do not have an effect on operating expenses in the Gathering and Processing segment. However, as many of Keyera's facilities follow a flow-through operating cost structure, the cost of turnarounds will generally be recovered through higher operating fee revenue. Keyera expects to recover the majority of turnaround costs over varying periods depending on the fee arrangement at each plant. Distributable cash flow is reduced by Keyera's share of the cost of the turnarounds, as these costs are included in its financial results as maintenance capital expenditures.

Liquids Infrastructure

The Liquids Infrastructure segment provides fractionation, storage, transportation and terminalling services for NGLs and crude oil and produces iso-octane. These services are provided to customers through an extensive network of facilities, including the following assets:

- NGL and crude oil pipelines;
- underground NGL storage caverns;
- above ground storage tanks;
- NGL fractionation facilities;
- pipeline, rail and truck terminals; and
- the AEF facility.

The AEF facility has a licensed capacity of 13,600 barrels per day of iso-octane. Iso-octane is a low vapour pressure, high-octane gasoline blending component. AEF uses butane as the primary feedstock to produce iso-octane. As a result, AEF's business creates positive synergies with Keyera's Marketing business, which purchases, handles, stores and sells large volumes of butane.

Most of Keyera's Liquids Infrastructure assets are located in, or connected to, the Edmonton/Fort Saskatchewan area of Alberta, one of four key NGL hubs in North America. A significant portion of the NGL production from Alberta raw gas processing plants is delivered into the Edmonton/Fort Saskatchewan area via multiple NGL gathering systems for fractionation into specification products and delivery to market. Keyera's underground storage caverns at Fort Saskatchewan are used to store NGL mix and specification products. For example, propane can be stored in the summer months to meet winter demand; condensate can be stored to meet the continuous diluent supply needs of the oil sands sector; and butane can be stored to meet blending and iso-octane feedstock requirements.

Keyera's Liquids Infrastructure assets are closely integrated with its Marketing segment, providing the ability to source, transport, process, store and deliver products across North America. A portion of the revenues earned by this segment relates to services provided to Keyera's Marketing segment. All of the revenues in this segment that are associated with the AEF facility relate to processing services provided to the Marketing segment for the production of iso-octane.

Operating margin for the Liquids Infrastructure segment was as follows:

Operating Margin (Thousands of Canadian dollars)	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Revenue including inter-segment transactions	90,402	85,095	184,503	168,923
Operating expenses	(32,039)	(33,059)	(64,039)	(62,829)
Unrealized gain on electricity and natural gas contracts	655	2,833	78	2,347
Total operating expenses	(31,384)	(30,226)	(63,961)	(60,482)
Operating margin	59,018	54,869	120,542	108,441

Operating Margin and Revenues

For the quarter ended June 30, 2016, the Liquids Infrastructure segment recorded another strong quarter of financial results. Operating margin was \$59 million, \$4 million or 8% higher than the same period in 2015. Excluding the effect of unrealized gains from risk management contracts in both periods, operating margin was \$6 million or 12% higher in the second quarter of 2016 compared to the same period in the prior year.

The higher financial results were largely due to the following factors:

- approximately \$3 million in incremental margins generated from recent investments, including the fractionation expansion at Fort Saskatchewan that became operational in late May 2016 and the Josephburg Rail Terminal that became operational in July 2015;
- approximately \$3 million in higher operating margin from Keyera's condensate network, including higher storage revenue resulting from long-term, fee-for-service arrangements with oil sands producers;
- \$2 million in higher fees charged to the Marketing segment for terminalling services at Keyera's Hull terminal in Texas; and
- approximately \$2 million in higher processing fees charged to the Marketing segment for the production of iso-octane. The processing fees were increased to include the higher anticipated cost of the scheduled turnaround that will begin in September.

These factors were partly offset by: i) a reduction in demand for condensate rail imports at Keyera's Alberta Diluent Terminal; ii) a reduction in tariffs offered to a customer on the Fort Saskatchewan Pipeline transportation pipeline in the fourth quarter of 2015, as part of an agreement to secure a longer term commitment for service; and iii) a reduction in fractionation rates with the new contract year that commenced on April 1st.

On a year to date basis, operating margin was \$121 million, \$12 million or 11% higher than the same period in 2015. Excluding the effect of unrealized gains from risk management contracts in both periods, operating margin was \$14 million or 14% higher than the same period in 2015.

The higher financial results for the first six months of 2016 were largely due to the following:

- approximately \$8 million in incremental margins generated from recent investments, including the de-ethanizer facility that became operational in April 2015, the fractionation expansion at Fort Saskatchewan, and the Josephburg Rail Terminal;
- approximately \$5 million in higher operating margin from Keyera's condensate network, including higher storage revenue resulting from long-term, fee-for-service arrangements with oil sands producers; and
- approximately \$7 million in higher fees charged to the Marketing segment for the production of iso-octane at AEF and terminalling services at the Hull rail and truck terminal.

These factors were partly offset by the same factors as discussed for the second quarter results. The financial effect of the fee reduction on the Fort Saskatchewan pipeline was approximately \$4 million in the first six months of 2016.

Liquids Infrastructure revenues for the three and six months ended June 30, 2016, were \$5 million and \$16 million higher than the same periods in 2015, primarily due to the same factors that contributed to higher operating margin.

Liquids Infrastructure Activity

Over the past several years, Keyera has developed significant infrastructure in the Edmonton/Fort Saskatchewan energy hub to enable it to provide value added and reliable services to producers. An example of such an investment is the fractionation expansion at Fort Saskatchewan that became operational in late May and has added approximately 35,000 barrels per day of incremental fractionation capacity. A significant portion of this additional capacity is supported by long-term agreements, and Keyera's overall fractionation operating margin is expected to grow in the second half of the year, assuming volumes are delivered as contracted. As the new contract year commenced on April 1st, fractionation rates, on average, are lower compared to the past year due to the current low commodity price environment, low producer activity and incremental fractionation capacity coming on stream in Alberta in the near term.

As a result of the wildfires that affected the community of Fort McMurray and surrounding areas, oil sands production was significantly reduced for several weeks in the second quarter. This gave rise to a need for condensate storage and an increase in the utilization of Keyera's storage caverns in Fort Saskatchewan. Keyera's condensate network provides customers with flexible, reliable services, as well as liquidity that allows producers to easily buy and sell condensate at various points on its system.

At Keyera's Alberta Diluent Terminal ("ADT"), rail based imports of condensate were lower in the second quarter compared to the same period last year, as sufficient pipeline infrastructure is in place to meet the existing condensate demand in Alberta. This trend is expected to continue for the remainder of 2016 as Enbridge's Southern Lights pipeline and Kinder Morgan's Cochin pipeline are able to deliver most of the current demand for condensate required for the oil sands. Keyera's diluent handling network at Fort Saskatchewan is connected to these supply sources, and Keyera remains the only condensate delivery

point in Alberta for the Cochin pipeline. Cash flow is generated as diluent moves through Keyera's network of integrated assets.

Demand for Keyera's diluent handling services has been strong and continues to grow as both new oil sands projects and phased expansions of existing projects commence operation. Keyera has long-term, take-or-pay agreements in place with several major oil sands producers, including Imperial Oil, Husky, Suncor, Cenovus and CNRL. Under these agreements, Keyera provides a variety of services including diluent transportation, storage and rail offload services in the Edmonton/Fort Saskatchewan area. In 2015, Keyera entered into an agreement to purchase the northern segment of a 49-kilometre, 8-inch pipeline that will be converted into condensate service in order to receive diluent from the North West Sturgeon Refinery under a long-term diluent handling agreement (the "North Condensate Connector pipeline"). The acquisition of this pipeline is expected to close in the fourth quarter of this year upon satisfaction of the final closing conditions at a cost of approximately \$18 million.

Demand for storage continues to be strong and revenues are expected to be stable for the remainder of 2016. Consequently, Keyera is progressing with the next phase of its cavern development program and completed drilling the well bore for the 16th cavern in early August and drilling of the 17th cavern is now underway. In conjunction with the expansion of Keyera's underground storage caverns, Keyera has commissioned eight water wells to facilitate the washing of caverns at a faster rate. It is Keyera's experience that it takes approximately two and a half years to bring a large cavern into operation from the time of drilling.

In the first quarter of 2016, Keyera acquired a pipeline from Williams Purity Pipelines LLC ("Williams") for approximately US\$24 million to further enhance its infrastructure in Texas. The pipeline is a 6-inch, 88-kilometre pipeline that originates at ExxonMobil's petrochemical facility in Beaumont, extends through Keyera's Hull terminal and ends near Mont Belvieu, North America's largest NGL hub. This pipeline is expected to provide Keyera with access to transport NGLs (NGL mix and specification products) in and out of the Mont Belvieu area, and provides further commercial opportunities for Keyera's Marketing segment in the United States. During the second quarter, Keyera continued its negotiation of commercial arrangements and pipeline connections. The total cost to prepare the pipeline for operation, including the construction of pipeline connections, installation of pumps, metering systems, and completion of pipeline repairs and integrity work, is expected to range between US\$25 million and US\$30 million. The pipeline is anticipated to be in service by 2018, assuming commercial agreements and pipeline connections are in place.

The AEF facility is operated by the Liquids Infrastructure operating segment and provides iso-octane processing services to the Marketing segment on a fee-for-service basis. During the second quarter of 2016, AEF operated on average at approximately 97% of capacity. Beginning in September, production at AEF is scheduled to be shut down for approximately six weeks to complete the scheduled maintenance turnaround that occurs every four years. The cost of the turnaround is currently estimated to range between \$40 million and \$45 million, including the replacement of catalyst. Keyera's investment in the maintenance turnaround at AEF is to ensure the facility runs safely, efficiently and reliably for the long term.

