



KEYERA CORP.

ANNUAL INFORMATION FORM

February 21, 2019

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The information in this AIF is given as of December 31, 2018 unless otherwise indicated. All dollar amounts set forth in this AIF are in Canadian dollars unless otherwise indicated. Capitalized terms and industry terms used herein without definition have the respective meanings set forth in the Glossary.

GLOSSARY

In this AIF, unless the context otherwise requires, the following terms have the indicated meanings. A reference to an agreement means the agreement as amended, supplemented or restated from time to time.

"2018 Medium Term Notes" means the \$400 million aggregate principal amount of medium term notes of Keyera issued June 3, 2018 pursuant to the MTN Note Indenture;

"ABCA" means the *Business Corporations Act* (Alberta), as amended from time to time, and the regulations thereunder;

"acid gas" means H₂S or CO₂ or a combination of H₂S and CO₂ which are referred to as acid gases because they form acids or acidic solutions in the presence of water;

"acid gas injection" refers to the injection of acid gas into underground geological formations;

"ADT Ltd." means Alberta Diluent Terminal Ltd., a corporation formed under the laws of the Province of Alberta;

"AEF" means the Alberta EnviroFuels facility;

"AEF Inc." means Alberta EnviroFuels Inc., a corporation formed under the laws of the Province of Alberta;

"AEP" means Alberta Environment and Parks;

"AER" means the Alberta Energy Regulator;

"AIF" means this Annual Information Form;

"Board of Directors" means the board of directors of Keyera Corp.;

"butane" means an NGL, the chemical formula of which is C₄H₁₀, used primarily in crude oil and gasoline blending or in the production of iso-octane;

"CDS" means The Canadian Depositary for Securities Limited;

"CO₂" means carbon dioxide;

"Common Shares" means the common shares of Keyera Corp.;

"Computershare" means Computershare Trust Company of Canada;

"condensate" means a mixture of hydrocarbons consisting primarily of pentanes and heavier liquids usually produced with or extracted from raw gas;

"DBRS" means DBRS Limited;

"Debentures" means debentures that may be issued from time to time; and **"Debenture"** means any one of them;

“Debenture Indenture” means the trust indenture dated June 3, 2004 providing for the issuance of unsecured subordinated convertible debentures, as supplemented by the First Supplemental Debenture and the Second Supplemental Debenture, all as further amended or supplemented from time to time;

“dehydration” means the process by which water vapour is removed from raw gas;

“dilbit” means bitumen that is blended with a diluent, such as condensate, in order to reduce viscosity and density of the bitumen for pipeline transportation;

“diluent” means a lower density fluid that is blended with heavy oil or bitumen in order to reduce viscosity and density for pipeline transportation (condensate is a commonly used diluent for pipeline transportation of heavy oil or bitumen);

“distributable cash flow” means the cash flow available for distribution to Shareholders as dividends as described under “Dividends”;

“enhanced oil recovery” means any method that increases oil production by using techniques or materials that are not part of normal pressure maintenance or water flooding operations, such as injection of natural gas or CO₂ into a reservoir to increase oil production from the reservoir;

“ethane” means an NGL, the chemical formula of which is C₂H₆, used primarily as a feedstock to the petrochemical industry and in enhanced oil recovery projects;

“First Preferred Shares” means the first preferred shares of Keyera Corp. as more particularly described under “Capital Structure of Keyera Corp. – Preferred Shares”;

“First Supplemental Indenture” means the supplemental indenture issued under the Debenture Indenture dated December 1, 2008;

“gas products” means NGLs, sulphur and any other commercial substances that may be extracted from raw gas;

“gas treating” means the process by which sour gas is sweetened by removal of CO₂ and H₂S;

“H₂S” means hydrogen sulphide;

“hydrocarbons” means organic compounds containing a mixture of carbon and hydrogen;

“ID 2001-3” means AER Interim Directive 2001-3: Sulphur Recovery Guidelines for the Province of Alberta;

“inlet separation” means the initial stage of processing within a natural gas processing plant where the incoming raw gas stream enters a vessel and any free liquids such as water and NGLs are removed from the gas stream before it is further processed;

“iso-octane” is a low vapour pressure, high octane, gasoline blending component;

“KEI” means Keyera Energy Inc., a corporation formed under the laws of the State of Delaware;

“Keyera” means Keyera Corp. and its subsidiaries;

“Keyera Corp.” means Keyera Corp., a corporation formed under the laws of Alberta, the Common Shares of which are listed for trading on the TSX;

“Keyera Entity” means any person controlled, directly or indirectly, from time to time by Keyera Corp.;

“license capacity” means the maximum permissible raw gas inlet volume for a gas plant as determined by the plant license granted by the AER or OGC;

“lean oil recovery” is an NGL recovery process that utilizes a light oil in contact with incoming raw gas to absorb NGLs from the raw gas stream and to meet raw gas specifications;

“MTN Note Indenture” means the trust indenture dated June 21, 2018 among Keyera Corp., certain of its subsidiaries and Computershare providing for the issuance of senior, unsecured medium term notes;

“NAFTA” means the *North American Free Trade Agreement* between Canada, the U.S. and Mexico;

“NGL” or **“NGLs”** means natural gas liquids, consisting of any one of ethane, propane, butane, condensate and pentanes, or any combination thereof;

“OEMS” means Keyera’s Operational Excellence Management System as further described in “Health, Safety Environment – Operational Excellence;”

“OGC” means the British Columbia Oil and Gas Commission;

“operating margin” means operating revenues less operating expenses and general and administrative expenses associated with the Marketing segment, and does not include the elimination of inter-segment transactions (see the 2018 Annual Audited Financial Statements of Keyera available on SEDAR at www.sedar.com);

“Partnership” means Keyera Partnership, a general partnership organized under the laws of the Province of Alberta pursuant to the Partnership Agreement;

“Partnership Agreement” means the amended and restated partnership agreement of the Partnership dated January 1, 2011, as amended December 21, 2011, December 23, 2011, January 2, 2016 and January 1, 2017, and as may be further amended or amended and restated from time to time;

“pentane” means a hydrocarbon, generally a liquid at atmospheric conditions, the chemical formula of which is C_5H_{12} ;

“petroleum substances” means petroleum, crude oil, crude bitumen, synthetic crude oil, oil sands, bituminous sands, iso-octane, alkylate, other gasoline blending products, raw gas (including natural gas from coal or shale), gas products, petroleum based solvents, refined products (such as diesel or gasoline), all related hydrocarbons and any and all other minerals and substances, whether liquid, solid or gaseous, whether hydrocarbons or not, produced or producible in association with or derived from any of the foregoing, including but not limited to hydrogen sulphide, sulphur, carbon dioxide and coke;

“Preferred Shares” means the First Preferred Shares and Second Preferred Shares or any one of them;

“propane” means an NGL, the chemical formula of which is C_3H_8 , used for heating, crop drying, motor fuel and as a feedstock for the petrochemical industry in the manufacture of ethylene and propylene;

“raw gas” means natural gas before it has been subjected to any processing that may be required for it to become suitable for sale;

“refrigeration” is an NGL recovery process that utilizes a refrigerant as a means to cool incoming raw gas in order to extract NGLs from the raw gas stream;

“RBOB” means reformulated gasoline blendstock for oxygenate blending;

“Right” means the rights issued to Shareholders pursuant to the Rights Plan;

“Rights Plan” means the Shareholder rights plan adopted by Keyera Corp. as more particularly described under “Capital Structure of Keyera Corp. – Shareholder Rights Plan”;

“Rights Agreement” means the agreement entered into between Keyera Corp. and Computershare providing for the establishment of the Rights Plan;

“Rimbey LP” means Rimbey Pipeline Limited Partnership, a limited partnership formed pursuant to the laws of Manitoba;

“S&P” means Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies;

“sales gas” means saleable natural gas after it has been treated in a natural gas processing facility to remove water vapour, inert gases, CO₂, H₂S and NGLs and is comprised primarily of methane with small amounts of ethane and other NGLs;

“Second Preferred Shares” means second class of preferred shares of Keyera Corp. as more particularly described under “Capital Structure of Keyera Corp. – Preferred Shares”;

“Second Supplemental Indenture” means the supplemental indenture issued under the Debenture Indenture dated January 1, 2011;

“Shareholder” means a holder of Common Shares;

“sour gas” means natural gas that contains an amount of H₂S in excess of the content permitted in gas to be transported on sales gas pipelines, or which the AER considers to be sour gas;

“specification NGLs” or **“spec NGLs”** means saleable ethane, propane, butane or condensate that meet the specifications for those products established by industry associations;

“subsidiary” means, in relation to any person or entity, any corporation, partnership, trust, joint venture, association or other entity of which more than 50% of the total voting power of shares or units of ownership or beneficial interest entitled to vote in the election of directors (or members of a comparable governing body) is owned or controlled, directly or indirectly, by such person or entity;

“sulphur” means a yellow mineral extracted from natural gas which is used in the manufacture of fertilizer, pharmaceuticals and other products;

“sulphur recovery” means the process within a natural gas processing facility whereby natural gas containing hydrogen sulphide undergoes a series of chemical reactions to isolate elemental sulphur;

“sweet gas” means natural gas that is not sour gas;

“Tax Act” means the *Income Tax Act* (Canada), as amended from time to time, and the regulations thereunder;

“TCPL” means TransCanada Pipelines Limited;

“throughput” means: with respect to a gas plant, inlet volumes processed (including any off-load or reprocessed volumes); with respect to a pipeline, means the estimated gas or liquid volume transported therein; and with respect to NGL processing facilities the volume of inlet NGLs processed;

“turbo expansion” is an NGL recovery process that utilizes the expansion and subsequent cooling of incoming raw gas to extract a high percentage of NGLs from the raw gas to meet or exceed sales gas specifications;

“TSX” means the Toronto Stock Exchange;

“**U.S.**” means the United States of America;

“**USMCA**” means the *United States-Mexico-Canada Agreement* between Canada, the U.S. and Mexico;

“**utilization rate**” means, with respect to a gas plant, throughput divided by license capacity; for a pipeline, throughput divided by the estimated pipeline capacity; and for other facilities which do not have a specified license capacity, throughput divided by the estimated capacity of such facility; in all cases expressed as a percentage;

“**WCSB**” means the Western Canada Sedimentary Basin; and

“**WTI**” means West Texas Intermediate, a grade of crude oil used as a benchmark in oil pricing.

ABBREVIATIONS AND CONVERSIONS

In this AIF, the following abbreviations have the meanings set forth below:

Bbl and Bbls	Barrel and barrels, each barrel representing 34.972 Imperial gallons or 42 U.S. gallons
Bbls/d	Barrels per day
Mcf	Thousand standard cubic feet
Mcf/d	Thousand standard cubic feet per day
MMcf	Million standard cubic feet
MMcf/d	Million standard cubic feet per day
MW	Megawatts
tonne	One thousand kilograms
tonnes/d	Tonnes per day

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units).

To Convert From	To	Multiply By
Mcf	cubic metres	28.174
cubic metres	cubic feet	35.494
Bbls	cubic metres	0.159
cubic metres	Bbls	6.293
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.405
hectares	acres	2.471
tonnes	long tons	0.984

FORWARD LOOKING STATEMENTS

In order to provide readers with information regarding Keyera, including its assessment of future plans and operations, certain statements contained in this AIF and the documents incorporated by reference herein contain forward looking statements under applicable securities laws. These statements relate to future events or Keyera's future performance. Such statements are predictions only and actual events or results may differ materially. Forward-looking statements are typically identified by words such as "anticipate," "continue", "estimate", "expect", "may," "will," "project," "should," "plan," "intend," "believe," and similar words or expressions, including the negatives or variations thereof. All statements other than statements of historical fact contained in this document are forward looking statements, including, without limitation, statements regarding:

- future dividends (including the future amount and timing of dividends and the tax treatment thereof);
- the future financial position of Keyera;
- business strategy and plans of management;
- anticipated growth and proposed activities;
- budgets, including future capital, operating or other expenditures and projected costs;
- estimated utilization rates and throughputs;
- expected project schedules, regulatory timelines, completion/in-service dates, capital expenditures and capacities associated with capital projects;
- anticipated timing for future revenue streams;
- objectives of or involving Keyera;
- expected commodity prices and inventory levels, including the impact of changes in commodity pricing and inventory;
- the effectiveness of Keyera's health, safety, environment and integrity programs;
- treatment of Keyera or its projects under various regulatory regimes;
- the availability of insurance;
- the existence, operation and strategy of risk management programs, including the approximate and maximum amount of forward sales and hedging to be employed;
- marketing risk management contracts such as energy related forward contracts, price swaps and forward currency contracts; and
- expectations regarding Keyera's ability to raise capital, add to its assets through acquisitions or internal growth opportunities and maintain its competitive position.

The forward looking statements reflect Keyera's 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 AIF and accompanying documents may also contain forward looking statements attributed to third parties. Management believes that its assumptions and analysis in this AIF are reasonable and that the expectations reflected in the forward looking statements contained herein are also reasonable based on the information available on the date such statements are made and the process used to prepare the information. However, it 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;
- activities of producers and customers including the ability of customers to meet their contracted obligations and production profiles;
- oil sands development activity and overall industry activity levels;
- operational matters, including potential hazards inherent in Keyera's operations and the effectiveness of health, safety, environmental and integrity programs;
- activities of other facility owners, including access to third party facilities;

- risks arising from co-ownership of facilities;
- competitive action by other companies;
- changes in gas composition;
- fluctuations in commodity prices, inventory levels and supply/demand trends;
- processing and marketing margins;
- effects of weather conditions;
- construction and engineering variables associated with capital projects, including the availability of contractors, engineering and construction services, accuracy of estimates and schedules, and the performance of contractors;
- fluctuations in interest rates and foreign currency exchange rates;
- changes in the credit-worthiness of counterparties;
- changes in operating and capital costs, including fluctuations in input costs;
- actions by governmental authorities;
- changes in environmental and other regulations;
- reliance on key personnel;
- competition for, among other things, business, capital, acquisition opportunities, requests for proposals, materials, equipment, labour and skilled personnel;
- reputational risks;
- technology and security risks;
- proceedings and other types of claims and litigation;
- risks and liabilities associated with the transportation of dangerous goods;
- access to capital and debt markets on acceptable terms (including the operation or suspension of either or both components of the Premium Dividend™ and Dividend Reinvestment Plan);
- changes in credit ratings; and
- changes in tax laws and any differential effects relating to a particular Shareholder's country of residence;

and other factors, many of which are beyond the control of Keyera, some of which are discussed under "Risk Factors" in this AIF. Further, because there is interconnectivity between many of the risks Keyera faces, it is possible that different constellations of risk could materialize which could result in unanticipated outcomes or consequences.

Readers are therefore cautioned that the foregoing list of important factors is not exhaustive and they should not unduly rely on the forward looking statements included in this AIF or any documents incorporated by reference. Further, readers are cautioned that the forward looking statements contained herein are made as of the date of this AIF. All forward looking statements contained in this AIF are expressly qualified by this cautionary statement. 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 available on SEDAR at www.sedar.com.

PRESENTATION OF FINANCIAL INFORMATION

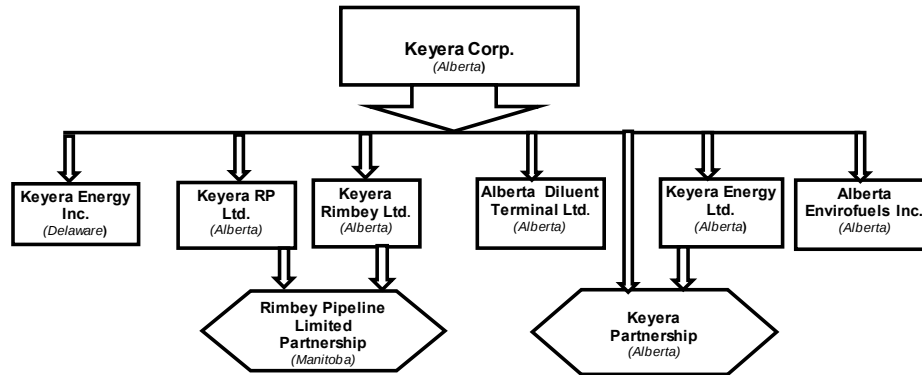
This AIF refers to certain financial measures that are not determined in accordance with Canadian generally accepted accounting principles applicable to publicly traded companies (“GAAP”), also known as International Financial Reporting Standards. Among the supplemental, non-GAAP financial measures that Keyera uses to assess and explain its financial performance include:

Measure	Definition	Use
distributable cash flow	cash flow from operating activities adjusted for changes in non-cash working capital, long-term incentive plan costs, inventory write-downs, maintenance capital expenditures and finance lease liabilities	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
distributable cash flow per share	distributable cash flow divided by weighted average number of shares – basic	used to assess the level of cash flow generated from ongoing operations on a per share basis
EBITDA	earnings before finance costs, taxes, depreciation, and amortization	used as an indication of earnings generated from operations after consideration of administrative and overhead costs
adjusted EBITDA	EBITDA before costs associated with non-cash items, including unrealized gains/losses on commodity related contracts, impairment expenses and any other non-cash items such as gains/losses on the disposal of property, plant and equipment	used as an indication of earnings generated from operations after consideration of administrative and overhead costs excluding the impact of non-cash items
realized margin	operating margin excluding the effect of unrealized gains and losses from commodity related risk management contracts	used to assess the financial performance of Keyera's ongoing operations without the effect of unrealized gains and losses on commodity related risk management contracts related to future periods

Keyera believes that these non-GAAP measures are useful supplemental metrics to help facilitate an understanding of Keyera's financial performance. However, Investors are cautioned that these measures should not be construed as alternatives to “net earnings” and “cash flow from operating activities” determined in accordance with GAAP as an indication of Keyera's performance. Investors are also cautioned that these measures may not be comparable with measures provided by other public corporations or entities.

DESCRIPTION OF THE STRUCTURE OF KEYERA CORP.

Keyera Corp. is a public company and its Common Shares trade on the TSX under the symbol “KEY”. Its registered office and head office are located at 200, 144 – 4th Avenue SW, Calgary, Alberta T2P 3N4. The constating documents of Keyera Corp., including the articles and bylaws, are available on SEDAR at www.sedar.com and on Keyera’s website at www.keyera.com. Keyera Corp. directly or indirectly owns 100% of the voting interests in its operating subsidiaries. The following diagram¹ sets out the name and jurisdiction of the operating subsidiaries of Keyera Corp. as of the date of this AIF.



Keyera Corp. is the managing partner of the Partnership, Keyera’s primary Canadian operating subsidiary. The Partnership owns and operates the majority of Keyera’s Canadian assets and businesses. In accordance with the Partnership Agreement, a copy of which is available on SEDAR at www.sedar.com, the Partnership is authorized to carry on a number of business activities including,

1. directly or indirectly, alone or in conjunction with other persons, constructing, owning, operating, managing, acquiring, developing, investing in and disposing of facilities and infrastructure, including any equipment and systems ancillary thereto, used for or related to the gathering, processing, transportation, delivery, distribution, collection, compression, fractionation, extraction, pipeline, storage, terminalling, blending, refining, handling, alkylation, production, measurement, disposal, treatment and sale of petroleum substances, electricity, alternative energy and thermal energy, including and actively pursuing the identification, evaluation and development of business and investment opportunities in respect thereof;
2. directly or indirectly, alone or in conjunction with other persons, gathering, processing, transporting, delivering, fractionating, extracting, storing, terminalling, blending, refining, handling, alkylating, buying, selling, marketing (including entering into hedging and swap arrangements in relation to marketing), investing in, exploring for, developing, producing and disposing of petroleum substances; electricity, alternative energy and thermal energy;
3. providing support, services and strategic advice to affiliates of the Partnership;
4. such other business activities as the Board of Directors may determine; and
5. all activities ancillary or incidental to any of the foregoing.

