

Keyera Corp.**Condensed Interim Consolidated Statements of Financial Position**

(Thousands of Canadian dollars)

(Unaudited)

As at	Note	September 30, 2018	December 31, 2017
		\$	\$
ASSETS			
Cash		13,751	326,381
Trade and other receivables		533,364	435,620
Derivative financial instruments	13	28,275	11,561
Inventory	5	305,673	147,831
Other assets		15,020	16,604
Total current assets		896,083	937,997
Derivative financial instruments	13	99,670	90,109
Property, plant and equipment		5,497,757	4,792,398
Intangible assets	4	89,431	—
Goodwill		53,624	53,624
Deferred tax assets	12	16,295	—
Total assets		6,652,860	5,874,128
LIABILITIES AND EQUITY			
Trade and other payables, and provisions		716,305	526,395
Derivative financial instruments	13	33,705	35,398
Dividends payable		31,314	28,637
Current portion of finance lease liability	7	—	1,474
Current portion of long-term debt		125,877	—
Current portion of decommissioning liability		13,046	9,584
Total current liabilities		920,247	601,488
Derivative financial instruments	13	1,170	220
Credit facilities		40,000	—
Long-term debt	8	2,086,460	1,795,530
Decommissioning liability		458,181	456,455
Other long-term liabilities	7	16,609	58,922
Deferred tax liabilities		542,418	482,233
Total liabilities		4,065,085	3,394,848
Equity			
Share capital	9	2,794,195	2,647,836
Accumulated deficit		(206,873)	(168,556)
Accumulated other comprehensive income		453	—
Total equity		2,587,775	2,479,280
Total liabilities and equity		6,652,860	5,874,128

See accompanying notes to the unaudited condensed interim consolidated financial statements.

These unaudited condensed interim consolidated financial statements were approved by the board of directors of Keyera Corp. on November 6, 2018.

(Signed) Michael Norris
Director

(Signed) David G. Smith
Director

Keyera Corp.**Condensed Interim Consolidated Statements of Net Earnings and Comprehensive Income**

(Thousands of Canadian dollars)

(Unaudited)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2018 \$	2017 \$	2018 \$	2017 \$
Revenues	17	1,161,071	764,816	3,322,869	2,386,359
Expenses	17	(941,603)	(636,582)	(2,663,493)	(1,893,907)
Operating margin		219,468	128,234	659,376	492,452
General and administrative expenses		(27,293)	(14,737)	(64,455)	(48,605)
Finance costs	15	(19,273)	(20,087)	(55,644)	(54,760)
Depreciation, depletion and amortization expenses		(55,349)	(42,495)	(152,340)	(122,061)
Net foreign currency gain (loss) on U.S. debt	14	828	6,200	(7,311)	15,228
Long-term incentive plan expense	11	(6,278)	(1,020)	(18,182)	(13,938)
Impairment expense	6	(63,350)	—	(63,350)	(17,890)
Gain on disposal of property, plant and equipment	6	—	—	—	22,166
Loss on settlement of finance lease	7	—	—	(286)	—
Earnings before income tax		48,753	56,095	297,808	272,592
Income tax expense	12	(14,069)	(17,631)	(68,636)	(70,724)
Net earnings		34,684	38,464	229,172	201,868
Other comprehensive loss					
Foreign currency translation adjustment		(6,257)	—	(6,257)	—
Comprehensive income		28,427	38,464	222,915	201,868

Earnings per share

Basic earnings per share	10	0.17	0.20	1.11	1.08
Diluted earnings per share	10	0.17	0.20	1.11	1.08

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Keyera Corp.

Condensed Interim Consolidated Statements of Cash Flows

(Thousands of Canadian dollars)
(Unaudited)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2018	2017	2018	2017
		\$	\$	\$	\$
Cash provided by (used in):					
OPERATING ACTIVITIES					
Net earnings		34,684	38,464	229,172	201,868
Adjustments for items not affecting cash:					
Finance costs	15	3,061	3,536	10,255	10,733
Depreciation, depletion and amortization expenses		55,349	42,495	152,340	122,061
Long-term incentive plan expense	11	6,278	1,020	18,182	13,938
Unrealized (gain) loss on derivative financial instruments	13	(17,004)	40,364	(27,018)	16,533
Unrealized (gain) loss on foreign exchange		(7,763)	(14,500)	8,943	(33,455)
Deferred income tax expense	12	5,199	16,576	43,635	65,848
Impairment expense	6	63,350	—	63,350	17,890
Gain on disposal of property, plant and equipment	6	—	—	—	(22,166)
Loss on settlement of finance lease	7	—	—	286	—
Decommissioning liability expenditures		(1,458)	(1,188)	(4,334)	(7,152)
Changes in non-cash working capital	16	(72,314)	(46,069)	(136,114)	(85,010)
Net cash provided by operating activities		69,382	80,698	358,697	301,088
INVESTING ACTIVITIES					
Acquisitions	3	(105,240)	(3,265)	(327,595)	(61,122)
Capital expenditures		(222,171)	(159,093)	(744,353)	(502,167)
Proceeds on disposal of property, plant and equipment	3, 6	19,484	—	23,928	6,015
Changes in non-cash working capital	16	(18,231)	(7,697)	56,520	108,400
Net cash used in investing activities		(326,158)	(170,055)	(991,500)	(448,874)
FINANCING ACTIVITIES					
Borrowings under credit facility		300,000	1,289,802	300,000	3,163,802
Repayments under credit facility		(260,000)	(1,569,802)	(260,000)	(3,303,802)
Proceeds from issuance of long-term debt	8	—	400,000	400,000	400,000
Financing costs related to credit facility/long-term debt		89	(1,460)	(2,250)	(2,559)
Issuance costs related to equity offering		—	—	(166)	250
Proceeds from issuance of shares related to DRIP	9	50,201	45,395	143,868	135,942
Repayment of finance lease liabilities		—	(563)	(1,439)	(1,687)
Dividends paid to shareholders		(89,360)	(79,145)	(262,154)	(228,948)
Net cash provided by financing activities		930	84,227	317,859	162,998
Effect of exchange rate fluctuations on foreign cash held		(326)	(819)	2,314	(1,772)
Net (decrease) increase in cash		(256,172)	(5,949)	(312,630)	13,440
Cash at the start of the period		269,923	35,866	326,381	16,477
Cash at the end of the period		13,751	29,917	13,751	29,917
Income taxes paid in cash		7	431	353	2,585
Interest paid in cash		12,943	7,036	55,409	49,635

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Keyera Corp.**Condensed Interim Consolidated Statement of Changes in Equity**

(Thousands of Canadian dollars)

(Unaudited)

	Share Capital \$	Accumulated Deficit \$	Accumulated Other Comprehensive Income \$	Total \$
Balance at December 31, 2016	1,987,341	(145,833)	—	1,841,508
Common shares issued pursuant to dividend reinvestment plans	135,942	—	—	135,942
Issuance costs related to 2016 equity offering	250	—	—	250
Net earnings	—	201,868	—	201,868
Dividends declared to shareholders	—	(230,842)	—	(230,842)
Balance at September 30, 2017	2,123,533	(174,807)	—	1,948,726

	Share Capital \$	Accumulated Deficit \$	Accumulated Other Comprehensive Income \$	Total \$
Balance at December 31, 2017	2,647,836	(168,556)	—	2,479,280
Common shares issued pursuant to dividend reinvestment plans	143,868	—	—	143,868
Issuance costs related to 2017 equity offering	(166)	—	—	(166)
Net earnings	—	229,172	—	229,172
Dividends declared to shareholders	—	(264,832)	—	(264,832)
Cumulative opening translation adjustment	—	—	6,710	6,710
Other comprehensive loss	—	—	(6,257)	(6,257)
Other adjustments	2,657	(2,657)	—	—
Balance at September 30, 2018	2,794,195	(206,873)	453	2,587,775

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Keyera Corp.