Keyera continues to focus on creating solutions and enhancing its infrastructure to meet the needs of its customers. The table below is a status update of previously announced major projects in the Liquids Infrastructure segment:

Capital Projects Status Update – Liquids Infrastructure		
Facility/Area	Project Description	Project Status Update
Keyera Fort Saskatchewan	<p>NGL Fractionation Expansion: construction of a 35,000 barrel per day C3+ mix fractionation facility, more than doubling the facility's existing capacity to 65,000 barrels per day. The project includes the construction of new receipt facilities, operational storage and pipeline connections.</p>	<p>The fractionation expansion was operational in late May.</p> <ul style="list-style-type: none"> Completed at a final gross cost of approximately \$198 million (Keyera's share was \$153 million) Total gross cost was approximately \$30 million below the original cost estimate for this project due to project efficiencies and improved labour costs and productivity. <p><i>Total net costs incurred by Keyera to June 30, 2016:</i></p> <ul style="list-style-type: none"> \$10 million and \$28 million for the three and six months ended June 30, 2016 \$153 million since inception

Facility/Area	Project Description	Project Status Update
Keyera Fort Saskatchewan	<p>Underground Storage Development: development of four additional underground storage caverns, including ancillary infrastructure such as pumps, piping and brine pond capacity.</p>	<p>Washing of the 14th and 15th caverns continued. The 14th and 15th caverns are anticipated to be in service in the first half of 2017 and 2018 respectively.</p> <p>Drilling of the well bores for the 16th cavern was completed in early August and drilling of the 17th cavern is underway.</p> <p><i>Estimated total cost to complete:</i></p> <ul style="list-style-type: none"> • Gross cost is approximately \$115 million (Keyera's share is approximately \$90 million). <p><i>Total net costs incurred by Keyera to June 30, 2016:</i></p> <ul style="list-style-type: none"> • \$4 million and \$7 million for the three and six months ended June 30, 2016 • \$59 million since inception
Edmonton	<p>Condensate Tanks: construction of four condensate storage tanks, each capable of holding approximately 60,000 barrels of product.</p>	<p>Regulatory approvals have been received and construction is underway. The tanks are expected to be operational in mid-2017.</p> <p><i>Estimated total cost to complete:</i></p> <ul style="list-style-type: none"> • Cost to Keyera of approximately \$90 million <p><i>Total net costs incurred by Keyera to June 30, 2016:</i></p> <ul style="list-style-type: none"> • \$2 million and \$3 million for the three and six months ended June 30, 2016 • \$5 million since inception

Facility/Area	Project Description	Project Status Update
Edmonton/Fort Saskatchewan	<p>North Condensate Connector and South NGL Connector: purchase of the northern segment of a 49-kilometre, 8-inch pipeline (“North Condensate Connector”), that will be used to receive diluent from the North West Sturgeon Refinery under a long-term diluent handling agreement. Acquisition of the north segment of the pipeline for approximately \$18 million is expected to close in the fourth quarter of 2016.</p> <p>Keyera will lease the southern portion of this pipeline between Edmonton and Fort Saskatchewan to provide increased flexibility and capacity (up to 60,000 barrels per day) for transportation services in the Edmonton/Fort Saskatchewan area (“South NGL Connector”).</p>	<p>Keyera expects to incur approximately \$50 million of capital cost for connections and other conversion work required for both segments of the pipeline to be put into service. The North Condensate Connector is expected to be in service by January 2017 and the South NGL Connector is expected to be operational in 2018.</p> <p>The acquisition and lease of the pipeline from Praxair Canada Inc. are subject to satisfaction of final closing conditions.</p> <p><i>Total net costs incurred by Keyera to June 30, 2016:</i></p> <ul style="list-style-type: none"> • \$3 million and \$4 million for the three and six months ended June 30, 2016 • \$6 million since inception
Norlite Pipeline (30/70 joint venture with Enbridge Pipelines (Athabasca) Inc. (“Enbridge”))	<p>Norlite Pipeline: Keyera has committed to participate as a 30% non-operating owner in the Norlite Pipeline which delivers diluent from the Fort Saskatchewan area to certain oil sands projects. Enbridge will construct and operate the pipeline which is expected to be in service mid-2017.</p> <p>The scope includes a 24-inch pipeline, providing an initial capacity of approximately 224,000 barrels per day of diluent and the potential to be further expanded to 400,000 barrels per day of capacity with the addition of pump stations.</p> <p>Keyera’s diluent transportation system in the Fort Saskatchewan area will deliver product into the Norlite Pipeline, providing the Norlite shippers with access to multiple sources of diluent supply.</p>	<p>Construction is progressing according to plan.</p> <p><i>Estimated total cost to complete:</i></p> <ul style="list-style-type: none"> • Gross cost as estimated by Enbridge is approximately \$1.3 billion (Keyera’s net share is approximately \$390 million). <p><i>Total net costs incurred by Keyera to June 30, 2016:</i></p> <ul style="list-style-type: none"> • \$48 million and \$86 million for the three and six months ended June 30, 2016 • \$150 million since inception

Facility/Area	Project Description	Project Status Update
Edmonton (50/50 joint venture with Kinder Morgan)	<p>Base Line Terminal: construction of 12 above ground crude oil storage tanks with the ability to provide customers with 4.8 million barrels of storage capacity. Kinder Morgan will construct the project and operate the terminal once it is in service.</p> <p>The project is expected to be commissioned in phases, with the first tanks scheduled to be commissioned in the second half of 2017, and the remaining tanks scheduled for commissioning in the first half of 2018, based on the most recent construction schedule.</p>	<p>Construction of the tanks commenced in the second quarter.</p> <p><i>Estimated total cost to complete:</i></p> <ul style="list-style-type: none"> Keyera's net share of costs is approximately \$330 million. <p><i>Total net costs incurred by Keyera to June 30, 2016:</i></p> <ul style="list-style-type: none"> \$21 million and \$37 million for the three and six months ended June 30, 2016 \$48 million since inception
Edmonton (50/50 joint venture with Grand Rapids Pipeline Limited Partnership)	<p>South Grand Rapids Pipeline: Keyera has committed to acquire a 50% interest in the southern portion of the 20-inch, 45-kilometre diluent Grand Rapids Pipeline when it is completed in 2017. The pipeline will be constructed by Grand Rapids Pipeline Limited Partnership ("GRPLP"), an affiliate of TransCanada PipeLines Limited and Brion Energy Corporation. The pipeline will extend from Keyera's Edmonton Terminal to TransCanada's Heartland Terminal near Fort Saskatchewan. Keyera will be operator of the pipeline.</p> <p>As part of this project, Keyera is constructing a pump station at its Edmonton Terminal where the pipeline will connect. Keyera will sell a 50% ownership interest in the pump station to GRPLP once the pipeline is complete.</p>	<p>Engineering work associated with the pump station progressed in the second quarter of 2016.</p> <p>The pipeline and associated pump station is expected to be in service in the second half of 2017.</p> <p><i>Estimated total cost to complete:</i></p> <ul style="list-style-type: none"> Keyera's 50% share is \$110 million for acquisition of the pipeline and \$35 million for construction of the pump station for a total combined cost of approximately \$145 million. <p><i>Total net costs incurred by Keyera to June 30, 2016:</i></p> <ul style="list-style-type: none"> \$2 million and \$3 million for the three and six months ended June 30, 2016 \$4 million since inception

Facility/Area	Project Description	Project Status Update
Edmonton	Fort Saskatchewan Condensate System Expansion: construction of a 24-inch pipeline and manifold that will connect the Norlite Pipeline and the South Grand Rapids Pipeline to Keyera's existing condensate transportation infrastructure.	<p>Construction of the 24-inch pipeline was completed in the first quarter of 2016. Commencement of service on this line will coincide with the startup of the Norlite Pipeline.</p> <p>Engineering work is progressing on the manifold within the Heartland area and is expected to be incorporated into Keyera's condensate system in the second half of 2017 commensurate with the South Grand Rapids Pipeline operations.</p> <p><i>Estimated total cost to complete:</i></p> <ul style="list-style-type: none"> • Cost is expected to range between \$40 and \$50 million. <p><i>Total net costs incurred by Keyera to June 30, 2016:</i></p> <ul style="list-style-type: none"> • \$4 million and \$13 million for the three and six months ended June 30, 2016 • \$16 million since inception

Estimated costs and completion times for the projects currently under development that are discussed above assume that construction proceeds as planned, that actual costs are in line with estimates and, where required, that regulatory approvals and any other third-party approvals or consents are received on a timely basis. A portion of the costs incurred for completed and ongoing projects are based on estimates. Final costs may differ when actual invoices are received or contracts are settled. Costs for the projects described above exclude carrying charges (i.e. capitalized interest). The section of this MD&A titled, "Forward-Looking Information", provides more information on factors that could affect the development of these projects.

Marketing

The Marketing segment is focused on the distribution and sale of products associated with Keyera's facilities, including NGLs, crude oil, iso-octane and sulphur. Keyera markets products acquired through processing arrangements, term supply agreements and other purchase transactions. Most NGL volumes are purchased under one-year supply contracts typically with terms beginning in April of each year. In addition, Keyera has long-term supply arrangements with several producers for a portion of its NGL supply. Keyera may also source additional condensate or butane, including from the U.S., when market conditions and associated sales contracts are favourable.

Keyera negotiates sales contracts with customers in Canada and the U.S. based on the volumes it has contracted to purchase. In the case of condensate sales, the majority of the product is sold to customers in Alberta shortly after it is purchased. Butane is used as the primary feedstock in the production of iso-octane at Keyera's AEF facility and therefore a significant portion of the contracted butane supply is retained for Keyera's own use, and the balance is generally sold into the Alberta market shortly after it is purchased.

Propane markets, in contrast, are more seasonal and geographically diverse. Keyera sells propane in various North American markets, often where the only option for delivery is via railcar or truck. Keyera is well positioned to serve these markets due to its extensive infrastructure and rail logistics expertise. Further,

because demand for propane is typically higher in the winter, Keyera can utilize its NGL storage facilities to build an inventory of propane during the summer months when prices are typically lower to fulfill winter term-sales commitments.