Keyera’s only Canadian assets that are not owned and operated by the Partnership are: (i) the Rimbey Pipeline which is owned and operated by Rimbey LP; and (ii) the Alberta Diluent Terminal which is owned and operated by ADT Ltd. KEI carries out Keyera’s business activities in the U.S.

1. Rimbey LP owns 100,000 preferred shares of Keyera Energy Ltd.

The following table outlines notable milestones in the corporate and capital structure of Keyera in the three years from 2016 to present.

Date	Milestone
January 2, 2016	Keyera completed a minor internal reorganization of certain Edmonton Terminal assets, transferring them from Rimbey LP to the Partnership.
May 2016	Keyera Corp. completed a public offering of 9,487,500 Common Shares at \$36.35 per Common Share.
January 1, 2017	Keyera completed a minor internal reorganization amalgamating Keyera Midstream Ltd. into Keyera Energy Ltd.
December 2017	Keyera Corp. completed a public offering of 14,030,000 Common Shares at \$35.20 per Common Share.
June 3, 2018	Keyera Corp. completed a public offering of the 2018 MTN Notes, raising gross proceeds of \$400 million.

GENERAL DEVELOPMENT OF THE BUSINESS

Overview

Keyera operates an integrated Canadian-based midstream business with extensive interconnected assets and depth of expertise in delivering midstream energy solutions. Midstream businesses operate in the oil and gas sector between the upstream sector, which includes oil and gas exploration and production businesses, and the downstream sector, which includes the refining, distribution and retail 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 NGLs, before the sales gas is injected into pipeline systems for transportation to end-use markets. Keyera also provides condensate handling services through its condensate gathering pipelines and stabilization facilities.
2. Liquids Business Unit, consisting of the following operating segments:
 - Liquids Infrastructure - Keyera owns and operates a network of facilities for the gathering processing, fractionation, storage and transportation of the by-products of natural gas processing, including NGLs in mix form and specification NGLs such as ethane, propane, butane and condensate. In addition, this segment includes Keyera's iso-octane facilities at AEF, its liquids blending facilities and its 50% interest in the crude storage facility at Base Line Terminal.
 - 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 liquids blending activities.

Keyera's Gathering and Processing and Liquids Infrastructure businesses are predominantly fee-for-service, while the Marketing business generates margin from the distribution and sale of products such as NGLs, iso-octane, natural gas and crude oil. While the relative proportion of Keyera's operating margin generated by its fee-for-service segments versus the Marketing segment may vary year over year, Keyera manages its portfolio with a goal of maintaining a high proportion of fee-for service business over the long-term. Keyera's integrated business model creates a number of synergies between Keyera's two fee-for-service businesses (Gathering and Processing and Liquids Infrastructure) and its Marketing business. As Keyera has grown its two infrastructure businesses, it has often been able to create

incremental commercial opportunities for its Marketing business. Keyera's Marketing business is able to access Keyera's infrastructure assets at market rates to facilitate its commercial activities. The following tables set out operating margin and realized margin by segment for the last three years.

Operating Margin (\$000s) ¹				
Segment	2016	2017	2018	Three Year Average
Fee-For-Service²				
<i>Gathering and Processing</i>	290,225	275,284	271,833	279,114
<i>Liquids Infrastructure</i>	246,104	285,271	324,456	285,277
Subtotal Fee-for-Service Segments²	536,329	560,555	596,289	564,391
Marketing	101,109	128,370	366,230	198,570
Other ³	8,735	14,616	13,680	12,344
Total All Segments	646,173	703,541	976,199	775,305
Segment Operating Margin as a Percent of Total Operating Margin ¹				
	2016	2017	2018	Average
Fee-for-Service Segments ²	83%	80%	61%	73%
Marketing	16%	18%	38%	26%
Other ³	1%	2%	1%	2%
Total	100%	100%	100%	100%

Realized Margin (\$000s) ^{1,4}				
Segment	2016	2017	2018	Three Year Average
Fee-For-Service²				
<i>Gathering and Processing</i>	290,251	273,913	272,514	278,893
<i>Liquids Infrastructure</i>	246,118	282,506	325,590	284,738
Subtotal Fee-for-Service Segments²	536,369	556,419	598,104	563,631
Marketing	136,505	128,192	296,020	186,906
Other ³	11,050	13,604	13,175	12,610
Total All Segments	683,924	698,215	907,799	763,146
Segment Realized Margin as a Percent of Total Realized Margin ^{1,4}				
	2016	2017	2018	Average
Fee-for-Service Segments ²	78%	80%	66%	74%
Marketing	20%	18%	33%	24%
Other ³	2%	2%	1%	2%
Total	100%	100%	100%	100%

Notes:

(1) See Keyera's 2018 Annual Audited Financial Statements and accompanying Management Discussion and Analysis available on SEDAR at www.sedar.com for a further discussion of operating margin and realized margin.

(2) Includes intersegment transactions.

(3) The "Other" category includes operating margin (net of royalties and operating expenses) from production from oil and gas reserves acquired by Keyera in connection with its acquisition of ownership interests in the Minnehik Buck Lake, West Pembina, Bigoray and Cynthia gas plants. These reserves and associated production are not material to Keyera and Keyera has no plans to drill any additional wells.

(4) Realized margin is a non-GAAP measure. See "Presentation of Financial Information" for definition and use.

In the Gathering and Processing and Liquids Infrastructure businesses, many of the contracts include take-or pay commitments. In 2018, take-or-pay revenue as a percentage of total company EBITDA was approximately 43% with contracts [ranging from one to 30 years. As well, in the Gathering and Processing business, Keyera has secured area dedications from various producers around several of its gas plants including the two gas plants under construction in northwestern Alberta. See “Business of Keyera” for a more detailed description of each of Keyera’s business units, including a discussion of the contracting arrangements within each area.

Business Strategy

Keyera’s vision is to be the North American leader in delivering midstream energy solutions. In support of this vision, Keyera has maintained a consistent commitment to its value-driven strategy of delivering steady growth supported by sustainable, competitive energy facilities. As part of this strategy, Keyera:

- focuses on operational safety;
- strives to provide reliable midstream services at a competitive price;
- pursues opportunities to increase throughput at its existing facilities;
- invests in expansion and optimization opportunities to meet its customer needs and complement its service offerings;
- selectively pursues acquisitions;
- builds on the interconnectivity of its infrastructure and its integrated business model; and
- maintains a conservative capital structure.

Over the last three years, Keyera’s drive to deliver safe, reliable and cost effective operations, has been reflected in its operational excellence, cost containment and efficiency optimization initiatives, all of which continue to be themes in its ongoing operations. Over this period, Keyera has grown its business by investing approximately \$2.7 billion in growth projects and acquisitions, underpinned by fee-for-service contracts. A significant portion of Keyera’s capital investment in the last three years has been focused on developing a strong presence in northwestern Alberta to provide infrastructure solutions to producers who are actively developing the liquids-rich Montney and Duvernay geological zones in the region. Upon completion of the Wapiti and Pipestone gas plants and the expansion of the Simonette gas plant, Keyera expects to have almost 950 MMcf/d per day of gas processing capacity and 90,000 Bbls/d of condensate stabilization capacity. Other key areas of investment have been the continued expansion of Keyera’s industry leading condensate system which delivers key services to oil sands producers, crude oil storage and strategic investments in U.S. liquids hubs.

Keyera’s growth strategy has been coupled with discipline in maintaining a conservative financial structure and growing its dividends. As part of Keyera’s prudent approach to managing its balance sheet, it has extended its credit facility, raised \$760 million through private placements of senior unsecured notes, raised gross proceeds \$400 million through the public offering of the MTN Notes, raised gross proceeds of approximately \$839 million in two equity offerings, and raised approximately \$547 million through its Premium DividendTM and Dividend Reinvestment Plan (See “Borrowing Arrangements” and “Capital Structure of Keyera Corp.”). Since the beginning of 2016, Keyera has increased its dividend three times and received two investment grade issuer credit ratings (See “Dividends” and “Capital Structure of Keyera Corp.”).

Grounded in its overall business strategy, Keyera considers a number of factors when evaluating capital projects and acquisitions, including: (i) customer needs, service demands and willingness to commit to contractual terms; (ii) fit within Keyera’s value chain and overall portfolio; (iii) potential to generate ancillary opportunities; (iv) expected returns including the risk-reward relationship; and (v) relevant macroeconomic trends. Keyera’s approach to customer service and its experience in joint venture relationships have allowed it to secure contractual underpinnings for its major projects and have provided flexibility in how it is able to deliver these projects.

The following tables highlight some of the key acquisitions and capital projects which were either completed in the last three years or are under development or construction. See “Business of Keyera” for more information on each of these initiatives and “Forward Looking Statements” and “Risk Factors” for more information on the factors that could affect the development of projects that have not yet been completed. For all construction projects, estimated completion times assume that construction proceeds as planned and that, where required, all regulatory approvals and other third party approvals or consents are received on a timely basis.

2016 ACQUISITIONS 2016 Total Expenditures: \$190.4 million	
Facility/Area	Description
Bellatrix O'Chiese Nees-Ohpawganu'ck ("Alder Flats") Gas Plant	Keyera acquired an additional 35% ownership interest in the Alder Flats gas plant and the associated gathering pipelines from Bellatrix together with a 10-year take-or-pay commitment and an area dedication. The acquisition brought Keyera's ownership in the gas plant and gathering pipelines to 70%, with Bellatrix continuing to be an owner and the operator.
Wapiti Gas Plant Project	Located in the Montney-rich Wapiti area south of Grande Prairie, this project includes development of a new sour gas processing plant (design capacity up to 300 MMcf/d over 2 phases of 150 MMcf/d each), acid gas injection facilities, condensate processing facilities (25,000 Bbls/d), associated gathering systems and field compressor stations. In May, Keyera acquired the main project site, third-party engineering work associated with the project and a successfully-tested acid gas injection well. In connection with the acquisition, Keyera entered into long term midstream agreements with the vendor to construct the facility and provide gas handling services, all of which were subject to a final sanctioning decision before the end of 2018.
Fort Saskatchewan – North Condensate Connector	In the third quarter, Keyera purchased an 8-inch pipeline extending from Fort Saskatchewan to Redwater, with plans to convert it to condensate service to provide services to the North West Sturgeon Refinery under a long term diluent handling agreement.
Hull Terminal Pipeline System	In the first quarter, Keyera acquired a 6-inch, 88-kilometre pipeline originating at ExxonMobil's petrochemical facility in Beaumont, extending through Keyera's Hull Terminal and ending near Mont Belvieu. Following the acquisition, Keyera began to advance planning work for pipeline connections and integrity and repair work necessary to bring the pipeline into service.
Alberta Diluent Terminal	Acquired 9.8 acres of land adjacent to Keyera's Alberta Diluent Terminal for future development.
Various Keyera-Operated Gas Plants	Acquired incremental 1.6056% and 0.1365% ownership interests in the West Pembina and Rimbey gas plants, respectively.
2016 GROWTH CAPITAL PROJECTS 2016 Total Expenditures: \$501.5 million	
Facility/Area	Description
Bellatrix O'Chiese Nees-Ohpawganu'ck ("Alder Flats") Gas Plant	Bellatrix continued to advance the phase 2 expansion of the Alder Flats gas plant to increase the inlet capacity of the plant from a licensed capacity of 110 MMcf/d to 230 MMcf/d.
Wilson Creek Gas Gathering System Extension	The pipelines and associated compressor station were put into service in the first quarter.
Wapiti Gas Plant Project	Regulatory approvals for the acid gas injection well were received and front-end engineering work was completed. The project remained subject to a final sanctioning decision.

Keyera Fort Saskatchewan – NGL Fractionation Expansion	Construction of the 35,000 bpd fractionation facility was completed on schedule and under budget in late May.
Keyera Fort Saskatchewan – Storage Expansion	Washing of the 14 th cavern was completed in the fourth quarter. Washing of the 15 th cavern continued. Drilling of the well bore for the 16 th and 17 th caverns was completed in the third quarter.
Norlite Pipeline	Enbridge continued construction of this 24-inch pipeline.
Base Line Terminal	All permits and regulatory approvals were received, allowing Kinder Morgan to continue with construction of this oil storage joint venture based on its phased construction and commissioning schedule.
Edmonton Terminal - South Grand Rapids Pump Station	Keyera advanced engineering work for the pump station and in the third quarter received regulatory approvals, paving the way for construction to begin. Grand Rapids Pipeline Limited Partnership continued to advance the South Grand Rapids pipeline.
Edmonton Terminal - Condensate Tanks	All permits and regulatory approvals were received and construction progressed on the four condensate storage tanks.
Fort Saskatchewan - North Condensate Connector	Keyera advanced engineering and regulatory work necessary to convert the pipeline, which was acquired earlier in 2016, to condensate service.
Edmonton / Fort Saskatchewan – Keyera Butane System	In December, Keyera entered into a long-term lease of an 8-inch pipeline between Edmonton and Fort Saskatchewan and advanced work necessary to convert the line to butane service.
Fort Saskatchewan Condensate System Expansion	Construction of this 24-inch pipeline extension was completed in the first quarter, prior to start-up of the Norlite Pipeline. Construction of the manifold continued.
Hull Terminal Pipeline System	Keyera entered into an agreement with a major U.S. midstream company for the construction of pipeline connections between one of their pipeline systems and the Hull Terminal pipeline system. The parties also agreed on the commercial terms pursuant to which Keyera will have access to long term storage and other midstream services at Mont Belvieu once the connections are complete.
2017 ACQUISITIONS 2017 Total Expenditures: \$61.1 million	
Facility/Area	Description
Alberta Heartland Lands	In January, Keyera acquired an additional 1290 acres of undeveloped land for future development in the Industrial Heartland area near Fort Saskatchewan.
Various Keyera-Operated Gas Plants	Acquired incremental 4.91% and 0.02% ownership interests in the West Pembina and Rimbey gas plants, respectively.
Cushing, Oklahoma Lands	Keyera acquired 155 acres of undeveloped land near Cushing Oklahoma for potential future development.
2017 GROWTH CAPITAL PROJECTS 2017 Total Expenditures: \$657.9 million	
Facility/Area	Description

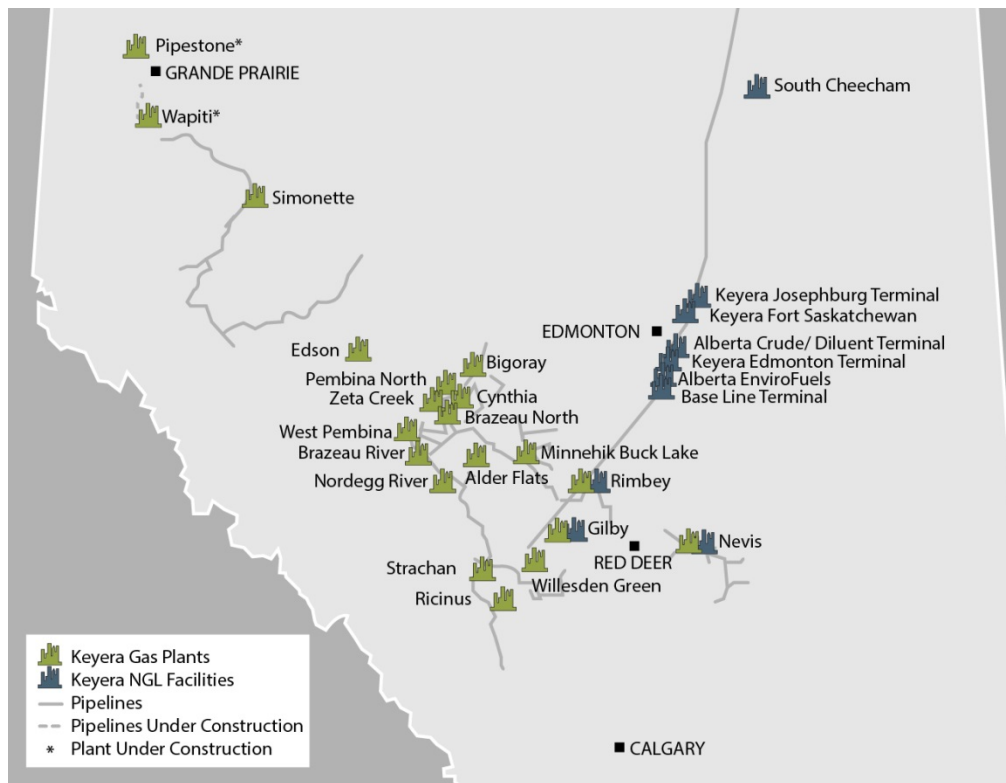
Bellatrix O'Chiese Nees-Ohpawganu'ck ("Alder Flats") Gas Plant	Bellatrix, as operator of this plant, continued with the construction of the phase 2 plant expansion.
Simonette Liquids Handling Expansion Project	Keyera advanced engineering work to expand the NGL handling capabilities at the Simonette gas plant. The project includes reconfiguration of the NGL recovery capabilities (including expanded condensate stabilization capabilities), incremental above ground NGL storage (including NGL mix and condensate), additional truck loading facilities and an expanded connection to a third party NGL pipeline system. The NGL pipeline connection and working NGL storage additions were completed in 2017 and the balance of the project is scheduled for completion by mid-2018. Upon completion, the condensate operational capacity at Simonette is expected to be approximately 27,000 Bbls/d.
Simonette Inlet Handling Improvements & Acid Gas Injection System	In November, Keyera kicked off a collection of projects that will enhance liquids handling capabilities at one of the pipeline inlets to the plant, add utilities upgrades to improve reliability and see the development of an acid gas injection solution as an alternative for handling sour gas volumes. Supported by gas handling agreements with two key customers, these facility additions are targeted to be in service in 2019.
Wapiti Gas Plant Project (Phase One)	Keyera continued to advance this project and in May Keyera's primary customer sanctioned phase 1. Upon sanctioning Keyera was able to start construction of phase 1, including 150 MMcf/d of sour gas processing capacity at the plant, acid gas injection facilities, 25,000 Bbls/d of condensate processing capacity, a gathering system and field compression. Completion is targeted for mid-2019.
North Wapiti Pipeline System	In November, Keyera sanctioned the construction of the North Wapiti Pipeline system, which will extend from the new Wapiti gas plant (currently under construction) north of the Wapiti River. The system includes a 34-kilometre, 12-inch sour gas gathering pipeline, an 8-inch condensate and emulsion pipeline and a 30 MMcf/d compressor station and has a targeted in-service date in the second half of 2019.
Keylink Pipeline	Keyera sanctioned the Keylink NGL pipeline gathering system and commenced construction in the fourth quarter shortly after regulatory approvals were received. The project consists of over 240 kilometres of newly constructed and repurposed existing pipelines that will transport NGL mix from eight of Keyera's gas plants to the Rimbey gas plant for fractionation into specification products.
Keyera Fort Saskatchewan – Storage Expansion	The 14th cavern was completed and put into service in April. Washing of the 15th, 16th and 17th caverns continued throughout the year.
Fort Saskatchewan Condensate System Expansion	The pipeline and manifold were put into service at the end of June, coinciding with the start-up of the Norlite Pipeline. The pipeline and manifold were subsequently connected to the South Grand Rapids Pipeline in 2018.
Edmonton / Fort Saskatchewan - North Condensate Connector	Work to convert this line to condensate service, install the necessary connections and undertake line-fill activities were completed by the end of the third quarter. The line was put into service in the fourth quarter in time to provide services to support commissioning activities at the North West Sturgeon Refinery.
Edmonton / Fort Saskatchewan – Keyera Butane System	The work to complete the conversion of this pipeline to butane service was completed in late 2017 and the pipeline was subsequently put into service in early 2018.
Edmonton Terminal - Condensate Tanks	In August, the construction of all four condensate storage tanks was completed and the tanks were brought into service, each with an estimated actual working storage capacity of 66,000 Bbls.
Edmonton Terminal - South Grand Rapids Pump Station	Keyera completed construction of the pump station in the third quarter and took over responsibility for the construction of a short segment of the South Grand Rapids pipeline in the Edmonton area from Grand Rapids Pipeline Limited Partnership.. It was subsequently put into service in connection with the South Grand Rapids pipeline coming on line in 2018.