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the three and nine months ended September 30, 2018 and 2017

(All amounts expressed in thousands of Canadian dollars, except as otherwise noted)

(Unaudited)

1. GENERAL BUSINESS DESCRIPTION

The operating subsidiaries of Keyera Corp. include Keyera Partnership (the "Partnership"), Keyera Energy Ltd. ("KEL"), Keyera Energy Inc. ("KEI"), Keyera Rimbey Ltd. ("KRL"), Keyera RP Ltd. ("KRPL"), Rimbey Pipeline Limited Partnership ("RPLP"), Alberta Diluent Terminal Ltd. ("ADT") and Alberta EnviroFuels Inc. ("AEF"). Keyera Corp. and its subsidiaries are involved in the business of natural gas gathering and processing; transportation, storage and marketing of natural gas liquids ("NGLs") and iso-octane in Canada and the United States; the production of iso-octane; and liquids blending in Canada and the United States ("U.S.").

Keyera Corp. and its subsidiaries are collectively referred to herein as "Keyera". The address of Keyera's registered office and principal place of business is Suite 200, Sun Life Plaza West Tower, 144 – 4th Avenue S.W., Calgary, AB, Canada.

Pursuant to its Articles of Amalgamation, Keyera Corp. is authorized to issue an unlimited number of common shares (the "Shares"). The Shares trade on the Toronto Stock Exchange under the symbol "KEY".

Keyera is approved to issue two classes of preferred shares (one class referred to as the "First Preferred Shares", a second class referred to as the "Second Preferred Shares"), and collectively both classes being referred to as the "Preferred Shares". Each are issuable in one or more series without par value and each with such rights, restrictions, designations and provisions as the board of directors may at any time and from time to time determine, subject to an aggregate maximum number of authorized Preferred Shares. No preferred shares had been issued as at September 30, 2018.

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements are in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). The accounting policies applied are in accordance with International Financial Reporting Standards ("IFRS") and are consistent with Keyera Corp.'s consolidated financial statements as at and for the year ended December 31, 2017, except for the adoption of new IFRS standards, amendments and interpretations effective January 1, 2018.

These condensed interim consolidated financial statements as at and for the three and nine months ended September 30, 2018 and 2017 do not include all disclosures required for the preparation of annual consolidated financial statements and should be read in conjunction with Keyera Corp.'s consolidated financial statements as at and for the year ended December 31, 2017.

The condensed interim consolidated financial statements were authorized for issuance on November 6, 2018 by the board of directors.

Change in Functional Currency of Foreign Subsidiary

Each entity within Keyera determines its own functional currency based on the primary economic environment in which the entity operates. This assessment involves certain judgments and reflects the underlying transactions, events and conditions that are relevant to that entity. Once an entity's functional currency is determined, it is not changed unless there is a change to those underlying transactions, events and conditions which determine the entity's primary economic environment.

Up until June 30, 2018, the functional currency of the company's only foreign subsidiary, KEI, was Canadian dollars because it was determined that since its inception, KEI's operations were carried out as an extension of the Canadian business and was therefore integrated with the Canadian reporting entity.

During the third quarter, the company reassessed the functional currency of KEI due to changes that occurred with the acquisition of the Oklahoma Liquids Terminal, which was completed on June 19, 2018. This acquisition, combined with Keyera's Wildhorse Terminal project which was announced during the second quarter of 2018, are expected to generate profits and cash flows for KEI that are denominated in U.S. dollars. As a result, KEI is no longer expected to be an integral foreign operation that carries on business as an extension of its Canadian parent company's operations, thereby indicating that the primary economic environment in which it operates is the U.S.

Keyera determined that these changes in circumstances resulted in a change in the functional currency of KEI from Canadian dollars to U.S. dollars, effective July 1, 2018, and has made this change in functional currency on a prospective basis.

Keyera Corp.'s functional and presentation currency has not changed and remains Canadian dollars. Since KEI's functional currency will no longer be the same as the Canadian parent's presentation currency, the accounts of KEI must be translated into Keyera Corp.'s presentation currency at period-end exchange rates for assets and liabilities, and using the rates in effect at the date of the transaction for revenues and expenses. The resulting translation gains and losses related to the foreign operations of KEI will be recognized as foreign currency translation adjustments in other comprehensive income ("OCI") in the consolidated statement of net earnings and comprehensive income.

The foreign currency translation adjustments will accumulate in accumulated other comprehensive income ("AOCI"), which is a separate component of equity in the consolidated statements of financial position. These adjustments will remain in equity until there is a disposal of the foreign operation. When the gain or loss on disposal is recognized, the cumulative amount of exchange differences relating to the foreign operation will be reclassified from equity to net earnings.

If there is a disposal of a partial interest in a foreign operation that continues to be a subsidiary, a proportionate amount of the accumulated foreign currency translation adjustments will be allocated between controlling and non-controlling interests.

Adoption of new standards

Refer to the unaudited condensed interim consolidated financial statements as at and for the three months ended March 31, 2018 for details of new IFRS standards adopted by Keyera.

Future accounting pronouncements update

Keyera is progressing its assessment of the following significant new accounting standard that has been issued, but is not yet effective.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16, Leases (“IFRS 16”), which provides a single lease accounting model for lessees, requiring the recognition of most leases as finance leases on the consolidated statement of financial position.

This will result in the recognition of a lease liability and the corresponding recognition of a leased asset called a right-of-use asset. On the consolidated statement of net earnings and comprehensive income, lease expense will be recognized and will consist of two components, depreciation expense of the right-of-use asset and interest expense related to the lease liability. Finance lease exemptions exist for short-term leases where the term is 12 months or less and for leases of low value items.

For lessors, the accounting treatment remains the same whereby a lessor continues to classify a lease as either a finance or operating lease. IFRS 16 comes into effect on January 1, 2019. Early adoption is permitted as long as an entity has adopted IFRS 15, Revenue from Contracts with Customers (“IFRS 15”) on or before the initial application of IFRS 16.