Keyera manages its NGL supply and sales portfolio by monitoring its inventory position and purchase and sale commitments. Nevertheless, the Marketing business is exposed to commodity price fluctuations arising between the time contracted volumes are purchased and the time they are sold, as well as being exposed to pricing differentials between different geographic markets. These risks are managed by purchasing and selling product at prices based on the same or similar indices or benchmarks, and through physical and financial contracts that include energy-related forward contracts, price swaps, forward currency contracts and other hedging instruments. A more detailed description of the risks associated with the Marketing segment is available in Keyera's Annual Information Form, which is available at www.sedar.com.

Keyera's primary markets for iso-octane are in the Gulf Coast and Midwestern United States, and Western Canada. Demand for iso-octane is seasonal, with higher demand in the summer months resulting in higher sales prices. There can be significant variability in iso-octane margins. As with Keyera's other marketing activities, various strategies are utilized to mitigate the risks associated with the commodity price exposure, including the use of financial contracts. The section of this MD&A titled "Risk Management" provides more information on the risks associated with the sale of iso-octane and Keyera's related hedging strategy.

Keyera also engages in crude oil midstream activities, where it operates facilities at various locations in Alberta that allow it to transport, process and blend crude oil. A significant proportion of these activities are undertaken as joint ventures, where Keyera obtains access to various crude oil streams. Crude oil midstream margins are earned by blending products of lower value into higher value product streams. As a result, these transactions are exposed to volatility in price and quality differentials between various product streams. Keyera manages this risk by balancing its purchases and sales and locking in margins through its risk management strategies.

Overall, the integration of Keyera's business lines means that its Marketing segment can draw on the resources available to it through its two facilities based operating segments (Liquids Infrastructure and Gathering and Processing), including access to NGL supply and key fractionation, storage and transportation infrastructure and logistics expertise.

Operating margin for the Marketing segment was as follows:

Operating Margin and Sales Volumes Information (Thousands of Canadian dollars)	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Revenue	457,447	480,590	916,464	997,661
Operating expenses including inter-segment transactions	(432,865)	(427,107)	(847,761)	(907,918)
Operating margin	24,582	53,483	68,703	89,743
Sales volumes (Bbl/d)	117,900	101,300	132,700	110,300
Composition of Marketing Revenue (Thousands of Canadian dollars)	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Physical sales	479,768	494,588	918,287	1,026,252
Realized cash (loss) gain on financial contracts ¹	(1,168)	(7,793)	12,608	30,913
Unrealized (loss) gain due to reversal of financial contracts existing at end of prior period	(14,210)	1,832	(6,178)	(42,528)
Unrealized loss due to fair value of financial contracts existing at end of current period	(6,969)	(10,374)	(6,969)	(10,374)
Unrealized gain (loss) due to reversal of fixed price physical contracts existing at end of prior period	8	94	(1,302)	(8,845)
Unrealized gain due to fair value of fixed price physical contracts existing at end of current period ²	18	2,243	18	2,243
Total unrealized loss on risk management contracts	(21,153)	(6,205)	(14,431)	(59,504)
Total loss on risk management contracts	(22,321)	(13,998)	(1,823)	(28,591)
Total Marketing revenue	457,447	480,590	916,464	997,661

Notes:

¹ Realized cash gains and losses represent actual cash settlements or receipts under the respective contracts.

² Unrealized gains and losses represent the change in fair value of fixed price physical contracts that meet the GAAP definition of a derivative instrument.

Revenue and Operating Margin

The Marketing segment recorded second quarter 2016 operating margin of \$25 million, \$29 million lower than the same period in 2015. Excluding the effect of non-cash unrealized gains and losses from risk management contracts in both periods, operating margin was \$14 million lower in the second quarter of 2016 compared to the same period last year. The factors that contributed to the lower realized operating results in the second quarter of 2016 included the following:

- approximately \$10 million in lower operating margin for iso-octane largely due to weaker gasoline prices and lower premiums earned on the sale of iso-octane. Iso-octane premiums were especially high in the second quarter of 2015. The market fundamentals that have resulted in weaker gasoline prices in 2016 are discussed in the Market Overview section below; and

- approximately \$3 million in higher lease and storage costs associated with the receipt of previously ordered railcars and lower railcar utilization. Keyera entered into lease arrangements to increase its rail fleet based on forecast growth in NGL volumes. However, these volumes have not increased as much as expected. The unutilized railcar costs are expected to be lower in the second half of the year as Keyera expects to utilize more of its fleet to move NGL volumes from its recently completed fractionation expansion at Fort Saskatchewan.

On a year to date basis, operating margin was \$69 million for the first six months of 2016, \$21 million lower than the same period last year. Excluding the effect of non-cash unrealized gains and losses from risk management contracts in both periods, operating margin was \$66 million lower in 2016 compared to the same period in 2015. The factors that contributed to the lower realized operating results in 2016 included the following:

- the inclusion of an approximately \$40 million non-recurring cash gain in the first quarter 2015 financial results. This realized cash gain related to the settlement of financial and physical risk management contracts associated with its 2014 year-end inventory;
- lower sales volumes for iso-octane in the first quarter of 2016 resulting from unscheduled downtime at the AEF facility, which operated on average at approximately 80% of capacity in the first quarter of 2016;
- lower operating margin from the sale of iso-octane in the second quarter of 2016 resulting from weaker gasoline prices and a lower premium for iso-octane as discussed above; and
- approximately \$9 million in higher lease and storage costs associated with the receipt of previously ordered railcars and lower railcar utilization.

Keyera's crude oil midstream business contributed similar operating margin to the 2016 financial results as in the first half of 2015 as blending volumes were stable and positive margins were captured.

In general, gross revenue in the Marketing segment is influenced by sales volumes as well as commodity prices, in particular prices for NGLs and iso-octane. For the three and six months ended June 30, 2016, revenue from physical sales was \$15 million and \$108 million lower compared to the same periods in 2015 due to reduced average prices for all products, particularly in the first quarter of 2016. Sales volumes were higher primarily due to the increase in sales of ethane associated with Keyera's de-ethanizer facility in Fort Saskatchewan that became operational in April 2015. Ethane sales do not contribute a significant amount to operating margin in the Marketing segment.

Market Overview

Demand for iso-octane typically increases in the summer months as driving activity and gasoline demand increase, which generally translates into premium pricing for gasoline and iso-octane. Despite rising gasoline demand in 2016, iso-octane margins have been weaker than the peak driving season in 2015 due to higher gasoline inventories in the U.S. market. According to the U.S. Energy Information Administration's July report, as refineries have increased gasoline yields over the past year, gasoline production has consistently set new five year highs for the first half of 2016. U.S. gasoline production in June was the second highest on record which has put downward pressure on gasoline prices, resulting in lower margins from the sale of iso-octane compared to a year ago. This trend is expected to continue into the second half of this year.

During the second quarter of 2016, AEF operated at approximately 97% of its capacity, resulting in higher iso-octane production and sales volumes compared to the first quarter of this year when the facility experienced some unscheduled downtime. AEF continues to operate close to its capacity. Iso-octane sales volumes will be lower in the second half of 2016 as AEF is taken off-line for approximately six weeks beginning in September for its scheduled turnaround that occurs every four years. Refer to the section of

this MD&A, “Segmented Results of Operations: Liquids Infrastructure”, for more information relating to the turnaround scheduled at AEF in 2016.

Margins from the sale of butane were solid in the first half of 2016, as Keyera maintained its balanced sales strategy that is supported by an effective risk management program. As butane prices seasonally decline in the spring and summer months, Keyera has in the past utilized its logistics and storage capabilities to import butane from the U.S. during these low demand periods. This strategy was effective in aiding Keyera to manage and maintain butane supply requirements, including the feedstock necessary for the production of iso-octane. For 2016, market fundamentals have not been typical as butane prices have been weaker in Alberta relative to markets in the U.S. As a result, Keyera imported significantly lower volumes of butane to meet the needs of AEF in 2016.

Butane feedstock costs in Alberta are expected to remain soft for the remainder of 2016 due to a surplus of butane inventory. Low butane costs directly benefit iso-octane margins as it takes approximately 1.4 barrels of butane to yield a barrel of iso-octane when the facility is operating near full utilization. The section below titled, “Risk Management”, provides more information related to Keyera’s hedging strategy.

As a result of the wildfires in Fort McMurray in June, downward pressure was put on condensate prices as many oils sands facilities were down for several weeks. Although prices were lower, Keyera was able to capture margins similar to prior quarters, balancing its supply and sales arrangements to reduce commodity price risk.

As certain oil sands projects came on stream in mid-2015, bitumen production increased along with demand for condensate that is used as a diluent. For the near term, Keyera expects that volumes of condensate imported by rail from the U.S. will be lower than in the previous year as sufficient pipeline infrastructure has been put in place to deliver the incremental condensate supply currently required by oil sands producers. As a result, condensate supply and demand fundamentals are expected to remain balanced for the remainder of 2016. Keyera imports condensate into Alberta when demand fundamentals support positive operating margins.

Propane prices reached historically low levels in the first quarter of 2016 due to unseasonably warm winter weather and a surplus of inventory in North America. Propane prices recovered in the second quarter of 2016 and margins were protected in the first half of 2016 as a result of Keyera’s risk management strategy. Refer to the section of this MD&A, “Marketing: Risk Management”, for more information relating to Keyera’s risk management strategies. Keyera has begun to build its seasonal inventory of propane to meet the upcoming winter heating season demand and will continue to export propane out of Western Canada from its Josephburg Rail Terminal to meet demand in other markets.

Risk Management

When possible, Keyera uses hedging strategies to mitigate risk in its Marketing business, including foreign currency exchange risk associated with the purchase and sale of NGLs and iso-octane. Keyera’s hedging objective for iso-octane is to mitigate the effect of iso-octane price fluctuations on its future operating margins. The sales price for iso-octane is generally based at a premium to the price of Reformulated Blendstock for Oxygen Blending (“RBOB”). RBOB is the highest volume refined product sold in the United States and has the most liquid forward financial contracts. Accordingly, Keyera expects to continue to utilize RBOB based financial contracts to hedge a portion of its iso-octane sales.