Norlite Pipeline	Enbridge completed construction of the Norlite Pipeline and it was put into commercial service in the second quarter.
Base Line Terminal	Kinder Morgan continued the construction of this above-ground storage project adjacent to Keyera's AEF facility. The first four tanks were completed in late 2017 and placed into service in early 2018, the remaining eight tanks were subsequently completed and commissioned in phases throughout 2018.
Hull Terminal Pipeline System	Work continued on the integrity and repair work, as well as the pipeline connections, with Keyera targeting the first half of 2018 to have the pipeline in service.
2018 ACQUISITIONS 2018 Total Expenditures: \$ 333.2 million	
Facility/Area	Description
Edmonton / Fort Saskatchewan – Keyera Butane System	Following the work to complete the conversion of this pipeline to butane service in late 2017, Keyera placed the butane system into service in early 2018. In the second quarter, Keyera purchased the pipeline system which had been leased since December 2016.
Willesden Green Gas Plant	In the first quarter, Keyera acquired the Willesden Green gas plant with the intention to redirect volumes to Keyera's Gilby gas plant.
Pipestone Liquids Hub and Gas Plant	In April, Keyera agreed to acquire and fund the remaining development of Encana's Pipestone liquids hub which has a capacity of 14,000 Bbls/d, which was under construction, and Encana's planned Pipestone gas plant. The gas plant will have 200 MMcf/d of sour gas processing capacity with acid gas injection capabilities, 24,000 Bbls/d of condensate processing capacity, and associated water disposal facilities.
GSR Pipeline	Keyera acquired a newly constructed 10-inch pipeline that connects Keyera's Strachan and Ricinus gas plants. The pipeline was operational in June 2018.
Oklahoma Liquids Terminal	In June, Keyera acquired the Oklahoma Liquids Terminal located near Tulsa, Oklahoma. 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.
South Grand Rapids Pipeline	The South Grand Rapids Pipeline was completed in September and Keyera acquired a 50% interest in the pipeline and sold a 50% interest in the South Grand Rapids pump station that was completed in 2017. The pipeline extends from Keyera's Edmonton Terminal to TransCanada's Heartland Terminal near Fort Saskatchewan and Keyera is the operator.
Various Keyera-Operated Gas Plants	Acquired incremental 1% ownership interest in the Cynthia gas plant.
2018 GROWTH CAPITAL PROJECTS 2018 Total Expenditures: \$935.4 million	
Facility/Area	Description
Bellatrix O'Chiese Nees-Ohpawganu'ck ("Alder Flats") Gas Plant	Bellatrix, as operator of this plant, completed construction of the phase 2 plant expansion in March. The expansion increases the licensed gas processing capacity of the facility by 120 MMcf/d to 230 MMcf/d.
Keylink Pipeline	Keyera's Keylink NGL gathering pipeline system became operational in April connecting eight of Keyera's gas plants to the Rimbey gas plant for fractionation into specification products. Later in the year additional connections were completed to third party gas plants.
Hull Terminal Pipeline System	In April, the pipeline system was completed and placed into service. The pipeline system provides Keyera with pipeline connections between Keyera's Hull Terminal and Mont Belvieu.
Base Line Terminal	Throughout 2018, Kinder Morgan completed construction and placed the remaining eight tanks into service. This above-ground crude storage project has 12 tanks, providing 4.8 MMbbls of storage capacity.

Simonette Liquids Handling Expansion Project	In May, commissioning and start-up of the storage, truck loading and stabilization facilities commenced. The condensate operational capacity at the Simonette gas plant is now approximately 27,000 Bbls/d.
Simonette Inlet Handling Improvements & Acid Gas Injection System	Detailed engineering work and procurement of long-lead equipment and materials continued throughout the year on the inlet liquids separation and acid gas injection projects. These facility additions are targeted to be in service in the third quarter of 2019.
Simonette Gas Plant Expansion	Keyera approved an expansion to the Simonette gas plant which is expected to create an additional 150 MMcf/d of gas processing capacity, bringing total licensed capacity of the plant to 450 MMcf/d. The project is expected to be complete by the fourth quarter of 2019.
Wapiti Gas Plant	Keyera continued to advance phase 1 of this project and in the second quarter sanctioned the second phase and finalized a water disposal solution. Phase 1 is expected to be completed by mid-2019 providing 150 MMcf/d of sour gas processing capacity and 25,000 Bbls/d of condensate processing capacity. Phase 2 will add an additional 150 Mmcfd of sour gas processing capacity and is targeted for completion in mid-2020.
North Wapiti Pipeline System	During 2018, the pipeline route was finalized, related engineering work was completed and procurement activities for long lead equipment continued. In conjunction with the sanctioning of phase 2 of the Wapiti Gas Plant, Keyera is planning to add additional compression to the pipeline system. The pipeline system is expected to be in-service in the second half of 2019.
Keyera Fort Saskatchewan – Storage Expansion	The 15 th cavern was completed and put into service in May. Washing of the 16 th and 17 th caverns continued throughout the year. The caverns are expected to be in-service in the first half of 2020 and first half of 2021, respectively.
Wildhorse Terminal	Development continues at Wildhorse Terminal, a crude oil storage and blending terminal being constructed in Cushing, Oklahoma. The terminal will include 12 above ground tanks with 4.5 million barrels of working storage capacity and initially pipeline connected to two existing storage terminals in Cushing. The Wildhorse Terminal is expected to be operational by mid-2020.
Pipestone Liquids Hub and Gas Plant	In April, Keyera entered into a 20-year infrastructure development and midstream service agreement with Encana Corporation to support their condensate focused Pipestone Montney development. Under the terms of the agreement, Keyera owns the Pipestone gas plant and the Pipestone liquids hub but Encana is responsible for construction and will initially operate the facilities. The liquids hub was put into service in the third quarter of 2018 and the gas plant is expected to be operational in 2021.

BUSINESS OF KEYERA

The following map shows Keyera's principal operations in Canada.



Gathering and Processing Business Unit

Description of Gathering and Processing Business

Keyera has ownership interests in 18 active gas plants² and 2 gas plants that are under construction, all of which are located in Alberta. Keyera operates 16 of the 18 active gas plants. Keyera will be the operator of one of the two gas plants that are under construction, with the option to become the operator of the second after five years. These gas plants are connected to gathering pipelines which deliver the gas from the field to the plants for processing. In total Keyera has over 4,300 kilometres of three to twelve inch diameter gathering pipelines.

Collectively, Keyera's gathering and processing facilities constitute a network that is well positioned in its operating areas to serve exploration and production activity. Almost all of Keyera's processing capacity is located in the west-central, foothills and Deep Basin areas of the WCSB. Natural gas in these areas often has significant NGL content, which tends to be more attractive to producers as the value of the NGLs enhances their netbacks.

Both of the new gas plants under construction (the Pipestone and Wapiti gas plants) and the Simonette gas plant, which is being expanded, are located in northwestern Alberta in areas well positioned to serve producer activity in the liquids-rich Montney and Duvernay geological zones. Upon completion, these facilities will have significant condensate handling capacity.

² Excludes gas plants where Keyera has shut-in or suspended operations.

Several of Keyera's gas plants are interconnected by pipelines, including: (a) the Strachan, Brazeau River, West Pembina and, Nordegg River plants, (b) the Rimbey and Gilby plants, (c) the Brazeau North and Pembina North plants, and (d) the Bigoray and Cynthia plants. This interconnectivity provides significant operational flexibility. It allows raw gas to be directed to the gas plant best suited to process a particular type of gas, and also allows gas to be re-directed during turnarounds or periods of capacity constraints. In addition to these plant interconnections, some producing areas are served by more than one gathering system, which also allows production to be directed to different plants even if the plants themselves are not interconnected.

In addition to third party customers served at Keyera's gathering and processing facilities, Keyera's Gathering and Processing business charges fees, at market rates, to Keyera's corporate segment to process its small amount of proprietary natural gas production and to Keyera's Marketing business for the use of its facilities. In 2018, Keyera's Gathering and Processing business accounted for 10% of Keyera's total revenues (without elimination of inter-segment transactions), 28% of Keyera's total operating margin and 30% of Keyera's total realized margin (compared to 13% of total revenues, 39% of total operating margin and 39% of total realized margin in 2017). Keyera believes operating margin provides an accurate portrayal of operating profitability by segment.

The following table provides an overview of the key operating features for each of Keyera's gas processing plants that was active in 2018.

Gas Plant ⁽¹⁾	Ownership Interest (%) ⁽²⁾	Plant License	Date of Last Turnaround ⁽³⁾	Licensed Capacity ⁽⁴⁾⁽⁵⁾ (MMcfd)	Average Annual Daily Throughput ⁽⁴⁾⁽⁵⁾ (MMcfd)	Facilities										Other Features
						Inlet Separation	Compression	Gas Sweetening	NGL Recovery ⁽⁶⁾	NGL Fractionation	Condensate Stabilization	Oil Battery	Acid Gas Injection	Sulphur Recovery	NGL Truck and/or Rail Handling ⁽⁷⁾	
Rimbey	99	Sour	2015	422	249	•	•	•	TE	•	•			•	T/R	Cogeneration Liquefied CO2
Strachan ⁽¹¹⁾	100	Sour	2018	275	170	•	•		TE		•			•	T	
Ricinus	71	Sweet	2014	221	40	•	•		TE							
Brazeau River ⁽⁸⁾	94	Sour	2015	218	147	•	•	•	RFG		•		•		T	
Nordegg River ⁽⁸⁾	89	Sour	2016	75	57	•	•	•	RFG		•		•		T	
Minnehik Buck Lake	80	Sour	2015	160	28	•	•	•	TE		•			•	T	Cogeneration
Simonette	100	Sour	2017	300	230	•	•	•	RFG		•			•	T	
Cynthia	94	Sour	2014	78	56	•	•	•	TE		•	•	•			
Bigoray	100	Sour	2015	81	23	•	•	•	TE			•	•			
West Pembina ⁽⁹⁾	83	Sour	2014	145	74	•	•	•	LO		•			•		Sulphur Block
Brazeau North	100	Sweet	2018	50	16	•	•		RFG		•	•				
Pembina North	100	Sour	2013	43	21	•	•	•	RFG			•	•			
Gilby	80	Sour	2017	71	26	•	•	•	LO	•	•				T/R	
Nevis	100	Sour	2018	150	19	•	•	•	LO	•	•			•	T/R	

Edson	22	Sour	2014	375	191	•	•	•	LO	•		•	T	Sulphur Recovery Sulphur Block Cogeneration
Alder Flats ⁽¹⁰⁾	70	Sweet	2017	226	161	•	•		TE	•			T	
Zeta Creek	60	Sweet	N/A	54	25	•	•		RFG	•			T	
Willesden Green	100	Sweet	N/A	12	4	•	•		RFG		•		T	

Notes:

- (1) Keyera is the operator of all the gas plants listed except Edson, which is operated by Repsol Canada Energy Partnership and Alder Flats (formally known as "O'Chiese Nees-Ohpawganu'ck"), which is operated by Bellatrix. Keyera also has a 36% ownership interest in the Gregg Lake-Obed Pipeline system, a 129-km sour gas pipeline system operated by SemCAMS that originates in the Hinton area and connects to the SemCAMS Kaybob 3 gas plant. Keyera is also the sole owner of the Caribou gas plant which was not active in 2018 (operation suspended since December 2015).
- (2) Ownership interest as at December 31, 2018 rounded to the nearest whole number.
- (3) Turnaround cycles are typically six years for sweet gas plants and four years for sour gas plants.
- (4) Information in these columns: (a) is presented as at December 31, 2018; (b) represents total gross capacity and throughput (not only Keyera's net capacity); and (c) has been rounded to the nearest whole number. The average annual daily throughput is calculated based on the total annual throughput for the facility divided by 365 days.
- (5) Actual available processing capacity at each plant is often less than the licensed capacity depending on a number of factors, including the capacity of various functional units, operating conditions and gas composition. The difference between licensed capacity and actual operating capacity may be more significant where plant operating conditions or actual gas compositions differ significantly from original plant or equipment design. At Ricinus, while the licensed capacity is 221 MMcf/d, one of the NGL processing trains, with a capacity of approximately 97 MMcf/d, is not currently operational. (See "Risk Factors – Operational Risks").
- (6) TE – turbo expansion, LO – lean oil recovery, RFG – refrigeration. In the past, modifications to the refrigeration systems have been completed at the Brazeau River, Nordegg River and Pembina North gas plants to enhance recoveries.
- (7) R – NGL rail handling facilities, T – NGL truck handling facilities. The rail handling facilities at the Gilby gas plant are not currently operating.
- (8) Acid gas from Nordegg River is delivered to the Brazeau River gas plant for acid gas injection.
- (9) The West Pembina gas plant has been re-licensed as a 1 tonne/day sour gas plant, however because of declining sour gas volumes, the sour side of the plant was shut down in January 2016 and the plant is currently only processing sweet volumes. During 2017, Keyera increased its working interest in the West Pembina plant by 4.9085%.
- (10) The reference to 70% reflects Keyera's working interest in the Alder Flats plant and associated gathering pipelines as a result of the acquisition of an incremental interest in these functional units in 2016. Keyera did not increase its working interest ownership in the associated fuel gas line in connection with the 2016 acquisition, therefore its overall working ownership interest across all functional units covered under the CO&O is approximately 64%.
- (11) As of June 2018, the Strachan gas plant was re-licensed as a 1 tonne/day sour gas plant. The gas sweetening, sulphur recovery and sulphur forming units were intentionally shut down during a turnaround and the plant is only processing sweet gas.

Overview of Key Initiatives

Over the past several years, Keyera's business strategy in its Gathering and Processing Business Unit has focused on: (i) expanding its infrastructure in prospective areas through internal growth projects and selective acquisitions to expand its capture areas and meet the demand for gas handling services; (ii) optimizing NGL recoveries and enhancing gas handling capabilities at its facilities to contribute to improved netbacks for its producer customers; and (iii) achieving cost effective service delivery through cost reductions, facility optimization and asset reliability. Examples of how Keyera has been implementing these strategies are outlined below.

1. Expanding Keyera's Reach Through Growth Projects and Acquisitions

Wapiti Area: Located south of Grande Prairie, Wapiti is situated in one of the condensate rich regions of the Montney. Phase 1 of the Wapiti gas plant project includes the development of a new sour gas processing plant with licenced capacity of 150 MMcf/d, acid gas injection facilities, condensate stabilization facilities with capacity of 25,000 Bbls/d, associated gathering systems and field compressor stations.

Keyera acquired the main project site, third-party engineering work associated with the project and a successfully-tested acid gas injection well in May 2016. In connection with this acquisition Keyera entered into long term midstream agreements with the vendor to construct the facility and provide gas handling and condensate stabilization services.

The midstream agreements have a combination of take-or-pay, fee-for-service and area dedication components. Phase 1 of the project was sanctioned in 2017. Construction is underway and Keyera is targeting mid-2019 to commence operations, assuming commissioning and regulatory amendments continue on schedule.

In June 2018, Keyera announced the sanctioning of phase 2 of the project which will add an incremental 150 MMcf/d of processing capacity at the plant for a total of 300 MMcf/d of processing capacity. Keyera expects Wapiti phase 2 to be operational in mid-2020, assuming construction continues on schedule.

In November 2017, Keyera announced the sanctioning of the North Wapiti Pipeline System. This pipeline system, which includes a 12-inch sour gas gathering pipeline, an 8-inch condensate and water pipeline and a compressor station, will extend the reach of the Wapiti gas plant north of the Wapiti River, allowing volumes from this area to be delivered to the plant for handling in an environmentally and financially responsible manner. The pipeline system is underpinned by a long-term, take-or-pay agreement with a producer. Construction of the pipeline and associated compressor station are in progress. Keyera is targeting the fourth quarter of 2019 for these facilities to be fully operational, assuming construction continues on schedule.

Pipestone Area: The Pipestone area is located northwest of Grand Prairie. In March 2018, Keyera entered into long-term agreements with Encana to acquire and develop the project, which includes a liquids hub and gas plant, to meet the needs of Encana's development plans in the liquids-rich Montney. The agreements have a combination of take-or-pay, fee-for-service and area dedication components. Encana is constructing the project and will be the initial operator. Keyera has the option to assume the operatorship after five years.

The Pipestone liquids hub is designed to handle 14,000 Bbls/d of produced condensate and 8,000 Bbls/d of produced water. The Pipestone liquids hub was under construction at the time the agreements were signed and became operational in September 2018. The Pipestone gas plant, which is under construction, is designed to process up to 200 MMcf/d of sour gas containing up to 8% H₂S, 24,000 Bbls/d of produced condensate and 16,000 Bbls/d of produced water. The plant is expected to be operational in 2021, assuming construction continues on schedule. The Pipestone gas plant has been designed to accommodate a future capacity expansion of up to an additional 200 MMcf/d and associated condensate stabilization.

Ricinus Gas Plant: In December 2017, Keyera entered into an agreement with a producer for the construction of a new 10 inch sweet gas pipeline connecting Keyera's Ram River pipeline to the Ricinus gas plant and an associated long-term, take-or-pay gas handling agreement. In April 2018, the producer completed construction and Keyera purchased the pipeline and the obligations under the gas handling agreement commenced. The new pipeline effectively connects the Strachan and Ricinus gas plants allowing area producers increased flexibility and reliability. The pipeline was commissioned during the Strachan turnaround which allowed Keyera to redirect substantial gas flows to Ricinus during the outage. The current operating capacity of the Ricinus gas plant is approximately 124 MMcf/d, compared to a licensed capacity of 221 MMcf/d. The lower operating capacity is due to only one of the two NGL processing trains currently being in operation. If there is sufficient producer interest in accessing additional processing capacity in the area, Keyera could reactivate the second NGL processing train in the future to enable the plant to operate closer to its licensed capacity.

Bellatrix O'Chiese-Nees Ohpawganu'ck ("Alder Flats") Gas Plant. In 2016, Keyera purchased an additional 35% working interest in the gas plant and associated gathering system taking its ownership interest in these assets to 70% (approximately 64% interest

when all functional units, including the fuel gas line are taken into account). The gas plant is operated by Bellatrix and has been developed in two phases. Phase 1 of the facility, which has design inlet capacity of approximately 110 MMcf/d, has been operational since May 2015 at or near capacity. Bellatrix completed the construction and commissioned phase 2 of the facility in April 2018, adding another 120 MMcf/d of processing capacity.