Expected impact

Keyera has developed a detailed implementation plan and has identified existing contracts that would qualify as a lease under the new standard. For contracts that have been identified as being within the scope of the new standard, Keyera is continuing its detailed assessments of such contracts to determine the potential effects on Keyera’s consolidated financial statements upon adoption. Furthermore, Keyera is currently evaluating information technology system and process changes that may be necessary to meet the requirements of the new guidance. Once all contracts within the scope of IFRS 16 have been analyzed, Keyera will address any necessary changes to its policies, processes, internal controls, information technology systems, key operating metrics, financial covenants, and significant judgments and estimations required. Keyera is on target with its implementation plan for IFRS 16 as Keyera’s management believes that it has sufficient resources allocated to the project to ensure timely completion.

IFRS 16 will be adopted by Keyera on January 1, 2019 using the modified retrospective approach, whereby the cumulative effect of initially applying the standard will be recognized at the date of initial application, including the election of allowable practical expedients. A reliable estimate of the transitional impact cannot be made at this time; however, Keyera anticipates that the adoption of IFRS 16 will have a material impact on its consolidated statement of financial position at transition.

3. SOUTH GRAND RAPIDS JOINT ARRANGEMENT

On September 14, 2018, Keyera acquired a 50% interest in the southern portion of the Grand Rapids Pipeline for total consideration of \$104,883. The pipeline, a 20 inch 45-kilometre diluent pipeline that extends from Keyera’s Edmonton Terminal to TransCanada’s Heartland Terminal, was constructed and acquired from Grand Rapids Pipeline Limited Partnership (“GRPLP”), an affiliate of TransCanada and PetroChina Canada. Concurrent with the acquisition, Keyera disposed of a 50% ownership interest in a newly constructed pump station that is connected to the Grand Rapids Pipeline at Keyera’s Edmonton Terminal to GRPLP for proceeds of \$19,484 which was equivalent to its net book value. The pipeline and pump station transactions were accounted for as an acquisition and disposition of Property, Plant and Equipment, respectively, and the joint arrangement with GRPLP is considered to be a joint operation.

4. BUSINESS COMBINATION

On June 19, 2018, Keyera completed the acquisition of the Oklahoma Liquids Terminal, a logistics and liquids blending terminal for cash consideration of \$109,934 (US\$82,688), subject to final adjustments, plus up to US\$10,000 in additional consideration over the next five years. The terminal receives, blends and delivers diluent, the majority of which is transported by pipeline from the Mont Belvieu area to the Chicago area and ultimately into the Alberta market. The terminal is operated by the Liquids Infrastructure segment and provides the logistical and blending services to Keyera's Marketing segment for a fee. The majority of the cash flow generated from the terminal will be recorded in the Marketing segment. The terminal also has exclusive access to a nearby rail-to-truck transloading facility.

The transaction was accounted for as a business combination using the acquisition method of accounting. The purchase price allocation was based on management's best estimates of the fair values of identifiable assets acquired and liabilities assumed as of the acquisition date. The associated decommissioning liability assumed was negligible. The purchase price allocation is subject to finalization.

Purchase Price Allocation (Thousands of dollars)	As at June 19, 2018	
	Canadian \$	US \$
Inventory	8,451	6,357
Property, plant and equipment	18,126	13,633
Intangible assets	94,200	70,855
Total assets acquired	120,777	90,845
Cash consideration	109,934	82,688
Estimated additional consideration	10,843	8,157
Total consideration	120,777	90,845

Intangible Assets

The intangible assets acquired relate to identifiable contracts. These assets will be amortized on a straight-line basis over their expected useful lives, which is expected to be 12 years. Amortization is recorded in depreciation, depletion and amortization expenses.

5. INVENTORY

The total carrying amount and classification of inventory was as follows:

As at	September 30, 2018	December 31, 2017
	\$	\$
NGLs and iso-octane	300,396	142,356
Other	5,277	5,475
Total inventory	305,673	147,831

For the period ended September 30, 2018, \$305,673 of inventory was carried at cost (December 31, 2017 – \$147,831) and \$nil was carried at net realizable value (December 31, 2017 – \$nil). The cost of inventory expensed for the three and nine months ended September 30, 2018 was \$798,149 and \$2,306,219 (three and nine months ended September 30, 2017 – \$513,131 and \$1,539,392).

6. PROPERTY, PLANT AND EQUIPMENT

Impairment

In the third quarter of 2018, Keyera identified through its impairment review that the Minnehik Buck Lake and Zeta Creek gas plants had carrying values that were greater than their recoverable amounts. The recoverable amount for each asset was calculated based on value in use which represents the estimated net present value of the cash flows expected to be derived from the asset. The main factors leading to a reduction in the carrying value of the assets were due to lower producer activity and throughput in the capture areas surrounding these assets. The following impairment expenses with a combined value of \$63,350 were recognized in the Gathering and Processing segment for the three and nine months ended September 30, 2018:

	Applicable value in use discount date	Recoverable amount as at September 30, 2018	Impairment expense recognized for the three and nine months ended September 30, 2018
Minnehik Buck Lake gas plant ¹	10.02%	19,592	31,383
Zeta Creek gas plant ²	10.02%	3,804	31,967
Total impairment expense recognized in Gathering and Processing segment			63,350

Notes:

¹ Minnehik Buck Lake gas plant is included in the Alder Flats & Minnehik Buck Lake Cash Generating Unit ("CGU")

² The Zeta Creek gas plant is included in the Zeta Creek CGU.

In the second quarter of 2017, Keyera identified through its impairment review that the Caribou facility, a CGU within the Gathering and Processing segment, was impaired as the carrying value of the facility was greater than its recoverable amount. The recoverable amount for the CGU was determined based on its fair value less costs of disposal. Keyera impaired the CGU to the estimated fair value of the facility. The impairment loss recognized in this segment was \$17,890 in the second quarter of 2017.

Disposal of property, plant and equipment

In May 2017, Keyera disposed of the Paddle River facility and the Judy Creek pipeline for total proceeds of \$6,000, which resulted in a gain of \$22,166 in the second quarter of 2017. The Paddle River facility had been shut down since February 2015 along with the Judy Creek pipeline, which was non-operational and was considered a non-core asset within Keyera's Gathering and Processing segment.

7. OTHER LIABILITIES

As at	September 30, 2018 \$	December 31, 2017 \$
Finance lease liabilities	—	54,029
Less: current portion of finance lease liabilities	—	(1,474)
Long-term portion of finance lease liabilities	—	52,555
Long-term incentive plan liability	8,479	6,367
Other	8,130	—
Total other liabilities	16,609	58,922

In 2015, Keyera entered into an arrangement for the use of a pipeline for transportation services in the Edmonton/Fort Saskatchewan area. Effective December 1, 2016, the arrangement was classified as a finance lease as this was the date Keyera was entitled to exercise its right to use the pipeline for its sole benefit, and the risks and rewards incidental to ownership were transferred to Keyera.

KEYERA CORP.

Notes to unaudited condensed interim consolidated financial statements

The arrangement included a put option which provided the lessor with the right to require Keyera to purchase the pipeline within six months of the pipeline's in-service date for the approximate amount of \$41,250. The pipeline became operational in January 2018 and in March Keyera received notice that the lessor was exercising the put option. Keyera purchased the pipeline in May 2018.