To protect the value of its NGL inventory from fluctuations in commodity prices, Keyera typically uses physical and financial forward contracts. For propane in particular, contracts are generally put in place as inventory builds and are settled when products are expected to be withdrawn from inventory and sold. In general, the increase or decrease in the fair value of the contracts is intended to mitigate fluctuations in the value of the inventories and protect operating margin. For the past few years, Keyera has used propane physical and financial forward contracts to hedge its propane inventory.

Keyera may hold butane inventory to meet the feedstock requirements of the AEF facility. For condensate, most of the product purchased is sold within one month. The sales contracts for both butane and condensate are typically priced as a percentage of WTI crude oil and the supply cost in certain cases may be based on a hub posted or index price. To align the pricing terms of physical supply with the terms of contracted sales and to protect the value of butane and condensate inventory, the following hedging strategies may be utilized:

- Keyera may enter into financial contracts to lock in the supply price at a specified percentage of WTI, as the sales contracts for butane and condensate are also generally priced in relation to WTI. When butane or condensate is physically purchased, the financial contract is settled and a realized gain or loss is recorded in income.
- Once the product is in inventory, WTI financial forward contracts are generally used to protect the value of the inventory.

Within these hedging strategies, there may be differences in timing between when the financial contracts are settled and when the products are purchased and sold. There may also be basis risk between the prices of crude oil and the NGL products and therefore the financial contracts may not fully offset future butane and condensate price movements.

For the quarter ended June 30, 2016, the total unrealized loss on risk management contracts was \$21 million. Further details are provided in the "Composition of Marketing Revenue" table above.

The fair value of outstanding financial contracts as at June 30, 2016 resulted in an unrealized (non-cash) loss of \$7 million that includes the following significant items:

- a \$5 million non-cash loss relating to butane and iso-octane supply and sales risk management contracts;
- a \$1 million non-cash loss relating to condensate supply and inventory risk management contracts; and
- a \$1 million non-cash loss relating to foreign currency and other financial contracts.

Fixed price physical contracts are also marked-to-market at the end of each period. The fair value of outstanding fixed price physical contracts as at June 30, 2016 was \$nil.

The fair value of financial and fixed price physical contracts will vary as these contracts are marked-to-market at the end of each period. A summary of the financial contracts existing at June 30, 2016, and the sensitivity to earnings resulting from changes in commodity prices, can be found in Note 9, Financial Instruments and Risk Management, of the accompanying financial statements.

CORPORATE AND OTHER

Non-Operating Expenses and Other Income (Thousands of Canadian dollars)	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Other (loss) income (operating margin)	(67)	6,691	1,876	10,764
General and administrative (net of overhead recoveries on operated facilities)	(14,657)	(10,417)	(36,264)	(24,330)
Finance costs	(16,847)	(12,915)	(36,195)	(24,753)
Depreciation, depletion and amortization expenses	(44,641)	(41,745)	(89,365)	(79,998)
Net foreign currency gain (loss) on U.S. debt	10,363	(43,257)	15,871	(36,407)
Long-term incentive plan expense	(3,974)	(7,108)	(8,703)	(17,871)
Impairment expense	—	—	—	(19,908)
Income tax expense	(24,555)	(40,161)	(45,310)	(49,807)

Other Income

Keyera has acquired oil and gas reserves as part of the acquisition of ownership interests in the Minnehik Buck Lake, West Pembina, Bigoray and Cynthia facilities. Keyera reports operating margin (net of royalties and operating expenses) from the production associated with all of its reserves as other income as it has no plans to drill additional wells to offset natural production declines.

Other income for the three and six months ended June 30, 2016 was \$nil and \$2 million, and includes a non-cash unrealized loss of \$2 million and \$3 million related to risk management contracts for the respective periods in 2016. Production for the three and six months ended June 30, 2016 averaged 4,302 and 4,825 barrels of oil equivalent per day compared to 7,122 and 6,997 barrels of oil equivalent per day for the same periods in 2015.

The reserves and production are not material to Keyera's business and do not have a material effect on its financial results.

General and Administrative Expenses

General and administrative ("G&A") expenses for the three months ended June 30, 2016 were \$15 million, \$4 million higher than the same period in 2015 primarily due to the following factors:

- \$1 million charge to adjust the final proceeds from the sale of the Bonnie Glen pipeline line-fill that was sold in the prior year; and
- \$2 million in lower overhead recoveries resulting from lower operating expenses in the Gathering and Processing business unit. As operator of most of its facilities, Keyera is compensated for its administrative work by collecting an overhead recovery fee equal to a certain percentage of operating costs.

On a year to date basis, G&A expenses were \$36 million, \$12 million higher than the same period in 2015 for the same reasons as discussed for the second quarter and a \$6 million charge in the first quarter to write-off previously capitalized front-end engineering costs for various small scale projects that have a lower probability of proceeding. Management has determined that these projects are at a reduced probability of proceeding.

Finance Costs (including accretion)

Finance costs for the three and six months ended June 30, 2016 were \$17 million and \$36 million, \$4 million and \$11 million higher than the same periods in 2015. The higher interest expense in 2016 was primarily due to lower interest capitalized on qualifying projects as several large scale projects were completed in

2015. Interest capitalized on qualifying projects was \$4 million and \$7 million for the three and six months ended June 30, 2016, \$4 million and \$9 million lower than the same periods of 2015.

Depreciation, Depletion and Amortization Expenses

Depreciation, depletion and amortization expenses for the three and six months ended June 30, 2016 were \$45 million and \$90 million, \$3 million and \$9 million higher than the same periods in 2015. The increase in depreciation expense was largely due to an increase in Keyera's asset base resulting from significant growth capital projects that were completed in 2015.

Net Foreign Currency Gain (Loss) on U.S. Debt

The net foreign currency gain (loss) associated with the U.S. debt was as follows:

Net Foreign Currency Gain (Loss) on U.S. Debt (Thousands of Canadian dollars)	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Translation of long-term debt and interest payable	484	10,744	43,592	(44,190)
Change in fair value of cross currency swaps – principal and interest portion	8,119	(54,514)	(29,799)	7,167
Gain on cross currency swaps – principal and interest portion ¹	1,760	513	2,078	616
Net foreign currency gain (loss) on U.S. debt	10,363	(43,257)	15,871	(36,407)

Note:

¹ Foreign currency gains (losses) resulted from the exchange of currencies related to the interest and principal payments on the long-term cross currency swaps.

To manage the foreign currency exposure on U.S. dollar denominated debt, Keyera has entered into cross currency agreements with a syndicate of Canadian banks to swap the U.S. dollar principal and future interest payments into Canadian dollars. The cross currency agreements are accounted for as derivative instruments and are marked-to-market at the end of each period. The fair value of the cross currency swap agreements will fluctuate between periods due to changes in the forward curve for foreign exchange rates, as well as an adjustment to reflect credit risk. Note 9, "Financial Instruments and Risk Management", to the accompanying financial statements contains more information on the swap agreements.

A net foreign currency gain of \$10 million was recorded for the quarter ended June 30, 2016 that primarily related to the change in fair value of cross currency swap agreements since March 31, 2016. For the six months ended June 30, 2016, a net foreign currency gain of \$16 million was recorded. The translation of U.S. dollar denominated debt into Canadian dollars resulted in a \$44 million non-cash gain as the Canadian dollar strengthened relative to the U.S. dollar as at June 30, 2016 compared to the end of 2015. This unrealized gain was partly offset by a \$30 million non-cash loss resulting from the change in fair value of cross currency swap agreements since the end of 2015.

Long-Term Incentive Plan Expense

The Long-Term Incentive Plan ("LTIP") expense for the three and six months ended June 30, 2016 was \$4 million and \$9 million, \$3 million and \$9 million lower than the same periods last year primarily due to: i) a lower payout multiplier associated with the 2015 LTIP grant compared to the 2012 grant that was paid out to employees in the third quarter of last year; and ii) a lower price for Keyera shares at the end of second quarter of 2016 relative to the same time last year.

Impairment Expense

Keyera reviews its assets for indications of impairment on a quarterly basis and no impairment charges were recorded in the first half of 2016. In the first six months of 2015, an impairment expense of \$20 million was recorded. This impairment expense related to a reduction in the carrying value of the Bonnie Glen pipeline

system (including line-fill), a crude oil transportation pipeline owned 50% by Keyera. The operator of the pipeline determined there was not sufficient business to warrant keeping the pipeline in active service.

Impairment expenses are non-cash charges and do not affect operating margin, distributable cash flow, EBITDA, or Adjusted EBITDA.

Taxes

In general, as earnings before taxes increase, total tax expense (current and deferred taxes) will also be higher. If sufficient tax pools exist, current taxes will be reduced and deferred income taxes will increase as these tax pools are utilized or drawn down. Other factors that affect the calculation of deferred income taxes include future income tax rate changes and permanent differences (i.e., accounting income or expenses that will never be taxed or deductible for income tax purposes).

Deferred Income Taxes

For the three months ended June 30, 2016, a deferred income tax expense of \$18 million was recorded compared to an expense of \$23 million in the same period last year. The prior year expense was unusually high as a result of the increase in the provincial corporate tax rate from 10% to 12% that was substantively enacted on July 1, 2015.

For the six months ended June 30, 2016, a deferred income tax expense of \$35 million was recorded. This is compared to a deferred income tax expense of \$12 million recorded in the prior year. The higher deferred income tax expense in 2016 was largely due to higher earnings before taxes compared to the same period last year.

Current Income Taxes

Current income tax expense for the three and six months ended June 30, 2016 was \$6 million and \$10 million, compared to a current income tax expense of \$17 million and \$38 million in the same periods of 2015. On an annual basis, current income tax expense for 2016 is expected to range between \$15 million and \$25 million which is largely based on 2015 taxable income from the Partnership that was allocated to Keyera Corp. in 2016. This income deferral is available to Keyera as its corporate structure includes a deferral partnership. The significantly lower current tax expense in 2016 compared to the prior year is a direct result of higher capital cost allowance deductions associated with several major capital projects that became available for use in 2015.