Rimbey Area: Over the last three years, Keyera has undertaken a number of projects to continue to expand the approximate 4,600 km² capture area of the Rimbey gas plant, including constructing a 17-kilometre extension to the Wilson Creek pipeline system and an associated compressor station, both of which were put into service in January 2016. The pipeline extension is underpinned by a long term, fee-for-service gas handling agreement with a producer, and the compressor station is jointly owned with that producer.

As well, in 2017 Keyera entered into a long-term take-or-pay arrangements with two area producers for the construction of a new sulphur recovery unit to support sour oil production in the area. In addition to meeting producer needs, the construction of this new sulphur recovery unit will deliver environmental and regulatory benefits at the plant. The new sulphur recovery unit is targeted to be completed and operational by the end of 2019.

Gilby Area: In May 2018, Keyera acquired 100% ownership in the Willesden Green gas plant with the intention to consolidate volumes into the Gilby gas plant. Keyera is working on a project to redirect gas flows from the Willesden Green plant to the Gilby plant in the first half of 2019.

2. Optimizing NGL Recoveries and Gas Handling Capabilities

Simonette Area: The Simonette gas plant is located in the liquids-rich regions of the Montney and Duvernay formations. As a result of its location, Simonette continued to see active development of oil and gas reserves. To serve the growing needs of producers in this area, Keyera has been systematically expanding the facility over the last several years.

In 2016, Keyera completed a new tie-in to the TransCanada Pipeline NGTL system, thereby significantly increasing the volume of natural gas that can be delivered to the TransCanada pipeline system from the Simonette gas plant. While Simonette has long been connected to both the TransCanada pipeline system and the Alliance pipeline system, this interconnection enhancement provides significant additional flexibility for producers.

During 2017, Keyera advanced a liquids handling expansion project to increase NGL handling capabilities, including a significant expansion of its condensate handling capacity. The project included: reconfiguration of the NGL recovery capabilities; significant expansion of the condensate stabilization capacity; additional NGL working storage; new condensate storage; and an expanded connection to an NGL gathering pipeline system. The NGL working storage and pipeline connection went into service in the third quarter of 2017. The balance of the project, including the expanded condensate stabilization and storage came online in May 2018. With the project's completion, the condensate handling capacity at Simonette is approximately 27,000 Bbls/d.

Keyera has continued to work on a number of other projects at Simonette, and in late 2017 announced that it would be expanding its inlet capabilities for one of the pipelines that delivers gas to the plant in order to handle incremental volumes from the Montney and Duvernay development activity in the area. These expanded inlet facilities are

expected to be fully operational in the first quarter of 2019. Keyera has also decided to pursue acid gas injection as an alternative to the existing sulphur recovery unit. Keyera believes these projects will provide greater operational reliability at Simonette, particularly in light of gas composition and volumes delivered to the plant. Further, acid gas injection has the added benefit of being an environmentally responsible option as it is expected to reduce carbon emissions intensities at the plant (including emissions that would otherwise be associated with the expansion activities). In connection with these projects, Keyera renewed long-term processing agreements with two producers on expanded terms, with take-or-pay commitments and facility dedications. The acid gas injection system is expected to be operational in the second half of 2019.

In 2018, in order to meet the growing demand for incremental NGL recoveries and gas handling capabilities Keyera sanctioned the design and installation of a 150 MMcf/d NGL recovery unit which is expected to be operational in the second half of 2019. Upon completion, the total licensed capacity of the Simonette gas plant will be 450 MMcf/d.

Rimbey Area: Keyera has consistently pursued opportunities to expand the operations and services at the Rimbey gas plant. In connection with the turbo expander project, completed in 2015, Keyera constructed a 6-inch, 34-kilometre pipeline capable of delivering the ethane to the Alberta Ethane Gathering System to facilitate delivery of the ethane volumes. In 2018, Rimbey's ethane production was affected by downstream curtailments at the ethane purchaser's facilities, with production averaging 10,052 Bbls/d for the year.

Keyera has completed the following additional projects to expand or unlock NGL handling capacity at the Rimbey gas plant in recent years: (i) a 7,000 Bbls/d debottlenecking project increasing gross fractionation capacity from 21,000 Bbls/d to 28,000 Bbls/d (and its corresponding total liquids handling capacity from 31,500 Bbls/d to 38,500 Bbls/d) and (ii) a NGL truck offload expansion increasing its truck offload capacity from 6,300 Bbls/d to 9,400 Bbls/d.

In 2018, the Keylink NGL gathering pipeline was completed with the terminus being the Rimbey gas plant, which will take advantage of the Rimbey gas plant's expanded fractionation services. (See "Business of Keyera – Liquids Business Unit – Liquids Infrastructure – Description of Liquids Infrastructure Business – Overview of Key Initiatives").

Strachan Area: In 2017 Keyera converted an under-utilized effluent line to NGL service in order to provide operators in the area with a cost effective alternative to trucking. In conjunction with the conversion of this pipeline, Keyera entered into a long term transportation and marketing arrangement with an operator of a nearby gas plant.

Various Facilities: Given the low commodity price environment over the last several years, Keyera has worked closely with its producer customers to manage NGL recoveries at its facilities including completing scenario analysis with respect to the relationship between recovery levels and netbacks and adjusting operating parameters accordingly. Keyera has also undertaken debottlenecking initiatives to help increase capacity and efficiencies.

3. Cost Efficiency, Optimization of Operating Practices and Reliability

Strachan Area: In April 2018, Bio-Can, a large-scale waste composter, completed the removal of off-specification sulphur from the Strachan gas plant in order to recover the nutrients and incorporate them into organic compost and fertilizer for re-application into commercial growing applications. Keyera was able to achieve significant cost-savings compared to the other alternatives it had considered, while removing a significant liability

from its asset retirement obligations at the plant and achieving a positive environmental outcome. Overall, this initiative represented a creative, cost-effective and environmentally responsible alternative to managing off-specification sulphur.

In 2017, after careful analysis, Keyera decided to proceed with a plan to modify the Strachan gas plant to increase efficiencies and reduce operating costs by shutting down the sour gas processing equipment. This project was completed during Strachan's planned maintenance turnaround in June 2018. This move reflects the declining sour gas volumes in the area, as producers are more focused on liquids-rich, sweet production. Keyera worked with customers in the area who are delivering sour gas volumes to Strachan and completed a project to re-route these volumes to Keyera's Nordegg gas plant.

West Pembina: In 2016, in light of shrinking sour gas volumes, Keyera turned down the sour processing equipment at its West Pembina plant in order to reduce the operating cost structure of the plant. Because sour gas volumes were relatively low, only minimal sour gas volumes were shut-in or diverted as a result of this decision.

Leveraging off the success with sulphur removal at the Strachan gas plant, Keyera has entered into a further agreement with Bio-Can to remove the sulphur block at its West Pembina facility for re-use in commercial growing operations. Similar to its experience at Strachan, Keyera expects to achieve significant cost savings compared to other alternatives for removing the sulphur block and to achieve positive environmental outcomes.

Rimbey, Gilby and Nevis Areas: While Keyera owns and operates significant fractionation capacity in the Edmonton/Fort Saskatchewan energy hub, Keyera has also successfully pursued opportunities to utilize available fractionation capacity at its gas plants outside of the hub to handle NGL mix from its other facilities and third party gas plants. The availability of this fractionation capacity has helped Keyera to manage its overall fractionation requirements, and has provided flexibility during outages and turnarounds in Fort Saskatchewan. The completion of the Keylink NGL gathering pipeline in 2018 gives Keyera the ability to deliver NGL mix from several gas plants by pipeline to the Rimbey gas plant for fractionation. Once fractionated, the specification products can then be moved by rail or truck to end users, and in the case of Rimbey may also be moved by pipeline to the Edmonton Terminal and on to Keyera's Fort Saskatchewan facility. (See "Business of Keyera - Liquids Business Unit – Liquids Infrastructure – Description of Liquids Infrastructure Business – Overview of Key Initiatives").

Cynthia: In 2018, Keyera sanctioned a project to build a 13 megawatt electrical generation facility at the Cynthia plant site. This electrical generation facility will be connected to the electrical grid in order to supply power during peak demand periods and to participate in future forward capacity markets. The electrical generation facility will also have the capability to supply the Cynthia plant with power, increasing the overall reliability.

Various Facilities: From 2016 through 2018, the oil and gas industry experienced low commodity prices. As a result, many producers cut back on their development plans in the WCSB. In addition, some producers shut-in production or sought fee relief to keep their production on-line (including fee reductions and relief from the strict application of take-or-pay requirements).

Focusing on cost reduction and reliability is a theme at all of Keyera's facilities. Over the last three years, there has been a concerted effort to reduce operating costs without compromising safety or reliability. Keyera has worked diligently on opportunities to

reduce operating costs at its facilities to help bring down costs passed onto producers and improve producer netbacks. Keyera also recognizes that reliability is a key factor in meeting producer needs. In 2018, Keyera's average reliability across all operated gas plants (including scheduled outages and turnarounds) was 98.5%.

At times, Keyera is affected by the reliability of third party facilities. For example, in 2016, throughput at various facilities was negatively affected by restrictions imposed by TCPL on its sales gas pipelines due to various projects and integrity work that it was undertaking. While there continues to be curtailments on the TCPL system, the impact on Keyera's facilities in 2018 was less significant compared to prior years. As well, at some facilities, constraints on Pembina's NGL gathering pipeline systems have caused egress challenges which have affected Keyera's operations. Where possible, Keyera tries to mitigate the effects of these third party constraints by trying to coordinate planned outages and maintenance activities with these other operators so as to minimize the effect on its customers, and looking at alternative commercial arrangements that may provide optionality. (See "Risk Factors – Operational Risks").

Business Arrangements

Most of Keyera's Gathering and Processing business is conducted on a fee-for-service basis. The fees can be calculated a number of ways, depending on the facility and the nature of the services being provided. Keyera's gas handling agreements tend to be based on either a flow-through operating cost structure or a fixed fee structure. In flow-through cost structures, the fees are generally comprised of a capital component and a flow-through operating component. The capital component is generally a function of the replacement cost of capital invested in the facility with a reasonable rate of return in light of market conditions, while the operating component is generally based on the customer's *pro rata* share of the operating costs for the facility calculated based on total throughput. In 2018, the majority of Keyera's total gathering and processing revenue was derived from flow-through operating cost business arrangements. Revenue associated with the Wapiti and Pipestone gas plants, currently under construction, will be mostly on a flow-through operating cost basis.

Gas Handling Agreements: Keyera's gas handling agreements generally fall into one of two categories based on the type of service:

- (a) *Interruptible-service contracts:* Under interruptible-service contracts, services are provided to the customer only if the facility has capacity after all firm-service contracts (or other contracts with higher priority) have been satisfied. There are frequently different levels of interruptible-service that are offered. Each interruptible-service contract will specify the processing priority for that gas. While efforts are made to process each interruptible-service customer's gas production, when capacity is limited, the processing priority identified in the contract determines how the available capacity will be apportioned, with first preference going to firm-service contracts.
- (b) *Firm service contracts:* Firm service contracts generally have the highest priority in the event of apportionment. These contracts will frequently contain a take-or-pay provision and/or dedication of reserves under which the producer agrees to deliver all gas produced from specified reserves to a facility.

Gas handling agreements may also be categorized according to the length of their term:

- (a) *Evergreen contracts:* Evergreen contracts continue in force until terminated by either party by providing prior notice to the other party (generally between one and six months prior notice).

(b) *Long term Contracts* – Keyera considers long term contracts to be those that remain in force for a period of three years or more. In some instances, the term of these contracts is defined by the life of natural gas reserves dedicated to the facility.

In 2018, there was a fairly equal balance between throughput at Keyera's gathering and processing facilities handled under interruptible-service, evergreen contracts and throughput handled under firm service, long term contracts. Typically, new build plants are under-pinned by long-term contracts.

Construction, Ownership and Operation Agreements: Where there are co-owners in a facility, fee revenues collected for services performed at that facility are generally allocated to the owners in one of two ways:

(a) *Excess capacity method* — Facility owners are entitled to use their share of capacity of the facility and to receive a share of third party fee revenue based on their share of capacity that is in excess of their volume needs. Owners who are using more than their proportionate share of capacity generally pay an "owner over-usage fee" which is also allocated using the same method.

(b) *Working interests method* — All producers, including facility owners, bringing production to or through the facility pay a fee. The total fee revenue collected at the facility is then allocated to the owners based on the ownership interest they hold in the facility.

Liquids Business Unit – Liquids Infrastructure

Description of Liquids Infrastructure Business

The Liquids Infrastructure segment provides processing, fractionation, storage, transportation, liquids blending 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 and de-ethanization facilities;
- pipeline, rail and truck terminals;
- liquids blending facilities; and
- the AEF facility.

The AEF facility has a licensed capacity of 13,600 Bbls/d 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 segment, 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 in Alberta, including the Keyera Fort Saskatchewan facility, the Fort Saskatchewan Condensate System and connecting pipelines, AEF, four liquids terminals (Edmonton Terminal, Josephburg Terminal, ADT and ACT) and Base Line Terminal. The Edmonton/Fort Saskatchewan area is one of four key energy hubs in North America, with a significant portion of liquids production from the WCSB being delivered there for fractionation into specification products and delivery to market.

In addition, to the Edmonton/Fort Saskatchewan facilities, Keyera has a terminal in the South Cheecham area near Fort McMurray and has been strategically investing in liquids terminals in Texas and Oklahoma. As well, the Rimbey gas plant, which is the terminus for Keyera's Keylink pipeline, has fractionation and ethane extraction capabilities, and is pipeline connected to the Edmonton Terminal by

the Rimbey Pipeline. The Gilby and Nevis gas plants also each have fractionation capacity. (See the table below for a list and description of Keyera's main Liquids Infrastructure facilities).

Keyera has significantly grown its Liquids Infrastructure segment over the last several years. The location and interconnectivity of Keyera's assets are important factors driving this growth. In light of the central role that the Edmonton/Fort Saskatchewan hub plays in the WCSB, it is an area where Keyera is continuing to focus its investment activities. In 2017, Keyera acquired 1,290 acres of land located immediately adjacent to Keyera's Josephburg Terminal and in close proximity to KFS. The acquisition of this land, which has many pipeline connectivity options, is expected to provide Keyera with many future development opportunities.

Given the integrated nature of Keyera's business units, the Liquids Infrastructure segment provides essential services to Keyera's Marketing segment, by providing the physical assets essential to its ability to source, transport, process, store and deliver products across North America. Typically, the prices negotiated with producers by Keyera's Marketing segment for the purchase of NGLs reflect deductions for transportation, fractionation and handling costs, including certain fees charged to the Marketing segment by the Liquids Infrastructure segment. A portion of the revenues earned by the Liquids Infrastructure segment relate to services provided to Keyera's Marketing segment, including all the revenue from AEF relating to the processing services provided to the Marketing segment for the production of iso-octane. In 2018, Keyera's Liquids Infrastructure business accounted for 10% of Keyera's total revenues (without elimination of inter-segment transactions), 33% of Keyera's total operating margin and 36% of Keyera's total realized margin (compared to 11% of total revenues, 41% of total operating margin and **[41%]** of total realized margin in 2017). Keyera believes operating margin provides an accurate portrayal of operating profitability by segment.

The following table presents key operating data for Keyera's main Liquids Infrastructure assets as of February 2019:

Facility	Primary Products	Ownership Interest (%) ⁽¹⁾	Operator	Gross Capacity (Bbls/d) ⁽²⁾	Net Capacity (Bbls/d) ⁽²⁾
Fort Saskatchewan Facilities Fractionation ⁽³⁾ De-ethanizer ⁽³⁾ Storage ⁽⁴⁾ Pipelines ⁽⁵⁾	All NGLs	77	Partnership	65,200 30,000 14,115,000 Bbls 372,000	50,000 23,010 10,827,000 Bbls 285,365
Keyera Butane System ⁽⁵⁾	Butane	100	Partnership	63,000	63,000
Dow Fort Saskatchewan Facilities De-ethanizer ⁽³⁾ Fractionation ⁽³⁾	All NGLs	10 18	Dow	69,200 30,000	6,920 5,420
Rimbey Gas Plant ⁽⁶⁾ Fractionation ⁽³⁾ Other Liquids Processing ⁽³⁾ Ethane Extraction ⁽³⁾ Rail ⁽⁷⁾	All NGLs	99	Partnership	28,000 10,500 20,000 14,000	27,640 10,360 19,740 13,820
Gilby Gas Plant ⁽⁶⁾ Fractionation ⁽³⁾ Rail ⁽⁷⁾	All NGLs	80	Partnership	3,650 1,200	2,930 960

Facility	Primary Products	Ownership Interest (%) ⁽¹⁾	Operator	Gross Capacity (Bbls/d) ⁽²⁾	Net Capacity (Bbls/d) ⁽²⁾
Nevis Gas Plant ⁽⁶⁾ Fractionation ⁽³⁾ Rail ⁽⁷⁾	All NGLs	100	Partnership	3,740 5,600	3,740 5,600
Edmonton Terminal Rail ⁽⁷⁾ Storage ⁽⁴⁾	All NGLs Iso-Octane	100	Partnership	34,000 262,000 Bbls	34,000 262,000 Bbls
Rimbey Pipeline ⁽⁵⁾	All NGLs	100	Rimbey LP	45,000	45,000
Keylink Pipeline ⁽⁵⁾	All NGLs	100	Partnership	22,000	22,000
Fort Saskatchewan Condensate System Pipelines ⁽⁵⁾	Condensate	100	Partnership	600,000	600,000
Norlite Pipeline ⁽⁵⁾	Condensate	30	Enbridge	218,000	65,400
Alberta Diluent Terminal Rail ⁽⁷⁾ Storage ⁽⁴⁾	Condensate Solvent	100	ADT Ltd.	50,000 342,600 Bbls	50,000 342,600 Bbls
North Condensate Connector ⁽⁵⁾	Condensate	100	Partnership	35,000	35,000
Alberta Crude Terminal Rail ⁽⁷⁾	Crude Oil Condensate	50	Partnership	40,000	20,000
Josephburg Terminal Rail ⁽⁷⁾	Propane Butane	100	Partnership	42,000	42,000
South Cheecham Terminal Rail loading ⁽⁷⁾ Rail offloading ⁽⁷⁾ Storage ⁽⁴⁾	Crude Oil Bitumen Condensate Solvent	50	Partnership	24,000 15,000 150,000 Bbls	12,000 7,500 75,000 Bbls
Hull Terminal ⁽⁵⁾ Rail ⁽⁷⁾ Pipelines ⁽⁵⁾ Storage ⁽⁴⁾	NGL Mix Propane Butane	100	KEI	8,400 15,600 11,200 Bbls	8,400 15,600 11,200 Bbls
Oklahoma Liquids Terminal Delivery Storage ⁽⁴⁾	Condensate Butane	100	KEI	5,000 19,200 Bbls	5,000 19,200 Bbls
AEF Iso-Octane Production Storage ⁽⁴⁾	Iso-octane	100	Partnership	13,600 115,700 Bbls	13,600 115,700 Bbls
Base Line Terminal Storage ⁽⁸⁾	Crude Oil	50	Kinder Morgan	4,800,000 Bbls	2,400,000 Bbls

Notes:

- (1) The ownership interest is presented as at December 31, 2018 and has been rounded to the nearest whole number.
- (2) Units are expressed in Bbls/d unless otherwise indicated and are subject to rounding.
- (3) The gross capacity figures are approximate, based on licensing, equipment specification information and certain modelling assumptions. Actual capacity may be more or less depending on a number of factors, including operating conditions,

operational constraints and optimization opportunities. Net capacity is a calculation based on the gross capacity and Keyera's percentage ownership interest.