8. LONG-TERM DEBT

On June 21, 2018, Keyera closed a public note offering of 10-year senior unsecured medium term notes to investors in Canada. The \$400,000 senior unsecured notes bear interest at 3.934% and mature on June 21, 2028. Interest is paid semi-annually.

The associated financing costs of approximately \$2,302 have been deferred and are amortized using the effective interest method over the remaining term of the debt.

9. CAPITAL

	Number of Common Shares	Share Capital \$
Balance at December 31, 2017	204,547,142	2,647,836
Common shares issued pursuant to dividend reinvestment plans	4,210,012	143,868
Issuance costs related to 2017 equity offering	—	(166)
Other adjustments	—	2,657
Balance at September 30, 2018	208,757,154	2,794,195

10. EARNINGS PER SHARE

Basic earnings per share was calculated by dividing net earnings by the weighted average number of shares outstanding for the related period.

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Basic and diluted earnings per share	0.17	0.20	1.11	1.08
Net earnings – basic and diluted	34,684	38,464	229,172	201,868
	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	2018	2017	2018	2017
Weighted average number of shares – basic and diluted	208,037	188,650	206,660	187,469

11. SHARE-BASED COMPENSATION AND PENSION PLANS

Long-Term Incentive Plan

Keyera has a Long-Term Incentive Plan (“LTIP”) which compensates officers and key employees by delivering shares of Keyera or paying cash in lieu of shares. Participants in the LTIP are granted rights (“share awards”) to receive shares of Keyera on specified dates in the future. Grants of share awards are authorized by the board of directors. Shares delivered to employees are acquired in the marketplace and not issued from treasury. The acquired shares are placed in a trust account established for the benefit of the participants until the share awards vest.

The LTIP consists of two types of share awards, the Performance Award and the Time Vested (“Restricted”) Award.

The LTIP is accounted for using the liability method and is measured at fair value at each statement of financial position date until the award is settled. The fair value of the liability is measured by applying a fair value pricing model whereby one of the valuation inputs was the September 30, 2018 share price of Keyera, which was \$34.61 per share (December 31, 2017 – \$35.42 per share).

The compensation cost recorded for the LTIP was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Performance Awards	5,631	2,323	15,788	13,816
Restricted Awards	647	(1,303)	2,394	122
Total long-term incentive plan expense	6,278	1,020	18,182	13,938

Employee Stock Purchase Plan

Keyera maintains an employee stock purchase plan (“ESPP”) whereby eligible employees can purchase common shares of Keyera. Keyera will contribute an amount equal to 5% of the employee’s contribution. To participate in the ESPP, eligible employees select an amount to be deducted from their semi-monthly remuneration. Employees may elect to withhold up to 25% of their base compensation for the stock purchases. The shares of Keyera are acquired on the Toronto Stock Exchange on a semi-monthly basis consistent with the timing of the semi-monthly remuneration. The cost of the shares purchased to match the employee’s contribution is expensed as incurred and recorded in general and administrative expenses.

Defined Contribution Pension Plan

For the three and nine months ended September 30, 2018, Keyera made pension contributions of \$2,438 and \$7,228 (three and nine months ended September 30, 2017 – \$2,303 and \$6,808) on behalf of its employees. The contributions were recorded in general and administrative expenses.

Deferred Share Unit Plan

Effective January 1, 2016, Keyera implemented a deferred share unit (“DSU”) plan, for non-employee directors. Each DSU vests on the date the grant is awarded but cannot be redeemed until a director ceases to be a member of the board of directors. The grant value is determined based on a 20 day weighted average trading share price. DSUs are settled in cash (on an after-tax basis) based on the 20 day weighted average Keyera share price up to the date of termination. For the three and nine months ended September 30, 2018, Keyera recorded \$112 and \$804 (three and nine months ended September 30, 2017 – \$162 and \$641) in general and administrative expenses related to the DSU plan.

The following table shows the number of DSUs granted:

As at	September 30, 2018	December 31, 2017
Balance at beginning of period	46,171	19,827
Granted	26,408	26,344
Balance at end of period	72,579	46,171

12. INCOME TAXES

The components of the income tax expense were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Current	8,870	1,055	25,001	4,876
Deferred	5,199	16,576	43,635	65,848
Total income tax expense	14,069	17,631	68,636	70,724

With the acquisition of the Oklahoma Liquids Terminal in June 2018, Keyera considers it probable that there will be sufficient future taxable profits in its U.S. subsidiary to utilize tax losses that had not been recognized prior to June 30, 2018 for deferred income tax purposes. As a result, Keyera has recorded a deferred income tax asset of \$16,295 as at September 30, 2018. Corresponding deferred tax recoveries of \$1,192 and \$16,550 have been included in deferred income tax expenses for the three and nine months ended September 30, 2018.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments include cash, trade and other receivables, derivative financial instruments, trade and other payables, dividends payable, credit facilities, finance lease liabilities, current and long-term debt, and certain other long-term liabilities. Derivative financial instruments include foreign exchange contracts, cross-currency swaps, NGLs, crude oil, motor gasoline and natural gas price contracts, electricity price contracts and physical fixed price commodity contracts. Derivative instruments are classified as fair value through profit or loss in the consolidated statement of net earnings and comprehensive income and are measured at fair value. All other financial instruments are measured at amortized cost.

Financial Instruments

(a) Fair value

Fair value represents Keyera's estimate of the price at which a financial instrument could be exchanged between knowledgeable and willing parties in an orderly arm's length transaction motivated by normal business considerations.

Fair value measurement of assets and liabilities recognized on the consolidated statement of financial position are categorized into levels within a fair value hierarchy based on the nature of valuation inputs.

The fair value hierarchy has the following levels:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

All of Keyera's derivative instruments are classified as Level 2 as their fair value is derived by using observable inputs, including commodity price curves, foreign currency curves and credit spreads. For fixed price forward contracts, fair value is derived from observable NGL market prices.

Financial instruments with fair value equal to carrying value

The carrying values of cash, trade and other receivables, trade and other payables and dividends payable approximate their fair values because the instruments are either near maturity, have 5 to 30 days payment terms or have no fixed repayment terms. The carrying value of the credit facility approximates fair value due to their floating rates of interest.

Fair value of senior fixed rate debt

The fair value of long-term debt is based on third party estimates for similar issues or current rates offered to Keyera for debt of the same maturity. The total fair value of Keyera's unsecured senior notes and medium term notes at September 30, 2018 was \$2,211,200 (December 31, 2017 – \$1,831,467) and this was determined by reference to inputs other than quoted market prices in active markets for identical liabilities under Level 2 of the fair value hierarchy.

The fair values and carrying values of the derivative instruments are listed below and represent an estimate of the amount that Keyera would receive (pay) if these instruments were settled at the end of the period.