Keyera estimates its tax pools at June 30, 2016 were approximately \$1.8 billion. The largest single un depreciated capital cost ("UCC") balance relates to Class 41, which are generally depreciated at a rate of 25%.

CRITICAL ACCOUNTING ESTIMATES

In preparing Keyera's accompanying financial statements in accordance with GAAP, management has made appropriate decisions with respect to the formulation of estimates and assumptions that affect the recorded amounts of certain assets, liabilities, revenues and expenses. Keyera has hired qualified individuals who have the skills required to make such estimates. These estimates and assumptions are reviewed and compared to actual results as well as to budgets in order to make more informed decisions on future estimates. The methodologies and assumptions used in developing these estimates have not significantly changed since December 31, 2015. A description of the accounting estimates and the methodologies and assumptions underlying the estimates are described in the 2015 year end MD&A available at www.sedar.com. The most significant estimates include the following:

- the key economic assumptions used to determine the present value of future cash flows used in testing long-lived assets and goodwill for impairment;
- the estimated useful lives of assets and the resulting estimates for depreciation expense and the fair value of the decommissioning liabilities, also known as provisions;
- the decommissioning liabilities and associated accretion expense;

- the discount rate used to determine the present value of future cash flows used for testing the impairment of long-lived assets and goodwill;
- the discount rate used to calculate the present value of decommissioning liabilities;
- the amount and composition of deferred income tax assets and income tax liabilities, including the amount of unrecognized tax benefits;
- the allowance for doubtful accounts;
- the fair values of certain fixed price physical derivative instruments and financial contracts;
- the volumes for one month of purchases and sales for the Marketing segment;
- the volumes for one month of operating expenses and fees earned for the Gathering and Processing and NGL Infrastructure segments; and
- equalization adjustments under flow-through revenue arrangements.

Operating Revenues

Gathering and Processing and Liquids Infrastructure:

For each month, actual volumes processed and fees earned from the Gathering and Processing and Liquids Infrastructure assets are not known at the end of the month. Accordingly, the financial statements contain an estimate of one month's revenue based upon a review of historical trends. This estimate is adjusted for events that are known to have a significant effect on the month's operations such as non-routine maintenance projects.

At June 30, 2016, operating revenues and accounts receivable for the Gathering and Processing and Liquids Infrastructure segments contained an estimate of approximately \$47 million primarily for June 2016 operations.

Marketing:

The majority of the Marketing sales revenue is recorded based upon actual volumes and prices; however, in many cases actual product lifting volumes have not yet been confirmed and sales prices that are dependent on other variables are not yet known. Accordingly, the financial statements contain an estimate for these sales. Estimates are prepared based upon contract quantities and known events. The estimates are reviewed and compared to expected results to verify their accuracy.

At June 30, 2016, the Marketing sales and accounts receivable contained an estimate for June 2016 revenues of approximately \$96 million.

Operating Expenses and Product Purchases

Gathering and Processing and Liquids Infrastructure:

The period in which invoices are rendered for the supply of goods and services necessary for the operation of the Gathering and Processing and Liquids Infrastructure assets is generally later than the period in which the goods or services were provided. Accordingly, the financial statements contain an estimate of one month's operating costs based upon a review of historical trends. This estimate is adjusted for events that are known to have a significant effect on the month's operations such as non-routine maintenance projects.

At June 30, 2016, operating expenses and accounts payable contained an estimate of approximately \$15 million primarily for June 2016 operations.

Marketing:

NGL mix feedstock and specification products such as propane, butane and condensate are purchased from facilities located throughout western Canada and in some locations in the United States. The majority of NGL mix purchases are estimated each month as actual volume information is generally not available until the next month. The estimates are prepared based upon a three month rolling average of production volumes for each facility and an estimate of price based upon historical information. Specification product volumes and prices are based upon contract volumes and prices. Accordingly, the financial statements contain an estimate for one month of these purchases.

Marketing cost of goods sold, inventory and accounts payable contained an estimate of NGL product purchases of approximately \$82 million at June 30, 2016.

Equalization Adjustments

Much of the revenue from the Gathering and Processing assets includes a recovery of operating costs. Under this method, the operating component of the fee is a pro rata share of the operating costs for the facility, calculated based upon total throughput. Users of each facility are charged a fee per unit based upon estimated costs and throughput, with an adjustment to actual throughput completed after the end of the year. Each quarter, throughput volumes and operating costs are reviewed to determine whether the estimated unit fee charged during the quarter properly reflects the actual volumes and costs, and the allocation of revenues and operating costs to other plant owners is also reviewed. Appropriate adjustments to revenue and operating expenses are recognized in the quarter and allocations to other owners are recorded.

For the Gathering and Processing segment, an equalization adjustment of \$4 million was included in revenue and accounts receivable at June 30, 2016. Operating expenses and accounts payable contained an equalization adjustment of \$17 million.

Decommissioning Liability

Keyera will be responsible for compliance with all applicable laws and regulations regarding the decommissioning, abandonment and reclamation of its facilities at the end of their economic life. The determination of the estimate by management is based on Keyera's net ownership in facilities, estimated costs to abandon and reclaim the facilities and the estimated timing of the costs to be incurred in future periods.

Keyera has estimated the net present value of its total decommissioning liability to be approximately \$489 million at June 30, 2016, compared to \$485 million at December 31, 2015. In determining the net present value of the liability, a risk free interest rate of 2.15% was used at June 30, 2016 (December 31, 2015 – 2.15%). The decommissioning obligation is generally expected to be incurred over the next 25 years.

For an investor to compare Keyera's decommissioning liability with that of midstream peers who use a credit adjusted discount rate, the net present value of Keyera's decommissioning liability would have been \$251 million as of June 30, 2016 (December 31, 2015 - \$244 million), assuming an estimated credit adjusted interest rate of 5.65%.

For more information on this critical accounting estimate, see note 15 of the December 31, 2015 annual audited financial statements.

Derivative Financial Instruments

Keyera utilizes derivative financial instruments to manage its exposure to market risks relating to commodity prices and foreign currency exchange rates. Fair values of derivative contracts fluctuate depending on the underlying estimates of future commodity prices or foreign currency exchange rates. The estimated fair value of all derivative financial instruments are based on observable market data, including commodity price curves, foreign currency curves and credit spreads. Note 9, "Financial Instruments and Risk Management", of the accompanying financial statements provides a summary of the fair value of derivative financial instruments existing at June 30, 2016.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is reviewed on a monthly basis. An assessment is made whether an account is deemed impaired based on the number of days outstanding and the likelihood of collection from the counter-party. The allowance for doubtful accounts was \$4.0 million as at June 30, 2016 compared to \$4.0 million at December 31, 2015.

LIQUIDITY AND CAPITAL RESOURCES

The following is a comparison of cash inflows (outflows) from operating, investing and financing activities for the three months ended June 30, 2016 and 2015:

Cash inflows (outflows)				
(Thousands of Canadian dollars)				
	Three months ended June 30,		Increase	Explanation
	2016	2015	(decrease)	
Operating	57,867	126,434	(68,567)	<p>Lower cash from operating activities in 2016 was largely due to the increase in cash required to fund the seasonal build of inventory, as NGL prices for propane and butane in particular were trending up in the second quarter of 2016. This is compared to a significant decline in prices for propane and butane in the same period in 2015.</p> <p>Cash flow from operating activities was also lower in 2016 due to lower margins from the sale of iso-octane compared to the same period last year when the premiums for iso-octane were especially high.</p>
Investing	(169,130)	(291,411)	122,281	<p>Capital spending in 2016 primarily related to growth capital projects in the Liquids Infrastructure segment, including completion of the fractionation expansion at Fort Saskatchewan and ongoing construction of the Baseline Tank Terminal and the Norlite Pipeline.</p> <p>Capital spending in 2015 primarily related to several internal growth projects, including completion of the Rimbey turbo expander and the fractionation de-bottleneck and NGL truck off-load expansion at Rimbey.</p>
Financing	128,987	165,834	(36,847)	<p>In 2016, Keyera issued 9,487,500 common shares for gross proceeds of approximately \$345 million (net proceeds were \$331 million). Keyera also placed \$60 million of long-term notes. Net proceeds from these financing activities were used to support Keyera's ongoing capital program, with the net proceeds initially being used to reduce short-term debt under Keyera's credit facilities. Keyera also repaid approximately \$98 million of long-term private notes.</p> <p>In 2015, Keyera drew approximately \$200 million from its credit facilities to fund capital spending in the period.</p>

The following is a comparison of cash inflows (outflows) from operating, investing and financing activities for the six months ended June 30, 2016 and 2015:

Cash inflows (outflows)				
(Thousands of Canadian dollars)				
	Six months ended June 30,		Increase	Explanation
	2016	2015	(decrease)	
Operating	235,558	403,997	(168,439)	<p>The decrease in cash in 2016 was largely due to the higher cash requirement to fund inventory as NGL prices have been trending upward since the end of 2015, particularly for propane. Comparatively, NGL prices declined significantly in the first half of 2015 resulting in a lower cash requirement to fund inventory needs.</p> <p>Cash flow from operating activities was unusually high in 2015, due to the inclusion of approximately \$40 million of realized cash gains from the settlement of financial and physical risk management contracts that related to inventory existing at the end of 2014.</p>
Investing	(321,592)	(480,775)	159,183	<p>Capital spending in 2016 primarily related to growth capital projects in the Liquids Infrastructure segment, as discussed for the second quarter of 2016 results. Capital spending also included the acquisition of a pipeline from Williams located in the U.S. for US\$24 million.</p> <p>Capital spending in 2015 was significant in the first half of 2015 as several internal growth projects were completed, including the de-ethanizer project at Fort Saskatchewan, the Simonette plant expansion, the Rimbey turbo expander project and completion of the fractionation de-bottleneck and NGL truck offload expansion at Rimbey.</p>
Financing	103,675	69,663	34,012	<p>Financing activities for the first half of 2016 were as described for the second quarter results. Cash flow generated from operating activities was used to pay dividends to shareholders.</p> <p>In 2015, Keyera drew approximately \$140 million from its credit facilities to fund capital spending in the period.</p>

Working capital requirements are strongly influenced by the amounts of inventory held in storage and their related commodity prices. Product inventories are required to meet seasonal demand patterns and will vary depending on the time of year. Typically, Keyera's inventory levels for propane are at their lowest after the winter season and reach their peak in the third quarter to meet the demand for propane in the winter season. For the production of iso-octane, higher levels of butane inventory are maintained, as butane is the primary feedstock used in the production of this product. When market conditions enable Keyera to source additional butane at favourable prices, butane may be held in storage for use in future periods. Inventory levels for iso-octane may fluctuate depending on market conditions. Demand for iso-octane is typically stronger in the second and third quarters, associated with the typically higher gasoline demand in the summer months.