- (4) Storage capacity at Keyera Fort Saskatchewan is based on 15 underground caverns. Additional caverns are under development at the site. (See "Business of Keyera – Liquids Business Unit – Liquids Infrastructure – Overview of Key Initiatives"). The storage capacities reported for the terminals and AEF reflect the approximate working capacity of the storage tanks at these sites; in some cases, the gross geometric storage tank volume capacity may be higher than the working capacity. At the Hull Terminal, in addition to the above ground operational storage capacity of 11,200 Bbls on site, Keyera has contracted for 500,000 Bbls of underground storage at the nearby third-party operated storage facility to which it is pipeline connected. While not specifically identified in the table, there is incremental above ground working storage at many of the facilities.
- (5) All pipeline capacity measurements are approximate based on certain modelling assumptions and may vary depending on a variety of factors, including actual operating conditions. The pipeline capacity reported in the table for the Fort Saskatchewan Facilities include the three proprietary pipelines that connect Keyera Fort Saskatchewan with the Edmonton Terminal. The volumes reported in the table for the Fort Saskatchewan Condensate System include the South Grand Rapids Pipeline. Capacities for the Hull Terminal include the Hull Terminal pipeline system which was placed into service in 2018. (See "Overview of Key Initiatives" below for more information on these new pipelines). Keyera sold its 64% interest in the Wabasca River Pipeline (an oil pipeline in Northern Alberta) and its 88% interest in the non-operating North Senex Pipeline in January 2018 (effective date October 2017).
- (6) The NGL processing and handling capabilities are located with each of the respective gas plants and are included in the Gathering and Processing segment for financial reporting purposes.
- (7) Rail capacity is an estimated calculation taking into account such factors as the number of railcar spots at each facility, the frequency of switches provided by the railways at each facility and the type of product being loaded or off-loaded. The capacity identified for the Josephburg Terminal increased compared to the prior year based on the facility operating 24 hours per day in 2017. The Edmonton Terminal rail capacity is based on 24 hour operation. The rail facilities at Gilby are not currently operating.
- (8) Capacity reflects the shell capacity of the twelve crude oil storage tanks that are in service. Actual working capacity of the tanks may vary from shell capacity. (See "Business of Keyera – Liquids Infrastructure Business Unit – Overview of Facilities and Key Initiatives").

Overview of Key Initiatives

Keyera is pursuing a number of initiatives in each aspect of its Liquids Infrastructure business, including: NGL storage, transportation and fractionation services; crude oil and oil sands services; iso-octane opportunities; and investments in key U.S. liquids hubs. The following summary provides a brief overview of some of the key developments in the Liquids Infrastructure business.

1. NGL Storage, Transportation and Fractionation Services

Keyera receives NGL feedstock from various sources and separates the NGL mix into saleable products, including ethane, propane, butane and condensate. Keyera's underground storage caverns are used to store NGL mix and specification products to meet seasonal and operational requirements. For example, propane can be stored in the summer months in order to meet winter demand; condensate can be stored to meet the diluent supply needs of the oil sands sector; and butane can be stored to meet seasonal demands of refineries, as well as Keyera's feedstock needs for the production of iso-octane at AEF.

Keyera Fort Saskatchewan ("KFS") and the Fort Saskatchewan Pipeline System ("FSPL"): The KFS and FSPL facilities currently include: NGL fractionation facilities, a de-ethanizer, underground storage caverns, limited surface storage tanks and multiple bi-directional pipelines connecting KFS to the Edmonton Terminal. The growth projects at KFS include:

- Cavern Development - During 2018, Keyera continued to make progress on its cavern development program, with the 15th cavern being put into service in the spring of 2018. Washing of the 16th and 17th caverns continued throughout the year and Keyera anticipates they will be available for use in the first halves of 2020 and 2021, respectively, assuming washing continues as planned and regulatory approvals are received.

In Keyera's experience, it typically takes between two and a half and three years to drill, wash, test and bring a large cavern into service. Because of the phased approach to cavern development, Keyera has the flexibility to adjust the timing, scope and scale of development based on factors such as economic conditions, industry activity and demand for the services.

- De-Ethanization – Keyera's 30,000 Bbls/d de-ethanizer processes ethane-rich streams of NGLs (referred to as C2+ mix) to create specification ethane and an NGL mix that can be fed into the fractionation facilities. The de-ethanizer is underpinned by a long term, fee-for-service agreement with a producer with production in the Deep Basin region.
- Fractionation - In the second quarter of 2016 construction was completed on a 35,000 Bbls/d fractionation expansion at KFS. The expansion increased the total gross fractionation capacity at KFS for NGL streams (referred to as C3+ mix) to 65,000 Bbls/d. In conjunction with this project, Keyera also added new product receipt facilities, operational storage and pipeline interconnections.

In November 2017, Keyera entered into a long-term fractionation and NGL handling agreement with Chevron Canada Limited and its joint venture partner pursuant to which they will deliver approximately 50% of the NGLs from their Kaybob Duvernay development to Keyera for fractionation, storage and terminalling services. Keyera expects to provide these services at KFS.

Keyera Butane System: In 2018, Keyera completed the acquisition of an 8-inch pipeline in the Edmonton-Fort Saskatchewan area, which, in 2016, it had previously entered into a long term leasing arrangement for. The pipeline was placed into butane service in the first quarter of 2018 and Keyera is using the new pipeline to transport butane between Fort Saskatchewan and Edmonton.

Keylink Pipeline: In the spring of 2018, construction was completed and operations began on Keyera's Keylink NGL gathering pipeline. This pipeline gathers NGL mix from multiple gas plants (including Keyera's Brazeau River, West Pembina and Minnehik-Buck Lake plants), and transports the mix to the Rimbey gas plant for fractionation into specification products. In 2018, Keyera also completed connections with third party producers in the area. Keyera is also developing a NGL truck offload facility at its Cynthia gas plant to further optimize utilization of the Keylink Pipeline, which was subsequently put into service in January 2019.

2. Crude Oil and Oil Sands Services

Over the last several years, Keyera has significantly grown the services it is able to offer the oil sands sector and continues to expand this part of its business. One of Keyera's main strategies has been to leverage its facilities and connectivity in the Edmonton/Fort Saskatchewan area in order to develop a condensate hub for its customers. Condensate is used as a diluent to facilitate movement of bitumen by pipeline. In developing its diluent handling services and infrastructure, Keyera has been focused on anticipating and responding to the service needs of oil sands producers. In working with these producers, Keyera has been able to expand its service offerings to include solvent handling services, as well as dilbit, bitumen and crude oil rail transportation services. Keyera's infrastructure in the Edmonton/Fort Saskatchewan area and at the South Cheecham Terminal, are well situated to provide these and other services related to oil sands development.

Fort Saskatchewan Condensate System (“FSCS”) and associated Condensate Infrastructure: An important development in providing services to the oil sands sector has been the development of FSCS and Keyera’s overall condensate system. Keyera’s condensate system provides shippers with critical condensate transportation options between Edmonton and Fort Saskatchewan and access to multiple sources of diluent supply as well as to Keyera’s condensate storage.

The original FSCS pipeline system included a 21-kilometre, 20-inch pipeline connecting Keyera’s Fort Saskatchewan Pipeline system with Inter Pipeline Ltd.’s Polaris pipeline and a pipeline connection from Keyera’s Edmonton Terminal to the Enbridge Southern Lights pipeline. Since the original pipelines were constructed, Keyera has continued to expand and enhance the system, which now has:

- (i) four condensate storage tanks at the Edmonton Terminal each with a working capacity of approximately 66,000 Bbls which were put into service in 2017;
- (ii) supply connectivity to all local fractionation facilities
- (iii) direct connections to Kinder Morgan’s Cochin pipeline, Enbridge’s Southern Lights pipeline, Enbridge’s CRW pool and Pembina’s Canadian Diluent Hub;
- (iv) connectivity to the North West Sturgeon Refinery through the 8-inch North Condensate Connector that was put into service in 2017;
- (v) a 24-inch condensate pipeline extension and manifold, connecting Keyera’s condensate network to the Norlite pipeline;
- (vi) connectivity to the South Grand Rapids pipeline; and
- (vii) connectivity to the Access Pipeline and Cold Lake Diluent Pipeline

(See below for further details on the Norlite pipeline, the South Grand Rapids pipeline). Most of the services provided by Keyera on FSCS are based on long-term take-or-pay, fee-for-service diluent handling agreements.

Norlite Pipeline: Keyera is a 30% non-operating owner of the Norlite pipeline. The 446-kilometre, 24-inch Norlite pipeline was placed into service in 2017 and is underpinned by a long term take-or-pay diluent handling agreement to serve the Fort Hills oil sands project. In addition, new long-term, take-or-pay agreements with additional customers have been executed for diluent transportation services on Norlite and FSCS. The Norlite pipeline has approximately 218,000 Bbls/d gross of condensate capacity that can be further expanded to 465,000 Bbls/d gross.

South Grand Rapids Pipeline: In August 2015, Keyera entered into an agreement with Grand Rapids Pipeline Limited Partnership to acquire a 50% ownership interest in the South Grand Rapids pipeline once it is completed and then operate the pipeline going forward. Construction on the 45-kilometre, 20-inch diluent pipeline was completed in 2018 and extends from Keyera’s Edmonton Terminal to TCPL’s Heartland Terminal near Fort Saskatchewan. As part of this project, Keyera constructed a pump station at its Edmonton Terminal. The pipeline provides Keyera with proprietary access to at least 225,000 Bbls/d net of diluent transportation capacity between Edmonton and Fort Saskatchewan.

South Cheecham Terminal: This rail and truck terminal is a Keyera-operated 50/50 joint venture with Enbridge near Fort McMurray. Originally designed to provide condensate and dilbit handling services to oil sands producers, in 2017 new solvent handling infrastructure was added to the facility, including additional tank storage and rail infrastructure, in conjunction with a long term agreement to provide solvent handling services to a customer. Other initiatives continue to be pursued at South Cheecham Terminal.

Base Line Terminal: In March 2015, Keyera announced a 50/50 joint venture with Kinder Morgan to build the Base Line Terminal, an above ground crude oil storage facility on undeveloped land at Keyera's AEF site. The terminal initially includes 12 tanks, with total storage capacity of 4.8 million Bbls, along with pipeline connections to Kinder Morgan's existing Edmonton storage terminal. Kinder Morgan will operate the terminal. The tanks were commissioned and put into service in phases throughout 2018 with all tanks being in service by the fourth quarter of 2018.

3. AEF and Iso-octane Initiatives

AEF and Iso-octane Initiatives: Since acquiring AEF, Keyera has continued to pursue opportunities to optimize iso-octane production at AEF and develop transportation alternatives, including adding (and subsequently expanding) iso-octane rail loading capability at the Edmonton terminal, and adding truck loading on-site at AEF to provide further flexibility to serve local markets and reduce dependence on third party truck loading operations. In addition, Keyera has added storage capacity at Kinder Morgan's Galena Park rail, storage and marine facility in the Gulf Coast to assist in managing inventory to meet iso-octane demand from refiners and gasoline blenders in the Gulf Coast.

To help ensure continued reliability and high utilization of the facility, in November 2018, Keyera shut down AEF for preventative maintenance during a period of typically low iso-octane demand. In 2017, AEF experienced an unplanned outage during which time maintenance repairs were completed. Regular maintenance turnarounds for this facility are scheduled every four years and are a key aspect of Keyera's commitment to safe, efficient and reliable operations over the long term. The next scheduled turn-around is scheduled for 2020.

4. Investment in U.S. Liquids Hubs

Oklahoma Liquids Terminal: In the second quarter of 2018, KEI acquired a logistics and liquids blending terminal located near Tulsa, Oklahoma. 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 markets.

Hull Terminal and Pipeline System: The Hull Terminal rail and truck terminal is located in Texas and has the capability to handle propane, butane and NGL mix. In the second quarter of 2016, Keyera completed the acquisition of a 6 inch, 58 mile pipeline system near its Hull Terminal (the "Hull Terminal pipeline system"). In 2018, tie-in work was completed to a segment of the Hull Terminal pipeline system, connecting the Hull Terminal to third party infrastructure facilities in Mont Belvieu, North America's largest NGL hub. This pipeline connection gives Keyera proprietary market access to Mt. Belvieu through various commercial arrangements and allows Keyera to deliver products into Mont Belvieu. KEI has also acquired additional land adjacent to the site, giving it additional flexibility to develop and expand its terminal operations in phases in response to market demand.

Wildhorse Terminal: In 2018, construction was started on the Wildhorse Terminal, a crude oil storage and blending facility in Cushing, Oklahoma. The project includes the construction of 12 above ground tanks with 4.5 million barrels of working storage capacity. The majority of the capacity is backed by fee-for-service, take-or-pay storage arrangements and once operational, the terminal will provide significant commercial opportunities for Keyera's Marketing business. The Wildhorse Terminal will initially be pipeline connected to two existing storage terminals at Cushing. These connections will provide customers with access to the majority of the crude oil streams flowing in and out of Cushing on several major pipeline networks. KEI is a 90% owner in Wildhorse Terminal and will be the operator. The remaining 10% is owned by an affiliate of Lama Energy Group ("LEG").

Liquids Infrastructure Business Arrangements

A significant proportion of the services provided through the Liquids Infrastructure business, is to Keyera's Marketing business, including all of the services provided by AEF. Keyera's Marketing business pays market rates for the services it utilizes.

In addition to these internal transactions, Keyera also contracts with third party customers on a fee-for-service basis for services such as transportation, de-ethanization, fractionation, processing, storage, and terminalling. Such contracts outline the services to be provided, the terms and conditions relating to the provision of such services and the associated fee structure. The term of these contracts varies widely. For example, some diluent handling agreements, product exchange service agreements and tank storage agreements are long term in nature, while other NGL agreements can be long term or as short as one year. The longer term agreements are often entered into in connection with the underpinning of significant capital projects. The majority of customers who contract for service on Keyera's condensate system are third parties who have entered into long term, take-or-pay, fee-for-service agreements. (See "Risk Factors – Operational Risks – Reliance on Principal Customers and Suppliers").

The fee structures for these contracts also vary widely. The contracts may include both fixed and interruptible service terms, volumetric tariffs, rate of return components, take-or-pay components and/or flow through of certain costs. The services may be provided using a combination of proprietary Keyera assets and joint venture assets, which also affects some costs and revenues allocations.

Liquids Business Unit – Marketing

Description of Marketing Business

The Marketing business is focused on the purchase and sale of products associated with Keyera's facilities, including NGLs, crude oil and iso-octane. In addition to its typical one-year term supply agreements, Keyera may enter into longer term contracts and source additional NGLs (particularly condensate or butane) when market conditions and associated sales contracts are favourable. Depending on the terms of the agreements, NGL volumes can be purchased at the gas plant-gate, storage facilities, truck and rail terminals or in NGL gathering pipelines. The NGL mix acquired by Keyera is fractionated into specification products at Keyera's facilities or, in some instances, at third party facilities. The main specification NGLs that Keyera markets are propane, butane and condensate. Propane is generally used for heating, butane is mainly used as feedstock for the production of iso-octane and in gasoline blending, and condensate is largely used as a diluent to enable heavy crude oil and bitumen to flow in pipelines.

Keyera negotiates sales contracts with customers in Canada and the U.S. based on 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 delivery option is rail 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 to build an inventory of propane during the summer months when prices are typically lower to fulfill winter term sales commitments.

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. The acquisitions and growth initiatives in Keyera's facilities businesses have contributed to the opportunities available to its Marketing business and to the diversification of Keyera's product offerings, sources of supply, customer base and geographic market options.

In total, Keyera marketed an average of 152,300 Bbls/d of NGLs and iso-octane in 2018 (compared to an average of 143,000 Bbls/d in 2017). Keyera monitors global and North American supply/demand and pricing trends, which informs its purchasing, sales and hedging strategies.

Keyera manages its supply and sales portfolio by monitoring its inventory position and its 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 geographic regions. These risks are managed by purchasing and selling product at prices based on same or similar indices or benchmarks, and through physical and financial contracts that include energy-related forward sales, price swaps, forward currency contracts and other hedging instruments. Notwithstanding the strategies Keyera adopts in order to try to manage price and volume risk, Marketing margins for NGLs may vary significantly from period to period. There is also inherent risk in the use of financial contracts as a risk management tool, as these contracts cannot be perfectly matched to physical inventory and sales and there is no guarantee that the relationship between the products will be sustained. (See "Risk Factors - Financial Risks - Market Risk and Marketing Activities").

Keyera's primary markets for iso-octane are Western Canada, the Midwestern U.S. and the U.S. Gulf Coast. The development and expansion of iso-octane rail loading facilities at the Edmonton Terminal and ADT and the truck loading facilities at AEF eliminated Keyera's reliance on the Trans Mountain Pipeline, and allowed Keyera to leverage its rail, logistics and marketing expertise to meet delivery requirements. These rail capabilities, together with the iso-octane storage capacity that Keyera has secured at the Kinder Morgan Galena Park facility, have allowed it to access Gulf Coast and U.S. inland markets, while the new truck loading facilities have reduced Keyera's reliance on a third party truck loading facility and enhanced its ability to serve local markets. (See "Business of Keyera – Liquids Business Unit – Liquids Infrastructure").

The primary feedstock to make iso-octane is butane. Under typical operating conditions at full utilization, AEF requires approximately 1.4 Bbls of butane to produce 1 Bbl of iso-octane. Iso-octane margins are based on the price of butane, which generally trades at a discount to WTI, and the price of iso-octane, which generally sells at a premium over RBOB (the gasoline market) which generally sells at a premium to WTI. As a result, there can be significant variability in iso-octane margins. As with Keyera's other marketing activities, there are strategies available to try to mitigate the risks associated with the commodity exposure, including the use of financial contracts. However, the success of such strategies is dependent upon, among other things, the sustainability of the relationship between products. (See "Risk Factors - Financial Risks - Market Risk and Marketing Activities"). The Liquids Infrastructure segment charges Keyera's Marketing segment a fee for processing services related to the production of iso-octane

and therefore all revenues attributed to AEF within the Liquids Infrastructure segment relate to the fees paid by the Marketing business.

In its liquids blending activities, Keyera operates facilities at locations in Alberta and Oklahoma, that allow it to process, transport and blend various product streams. Liquids blending 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 differentials between the various product streams. Keyera manages this risk exposure by trying to balance its purchases and sales and locking in margins. Notwithstanding Keyera's management of price and quality risk, the Marketing segment's margins for its liquids blending business can vary significantly from period to period. (See "Risk Factors – Financial Risks - Market Risk and Marketing Activities"). In addition, Keyera's ability to engage in liquids blending activities is affected by competition for blending opportunities, the ability to secure access to various product streams, and limitations associated with facility and pipeline specifications. (See "Risk Factors – Operational Risks - Reliance on Principal Customers and Suppliers" and "Risk Factors – Operational Risks - Reliance on Other Facilities").

In 2018, Keyera's Marketing business accounted for 80% of Keyera's total revenues (without elimination of inter-segment transactions), 38% of Keyera's total operating margin and 33% of Keyera's total realized margin (compared to 75% of total revenues, 18% of operating margin and 18% of total realized margin in 2017). Keyera's Marketing business pays fees, at market rates, to Keyera's Liquids Infrastructure and Gathering and Processing businesses for the use of facilities. Keyera believes operating margin provides an accurate portrayal of operating profitability by segment.