	Notional Volume ¹	Weighted Average Price \$	Fair Value Hierarchy Level ²	Net Fair Value \$	Carrying Value Asset Liability \$ \$	
As at September 30, 2018						
Marketing (NGLs and Iso-octane)						
Financial contracts:						
Seller of fixed price WTI swaps (maturing by December 31, 2019)	3,336,700 Bbls	86.76/Bbl	Level 2	(25,057)	—	(25,057)
Buyer of fixed price WTI swaps (maturing by March 31, 2019)	52,000 Bbls	84.60/Bbl	Level 2	516	516	—
Seller of fixed price NGL swaps (maturing by December 31, 2018)	2,080,000 Bbls	48.04/Bbl	Level 2	(1,440)	1,264	(2,704)
Buyer of fixed price NGL swaps (maturing by December 31, 2019)	1,306,000 Bbls	50.53/Bbl	Level 2	19,366	19,366	—
Seller of fixed price RBOB basis spreads (iso-octane) (maturing by December 31, 2019)	3,015,000 Bbls	21.62/Bbl	Level 2	(3,312)	2,696	(6,008)
Physical contracts:						
Seller of fixed price NGL forward contracts (maturing by October 31, 2018)	85,000 Bbls	45.15/Bbl	Level 2	(67)	—	(67)
Buyer of fixed price NGL forward contracts (maturing by October 31, 2018)	30,000 Bbls	61.88/Bbl	Level 2	521	521	—
Currency:						
Seller of forward contracts (maturing by June 30, 2019)	US\$199,000,000	1.30/USD	Level 2	920	1,307	(387)
Liquids Infrastructure						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2019)	86,376 MWhs	41.44/MWh	Level 2	1,231	1,258	(27)
Gathering and Processing						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2019)	13,176 MWhs	44.91/MWh	Level 2	141	141	—
Emission Performance Credits:						
Seller of emission performance credits	282,597 credits	23.54/credit	Level 2	592	592	—
Corporate and Other						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2019)	30,696 MWhs	43.17/MWh	Level 2	375	375	—
Crude Oil & NGLs:						
Seller of fixed price swaps (maturing by December 31, 2018)	30,000 Bbls	73.60/Bbls	Level 2	(625)	—	(625)
Long-term Debt:						
Buyer of cross-currency swaps (maturing September 8, 2020 – November 20, 2028)	US\$562,426,350	0.98/USD - 1.22/USD	Level 2	99,909	99,909	—
				93,070	127,945	(34,875)

Notes:

¹ All notional amounts represent actual volumes or actual prices and are not expressed in thousands.

² A description of the fair value hierarchy is discussed in the fair value section.

	Notional Volume ¹	Weighted Average Price \$	Fair Value Hierarchy Level ²	Net Fair Value \$	Carrying Value Asset \$	Liability \$
As at December 31, 2017						
Marketing (NGLs and Iso-octane)						
Financial contracts:						
Seller of fixed price WTI swaps (maturing by March 31, 2019)	2,095,175 Bbls	69.81/Bbl	Level 2	(11,138)	—	(11,138)
Buyer of fixed price WTI swaps (maturing by March 31, 2018)	73,500 Bbls	71.63/Bbl	Level 2	293	293	—
Seller of fixed price NGL swaps (maturing by March 31, 2018)	1,337,154 Bbls	45.35/Bbl	Level 2	(7,719)	64	(7,783)
Buyer of fixed price NGL swaps (maturing by March 31, 2018)	404,000 Bbls	48.77/Bbl	Level 2	3,913	3,978	(65)
Seller of fixed price RBOB basis spreads (iso-octane) (maturing by December 31, 2019)	3,380,000 Bbls	19.69/Bbl	Level 2	(15,163)	479	(15,642)
Physical contracts:						
Seller of fixed price NGL forward contracts (maturing by March 31, 2018)	26,188 Bbls	43.94/Bbl	Level 2	(138)	—	(138)
Currency:						
Seller of forward contracts (maturing by June 30, 2018)	US\$103,500,000	1.27/USD	Level 2	2,214	2,287	(73)
Liquids Infrastructure						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2019)	157,680 MWhs	40.41/MWh	Level 2	2,134	2,194	(60)
Gathering and Processing						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2018)	35,040 MWhs	44.65/MWh	Level 2	335	377	(42)
Emission Performance Credits:						
Seller of emission performance credits	340,520 credits	22.53/credit	Level 2	1,010	1,010	—
Corporate and Other						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2019)	35,040 MWhs	41.95/MWh	Level 2	422	443	(21)
Crude Oil & NGLs:						
Seller of fixed price swaps (maturing by December 31, 2018)	135,000 Bbls	66.55/Bbl	Level 2	(656)	—	(656)
Long-term Debt:						
Buyer of cross-currency swaps (maturing September 8, 2020 – November 20, 2028)	US\$575,335,900	0.98/USD - 1.22/USD	Level 2	90,545	90,545	—
				66,052	101,670	(35,618)

Notes:

¹ All notional amounts represent actual volumes or actual prices and are not expressed in thousands.² A description of the fair value hierarchy is discussed in the fair value section.

Derivative instruments are recorded on the consolidated statement of financial position at fair value. Changes in the fair value of these financial instruments are recognized through profit or loss in the consolidated statement of net earnings and comprehensive income in the period in which they arise.

Unrealized gains (losses), representing the change in fair value of derivative contracts, are recorded in the following consolidated statement of net earnings and comprehensive income line items and the related reportable operating segments:

Derivative Contracts Related To	Reportable Operating Segments	Consolidated Net Earnings and Comprehensive Income Line Item
Natural gas, crude oil and NGLs, and iso-octane	Marketing; Corporate and Other	Marketing revenue; Corporate and Other revenue
Electricity	Liquids Infrastructure; Gathering and Processing; Corporate and Other	Liquids Infrastructure expenses; Gathering and Processing expenses; Corporate and Other revenues and expenses
Cross-currency swaps	Corporate and Other	Net foreign currency gain/(loss) on U.S. debt
Emission performance credits	Gathering and Processing	Gathering and Processing expenses

	Three months ended		Nine months ended	
	September 30, 2018	2017	September 30, 2018	2017
Unrealized gain (loss)	\$	\$	\$	\$
Marketing revenue	26,914	(25,444)	19,185	7,925
Liquids Infrastructure expenses	(1,093)	104	(903)	1,160
Gathering and Processing expenses	(250)	(14)	(612)	—
Corporate and Other:				
Corporate and Other revenues and expenses	510	(346)	(16)	1,208
Net foreign currency (loss)/gain on U.S. debt	(9,077)	(14,664)	9,364	(26,826)
Total unrealized gain (loss)	17,004	(40,364)	27,018	(16,533)

Risk Management

Market risk is the risk that the fair value of future cash flows of a financial asset or a financial liability will fluctuate because of changes in market prices. Market risk is comprised of commodity price risk, interest rate risk, and foreign currency risk, as well as credit and liquidity risks.