A working capital surplus (current assets less current liabilities) of \$62 million existed at June 30, 2016. This is compared to a deficit of \$74 million at December 31, 2015. Keyera has access to a Credit Facility in the amount of \$1.5 billion of which \$230 million was drawn as at June 30, 2016 in order to meet its current obligations and growth capital program. Refer to the section below of this MD&A, "Long-term Debt", for more information related to Keyera's Credit Facility.

Equity Financing

In the second quarter of 2016, Keyera issued 8,250,000 common shares, as well as an additional 1,237,500 common shares pursuant to an over-allotment option exercised by underwriters in connection with the equity offering. The common shares were issued at a price of \$36.35 per common share for gross total proceeds of approximately \$345 million. Financing costs associated with the issuance of shares were approximately \$14 million. Net proceeds from the equity financing were used to support Keyera's ongoing growth capital program, with the net proceeds initially being used to reduce short-term indebtedness under Keyera's credit facilities.

Dividend Reinvestment Plan

Keyera's dividend reinvestment plan (the "Plan"), which was amended effective May 5, 2015, consists of two components: a Premium DividendTM ("Premium DRIPTM") reinvestment component and a regular dividend reinvestment component ("DRIP"). The DRIP component allows eligible shareholders of Keyera to direct their cash dividends to be reinvested in additional shares issued from treasury at a 3% discount to the Average Market Price (as defined in the Plan) on the applicable dividend date.

Effective with the May 2015 dividend, Keyera reinstated the Premium DRIPTM component of the Plan. The Premium DRIPTM component permits eligible shareholders to elect to have the additional shares issued at the 3% discount delivered to the designated Plan Broker in exchange for a premium cash payment equal to 101% of the regular, declared cash dividend that was reinvested on their behalf under the Plan. A copy of the Plan (as amended) is available on Keyera's website at www.keyera.com and on SEDAR at www.sedar.com.

The DRIP and Premium DRIPTM generated cash of \$41 million and \$81 million for the three and six months ended June 30, 2016. This is compared to \$24 million and \$43 million for the same periods in 2015 when only the DRIP component of the plan was operating.

Long-term Debt (including Credit Facilities)

Below is a summary of Keyera's long-term debt obligations as at June 30, 2016:

As at June 30, 2016							
(Thousands of Canadian dollars)	Total	2016	2017	2018	2019	2020	After 2020
Credit Facilities							
Bank credit facilities	230,000	—	—	—	—	230,000	—
	230,000	—	—	—	—	230,000	—
Canadian dollar denominated debt							
5.89% due December 3, 2017	60,000	—	60,000	—	—	—	—
5.01% due January 4, 2019	70,000	—	—	—	70,000	—	—
4.35% due June 19, 2019	52,000	—	—	—	52,000	—	—
5.68% due September 8, 2020	2,000	—	—	—	—	2,000	—
6.14% due December 3, 2022	60,000	—	—	—	—	—	60,000
3.50% due June 16, 2023	30,000	—	—	—	—	—	30,000
4.91% due June 19, 2024	17,000	—	—	—	—	—	17,000
4.92% due October 10, 2025	100,000	—	—	—	—	—	100,000
5.05% due November 20, 2025	20,000	—	—	—	—	—	20,000
4.15% due June 16, 2026	30,000	—	—	—	—	—	30,000
5.09% due October 10, 2028	100,000	—	—	—	—	—	100,000
5.34% due April 8, 2029	75,000	—	—	—	—	—	75,000
	616,000	—	60,000	—	122,000	2,000	432,000
US dollar denominated debt							
3.42% due June 19, 2019 (US\$3,000)	3,903	—	—	—	3,903	—	—
5.14% due September 8, 2020 (US\$103,000)	133,993	—	—	—	—	133,993	—
4.19% due June 19, 2024 (US\$128,000)	166,515	—	—	—	—	—	166,515
4.75% due November 20, 2025 (US\$140,000)	182,126	—	—	—	—	—	182,126
4.95% due November 20, 2028 (US\$65,000)	84,559	—	—	—	—	—	84,559
	571,096	—	—	—	3,903	133,993	433,200
Total long-term debt	1,187,096	—	60,000	—	125,903	135,993	865,200

In the second quarter of 2016, Keyera issued \$60 million of long-term notes pursuant to an uncommitted private shelf agreement with the Prudential Capital Group. Proceeds from the notes were used to repay short-term indebtedness under Keyera's credit facilities and for general corporate purposes. These notes were issued as follows:

- \$30 million at a coupon rate of 3.50%, maturing on June 16, 2023; and
- \$30 million at a coupon rate of 4.15%, maturing on June 16, 2026.

As at June 30, 2016, Keyera had \$616 million and US\$439 million of unsecured senior notes including amounts drawn under the uncommitted notes facility. To manage the foreign currency exposure on the U.S. dollar denominated debt existing at June 30, 2016, Keyera had entered into cross-currency agreements with a syndicate of Canadian banks to swap the U.S. dollar principal and future interest payments into Canadian dollars at foreign exchange rates of \$1.0425, \$0.9838 and \$1.029 per U.S. dollar. The cross-currency agreements are accounted for as derivative instruments and are measured at fair value at the end of each quarter. The section of this MD&A titled "Net Foreign Currency Gain (Loss) on U.S. Debt" provides more information.

In July, Keyera announced that it is entering into a private placement of 10-year and 12-year senior unsecured notes totaling approximately \$300 million with a group of institutional investors in Canada and the United States. The senior notes will be issued in two tranches with \$200 million bearing interest at 3.96% and maturing on October 13, 2026 and \$100 million bearing interest at 4.11% and maturing on October 13, 2028. Subject to satisfying normal closing conditions, the transaction is expected to conclude on October 13, 2016 with the proceeds drawn on the same date. Interest will be paid semi-annually. The proceeds are expected to be used to repay short-term debt incurred to execute Keyera's capital program and for general corporate purposes.

Keyera has an unsecured revolving credit facility (the "Credit Facility") with a syndicate of nine lenders under which it can borrow up to \$1.5 billion, with the potential to increase that limit to \$1.85 billion subject to certain conditions. As at June 30, 2016, \$230 million was drawn under these facilities (December 31, 2015 - \$370 million). The term of the Credit Facility is through to December 6, 2020. Management expects that upon maturity of the Credit Facility, an adequate replacement will be established.

The Credit Facility and senior note agreements contain a number of covenants, all of which were met as at June 30, 2016. The agreements are available at www.sedar.com. Failure to adhere to the covenants may impair Keyera's ability to pay dividends and such a circumstance could affect its ability to execute future growth plans. The primary covenant for all of Keyera's long-term debt, including its Credit Facility, is the Debt to EBITDA ratio. In the calculation of debt for the purpose of calculating this covenant, Keyera is required to deduct working capital surpluses or add working capital deficits. As at June 30, 2016, Keyera's Debt to EBITDA ratio was 2.04 for covenant test purposes (June 30, 2015 – 2.45).

In addition, the Royal Bank of Canada has provided a \$10 million unsecured revolving demand facility and the Toronto Dominion Bank has provided a further \$25 million unsecured revolving demand facility. The revolving credit facilities bear interest based on the lenders' rates for Canadian prime commercial loans, U.S. base rate loans, Libor loans or bankers' acceptances.

Capital Expenditures and Acquisitions

The following table is a breakdown of capital expenditures and acquisitions for the three and six months ended June 30, 2016 and 2015:

Capital Expenditures and Acquisitions (Thousands of Canadian dollars)	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Acquisitions	19,882	13,592	52,042	16,407
Growth capital expenditures	141,210	168,605	252,056	378,534
Maintenance capital expenditures	1,899	38,754	8,046	43,059
Total capital expenditures	162,991	220,951	312,144	438,000

Growth capital expenditures for the three and six months ended June 30, 2016 amounted to \$141 million and \$252 million and primarily related to projects in the Liquids Infrastructure operating segment. Refer to the section of this MD&A, "Results of Operations: Liquids Infrastructure", for information related to the various growth capital projects, including estimated costs to complete, costs incurred in 2016 and since inception of the project, and estimated completion timeframes. Growth capital expenditures for the three and

six months ended June 30, 2016 also included \$7 million and \$9 million respectively for the connection to the TransCanada meter station from the Simonette gas plant.

Acquisitions included the following:

- purchase of a successfully tested acid gas injection well for \$19 million as part of the proposed Wapiti gas plant project in the second quarter of 2016; and
- purchase of a pipeline system from Williams for US\$24 million (approximately CDN\$32 million) in the first quarter of 2016.

For 2015, acquisitions included the purchase of land in the Edmonton/Fort Saskatchewan area for future development as well as an additional 0.9% working interest in the Rimbey gas plant.

Keyera has comprehensive inspection, monitoring and maintenance programs in place. The objectives of these programs are to keep Keyera's facilities in good working order, and to maintain their ability to operate reliably for many years. In addition to the maintenance capital expenditures, Keyera incurred maintenance and repair expenses of \$7 million and \$11 million for the three and six months ended June 30, 2016, and \$19 million and \$25 million for the same periods in 2015. The majority of these expenditures, including maintenance capital, will be recovered over varying periods of time, depending upon the fee structure at each facility.