Marketing Contractual Arrangements

In Keyera's Marketing business, Keyera enters into purchase and sale agreements primarily for NGLs and crude oil. It also enters into sales agreements for iso-octane. These purchase and sale agreements are typically priced relative to market indices. Generally, NGL supply contracts are for one year, commencing April 1st and set out negotiated pricing levels in relation to indices for the following twelve months. However, Keyera may also enter into longer-term supply arrangements, and may make purchases on the spot market as well. As part of managing its inventory and commodity price risk, Keyera also enters into financial and physical hedging contracts in accordance with its risk management policy. For further details on the contractual arrangements in Keyera's Marketing business, see Keyera's 2018 Annual Audited Financial Statements and accompanying Management Discussion and Analysis available on SEDAR at www.sedar.com.

HEALTH, SAFETY AND ENVIRONMENT

Operational Excellence

Keyera is continuing to advance the development and implementation of OEMS, the objectives of which are: to deliver top quartile health and safety performance; to facilitate proactive management of environmental responsibilities; to sustain high reliability, quality service; and to contribute to leading cost performance. Through a systematic approach to defining the risks inherent in its operations, and establishing and maintaining processes and standards for managing those risks, Keyera sees the implementation of OEMS as a key element in its ability to deliver consistent and reliable execution of its business strategy and continuous improvement in its operations. As part of Keyera's business strategy, OEMS touches every aspect of Keyera's operations, informs its approach to risk identification and mitigation and supports its commitment to continuous improvement.

Integrity Management

Keyera is committed to maintaining the integrity of all of its pipeline and facility assets. This commitment is integral to Keyera's business strategy of operating safely, reliably, and preserving the longevity of its assets. Keyera's integrity management programs apply to pipelines and facility pressure

equipment, and are developed having regard for the applicable regulations and standards which govern the design and operation of these assets.

Through its employees and integrity management programs, Keyera continuously strives to minimize the likelihood of incidents and operational downtime, while safeguarding employees, the environment and the communities in which it operates.

Keyera's integrity management programs apply through the complete asset lifecycle from design through retirement. Each program is founded on a process involving identification of hazards that may impact long term integrity of the asset and assessment of risk, establishing plans and activities to mitigate that risk, application of the mitigation under the plan, monitoring the performance of the program and managing change.

Pipeline Integrity

Keyera has a total of over 5,700 kilometres of pipelines. Key elements of the pipeline integrity program include the development and application of specifications and standards for the design of new pipelines; reviewing pipeline operations by system which includes conducting a risk assessment to identify inspection and risk mitigation activities; and measurement of compliance to and performance of the integrity management plan.

Some of the activities undertaken to manage integrity of pipelines include carrying out in-line and other inspections, completing repairs to pipelines to maintain system integrity, application of chemicals to mitigate corrosion, right of way surveillance to minimize the risk of third party damage, and depth of cover surveys including watercourses. Over the last several years, a heightened area of focus for Keyera has been pipeline water crossings. As part of this focus, Keyera has risk assessed and surveyed all major water crossings and has addressed identified mitigations with respect to those crossings. Keyera is expanding its efforts to assess the vulnerability of failure as a result of a potential exposure for higher consequence water crossings.

Facility Integrity

Keyera maintains over 6,400 pressure equipment assets associated with its facility assets. Its integrity programs apply a lifecycle approach, the goal of which is to try to ensure that pressure equipment is designed, constructed, installed, commissioned, operated, maintained, decommissioned and managed in a manner that reduces any potential loss of containment, provides worker safety and protects the environment.

Turnarounds at Keyera's processing facilities are planned and executed with the objective of maintaining integrity of pressure equipment, pressure safety valves, piping and tanks, and at the same time complying with jurisdictional requirements, industry best practices and the requirements of its own integrity management programs. Key pressure equipment inspection and maintenance are conducted during turnarounds. These inspections are scheduled for regular intervals on an ongoing basis.

Keyera provides training for its personnel responsible for design and ongoing management of its integrity management programs both through its Competency Management and Development System and third party provided training. Key personnel are also members of industry committee's and associations and attend industry conferences.

Health and Safety Programs

Keyera is committed to conducting its operations in a manner that protects the health and safety of the public and the people who work at its facilities. It has a highly skilled workforce and provides ongoing training to maintain the necessary skills and understanding necessary for a safe and healthy work environment. Keyera has developed an industry leading Competency Management and

Development System to assess and track the competency of its workers. (See “Other Information About Keyera – Training and Development Programs”). Keyera’s Health, Safety and Environmental Policy sets an expectation that everyone must share in the responsibility to work safely and responsibly, while meeting or exceeding all laws and regulations. To this end, everyone at Keyera is expected to:

- include safety as a part of all business and operational decisions;
- identify hazards and take action to address all unsafe conditions, to protect the health and safety of workers, the public, and the environment; and
- report any situation that has or may result in an unsafe action, condition or loss and take action to correct or address the situation.

Keyera’s programs address both personal and process safety. Keyera regularly reviews its safety performance, conducts safety audits and shares experiences and best practices within the organization and at times, with others in industry. Keyera has adopted a suite of policies, procedures and safe operating practices, which it reviews, evaluates and updates based on changes in laws and regulations, technology developments, industry standards and the operational needs of its facilities. It has formal incident reporting processes, which allow it to, among other things, identify and track incidents and near misses; identify, implement and follow up on appropriate corrective actions; and share learnings. Keyera also carries out investigations to understand factors that might cause or contribute to incidents and seeks to learn from its experiences, as well as industry learnings, in order to prevent the occurrence or recurrence of an incident. Reports of activities and performance under Keyera’s Health and Safety Management System are also provided to both the Health, Safety and Environment Committee of Keyera’s Board of Directors and directly to the Board of Directors on a quarterly basis.

Environmental Programs

Keyera recognizes that environmental protection, social responsibility and economic growth are all essential to the success of our business. It is committed to conducting our business in a way that balances diverse stakeholder expectations, respects the environment and emphasizes the health and safety of our employees and the communities in which it operates. These commitments are described in Keyera’s Health, Safety and Environment Policy.

Keyera values the importance of responsible environmental stewardship and has made significant investments in infrastructure to improve efficiencies and enhance environmental performance. As Keyera continues with the development and implementation of OEMS, it is working to integrate its environmental programs and management system into the overall OEMS framework. Keyera’s approach is to focus on preventing environmental impacts and adopting appropriate risk mitigation strategies. Keyera strives to conduct its activities with a structured approach to identify and track areas of potential concern with an intentional strategy for managing them. This applies to strategic management of environmental quality, regulatory permitting, stakeholder engagement and air quality monitoring with continuous improvement.

Programs are in place to provide employees with training that includes health, safety and environmental matters. Keyera also has systems in place for reporting, tracking and monitoring its environmental and regulatory performance and tracks a range of environmental and regulatory performance metrics in order to evaluate performance, share information and identify opportunities for improvement. Learnings are shared across the organization and reports on environmental and regulatory performance are delivered to the Health, Safety and Environment Committee of Keyera’s Board of Directors and directly to the Board of Directors on a quarterly basis.

Environment Planning and Liability Management

Keyera has adopted a proactive, risk-based approach to environment planning and liability management based on the following principles:

- Emphasizing up-front integrity and release management;
- Having an overall picture and management framework of environmental liabilities and an intentional strategy for managing them;
- Drawing on technical expertise, data collection and detailed delineation to provide a solid foundation for program planning
- Systematically classifying relative liability management risks and rewards;
- Utilizing a defined implementation process to improve or maintain environment quality and align with regulatory programs;
- Applying a life-cycle perspective to recognize best practices and pursue efficiency in coordinating planning and execution;
- Moving inactive sites through to closure
- Maintaining flexibility to adjust based on corporate priorities and overall business strategy

As part of this approach, Keyera manages a suite of water, soil and air programs at its facilities. It has also adopted strategic management plans at six locations that provide a roadmap for decision making and measuring outcomes.

Liability Management

Keyera's liability management program focuses on enhancing Keyera's environmental monitoring and management programs, developing appropriate site specific risk mitigation programs, and addressing historical environmental impacts. Keyera engages in a comprehensive suite of regular monitoring programs that are completed on an annual basis. In addition, Keyera has developed and continues to refine its liability management system, a program through which it applies a risk ranking approach, combined with other criteria, to prioritize its annual decommissioning, abandonment, remediation and reclamation projects. Keyera management reviews and approves the budget for the program annually, and the results are reported to Keyera management and to the Health, Safety and Environment Committee of the Board of Directors. Keyera also participates in a limited benchmarking initiative in respect of its liability management programs to provide additional context to assist it in assessing the cost effectiveness of its programs. (See "Decommissioning, Abandonment, Remediation and Reclamation Programs and Costs").

Decommissioning, Abandonment, Remediation and Reclamation Programs and Costs

Keyera incurs certain decommissioning, abandonment, remediation and reclamation costs each year in connection with the facility, well, pipeline and other physical asset components of its operations. These costs can include items such as groundwater remediation programs, soil remediation, well abandonment and removal of unutilized equipment, all of which help Keyera assess and proactively manage its environmental liability. These costs may be included as part of the operating expenses of the respective facilities where the work is undertaken, in which case they can be recovered from customers as part of the operating fee charged where flow-through-operating-cost fee structures are in place. This treatment of current environmental costs does not, however, provide for recovery of end-of-life costs expected after a facility is permanently decommissioned. (See "Risk Factors – Financial Risks – Environmental and Public Safety Considerations").

End-of-life costs are accounted for through Keyera's financial obligations and are reflected in its financial statements. Keyera makes provision for the future cost of its asset retirement obligations measured at the present value of Keyera's best estimate of the cost to settle the obligation, using a risk-free rate as prescribed by accounting standards. While the provision is based on the best estimate of future costs and the economic lives of the facilities, there is uncertainty in the amount and timing of these costs. For further information refer to Keyera's 2018 Annual Audited Financial Statements and associated Management Discussion and Analysis available on SEDAR at www.sedar.com.

It is difficult to predict asset retirement obligation costs with certainty, because they are a function of regulatory requirements and other factors in force and effect at the time of decommissioning,

abandonment and/or reclamation. In determining its asset retirement obligation cost estimates, Keyera considers: (i) the cost of facility abandonment, including suspension and demolition costs, and (ii) environmental restoration, remediation and reclamation costs, in order to return the site to an equivalent surrounding land-use state. Keyera engages reputable third party environmental consultants and experienced employees to collect, review and assess the relevant data in preparation of the estimates.

To support its facility estimates, Keyera has completed site specific liability assessments for many of its assets, including all of its larger facilities. Keyera complies with the liability assessment requirements in AER Directive D-001 – Requirements for Site-Specific Liability Assessments, AER's License Liability Rating Program and Management Plan, and AER Directive D-024 – Large Facility Liability Management Program (collectively, the "LFP"), including completing updating assessments every five years for those facilities that are subject to AER Directive D-001. Other assessments are reviewed periodically and updated as necessary.

Other asset retirement obligations are regularly evaluated and updated and may be based on Keyera's assessment based on experiences during operational suspension for turnarounds, acquisition estimates, analogues from similar sites and/or construction costs. Well abandonment estimates are provided by industry experts, based on actual and industry downhole abandonment historical cost expenditures, professional judgments and experiences. The process is overseen by the Health, Safety and Environment Committee of the Board of Directors.

Keyera's Alberta operations are also subject to several programs designed to mitigate the cost to the public of abandoning and reclaiming facilities under the jurisdiction of the AER. Pursuant to a program commonly referred to as the "Orphan Well Fund", holders of AER licenses for facilities that are not covered under the LFP, are required to pay an annual levy to assist in funding the clean-up of orphan facilities. At the Keyera facilities that are required to pay the levy, it is treated as an operating cost. In addition, the AER requires all licensees to complete prescribed monthly asset-to-liability ratio testing for all licensed facilities (other than pipelines or related infrastructure). Licensees that do not pass the asset-to-liability ratio test are required to provide the AER with a deposit. As of the date hereof, Keyera has an asset-to-liability ratio greater than that required by the AER and has not been required to provide a security deposit.

British Columbia has also implemented a Liability Management Rating program similar to Alberta that includes midstream operators, such as Keyera. Given that operations at the Caribou gas plant were suspended in December 2015, Keyera has posted security under this program to secure the end of life liability associated with the plant.

Greenhouse Gas and Emissions Strategy

The regulatory framework with respect to greenhouse gases and other emissions is rapidly evolving (See "Regulatory Framework – Greenhouse Gas and Emissions Regulation"). Keyera endeavours to be proactive in addressing anticipated changes, engaging with governments and regulators and identifying opportunities to mitigate its environmental impact. As such, Keyera has a Climate Change and Emissions Strategy Committee and has developed a greenhouse gas strategy which establishes the framework for Keyera's approach to minimizing greenhouse gas emissions while maintaining a sustainable and competitive business. The objectives of Keyera's greenhouse gas strategy include: (i) identifying and implementing cost effective greenhouse gas reductions in its operations; (ii) adopting economically viable conservation and energy efficient technologies; (iii) monitoring and reporting emissions reductions; (iv) sharing best practices; (v) combining reduction efforts with other emission regulations; (vi) encouraging continuous improvement in greenhouse gas inventory reporting methodologies and risk management; and (vii) identifying and evaluating business opportunities.

The Keyera Emissions Reductions Opportunity (ERO) task group, a working group under the Climate Change and Emissions Strategy Committee, has a mandate to focus on the identification, evaluation and implementation of emissions reduction opportunities (greenhouse gas, Methane, NOx, Benzene, etc.). The focus of the projects is to increase efficiency and achieve compliance in a cost

effective manner. Keyera is currently executing its strategy to reduce Nitrogen Oxides (“NOx”) emissions associated with its engine fleet through a multi-phased execution plan. Based on initial testing, a combination of modifications to certain engines and changes in operating parameters, will be used as part of Keyera’s plan to meet a yearly fleet average compliance target of 8 g/kWh by 2021. Initial planning is also underway to develop a strategy to meet the longer term yearly fleet average compliance target of 4 g/kWh by 2026.

Keyera has also kicked off initial testing on its heaters and boilers in order to develop a plan to meet NOx emission reduction targets for this equipment by 2026. (See “Regulatory Framework - Greenhouse Gas and Emissions Regulation”). Emission reduction projects that have been executed, or which are in progress, include acid gas injection (a form of carbon sequestration) at several plants, compressor consolidation at the Nevis Gas plant, installation of a waste heat recovery system at the Rimbey Gas Plant and the corporate wide initiative to reduce NOx emissions. Along with the ability to identify and implement projects that benefit both Keyera’s operations and the environment, Keyera continues to enhance the input of environmental information into the design and equipment selection for new projects or expansions.

Each year, Keyera participates in the CDP (formerly known as the Carbon Disclosure Project) emissions survey, through which Keyera provides quantitative disclosure with respect to its greenhouse gas emissions targets and performance, as well as its energy use. In 2018, Keyera received a grade of D, which is in the Disclosure band as categorized by CDP. More information about Keyera’s CDP reporting is available on the CDP website.

Keyera continuously monitors legislative initiatives and overall regulatory trends across Canada and the U.S. so that it is aware of potential developments that could affect its business and operations. It is possible that future international, national or provincial emissions reduction requirements may require further reductions of emissions or emissions intensity. Keyera recognizes that such reductions may not be technically or economically feasible and that failure to meet such emissions reduction requirements may result in penalties, the suspension of operations, and/or the necessity of purchasing greenhouse gas credits, all of which could materially adversely affect the oil and gas industry, including Keyera. (See “Risk Factors – Operational Risks – Environmental and Public Safety Considerations”, “Risk Factors – Operational Risks – Weather Conditions”, “Change in Laws”, “Reputational Risk” and “Risk Factors – Financial Risks – Environmental Compliance and Remediation Costs”).

Community Engagement

Every year, Keyera engages with thousands of stakeholders as part of its daily operations and new projects. Through its community engagement efforts, Keyera’s objective is to cultivate and maintain meaningful, long term relationships with its neighbours, the communities in which it operates and other stakeholders that may be affected by its operations. Keyera’s social responsibility program is multi-pronged, including community engagement, community investment, local procurement programs, educational and workplace scholarship programs and supported employee volunteering.

Keyera engages with communities during every stage of new projects and through the entire lifecycle of its assets to build trust and ensure Keyera understands region-specific issues. These relationships allow Keyera to anticipate and manage the social impact of its operations on communities. Keyera understands that effective engagement requires engaging with stakeholders in a variety of ways, including one-on-one discussions, open houses, site visits and community meetings, and receives feedback on location for new assets, impact mitigations strategies, procurement opportunities for communities and community investment opportunities. Keyera’s active engagement with stakeholders allows it to better understand and respond to community concerns and to build strong relationships with communities in the areas where Keyera operates.

Keyera is actively engaged in discussions in the communities in which it operates to share information about its operations, activities and future plans. It participates in many locally led groups that facilitate sharing of information, perspectives and ideas. Keyera is particularly engaged with Synergy

Alberta and many of the groups under its umbrella in Central and Northern Alberta. Within these groups, Keyera often provides sponsorship opportunities to both community members and community led initiatives and encourages its employees to participate on committees and planning groups. Where appropriate, Keyera also sponsors open-houses and welcomes opportunities for one on one discussions.

Keyera has a long history of investing in the communities where Keyera operates by partnering with a broad range of community organizations through financial contributions and employee volunteering. Keyera's community investment policy focuses on four key pillars: youth and education, community enhancement, the environment, and health and wellness. Corporately, Keyera has dedicated approximately \$850,000 to community investment in each of the last two years, including a combination of multi-year and one-time commitments to STARS, the Calgary Parks Foundation, the Fort Saskatchewan Families First Society, the Peter Lougheed Community Center in Rimbey, the Alberta Children's Hospital in Calgary, the Stollery Children's Hospital in Edmonton, Eagle Point Blue Rapids Parks Foundation in the Drayton Valley area, the United Way, Hull Child and Family Services, the Calgary Police Foundation, the Alberta Ecotrust Foundation and the Greenview Regional Multiplex. Keyera also sponsors the Career Pathways program, a directed scholarship program providing financial assistance through grants to trainees wishing to pursue technical or vocational training.

Keyera also encourages its employees to be engaged in the community, and to support this, it offers employees two paid days off to use to volunteer. In 2018, approximately 8,244 hours were volunteered by Keyera employees.

Indigenous Communities

Keyera also recognizes that it constructs and operates facilities in areas where Indigenous communities may be affected. In these circumstances, Keyera's approach is to work together with the communities in respectful consultation to mitigate potential impacts, identify procurement and employment opportunities, as well as collaborative investment and capacity-building initiatives.

Keyera has adopted a First Nations policy and is guided by the following principles in its relationships with these communities: (1) respecting the diversity of cultures and seeking to understand the customs, values and traditions; (2) being committed to honest, open, ongoing communication with the communities affected by its operations and engaging in timely and meaningful consultation with these communities; and (3) offering support for strategies intended to encourage development within the communities, including training, employment, business development and community opportunities related to Keyera's activities.

For new greenfield projects, Keyera has developed an early engagement process with the Indigenous communities, often in advance of project sanctioning. This has enabled Indigenous communities to actively conduct, with Keyera's full support, traditional land use assessments on right-of-ways and project sites to identify potential impacts, and to collaborate with Keyera on mitigation strategies as necessary.

In 2018, Keyera moved forward to implement its Indigenous Business Involvement (IBI) program as an ongoing program for both greenfield projects and existing operations. In the Wapiti Area, The IBI program works to identify Indigenous capacities in local areas and then to provide guidance with respect to Keyera's procurement processes and vendor qualification requirements, so that they are better prepared to supply services for Keyera's operations and construction projects. Given the positive feedback on these efforts, Keyera is taking steps to expand on these programs and further integrate these practices into its routine supply chain processes.