(b) Commodity price risk

Subsidiaries of Keyera enter into contracts to purchase and sell primarily NGLs and iso-octane, as well as natural gas and crude oil. These contracts are exposed to commodity price risk between the time when contracted volumes are purchased and sold, and foreign currency risk for those sales denominated in U.S. dollars. These risks are actively managed by utilizing physical and financial contracts which include commodity related forward contracts, price swaps and forward currency contracts. A risk management committee meets regularly to review and assess the risks inherent in existing contracts and the effectiveness of the risk management strategies. This is achieved by modeling future sales and purchase contracts to monitor the sensitivity of changing prices and volumes.

Significant amounts of electricity and natural gas are consumed by certain facilities. In order to mitigate the exposure to fluctuations in the prices of electricity and natural gas, price swap agreements may be used. These agreements are accounted for as derivative instruments.

Certain NGL contracts that require physical delivery at fixed prices are accounted for as derivative instruments.

(c) Foreign currency risk

Foreign currency risk arises on financial instruments that are denominated in a foreign currency. Keyera's functional currency is the Canadian dollar. Keyera's foreign currency risk largely arises from the Marketing segment where a significant portion of sales and purchases are denominated in U.S. dollars. Foreign currency risk is actively managed by using forward currency contracts and cross-currency swaps. Management monitors the exposure to foreign currency risk and regularly reviews its financial instrument activities and all outstanding positions.

The Gathering and Processing and Liquids Infrastructure segments have very little foreign currency risk as sales and purchases are primarily denominated in Canadian dollars.

Portions of Keyera's trade and other receivables and trade and other payables are denominated in U.S. dollars and, as a result, are subject to foreign currency risk.

Keyera is also exposed to foreign currency risk related to its U.S. dollar denominated long-term debt and U.S. dollar denominated LIBOR loans when drawn under Keyera's bank credit facility. To manage this currency exposure, Keyera has entered into long-term cross-currency swap contracts relating to the principal portion and future interest payments of the U.S. dollar denominated debt as well as short-term cross-currency swaps relating to the LIBOR loans drawn under the credit facility. These cross-currency contracts are accounted for as derivative instruments. Refer to note 14 for a summary of the foreign currency gains (losses) associated with the U.S. dollar denominated long-term debt.

(d) Interest rate risk

The majority of Keyera's interest rate risk is attributed to its fixed and floating rate debt, which is used to finance capital investments and operations. Keyera's remaining financial instruments are not significantly exposed to interest rate risk. The floating rate debt creates exposure to interest rate cash flow risk, whereas the fixed rate debt creates exposure to interest rate price risk. As at September 30, 2018, fixed rate borrowings comprised 98% of total debt outstanding (December 31, 2017 – 100%). The fair value of future cash flows for fixed rate debt fluctuates with changes in market interest rates. It is Keyera's intention to not repay fixed rate debt until maturity and therefore future cash flows would not fluctuate.

(e) Credit risk

The majority of trade and other receivables are due from entities in the oil and gas industry and are subject to normal industry credit risks. Concentration of credit risk is mitigated by having a broad domestic and international customer base. Keyera evaluates and monitors the financial strength of its customers in accordance with its credit policy.

Keyera's maximum exposure to credit risk, which is a worst case scenario and does not reflect results expected by Keyera, is \$533,364 at September 30, 2018 (December 31, 2017 – \$435,620). Keyera does not typically renegotiate the terms of trade receivables. There were no significant renegotiated balances outstanding at September 30, 2018. With respect to counterparties for derivative financial instruments, the credit risk is managed through dealing primarily with recognized futures exchanges or investment grade financial institutions and by maintaining credit policies which significantly reduce overall counterparty credit risk. In addition, Keyera incorporates the credit risk associated with counterparty default, as well as Keyera's own credit risk, into the estimates of fair value.

The allowance for credit losses is reviewed on a monthly basis. An assessment is made whether an account is deemed impaired based on expected credit losses, which includes the number of days outstanding and the likelihood of collection from the counterparty.

(f) Liquidity risk

Liquidity risk is the risk that suitable sources of funding for Keyera's business activities may not be available. Keyera manages liquidity risk by maintaining bank credit facilities, continuously managing forecast and actual cash flows and monitoring the maturity profiles of financial assets and financial liabilities. Keyera has access to a wide range of funding at competitive rates through capital markets and banks to meet the immediate and ongoing requirements of the business.

Risk Management Sensitivities

The following table summarizes the sensitivity of the fair value of Keyera's risk management positions to fluctuations in commodity price, interest rate, and foreign currency rate. Fluctuations in commodity prices, foreign currency rate and interest rate changes could have resulted in unrealized gains (losses) affecting income before tax as follows:

Risk sensitivities	Impact on income before tax September 30, 2018		Impact on income before tax September 30, 2017	
	Increase \$	Decrease \$	Increase \$	Decrease \$
Commodity price changes				
+ 10% in electricity price	724	—	1,102	—
- 10% in electricity price	—	(724)	—	(1,102)
+ 10% in NGL, crude oil and iso-octane prices	—	(39,849)	—	(31,512)
- 10% in NGL, crude oil and iso-octane prices	39,849	—	31,512	—
Foreign currency rate changes				
+ \$0.01 in U.S./Canadian dollar exchange rate	—	(970)	—	(294)
- \$0.01 in U.S./Canadian dollar exchange rate	970	—	294	—
Interest rate changes				
+ 1% in interest rate	—	(22)	—	(2,365)
- 1% in interest rate	22	—	2,365	—

14. NET FOREIGN CURRENCY GAIN (LOSS) ON U.S. DEBT

The components of net foreign currency gain (loss) were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018 \$	2017 \$	2018 \$	2017 \$
Foreign currency gain (loss) resulting from:				
Translation of long-term debt and interest payable	9,706	20,912	(18,129)	40,423
Change in fair value of the cross-currency swaps – principal and interest portion	(9,077)	(14,664)	9,364	(26,826)
Gain (loss) from cross-currency swaps – interest portion ¹	199	(48)	1,454	1,631
Total foreign currency gain (loss) on U.S. debt	828	6,200	(7,311)	15,228

Note:

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

15. FINANCE COSTS

The components of finance costs were as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Interest on bank overdrafts and credit facilities	1,201	3,726	3,686	9,073
Interest on long-term debt	24,265	17,672	65,150	53,041
Interest capitalized	(8,605)	(4,892)	(20,994)	(18,164)
Other interest (income) expense	(649)	559	(1,374)	1,620
Total interest expense on current and long-term debt	16,212	17,065	46,468	45,570
Unwinding of discount on decommissioning liability	2,642	2,649	7,919	8,080
Unwinding of discount on long-term debt	419	373	1,257	1,110
Non-cash expenses in finance costs	3,061	3,022	9,176	9,190
Total finance costs	19,273	20,087	55,644	54,760

For the three and nine months ended September 30, 2018, \$8,605 and \$20,994 of borrowing (interest) costs were capitalized (three and nine months ended September 30, 2017 – \$4,892 and \$18,164) at a weighted average capitalization rate of 4.87% on funds borrowed (three and nine months ended September 30, 2017 – 4.34%).