Keyera's ongoing operations are not heavily dependent on capital expenditures to maintain current levels of cash flow. However, to grow future cash flow, Keyera is investing growth capital to expand its current asset base and capture new opportunities. Keyera anticipates that its growth capital investment, excluding acquisitions, for 2016 will be approximately \$600 million. Maintenance capital for 2016 is expected to be between \$80 million and \$85 million, including the scheduled turnaround at AEF and replacement of catalyst. The capital program is expected to be funded by cash flow from operating activities, the DRIP and Premium DRIP™ program and existing credit facilities, augmented if necessary by incremental debt and equity financing. Access to debt and equity financing is dependent on Keyera's ongoing financial performance and general market conditions. Readers are referred to the section of the MD&A titled, "Forward-Looking Information" for a further discussion of the assumptions and risks that could affect future performance and plans.

Dividends

Distributable Cash Flow

Distributable cash flow is not a standard measure under GAAP, and therefore may not be comparable to similar measures reported by other entities. Distributable cash flow is used to assess the level of cash flow generated from ongoing operations and to evaluate the adequacy of internally generated cash flow to fund dividends.

The following is a reconciliation of distributable cash flow to its most closely related GAAP measure, cash flow from operating activities.

Distributable Cash Flow (Thousands of Canadian dollars)	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Cash flow from operating activities	57,867	126,434	235,558	403,997
Add (deduct):				
Changes in non-cash working capital	85,683	14,259	35,317	(108,443)
Long-term incentive plan expense	(3,974)	(7,108)	(8,703)	(17,871)
Maintenance capital	(1,899)	(38,755)	(8,046)	(43,059)
Inventory write-down	—	(2,525)	—	(2,525)
Distributable cash flow	137,677	92,305	254,126	232,099
Dividends declared to shareholders	67,440	58,479	132,102	114,248

For the three and six months ended June 30, 2016, dividends declared were \$67 million and \$132 million, or 49% and 52% of distributable cash flow, compared to dividends declared of \$58 million and \$114 million, or 63% and 49% of distributable cash flow in the same period of 2015.

Distributable cash flow for the three and six months ended June 30, 2016 was \$45 million and \$22 million higher than the same periods in the prior year despite the prolonged low commodity price environment and low producer activity in Alberta. These robust financial results stem from: i) incremental cash flow generated from the various projects completed in the prior year; ii) strong demand for Keyera's diluent handling services including storage and transportation services; and iii) timing of maintenance capital expenditures. Current income taxes were \$6 million and \$10 million for the three and six months ended June 30, 2016. This is compared to current taxes of \$17 million and \$38 million for the comparative periods in 2015. Refer to the section of this MD&A, "Segmented Results of Operations", for more information on the financial results of Keyera's operating segments for the three and six months ended June 30, 2016.

Looking ahead, distributable cash flow is expected to be lower in the second half of 2016 due to the scheduled turnarounds at AEF and the Nordegg gas plant. Correspondingly, maintenance capital will be higher and iso-octane production and sales will be lower in the second half of the year. Maintenance capital for 2016 is expected to range between \$80 million and \$85 million, largely attributable to the scheduled turnarounds.

Distributable cash flow was unusually high in the first half of 2015 due to the inclusion of approximately \$40 million of realized cash gains relating to the settlement of financial and physical risk management contracts associated with Keyera's year-end 2014 inventory.

Changes in non-cash working capital are excluded from the determination of distributable cash flow because they are primarily the result of seasonal fluctuations in product inventories or other temporary changes and are generally funded with short-term debt. Also deducted from distributable cash flow are maintenance capital expenditures and the long-term incentive plan expense, which are funded from current operating cash flow.

Dividend Policy

Keyera will be increasing its dividend by 6% from \$0.125 per share per month to \$0.1325 per share per month, or \$1.59 per share annually, beginning with its dividend payable on September 15, 2016. In determining the level of cash dividends to shareholders, Keyera's Board of Directors considers current and expected future levels of distributable cash flow, capital expenditures, borrowings and debt repayments, changes in working capital requirements and other factors.

Keyera expects to pay dividends from distributable cash flow; however, credit facilities may be used to stabilize dividends from time to time. Growth capital expenditures will be funded from retained operating cash flow, along with proceeds from additional debt or equity, as required. Although Keyera intends to continue to make regular, monthly cash dividends to its shareholders, these dividends are not guaranteed. For a more detailed discussion of the risks that could affect the level of cash dividends, refer to Keyera's Annual Information Form available at www.sedar.com.

EBITDA

EBITDA and Adjusted EBITDA are not standard measures under GAAP and, therefore, may not be comparable to similar measures reported by other entities. EBITDA is a measure showing earnings before finance costs, taxes, depreciation, and amortization. Adjusted EBITDA is calculated as EBITDA before costs associated with non-cash items, including unrealized gains/losses, impairment expenses and any other non-cash items such as gains/losses on the disposal of property, plant and equipment.

The following is a reconciliation of EBITDA and Adjusted EBITDA to their most closely related GAAP measure, net earnings.

EBITDA (Thousands of Canadian dollars)	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Net earnings	59,679	15,587	129,810	72,167
Add (deduct):				
Finance costs	16,847	12,915	36,195	24,753
Depreciation, depletion and amortization expenses	44,641	41,745	89,365	79,998
Income tax expense	24,555	40,161	45,310	49,807
EBITDA	145,722	110,408	300,680	226,725
Unrealized loss on commodity contracts	21,771	3,258	17,383	58,390
Net foreign currency (gain) loss on U.S. debt	(10,363)	43,257	(15,871)	36,407
Impairment expense	—	—	—	19,908
Adjusted EBITDA	157,130	156,923	302,192	341,430

CONTRACTUAL OBLIGATIONS

Keyera has assumed various contractual obligations in the normal course of its operations. There were no material changes in contractual obligations since the December 31, 2015 year end, except as noted in the section of the MD&A titled, "Liquidity and Capital Resources: Long-term Debt".

RELATED PARTY TRANSACTIONS

Keyera has provided compensation to key management personnel who are comprised of its directors and executive officers. There have been no other material related party transactions or significant changes to the annual compensation amounts disclosed in the December 31, 2015 annual audited financial statements.

RISK FACTORS

For a detailed discussion of the risks and trends that could affect the financial performance of Keyera and the steps that Keyera takes to mitigate these risks, see the December 31, 2015 MD&A and Keyera's Annual Information Form, which are available on SEDAR at www.sedar.com.

ENVIRONMENTAL REGULATION AND CLIMATE CHANGE

Keyera is subject to a range of laws, regulations and requirements imposed by various levels of government and regulatory bodies in the jurisdictions in which it operates. While these legal controls and regulations affect all dimensions of Keyera's activities, including but not limited to, the operation of pipelines and facilities, construction activities, emergency response, operational safety and environmental procedures, Keyera does not believe that they impact its operations in a manner materially different from other comparable businesses operating in those jurisdictions.

Greenhouse gases, mainly carbon dioxide and methane, are components of the raw natural gas processed and handled at Keyera's facilities. Operations at Keyera's facilities, including the combustion of fossil fuels in engines, heaters and boilers, release carbon dioxide, methane and other greenhouse gases. As such, Keyera is subject to various greenhouse gas reporting and reduction programs. Keyera uses an engineering consulting firm to compile inventories of greenhouse gas emissions and reports these inventories in accordance with federal and provincial programs. Second party audits or verifications of inventories are conducted for facilities that are required to meet regulatory targets.

Keyera is closely monitoring the ongoing development and implementation of the regulatory framework through which the Alberta Government plan to implement its Climate Change Leadership Plan. As more details continue to emerge, Keyera will continue assessing its activities and operations to identify opportunities to mitigate the impact of these changes. As with other regulatory requirements, Keyera does not expect that it will be affected in a manner materially different from its peers.

For a detailed discussion of environmental regulations that affect Keyera, political and legislative developments as they relate to climate change and the risks associated therewith, see Keyera's Annual Information Form which is available at www.sedar.com.

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial information for Keyera:

	June 30, 2016	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014
Revenue before inter-segment eliminations ²								
Gathering and Processing	106,842	115,634	129,074	123,752	107,169	106,738	115,131	105,355
Liquids Infrastructure	90,402	94,101	90,958	87,310	85,095	83,828	84,784	77,067
Marketing	457,447	459,017	472,114	497,951	480,590	517,071	800,126	746,591
Other	3,044	6,426	9,141	10,600	10,723	9,724	16,463	17,525
Operating Margin								
Gathering and Processing	70,457	68,198	73,564	69,237	56,147	60,146	52,079	53,982
Liquids Infrastructure	59,018	61,524	55,886	55,531	54,869	53,572	54,976	45,775
Marketing	24,582	44,121	54,731	99,307	53,483	36,260	67,769	79,931
Other	(67)	1,943	4,441	4,400	6,691	4,073	12,829	10,947
Net earnings ¹	59,679	70,131	20,215	109,538	15,587	56,580	29,387	82,439
Net earnings per share (\$/share)								
Basic	0.34	0.41	0.12	0.64	0.09	0.33	0.17	0.49
Diluted	0.34	0.41	0.12	0.64	0.09	0.33	0.17	0.49
Weighted average common shares (basic)	177,309	172,258	171,199	170,191	169,411	168,915	168,470	168,080
Weighted average common shares (diluted)	177,309	172,258	171,199	170,191	169,411	168,915	168,470	168,080
Dividends declared to shareholders	67,440	64,662	64,259	62,178	58,479	55,769	54,353	54,226

The Gathering and Processing segment has continued to grow as a result of acquiring ownership interests in new or existing facilities as well as its investment in extensive gathering systems and plant expansions that are now generating incremental cash flow. Throughput was lower in 2015 at certain facilities, including the Strachan, Brazeau River and Minnehik Buck Lake gas plants, due to curtailments imposed by TransCanada on its sales gas pipelines. These restrictions were lifted at several facilities in mid-December and through the first quarter of 2016. Overall throughput declined by approximately 10% in the second quarter of 2016 compared to the prior quarter, due to several factors including: i) the recommencement of TransCanada pipeline restrictions; ii) shut-in gas due to low commodity prices and iii) natural declines in production. Despite the reduction in overall average gross processing throughput at Keyera's facilities in 2016, financial results from the Gathering and Processing segment remained stable because of take-or-pay arrangements at certain facilities, as well as healthy margins from the sale of ethane associated with Keyera's investment in the Rimbey turbo expander.