Keyera continues to work with Indigenous communities representatives to identify community enrichment projects. In 2018, this included the sponsorship of the Industrial Education space in one community's new school, and the identification of specific training programs in several other communities.

REGULATORY FRAMEWORK

General Regulatory Context

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 numerous aspects of Keyera's activities, including but not limited to, emissions, the operation of wells, pipelines and facilities, construction activities, transportation of dangerous goods, 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 the same jurisdictions.

Because the majority of Keyera's operations and facilities are located in Alberta, the disclosure in this AIF focuses on the Alberta regulatory regime. However, Keyera also has operations and carries on business in other jurisdictions including Texas (Hull Terminal) and Oklahoma (Oklahoma Liquids Terminal and Wildhorse Terminal). Further, Keyera ships products to customers across North America. Each of these jurisdictions has its own regulatory and environmental regimes.

Greenhouse Gas and Emissions Regulation

Greenhouse gases, mainly carbon dioxide and methane, are components of the raw natural gas processed and handled at Keyera's facilities. In addition, operations at Keyera's facilities, require the combustion of fossil fuels in engines, turbines, heaters and boilers, as well as the use of electricity, all of which release carbon dioxide, methane and other minor greenhouse gases. As such, Keyera is subject to various greenhouse gas reporting requirements and carbon dioxide equivalent ("CO₂e") emission intensity reduction targets. Emissions intensity refers to the amount of greenhouse gas, measured on a CO₂e basis, emitted on a unit of production basis. Two of the primary factors that affect emissions intensity at Keyera's facilities are fuel gas consumption and throughput. Lower throughput and higher levels of fuel gas consumption result in higher emission intensities.

Keyera uses engineering consulting firms and internal resources to compile inventories of greenhouse gas emissions and reports these inventories in accordance with federal and provincial programs. Third party audits and/or verifications of inventories are conducted for facilities that are required to meet regulatory targets.

Regulatory Framework Through 2018

In Alberta, the Climate Leadership Plan, which was originally announced in 2015, identified key action areas to address climate change matters:

- Replacing the *Specified Gas Emitters Regulations* ("SGER") with an output based allocation ("OBA") program for Large Final Emitter facilities ("LFES");
- Implementing a new carbon levy on fuel combustion in 2017;
- Phasing out coal-generated electricity and developing more renewable energy;
- Legislating an oil sands emission limit; and
- Employing a new methane emission reduction plan.

Since this announcement, the Alberta Government has continued to advance implementation of its plan, including:

- Replacing the SGER with the *Carbon Competitiveness Incentive Regulation* ("CCIR"); and
- Passing the *Climate Leadership Act* which, among other things, implemented the carbon levy effective January 1, 2017.

In the near term, the majority of Keyera's facilities are exempt from the Alberta carbon levy. In particular, heating fuels consumed by LFEs are exempt under the CCIR program that came into effect in 2018. Further, natural gas produced and consumed on site for most AER-regulated oil and gas activities are exempt until 2023 as the regulators focus on methane reduction initiatives in these areas.

The *Climate Change and Emissions Management Act* ("CCEMA") and regulations, establish a framework for the regulation of greenhouse gas emission intensities. The Alberta Climate Change Office ("ACC") manages policy development and compliance of these regulations. The CCIR and the *Specific Gas Reporting Regulation* ("SGRR") are managed under CCEMA.

The CCIR replaced the SGER effective January 1, 2018. Like the SGER, the CCIR applies to facilities that emit 100,000 tonnes or more of greenhouse gases in 2003 or in any subsequent year. Product-based benchmarks, such as emissions per barrel of oil produced or kilowatt of electricity generated, are set for industries where there is more than one regulated facility producing a specific product. Generally, product-based benchmarks are expected to be set on a "best-in-class" basis or at 80% of the production weight average greenhouse gas emissions intensity of producing the product in an industry ("industry benchmark"). If a facility can produce the product with fewer emissions than best-in-class or 80% of the average, then it will be entitled to generate Emissions Performance Credits (EPCs). If a facility cannot meet the industry benchmark, there are the same compliance options as the SGER program:

- purchasing emissions offsets. Emissions offsets are classified as actions or projects which have resulted in reduced greenhouse gas emissions in Alberta on or since January 1, 2002;
- purchasing fund credits from the Climate Change and Emissions Management Fund (the "CCEMF") at a cost of \$30/tonne for 2017; and/or
- purchasing emissions performance credits ("EPCs"). EPCs are earned by a LFE with an emissions intensity below the net emissions target and can be sold internally or into the marketplace.

A notable difference between the CCIR and the SGER is that under the CCIR, EPCs and offsets will expire after 8 years and there is a limit to the amount of EPCs and offsets that can be used to meet compliance obligations (50% in 2018, 45% for 2019 and 40% in 2020 reporting year, with a phase out of all pre-2017 EPCs and offsets for the 2021 reporting year).

For gas processing facilities the ACCO created the Alberta Gas Processing Index. The Alberta Gas Processing Index is a modular production metric based on the throughput or production of certain defined gas plant units. The Alberta Gas Processing Index has 13 modules. Keyera facilities are impacted as follows:

- The Strachan, Rimbey, Brazeau River and Nevis gas plants have all been under a LFE program for many years and are under the CCIR for 2018. The KFS facility crossed the 100 kt CO₂e threshold in 2017, and started under the CCIR in 2018. All of these facilities will use the Alberta Gas Processing Index to determine their specific benchmarks.
- Since AEF is the only iso-octane facility in Alberta, the assigned iso-octane benchmark was based on the historical emissions intensity of AEF.

With respect to the SGRR, since the 2017 reporting period, facilities emitting 10,000 tonnes of CO₂ equivalent or more are required to submit a specified gas report to the Alberta Climate Change Office. The previous reporting threshold was 50,000 tonnes.

In addition to these Alberta regulations, Keyera also has emission reporting responsibilities under the *Canadian Environmental Protection Act* ("CEPA"). Since the 2017 reporting period, the reporting threshold for CO₂e emissions under CEPA has been reduced to 10,000 tonnes. As a result of these

changes, Keyera will now be publically reporting on 20 of its facilities. Summaries of these federal emissions reports are publically available.

Keyera also reports on combusted greenhouse gas equivalent of all products that it imports and exports in and out of the United States in accordance with U.S. Environment Protection Agency requirements.

Other Emissions Regulatory Developments

In addition to being engaged in ongoing consultation with the Government of Alberta with respect to the development of the OBA program for gas facilities, Keyera is also monitoring developments with respect to the Joint Initiative on Methane Reduction and Verification. The Federal Environmental and Climate Change Canada Methane Regulations and the revised AER Directives 60 and 17 were released in 2018. Given the nature of Keyera's operations, it does not anticipate any significant impact associated with the methane reduction efforts.

In 2016, the Government of Canada also released Multi-sector Air Pollutants Regulations with national performance standards for NOx emissions. Within the regulations there are performance standards for two equipment types: gaseous-fuel-fired boilers and heaters, and stationary spark-ignition gaseous-fuel-fired engines. Reporting requirements came into effect in 2017. Flexible performance standards for engines have been utilized with an interim milestone of 2021 and final compliance deadline of 2026. Boilers and heaters will have performance standards starting in 2026. Keyera carefully monitors NOx emissions at its plants and equipment in order to manage its operations to meet the upcoming compliance timelines. Additionally, Keyera has established an interdisciplinary task force to develop a fleet management plan that is coordinated with Keyera's other efficiency and compliance efforts.

Overall Implications of Emissions Regulation for Keyera

Keyera anticipates that its compliance costs will increase as a result of the changing greenhouse gas emissions regulatory requirements. However, based on currently available information, Keyera does not expect the incremental direct cost of compliance between now and 2023 to be material. Keyera's analysis is based on the various scenarios that Keyera has considered, taking into account the exemption from the carbon levy that is in place for most of Keyera's facilities until 2023, the facility benchmarking data that is currently available, the estimated CCIR compliance obligations forecast increases in carbon pricing based on the federal framework, forecast throughput at Keyera's LFEs and expected future emissions performance of Keyera facilities.

In addition to the expected direct costs associated with regulatory changes, there may also be indirect costs, as well as other consequences and implications for Keyera. For example, to the extent that implementation of the Climate Leadership Plan results in increased electricity costs (whether due to increased short term compliance costs, longer term phasing out of coal generated electricity or other factors), the potential increased cost implications may be more significant. Power costs are a large component of the operating costs at many of Keyera's facilities (particularly in the Liquids Business Unit). Keyera is closely monitoring developments in this regard and is developing an overall power strategy in anticipation of the pending changes in electrical generation in Alberta. Keyera is also conscious of the potential implications and costs that may be associated with continued growth in negative public sentiment toward emissions from the energy industry. To help mitigate the impact of these regulatory changes and associated risks, Keyera is evaluating new emission reduction opportunities at its facilities through its Emissions Reduction Team, and is also continuing to integrate emissions considerations into overall lifecycle planning for its facilities through its Climate Change and Emissions Strategy Committee.

Looking longer term (2023 and beyond), compliance costs are expected to continue to increase as the exemption from the Alberta carbon levy for gas processing facilities expires and the effect of increased carbon pricing under Pan-Canadian Framework on Clean Growth and Climate Change (which contemplates carbon pricing increasing to \$50 per tonne of carbon dioxide equivalent by 2022) take effect. Under this Framework, each province must implement a carbon reduction program by 2018 using

a mechanism of its choice, failing which, the federal government minimum carbon pricing standards will be applied. Keyera will continue to evaluate these longer term developments in order to incorporate them into its planning and to evaluate potential financial and operational implications. Given the multitude of variables that could cause outcomes to change, it is not currently possible to predict the future incremental compliance costs with any certainty.

Environmental Regulation (Non-Emissions)

General Framework

The midstream industry is subject to provincial and federal environmental legislation and regulations. Among other things, the environmental regulatory regime provides for restrictions and prohibitions on releases or emissions of various substances produced in association with certain oil and natural gas industry operations. Environmental regulation affects the operation of facilities and limits the extent to which facility expansion is permitted. In addition, legislation requires that facility sites and pipelines be abandoned and reclaimed to the satisfaction of provincial authorities and local landowners. A breach of such legislation may result in notices of non-compliance, the imposition of fines, the issuance of clean-up orders or the shutting down of facilities and pipelines.

The AER is the main government agency that regulates midstream operations and facilities in the Province of Alberta. In addition, some activities and facilities are also regulated by the AEP. Among the primary pieces of legislation that form the regulatory framework are the *Oil and Gas Conservation Act* (Alberta), the *Pipelines Act* (Alberta) and the *Environmental Protection and Enhancement Act* (Alberta) ("EPEA"), along with all related regulations. In order to construct and operate most midstream facilities, a license and potentially an operating approval from the AER is required. The license and approval requirements will depend on such factors as the nature of the facility or installation, the type of activity and the type of product. To hold a license the applicant must demonstrate, at the time of application, that the impact of the facility on the environment will be within acceptable limits. Operating approvals are intended to address a facility's impact on the physical environment and limit emissions to air and water depending on the size of the facility and the nature of the product being handled. The AER also conducts regular inspections of the facilities that are subject to their regulation. The disposal of wastewater and gases into wells drilled into deep geologic formations is regulated by the AER. A number of Keyera's facilities hold approvals and permits for these disposal activities. Further, the use of water (surface or groundwater) is regulated under the *Water Act* (Alberta).

Under EPEA, environmental standards and compliance obligations for releases, clean-up and reporting are subject to scrutiny by the AER and the public. Liability for clean-up, remediation and reclamation costs may be imposed on a wide range of parties including present and past owners, or those that had charge, management or control of a substance that has been spilled or released. Regulators may issue shut-down orders where facilities or pipelines are not in compliance with the environmental laws or operating approvals, and fines under EPEA may be as high as \$1,000,000 for each day that an offence under EPEA continues. Keyera has never been subject to enforcement actions of this nature.

The AER has also issued multiple Directives and Guides with strict requirements and standards concerning matters such as oilfield waste management and the suspension, abandonment and reclamation of oil and natural gas wells, pipelines, and facilities that must be factored into the cost of conducting operations in Alberta.

Keyera has virtually no operations in areas considered critical habitats (such as the Caribou zone in Northern Alberta). When evaluating projects in areas that may have an impact on critical habitats, Keyera undertakes appropriate evaluation, monitoring and testing prior to proceeding with development activities and may modify its plans or operating parameters to mitigate potential impacts.

Sulphur Recovery

AER Interim Directive (ID) 2001-3 establishes sulphur recovery guidelines for sour gas plants and also sets the maximum allowable sulphur inlet limits that can be processed. The ID also covered off a “de-grandfathering” program for moving older sulphur recovery limits to new levels by Jan. 1 2017. All of Keyera’s facilities were de-grandfathered prior to the deadline. With changing gas compositions and declining sour gas production, meeting the sulphur recovery requirements has been an increasing challenge for many sour gas plant operators, including Keyera. In June 2016, after extensive consideration, the AER announced a more flexible methodology for measuring compliance with the sulphur recovery guidelines would be available in appropriate circumstances. This new guidance allows operators to determine the calendar quarter sulphur recovery efficiency requirements at sour gas plants based on the highest actual daily sulphur inlet (tonnes/day) through a calendar quarter and associating that inlet tonnage to the ID 2001-3 sulphur recovery requirements. Since this more flexible alternative was announced by the AER, two of Keyera’s gas plants (Rimbey and Minnehik Buck Lake) have applied for and received amendments to their licenses to take advantage of the increased flexibility. Keyera continues to carefully monitor sulphur recovery at its plants and takes active steps to manage its operations accordingly. It is actively pursuing acid gas injection at its Simonette gas plant to reduce emissions (including both greenhouse gas and SO_x emissions).

Noise Control Regulation

AER Directive 038: Noise Control establishes the regulatory framework with respect to noise control applicable to all operations and facilities under the jurisdiction of the AER. This directive sets certain parameters with respect to maximum permissible sound levels and measuring the noise associated with industrial developments regulated by the AER. Facilities constructed prior to 1988 are considered “deferred facilities” and are temporarily grandfathered, so they do not have to meet the prescribed maximum permissible sound levels unless there is a formal validated complaint. This deferred status ended in October 2018, at which time all facilities (including all of Keyera’s facilities) were expected to comply with the maximum permissible sound levels. Therefore, as Keyera manages its operations and plans capital expansions at its facilities, identifying noise impacts and mitigation measures is an important consideration. Directive 038 also recognizes that, under special circumstances, permissible sound levels from a resource facility could be adjusted from what would otherwise be calculated under this Directive 038. Alberta’s Industrial Heartland area in the Fort Saskatchewan region has been identified as a special circumstance and as such a separate regional noise management plan has been developed for this area. Keyera’s Fort Saskatchewan facility falls under this regional plan.

Transportation of Dangerous Goods

Petroleum products, including NGLs, crude oil, and iso-octane are subject to regulation under the transportation of dangerous goods (“TDG”) legislation in Canada and the U.S., as well as other jurisdictions to the extent shipments are entering or leaving other jurisdictions (e.g. Mexico). Keyera has a significant fleet of rail cars under lease that it uses to move these products across Canada and the U.S., plus it also loads third party rail cars at many of its facilities. Keyera does not own or lease any product transportation trucks, but it does have truck loading/off-loading racks at a number of its facilities and also contracts with other companies to provide trucking services for products requiring transport. Because Keyera ships and receives these products to and from various locations across North America, it is required to comply with TDG laws in each of these jurisdictions.

TDG laws require parties handling, offering for transport, transporting or importing certain dangerous goods to have an approved Emergency Response Assistance Plan (“ERAP”) in place. ERAPs are required for (i) Class II products such as propane and butane; and (ii) for class III products such as crude oil and condensate when transported by rail. An ERAP is intended to ensure that specialized emergency response personnel and equipment are available in a timely manner, in order to assist and/or supplement primary emergency responders responding to an incident.

Keyera monitors regulatory developments, and other recommendations that are introduced by regulatory agencies with respect to TDG matters, including safety data sheet requirements for the products it handles and rail car specifications. Keyera also monitors the practices and tariffs of railway companies and has observed that the major railway companies in Canada have implemented standard contract and/or tariff provisions aimed at shifting responsibility for certain damages and claims to shippers. (See “Risk Factors – Operational Risks – Transportation of Dangerous Goods”).

OTHER INFORMATION ABOUT KEYERA

Employees and Labour Relations

Keyera employs approximately 1,040 permanent employees in its operations. Approximately 50 employees employed by Keyera at the Rimbey gas plant are represented by Gas and Oil Union Local 504, approximately 30 employees employed by Keyera at the Strachan gas plant are represented by Gas and Oil Union Local 507, approximately 22 employees employed by Keyera at the Nevis gas plant are represented by Gas and Oil Union Local 506B, and approximately 23 employees employed by Keyera at the Minnehik Buck Lake gas plant are represented by Local 777, Unifor. The Rimbey, Strachan and Nevis unions are separate bargaining units and are not associated with any national or international union. The collective agreements for employees at the Strachan gas plant, the Rimbey gas plant, and the Nevis gas plant expire on December 31, 2019. The collective agreement for employees at the Minnehik Buck Lake gas plant expires on April 30, 2019. To date, Keyera has never experienced a labour-related work stoppage at any of its facilities. (See “Risk Factors – Operational Risks – Employees and Contractors”).

Keyera monitors employee engagement, including participating in an independent third party engagement survey every three years. Keyera has been recognized as a top employer in Alberta for the last six years.

Training and Development Programs

A competent and skilled workforce is one of the most effective ways to promote safe, efficient and reliable operations. Keyera has been a leader in this area through its Competence Management and Development System (CMDS). This competency-based training system features comprehensive training that can be customized to suit worker profiles and involves both self-assessments and supervisor validation of competencies. In addition to providing training to its own workers, Keyera’s CMDS system has become an industry-wide training tool, with many other oil and gas companies subscribing to the service.

Keyera has also implemented a comprehensive leadership development program which provides leadership training and coaching opportunities for its leaders and emerging leaders. It also has a comprehensive executive leadership development and succession planning program underway.

Foreign Markets and Operations

As part of its NGL and iso-octane marketing activities, Keyera markets NGLs and iso-octane in the U.S. and also imports certain NGLs from the U.S. These marketing activities are conducted through Keyera’s U.S. subsidiary, KEI, which has an office in Houston. Keyera’s Marketing business can be affected by trends in the U.S. due to the fact that commodity prices, including NGLs and iso-octane, in Canada are influenced by pricing and markets in the U.S. KEI owns and operates the Hull Terminal and Hull Terminal pipeline system in Texas and the Oklahoma Liquids Terminal in Oklahoma. KEI is also currently constructing the Wildhorse Terminal in Oklahoma and has entered into contractual arrangements that provide it with terminalling and storage capacity in Texas, Kansas and Michigan, and is evaluating other opportunities in the U.S. In recent years, Keyera has also started loading rail cars which deliver product to Mexico. (See “Risk Factors– Operational Risks – Foreign Operations”).