16. SUPPLEMENTAL CASH FLOW INFORMATION

Details of changes in non-cash working capital from operating activities were as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Inventory	(69,090)	(12,415)	(150,940)	(62,543)
Trade and other receivables	(47,140)	(64,499)	(100,299)	(20,053)
Other assets	7,395	16,372	(10,328)	(4,696)
Trade and other payables, and provisions	36,521	14,473	125,453	2,282
Changes in non-cash working capital from operating activities	(72,314)	(46,069)	(136,114)	(85,010)

Details of changes in non-cash working capital from investing activities were as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Trade and other payables, and provisions	(18,231)	(7,697)	56,520	53,346
Other assets	—	—	—	55,054
Changes in non-cash working capital from investing activities	(18,231)	(7,697)	56,520	108,400

17. SEGMENT INFORMATION

Keyera has the following four reportable operating segments based on the nature of its business activities:

Gathering and Processing

The Gathering and Processing segment includes raw gas gathering systems and processing plants located in the natural gas production areas primarily on the western side of the Western Canada Sedimentary Basin. The operations primarily involve providing natural gas gathering and processing, including liquids extraction and condensate stabilization services to customers. This segment also includes sales of ethane volumes extracted from the Rimbey facility and sold to a third party customer under a long-term commercial arrangement.

Liquids Infrastructure

The Liquids Infrastructure segment provides fractionation, storage, transportation and terminalling services for NGLs and crude oil. As well, it provides processing services to Keyera's Marketing business related to NGLs, iso-octane and liquids blending. These services are provided to customers through an extensive network of facilities that include underground NGL storage caverns, NGL fractionation facilities, NGL and crude oil pipelines as well as rail and truck terminals, the AEF facility, a 50% interest in the Base Line Terminal, and the Oklahoma Liquids Terminal.

Marketing

The Marketing segment is primarily involved in the marketing of NGLs, such as propane, butane, and condensate, and iso-octane to customers in Canada and the United States, as well as liquids blending.

Corporate and Other

The Corporate and Other segment includes corporate functions and the production of natural gas, natural gas liquids and crude oil.

Inter-segment and intra-segment sales and expenses are recorded at current market prices at the date of the transaction. These transactions are eliminated on consolidation in order to arrive at net earnings in accordance with IFRS.

Reclassification

Certain information provided for prior years has been reclassified to conform to a change in presentation adopted as a result of the transition to IFRS 15.

The following table shows the operating margin from each of Keyera's operating segments and includes inter-segment transactions. Operating margin is a key measure used by management to monitor profitability by segment.

Three months ended September 30, 2018	Gathering & Processing \$	Liquids Infrastructure \$	Marketing \$	Corporate and Other \$	Inter-segment Eliminations \$	Total \$
Segmented revenue	117,588	123,701	991,777	6,578	(78,573)	1,161,071
Segmented expenses	(53,733)	(41,387)	(922,159)	(2,897)	78,573	(941,603)
Operating margin	63,855	82,314	69,618	3,681	—	219,468
General and administrative expenses	—	—	—	(27,293)	—	(27,293)
Finance costs	—	—	—	(19,273)	—	(19,273)
Depreciation, depletion and amortization expenses	—	—	—	(55,349)	—	(55,349)
Net foreign currency gain on U.S. debt	—	—	—	828	—	828
Long-term incentive plan expense	—	—	—	(6,278)	—	(6,278)
Impairment expense	(63,350)	—	—	—	—	(63,350)
Earnings (loss) before income tax	505	82,314	69,618	(103,684)	—	48,753
Income tax expense	—	—	—	(14,069)	—	(14,069)
Net earnings (loss)	505	82,314	69,618	(117,753)	—	34,684

Three months ended September 30, 2017	Gathering & Processing \$	Liquids Infrastructure \$	Marketing \$	Corporate and Other \$	Inter-segment Eliminations \$	Total \$
Segmented revenue	116,635	103,872	612,526	5,065	(73,282)	764,816
Segmented expenses	(47,254)	(32,154)	(627,656)	(2,800)	73,282	(636,582)
Operating margin	69,381	71,718	(15,130)	2,265	—	128,234
General and administrative expenses	—	—	—	(14,737)	—	(14,737)
Finance costs	—	—	—	(20,087)	—	(20,087)
Depreciation, depletion and amortization expenses	—	—	—	(42,495)	—	(42,495)
Net foreign currency gain on U.S. debt	—	—	—	6,200	—	6,200
Long-term incentive plan expense	—	—	—	(1,020)	—	(1,020)
Earnings (loss) before income tax	69,381	71,718	(15,130)	(69,874)	—	56,095
Income tax expense	—	—	—	(17,631)	—	(17,631)
Net earnings (loss)	69,381	71,718	(15,130)	(87,505)	—	38,464

Nine months ended September 30, 2018	Gathering & Processing \$	Liquids Infrastructure \$	Marketing \$	Corporate and Other \$	Inter-segment Eliminations \$	Total \$
Segmented revenue	332,930	349,057	2,850,425	19,740	(229,283)	3,322,869
Segmented expenses	(134,627)	(108,369)	(2,640,818)	(8,962)	229,283	(2,663,493)
Operating margin	198,303	240,688	209,607	10,778	—	659,376
General and administrative expenses	—	—	—	(64,455)	—	(64,455)
Finance costs	—	—	—	(55,644)	—	(55,644)
Depreciation, depletion and amortization expenses	—	—	—	(152,340)	—	(152,340)
Net foreign currency loss on U.S. debt	—	—	—	(7,311)	—	(7,311)
Long-term incentive plan expense	—	—	—	(18,182)	—	(18,182)
Impairment expense	(63,350)	—	—	—	—	(63,350)
Loss on settlement of finance lease	—	(286)	—	—	—	(286)
Earnings (loss) before income tax	134,953	240,402	209,607	(287,154)	—	297,808
Income tax expense	—	—	—	(68,636)	—	(68,636)
Net earnings (loss)	134,953	240,402	209,607	(355,790)	—	229,172

Nine months ended September 30, 2017	Gathering & Processing \$	Liquids Infrastructure \$	Marketing \$	Corporate and Other \$	Inter-segment Eliminations \$	Total \$
Segmented revenue	346,051	304,297	1,939,220	21,364	(224,573)	2,386,359
Segmented expenses	(143,511)	(100,931)	(1,864,882)	(9,156)	224,573	(1,893,907)
Operating margin	202,540	203,366	74,338	12,208	—	492,452
General and administrative expenses	—	—	—	(48,605)	—	(48,605)
Finance costs	—	—	—	(54,760)	—	(54,760)
Depreciation, depletion and amortization expenses	—	—	—	(122,061)	—	(122,061)
Net foreign currency gain on U.S. debt	—	—	—	15,228	—	15,228
Long-term incentive plan expense	—	—	—	(13,938)	—	(13,938)
Impairment expense	(17,890)	—	—	—	—	(17,890)
Gain on disposal of property, plant and equipment	22,166	—	—	—	—	22,166
Earnings (loss) before income tax	206,816	203,366	74,338	(211,928)	—	272,592
Income tax expense	—	—	—	(70,724)	—	(70,724)
Net earnings (loss)	206,816	203,366	74,338	(282,652)	—	201,868