In the Liquids Infrastructure segment, continued demand for NGL storage, fractionation, transportation, and terminalling services have contributed to the growth in operating margin. In addition, Keyera has long-term agreements in place to provide diluent transportation, storage and rail offload services in the Edmonton/Fort Saskatchewan area for several oil sands producers and the demand for these services has steadily increased throughout 2015 and the first half of 2016.

Operating margin from the Marketing segment can be affected by seasonal factors. The demand for iso-octane is typically highest in the second and third quarters as the demand for gasoline tends to be higher in the summer months. In contrast, propane sales are typically higher in the first and fourth quarters when propane demand is higher. Changes in foreign currency exchange rates can have an effect on iso-octane margins as the sales price is primarily in U.S. dollars. Keyera manages its exposure to foreign currency exchange rate fluctuations through its hedging strategy. Unrealized non-cash gains and losses resulting from the change in value of risk management contracts can also have a material effect on quarterly

operating margin for this segment. Keyera continues to maintain its disciplined approach to risk management for its NGL and iso-octane products.

Compared to the 2015 year-end results, all operating segments are performing well as Keyera's investments in gathering systems, new gas plants and expansion of its liquids infrastructure are generating incremental cash flow. In the Gathering and Processing segment, Keyera has seen a decline in throughput, particularly at the Rimbey gas plant. Keyera is working closely with its producer customers to deliver cost effective and value added services intended to help enhance their economics, while at the same time increasing throughput and efficiencies at Keyera's gathering and processing facilities. In the Liquids Infrastructure segment, overall fractionation operating margin is expected to be higher in 2016 due to higher volumes as the fractionation expansion at Fort Saskatchewan became operational at the end of May. The effect of higher fractionation volumes will be partly offset by lower average fractionation rates that were effective April 1, 2016. In the Marketing segment, operating margin from the sale of iso-octane is expected to be lower in 2016 as sales volumes will be affected by the scheduled six week maintenance turnaround at AEF in September. In addition, margins from the sale of iso-octane have been lower in 2016 due to lower gasoline prices and lower premiums for iso-octane compared to 2015, when premiums were especially high. As U.S. gasoline production has consistently set new five year highs for the first half of 2016, gasoline prices have been subject to downward pressure.

See the section of this MD&A, "Segmented Results of Operations", for more information on the financial results of Keyera's operating segments for the three and six months ended June 30, 2016.

ADOPTION OF NEW AND AMENDED IFRS STANDARDS

Effective January 1, 2016, Keyera has adopted the following new and amended IFRS standards and have applied them to its financial results in accordance with the transitional provisions outlined in the respective standards.

Amendments to IFRS 11, Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)

Effective January 1, 2016, Keyera adopted the amendments to IFRS 11, which requires entities acquiring an interest in a joint operation to apply, for its share of the business, all of the principles of a business combination set out in IFRS 3 on a prospective basis. The amendments clarify that for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business, the acquirers of such interests are to apply the relevant accounting principles of IFRS 3, Business Combinations and other standards, as well as disclosing the relevant information specified in these standards for business combinations.

Keyera's adoption of the amendments to IFRS 11 did not have an impact on Keyera's consolidated financial statements for the current period.

Amendments to IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortization)

Effective January 1, 2016, Keyera adopted the amendments to IAS 16 Property, Plant and Equipment and IAS 38, Intangible Assets which no longer allow entities to depreciate property, plant and equipment or amortize intangible assets using the ratio of revenue generated to total revenue expected methodology.

Keyera's adoption of the amendments to IAS 16 and IAS 38 did not have an impact on Keyera's consolidated financial statements as Keyera does not use the ratio of revenue method of depreciation or amortization.

FUTURE ACCOUNTING PRONOUNCEMENTS

With the exception of IFRS 16, Leases which was issued by International Accounting Standards Board (“IASB”) in January 2016, there have been no significant amendments or introduction of new standards issued for the three and six months ended June 30, 2016. Refer to Keyera Corp.’s audited consolidated financial statements as at and for the year ended December 31, 2015 for details of IFRS standards issued but not in effect.

CONTROL ENVIRONMENT

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer are satisfied that, as of June 30, 2016, Keyera’s disclosure controls and procedures have provided reasonable assurance that material information relating to Keyera and its consolidated subsidiaries has been brought to their attention and that information required to be disclosed pursuant to applicable securities legislation has been recorded, processed, summarized and reported in an appropriate and timely manner.

Internal Controls Over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer are satisfied that Keyera’s internal controls over financial reporting provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

No changes were made for the period beginning January 1, 2016 and ending June 30, 2016 that have materially affected, or are reasonably likely to materially affect Keyera’s internal controls over financial reporting.

COMMON SHARES

During the three months ended June 30, 2016, there were 1,099,148 common shares issued under the DRIP and the Premium DRIPTM for consideration of \$41.1 million, bringing the total common shares outstanding at June 30, 2016 to 183,380,511.

Subsequent to June 30, 2016, 379,136 common shares were issued to shareholders enrolled in the DRIP and Premium DRIPTM for consideration of \$14.1 million, bringing the total common shares outstanding at August 9, 2016 to 183,759,647.

NON-GAAP FINANCIAL MEASURES

This discussion and analysis refers to certain financial measures that are not determined in accordance with GAAP. Measures such as distributable cash flow (cash flow from operating activities adjusted for changes in non-cash working capital, long-term incentive plan costs, inventory write-down and maintenance capital expenditures); distributable cash flow per share (distributable cash flow divided by weighted average number of shares – basic); EBITDA (earnings before finance costs, taxes, depreciation, and amortization); and Adjusted EBITDA (calculated as EBITDA before costs associated with non-cash items, including unrealized gains/losses, impairment expenses and any other non-cash items such as gains/losses on the disposal of property, plant and equipment) are not standard measures under GAAP and, therefore, may not be comparable to similar measures reported by other entities. Management believes that these supplemental measures facilitate the understanding of Keyera’s results of operations, leverage, liquidity and financial position. Distributable cash flow is used to assess the level of cash flow generated from ongoing operations and to evaluate the adequacy of internally generated cash flow to fund dividends. EBITDA and Adjusted EBITDA are measures used as an indication of earnings generated from operations after consideration of administrative and overhead costs. Investors are cautioned, however, that these measures should not be construed as an alternative to net earnings determined in accordance with GAAP as an indication of Keyera’s performance.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A and accompanying documents contain forward-looking statements. These statements relate to future events or Keyera's future performance. Such statements are predictions only and actual events or results may differ materially. The use of words such as "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "plan", "intend", "believe", and similar expressions, including the negatives thereof, is intended to identify forward-looking statements. All statements other than statements of historical fact contained in this document are forward-looking statements.

The forward-looking statements reflect management's current beliefs and assumptions with respect to such things as the outlook for general economic trends, industry trends, commodity prices, capital markets, and the governmental, regulatory and legal environment. In some instances, this MD&A and accompanying documents may also contain forward-looking statements attributed to third party sources. Management believes that its assumptions and analysis in this MD&A are reasonable and that the expectations reflected in the forward-looking statements contained herein are also reasonable. However, Keyera cannot assure readers that these expectations will prove to be correct.

All forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events, levels of activity and achievements to differ materially from those anticipated in the forward-looking statements. Such factors include but are not limited to: general economic, market and business conditions; access to capital and debt markets; operational matters, including potential hazards inherent in our operations; risks arising from co-ownership of facilities; activities of other facility owners; access to third party facilities, competitive action by other companies; activities of producers and other customers and overall industry activity levels; changes in gas composition; fluctuations in commodity prices and supply/demand trends; processing and marketing margins; effects of weather conditions; availability of construction crews and materials; fluctuations in interest rates and foreign currency exchange rates; changes in operating and capital costs, including fluctuations in input costs; actions by governmental authorities; compliance with regulatory requirements; decisions or approvals of administrative tribunals; changes in environmental and other regulations; reliance on key personnel; competition for, among other things, capital, acquisition opportunities and skilled personnel; changes in tax laws, including the effects that such changes may have on shareholders, and in particular any differential effects relating to shareholder's country of residence; and other factors, many of which are beyond the control of Keyera, some of which are discussed in this MD&A and in Keyera's Annual Information Form dated February 10, 2016, filed on SEDAR and available on the Keyera website at www.keyera.com.

Proposed construction and completion schedules and budgets for capital projects are subject to many variables, including weather; availability and prices of materials; labour; customer project schedules and expected in service dates; contractor productivity; contractor disputes; quality of cost estimating; decision processes and approvals by joint venture partners; changes in project scope at the time of project sanctioning; regulatory approvals, conditions or delays (including possible intervention by third parties); and macro socio-economic trends. Pipeline projects are also subject to Keyera's ability to secure the necessary rights of way; and underground cavern development is dependent on sufficient water supply. As a result, expected timing, costs and benefits associated with these projects may differ materially from the descriptions in this MD&A. Further, some of the projects discussed in this MD&A are subject to securing sufficient producer/customer interest and may not proceed if sufficient commitments are not obtained. Typically, the earlier in the engineering process that projects are sanctioned, the greater the likelihood that the schedule and budget may change. Expected closing of acquisitions and financings are subject to satisfaction of closing conditions which may vary depending on the nature of the transactions. Acquisitions may be subject to rights of first refusal and other third party consents.

Readers are cautioned that they should not unduly rely on the forward-looking statements in this MD&A and accompanying documents. Further, readers are cautioned that the forward-looking statements in this document speak only as of the date of this MD&A.

Any statements relating to “reserves” are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future.

All forward-looking statements contained in this MD&A and accompanying documents are expressly qualified by this cautionary statement. Such statements speak only as of the date hereof. Further information about the factors affecting forward-looking statements and management’s assumptions and analysis thereof, is available in filings made by Keyera with Canadian provincial securities commissions, which can be viewed on SEDAR at www.sedar.com.