DISAGGREGATION OF REVENUE

The following table shows revenue disaggregated by the major service lines offered by Keyera in its four reportable operating segments:

	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Total
Three months ended September 30, 2018	\$	\$	\$	\$	\$
Gas handling and processing services ¹	102,252	22,857	—	—	125,109
Fractionation and storage services	1,917	48,080	—	—	49,997
Transportation and terminalling services	—	52,461	—	—	52,461
Marketing of NGLs and iso-octane	—	—	991,777	—	991,777
Other ²	13,419	303	—	6,578	20,300
Revenue before inter-segment eliminations	117,588	123,701	991,777	6,578	1,239,644
Inter-segment revenue eliminations	(5,027)	(64,275)	(2,241)	(7,030)	(78,573)
Revenue from external customers	112,561	59,426	989,536	(452)	1,161,071

	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Total
Three months ended September 30, 2017	\$	\$	\$	\$	\$
Gas handling and processing services ¹	94,370	23,308	—	—	117,678
Fractionation and storage services	1,995	37,693	—	—	39,688
Transportation and terminalling services	—	42,581	—	—	42,581
Marketing of NGLs and iso-octane	—	—	612,526	—	612,526
Other ²	20,270	290	—	5,065	25,625
Revenue before inter-segment eliminations	116,635	103,872	612,526	5,065	838,098
Inter-segment revenue eliminations	(5,539)	(59,832)	(2,093)	(5,818)	(73,282)
Revenue from external customers	111,096	44,040	610,433	(753)	764,816

Notes:

¹ Processing services revenue recognized in Keyera's Liquids Infrastructure segment represents the processing fees charged to Keyera's Marketing segment for the production of iso-octane at the Keyera AEF facility.

² Other revenue in Keyera's Gathering and Processing segment includes sales of ethane volumes extracted from the Rimbey facility and sold to a third party customer, and other miscellaneous revenue. Other revenue recognized in Keyera's Corporate and Other segment relates to the production of oil and gas reserves.

	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Total
	\$	\$	\$	\$	\$
Nine months ended September 30, 2018					
Gas handling and processing services ¹	289,518	62,044	—	—	351,562
Fractionation and storage services	5,666	135,675	—	—	141,341
Transportation and terminalling services	—	150,371	—	—	150,371
Marketing of NGLs and iso-octane	—	—	2,850,425	—	2,850,425
Other ²	37,746	967	—	19,740	58,453
Revenue before inter-segment eliminations	332,930	349,057	2,850,425	19,740	3,552,152
Inter-segment revenue eliminations	(15,183)	(182,536)	(9,307)	(22,257)	(229,283)
Revenue from external customers	317,747	166,521	2,841,118	(2,517)	3,322,869
	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Total
	\$	\$	\$	\$	\$
Nine months ended September 30, 2017					
Gas handling and processing services ¹	280,024	73,244	—	—	353,268
Fractionation and storage services	6,770	116,342	—	—	123,112
Transportation and terminalling services	—	113,843	—	—	113,843
Marketing of NGLs and iso-octane	—	—	1,939,220	—	1,939,220
Other ²	59,257	868	—	21,364	81,489
Revenue before inter-segment eliminations	346,051	304,297	1,939,220	21,364	2,610,932
Inter-segment revenue eliminations	(17,896)	(179,517)	(4,046)	(23,114)	(224,573)
Revenue from external customers	328,155	124,780	1,935,174	(1,750)	2,386,359

Notes:

¹ Processing services revenue recognized in Keyera's Liquids Infrastructure segment represents the processing fees charged to Keyera's Marketing segment for the production of iso-octane at the Keyera AEF facility.

² Other revenue in Keyera's Gathering and Processing segment includes sales of ethane volumes extracted from the Rimbey facility and sold to a third party customer, and other miscellaneous revenue. Other revenue recognized in Keyera's Corporate and Other segment relates to the production of oil and gas reserves.

Geographical information

Keyera operates in two geographical areas, Canada and the U.S. Keyera's revenue from external customers and information about its non-current assets by geographical location are detailed below based on the country of origin.

Revenue from external customers located in	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Canada	978,922	632,651	2,818,116	2,022,924
U.S.	182,149	132,165	504,753	363,435
Total revenue	1,161,071	764,816	3,322,869	2,386,359

Non-current assets ¹ as at	September 30,	December 31,
	2018	2017
	\$	\$
Canada	5,375,777	4,752,164
U.S.	265,035	93,858
Total non-current assets	5,640,812	4,846,022

Note:

¹ Non-current assets are comprised of property, plant and equipment, intangible assets, and goodwill.

Information about major customers

For the three and nine months ended September 30, 2018 and 2017, Keyera did not earn revenues from a single external customer that accounted for more than 10% of its total revenue.

18. COMMITMENTS AND CONTINGENCIES**Purchase obligations**

Keyera has assumed various contractual obligations in the normal course of its operations. Since December 31, 2017, Keyera has committed to approximately \$347 million in purchase obligations associated with orders on long-lead items related to the construction of the Wildhorse Terminal and Wapiti gas plant as well as expansion of the Simonette gas plant. In addition, Keyera has committed between \$500 and \$600 million in purchase obligations related to the Pipestone plant and liquids hub which is being constructed by Encana. These expenditures are expected to occur between 2018 and 2021.

Finance lease liability

At December 31, 2017, Keyera had a finance lease liability included in its contractual obligations. The finance lease liability related to Keyera's use of a pipeline for its sole benefit. During the first quarter of 2018, the finance lease liability was revalued and reclassified to current liabilities as the lessor exercised its put option under the lease arrangement, requiring Keyera to purchase the pipeline for \$41 million. In May 2018, Keyera settled the finance lease liability by purchasing the pipeline.

Construction contract dispute

In 2016, Keyera agreed to arbitration with a contractor involved in the construction of the Simonette Wapiti pipeline to resolve a dispute over the final amounts due under the construction contract. In the third quarter of 2018, an arbitrator issued a decision on the contractor's claim and Keyera's counterclaim, requiring Keyera to pay a net amount of \$21,000 for direct costs related to pipeline construction, which has been recognized in property, plant and equipment. Approximately \$18,000 of the total \$21,000 in construction costs had previously been accrued for prior to the third quarter based on Keyera's estimate of the expected outcome from the arbitration proceedings.

In the third quarter of 2018, Keyera recognized an additional \$6,000 in general and administrative expenses for interest and other costs related to the final outcome of the arbitration proceedings.

19. SUBSEQUENT EVENTS

On October 10, 2018, Keyera declared a dividend of \$0.15 per share, payable on November 15, 2018, to shareholders of record as of October 22, 2018.

On November 6, 2018, Keyera declared a dividend of \$0.15 per share, payable on December 17, 2018, to shareholders of record as of November 22, 2018.