Competition

The midstream oil and gas industry is highly competitive in all aspects, including the gathering, processing, fractionation, storage, transportation, and marketing of NGL products and other commodity products. Each of Keyera's gas plants is subject to competition from other gas processing plants which are either in the same general vicinity or have gathering systems that are or could potentially extend into geographic regions served by Keyera's facilities. In addition, competition from non-hydrocarbon renewable based energy sources may have an adverse effect on the production of natural gas and gas products in Alberta and, as a result, on the demand for Keyera's services. As well, Keyera's pipelines, storage, terminal and NGL processing facilities are subject to competition from other existing pipelines and facilities, which competition is anticipated to continue to grow as other companies announce plans for expanded NGL processing, transportation, terminalling and storage services in the Edmonton/Fort Saskatchewan hub, as well as other interconnected geographic areas in western Canada and the U.S.

NGL and crude oil commodities that are marketed by Keyera compete with supplies from Canadian, U.S., and international sources. Keyera competes with local and international entities to acquire NGLs for processing and resale and to attract and retain customers. Competition for customers is not confined to NGL suppliers and marketers. The natural gas and gas products industry also competes with other industries seeking to provide substitute products or alternative sources of fuel, gasoline blending products, diluents, and feedstock to consumers. For example, in the iso-octane marketing business, alkylate is the main alternative competitive product. Alkylate is produced by reacting otherwise low-value by-products with isobutene to produce a relatively high octane gasoline component. Most North American refineries have some alkylate production capabilities. (See "Risk Factors – Operational Risks - Competition").

ETHICAL BUSINESS CONDUCT

Code of Business Conduct

The Board of Directors has adopted a Code of Business Conduct (the "Code") which applies to all directors, officers, employees and certain contractors of Keyera. The Code is available on SEDAR at www.sedar.com and on Keyera's website at www.keyera.com. Copies may also be obtained free of charge from Keyera's Investor Relations Department at Suite 200, 144 – 4th Avenue S.W., Calgary, Alberta T2P 3N4.

In support of the Code, Keyera has adopted business conduct policies covering various matters, including but not limited to integrity, ethics, disclosure, insider trading and conflicts of interest, and has adopted a number of specific procedures and guidelines to facilitate compliance with the Code and the various policies (collectively the "Conduct Policies").

The following is a high level summary of some of the expectations that are set out as part of Keyera's Conduct Policies:

- A respectful work environment is to be maintained and harassment, discrimination, abusive comments or other inappropriate conduct is not tolerated.
- Health, safety and environmental protection is an integral part of the way Keyera conducts its business. This includes assessing the potential impacts of its plans and operations on the areas in which it operates, listening to stakeholder concerns and attempting to address or mitigate such concerns as appropriate.
- Workers are to learn the safety procedures applicable to their job and abide by them by remaining fit for work while on duty and making safe behavior an integral part of every task performed.
- Workers must avoid situations that might involve or give the appearance of fraud, illegal activity or unethical conduct. Fraud, illegal activity or unethical conduct committed by

others is not to be permitted or facilitated and by extension, Keyera does not engage third parties to carry out activities that Keyera could not legally or ethically do directly.

- Situations that create a conflict of interest or potential conflict are to be avoided and workers have a duty to avoid financial or other business relationships that might be adverse to the interests of Keyera, or have the potential for producing or creating the appearance of conflicting loyalties or interest, or which might interfere with effective job performance.
- Restrictions are imposed on the acceptance of gifts and entertainment from business associates and other stakeholders.
- Internal controls must be followed.
- Keyera does not give, offer or promise anything of value as a bribe, gratuity or kickback to any public official, their family members or organizations with which they may be affiliated.
- Keyera resources, finances or facilities may not be used to make political contributions to any political candidate, party or election campaign except lawful contributions that are authorized in writing by an officer. Lobbying activities must also be pre-approved.
- Insider trading, including trading in prescribed blackout periods, is prohibited. Directors, officers and certain other employees and consultants are required to notify and obtain the permission of the Chief Financial Officer before buying or selling any securities of Keyera.
- Workers have an obligation to protect Keyera's assets from damage, theft, fraud and improper use.
- Broad, timely and informative dissemination of material information is required to prevent selective disclosure, all in accordance with applicable securities rules and regulations.

New directors, officers, employees and certain contractors are required to receive an orientation about the Conduct Policies when they commence their engagement with Keyera. Keyera also requires employees, officers and certain contractors to periodically re-certify that they understand and have complied with the Conduct Policies. The Conduct Policies are reviewed annually and updated as necessary.

Whistleblower Protection

As part of its Conduct Policies, the Board of Directors has also established a whistleblower hotline, utilizing a third party service provider, to provide a forum for employees, officers, contractors and consultants who have reason to believe that something may have been done illegally or contrary to Keyera policy to report these concerns to a neutral third party on a confidential, anonymous basis for investigation. Quarterly reports from the whistleblower hotline are provided to the Audit Committee. All workers are expected to report any matter that may indicate a breach of Keyera's Conduct Policies. Keyera's Conduct Policies protect all workers who bring legitimate concerns forward from retaliation.

Supply Chain Policy

Keyera's Supply Chain Policy provides that purchasing will be done in a manner that:

- is consistent, fair, timely and economically efficient, while managing Keyera's exposure to Health, Safety and Environment (HSE), financial, operational, technical and reputational risks;
- complies with applicable laws, regulations and corporate policies;
- meets or exceeds Keyera's specified technical requirements;

- complies with Keyera's approval matrix;
- reflects Keyera's values and its commitment to communities, landowners, indigenous peoples and other stakeholders; and
- engages effective corporate-wide collaboration.

In addition, Keyera has screening processes in place that it can use to assess potential suppliers, including their qualifications, business conduct practices and to confirm compliance with trade controls. Keyera does not operate in conflict zones.

CAPITAL STRUCTURE OF KEYERA

The rights, privileges and restrictions on the Common Shares and the Preferred shares are contained in the articles of Keyera Corp. which are available on SEDAR at www.sedar.com.

As of December 31, 2018 there were 210,478,743 Common Shares issued and outstanding; and no Preferred Shares (or any other shares ranking senior to the Common Shares) issued and outstanding. An overview of the capital structure of Keyera Corp. is described below.

Common Shares

Pursuant to its articles, Keyera Corp. is authorized to issue an unlimited number of Common Shares. The rights, privileges, restrictions and conditions attaching to the Common Shares are as follows:

- **Voting:** Shareholders have the right to receive notice of, attend and vote at all shareholder meetings, except meetings of holders of another class of shares. Each Common Share is entitled to one vote.
- **Dividends:** Subject to the preferences accorded to holders of First Preferred Shares, the Second Preferred Shares and any other shares of Keyera Corp. ranking senior to the Common Shares from time to time, the Shareholders are entitled to receive dividends, if, as and when declared by the Board of Directors.
- **Liquidation, Dissolution or Winding-Up:** Subject to the preferences accorded to holders of First Preferred Shares and holders of Second Preferred Shares and any other shares of Keyera Corp. ranking senior to the Common Shares from time to time, the Shareholders are entitled to share equally, share for share, in the remaining property of Keyera Corp. in the event of the voluntary or involuntary liquidation, dissolution or winding-up of the corporation.

As of the date hereof, the Common Shares were the only class of shares issued and outstanding.

Preferred Shares

In 2013, Shareholders approved a special resolution to amend Keyera Corp.'s articles to create two new classes of Preferred Shares (one class referred to as the "First Preferred Shares" and the second class referred to as the "Second Preferred Shares"). As of the date hereof, there are no issued and outstanding Preferred Shares. The number of Preferred Shares that may be authorized and issued is restricted. Specifically, Preferred Shares of any class may not be issued if:

- the aggregate number of First Preferred Shares and Second Preferred Shares that would then be outstanding would exceed 50% of the aggregate number of Common Shares then outstanding; or
- the maximum aggregate number of Common Shares into which all of the First Preferred Shares and Second Preferred Shares then outstanding could be converted in accordance

with their terms (regardless of any restrictions on the time of conversion and regardless of any conditions to the conversion) would exceed 20% of the aggregate number of Common Shares then outstanding; or

- the aggregate number of votes which the holders of all of the First Preferred Shares and the holders of all the Second Preferred Shares then outstanding would be entitled to cast (regardless of any conditions) at any meeting of shareholders (other than a meeting at which only holders of one or more of the classes or series of Preferred Shares are entitled to vote) would exceed 20% of the aggregate number of votes which the holders of all of the Common Shares then outstanding would be entitled to cast at any such meeting.

Subject to the foregoing restrictions and to filing articles of amendment, the Board of Directors may issue Preferred Shares of either class in one or more series without par value and may, before such issuance, fix the designation, rights, privileges, restrictions and conditions attaching to each such series, including but not limited to: the amount (if any) specified as being payable preferentially to such series on the distribution of assets of Keyera Corp. in the event of the voluntary or involuntary liquidation, dissolution or winding-up of the corporation (as well as the extent of any further participation in such a distribution of assets); voting rights, if any; and dividend rights (including whether such dividends be preferential, or cumulative or non-cumulative), if any. In accordance with Keyera Corp.'s articles, Preferred Shares would be entitled to preference over Common Shares (and any other shares ranking junior to the Preferred Shares) with respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding-up of Keyera (whether voluntary or involuntary).

Convertible Debentures

Pursuant to the terms of the Debenture Indenture (available at www.sedar.com), Keyera may issue an unlimited number of Debentures. Keyera has issued Debentures on two occasions in the past (the Debentures issued on June 3, 2004 which matured on June 30, 2011 and the Debentures that were issued on December 1, 2008 which matured on December 31, 2013). As of the date hereof there are no outstanding Debentures.

Credit Facilities

Keyera has a \$1.5 billion unsecured revolving credit facility with a syndicate of Canadian financial institutions and foreign banks, led by the Royal Bank of Canada as the administrative agent (the "Credit Facility"). Pursuant to the terms of the Credit Facility, the limit can be increased to \$1.85 billion subject to certain conditions being met. In December 2018, the Credit Facility was further amended to extend the term from December 6, 2022 to December 6, 2023. The amendments also incorporated certain changes to account for the new IFRS treatment of leases effective January 1, 2019. Keyera also has two unsecured revolving demand facilities, one with the Toronto Dominion Bank in the amount of \$25 million and the other with the Royal Bank of Canada in the amount of \$50 million. These facilities bear interest based on the lenders' rates for Canadian prime commercial loans, U.S. base rate loans, Libor loans or bankers' acceptances.

Senior Unsecured Notes

Keyera's long term debt includes a number of long term senior unsecured notes, including an uncommitted private shelf agreement with Prudential Capital Group (the "Prushelf"). With respect to the Prushelf, the aggregate principal amount that can be issued is US\$375,000,000 with an issuance period to December 15, 2019. As of December 31, 2018, \$330 million (Canadian equivalent) had been drawn on the Prushelf, leaving approximately US\$52 million available to be drawn taking into account certain other long term senior unsecured notes issued to Prudential which are deducted from the available capacity, and subject to certain conditions being met. These long term senior unsecured notes (collectively the "Senior Unsecured Notes") were issued by Keyera Partnership to private noteholders and are not listed or quoted on any exchange.

As of December 31, 2018, Keyera had \$1,256 million and US\$439 million (\$599 million CAD equivalent) of Senior Unsecured Notes as follows:

Senior Unsecured Notes US Denominated Debt		
Amount	Interest Rate	Maturity Date
US\$3 million	3.42%	June 2019
US\$103 million	5.14%	September 2020
US\$128 million	4.19%	June 2024
US\$140 million	4.75%	November 2025
US\$65 million	4.95%	November 2028

Senior Unsecured Notes Canadian Denominated Debt		
Amount	Interest Rate	Maturity Date
\$70 million (Prushelf note)	5.005%	January 2019
\$52 million	4.35%	June 2019
\$2 million	5.68%	September 2020
\$60 million	6.14%	December 2022
\$30 million (Prushelf note)	3.50%	June 2023
\$17 million	4.91%	June 2024
\$100 million (Prushelf note)	4.92%	October 2025
\$20 million	5.05%	November 2025
\$30 million (Prushelf note)	4.15%	June 2026
\$200 million	3.96%	October 2026
\$400 million	3.68%	September 2027
\$100 million (Prushelf note)	5.09%	October 2028
\$100 million	4.11%	October 2028
\$75 million	5.34%	April 2029

Medium Term Notes

On June 21, 2018, Keyera completed a public debt issuance of 10-year medium term notes in the principal amount of \$400 million. The 2018 Medium Term Notes were offered through a syndicate of dealers under Keyera's Short Form Base Shelf Prospectus dated September 8, 2017, as supplemented by a Prospectus Supplement dated June 3, 2018 and a Pricing Supplement dated June 19, 2018, all of which are available on SEDAR at www.sedar.com.

Keyera's obligations under the 2018 Medium Term Notes, 2018 are guaranteed by certain subsidiaries of Keyera Corp. Subject to certain conditions, as noted below, Keyera may redeem the 2018 Medium Term Notes, either in whole or in part, upon not less than 10 or more than 60 days prior notice, at any time prior to March 21, 2028 (the "Par Call Date") at a price equal to the greater of (i) par and (ii) the Canadian Yield Price (as defined below), plus, in either case, accrued but unpaid interest, if any, to but excluding the date of redemption.

In respect of the 2018 Medium Term Notes, "Canada Yield Price" means, in effect, a price equal to the price of the Medium Term Notes, 2018, calculated in accordance with generally accepted financial practice in Canada to provide a yield to maturity equal to the Government of Canada Yield (as defined below) plus the redemption premium set forth in the table below. In respect of the Medium Term Notes, 2018, "Government of Canada Yield" means, on any date, in effect, the yield to maturity on such date compounded semi-annually which a noncallable Government of Canada bond would carry if issued, in Canadian dollars in Canada, at 100 percent of its principal amount on such date with a term to maturity equal to the remaining term to maturity of the 2018 Medium Term Notes. The Government of Canada

Yield will be the average of the yields determined by two major Canadian investment dealers selected by Keyera.

Medium Term Notes Canadian Denominated Debt			
Amount	Interest Rate	Redemption Premium (per annum)	Maturity Date
\$400 million	3.93%	0.440%	June 2028

In certain circumstances following a Change of Control Trigger Event (as defined in the MTN Indenture), Keyera will be required to make an offer to repurchase all or, at the option of any holder of the 2018 Medium Term Notes, any part, at a purchase price payable in cash equal to 101 percent of the aggregate outstanding principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase. (See “Risk Factors – Financial Risks – Credit Ratings”)

Compliance with Covenants

The Credit Facility is subject to two major financial covenants: “Debt to EBITDA” and “EBITDA to Interest Charges” ratios. The calculation for each ratio: (i) is based on specific definitions in the credit agreement, (ii) is not in accordance with GAAP, and (iii) cannot be readily replicated by referring to Keyera’s financial statements. The senior unsecured notes are subject to three major financial covenants: “Consolidated Debt to Consolidated EBITDA”, “Consolidated EBITDA to Consolidated Interest Charges” and “Priority Debt to Consolidated Total Assets”. The calculations for each of these ratios are based on specified definitions in note agreements pursuant to which the Senior Unsecured Notes have been placed (collectively the “Note Agreements”). In calculating “Debt” and “Consolidated Debt” for these calculations, Keyera is required to deduct working capital surpluses or add working capital deficiencies. For additional information, regarding the definition of these covenants, refer to the Credit Facility and the Note Agreements which are available on SEDAR at www.sedar.com.

All covenants were met as of December 31, 2018. For more information on the calculation of the debt covenants see Keyera’s Management Discussion and Analysis accompanying the 2018 Annual Audited Financial Statements which is also available on SEDAR at www.sedar.com. If Keyera is unable to comply with the covenants under its Credit Facility, its ability to declare and pay dividends will be affected. (See “Risk Factors – Financial Risks – Debt Matters”). Management expects that upon maturity of its credit facilities and debt arrangements, adequate replacements will be established.

Credit Ratings

The following information with respect to Keyera’s credit ratings is provided as it relates to Keyera’s financing costs and liquidity. Specifically, credit ratings affect Keyera’s ability to obtain short-term and long-term financing and impact the cost of such financing. A reduction in the current ratings on Keyera’s debt by its rating agencies, particularly a downgrade below investment grade ratings, could adversely affect Keyera’s cost of financing and its access to sources of liquidity and capital. In addition, changes in credit ratings may affect Keyera’s ability to enter into, and the associated costs of entering into, normal course derivative or hedging transactions.

DBRS and S&P are rating agencies that provide credit ratings. Credit ratings are intended to provide investors with an independent measure of credit quality of any issues of debt securities. **The credit ratings assigned by the rating agencies are not recommendations to purchase, hold or sell the securities, nor do the ratings comment on market price or suitability for a particular investor. Any rating may not remain in effect for a given period of time or may be revised or withdrawn entirely by a rating agency in the future if in its judgement circumstances so warrant.**

DBRS

In June 2018, Keyera's 2018 Medium Term Notes received a "BBB" rating from DBRS with a "stable" trend. In the fourth quarter of 2018 DBRS confirmed Keyera's public "Issuer Rating" of "BBB" with a "stable" trend.

The BBB rating is the fourth highest of DBRS' ten rating categories for long-term debt and issuer rating, which range from "AAA" to "D". DBRS uses "high" and "low" designations on ratings from AA to C to indicate the relative standing within a particular rating category. The absence of a "high" or "low" designation indicates that a rating is in the middle of the category. The BBB rating indicates that, in DBRS' view, the rated securities are of adequate credit quality and that the issuer is of adequate financial strength. The capacity for the payment of financial obligations is considered acceptable, however, the issuer may be vulnerable to future events.

S&P

In June 2018, Keyera 2018 Medium Term Notes received a "BBB" rating from S&P. In the fourth quarter of 2018, S&P confirmed Keyera's "Long-term Corporate Credit Rating" of "BBB" with a "Stable" outlook.

The BBB rating is the fourth highest rating of S&P's eleven rating categories for both long-term debt and long-term issuer credit ratings, which range from "AAA" to "D". The ratings from "AA" to "CCC" may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. Issues of debt securities rated BBB are judged by S&P to exhibit adequate protection parameters. Long-term issuers rated BBB are judged by S&P as having adequate capacity to meet financial commitments. However, for both issues of debt securities and long-term issuers, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

Keyera has paid each of DBRS and S&P their customary fees in connection with the provision of the above ratings. Over the past two years, Keyera has not made payments in respect of other services to either DBRS or S&P. Neither DBRS nor S&P has announced that it is reviewing or intends to revise or withdraw their entity ratings. (See "Risk Factors – Financial – Credit Risk").

Shareholder Rights Plan

At Keyera Corp.'s annual general meeting held in May 2018, Shareholders ratified the new Rights Plan that was approved by Shareholders in 2017. The Rights Plan replaced the previous shareholder rights plan that had been approved by Shareholders in 2010 (effective January 1, 2011) and ratified by Shareholders in 2014 for an additional three years. The Rights Plan applies to the shares, securities that are convertible into shares, as well as any other shares with voting rights that may be issued by Keyera. Currently, the Common Shares are the only class of shares issued and outstanding. Should Keyera issue a new class of voting shares in the future, the Shareholder Rights Plan would apply to those voting shares in the same manner described below. Keyera does not have any present intention of issuing any other class of voting shares.

Certain other material features of the Rights Plan are described below. This summary is not exhaustive and readers are referred to the Rights Agreement between Keyera Corp. and Computershare available on the Keyera website at www.keyera.com and on SEDAR at www.sedar.com for a complete description of the Rights Plan.

Overview

The Rights Plan provides a mechanism, similar to that required under securities laws, whereby a take-over bid must remain open for at least 105 days (unless shortened by Keyera in accordance with the legislation) and must remain open for a further 10 days after the acquiring person publicly announces that

the shares deposited or tendered and not withdrawn constitute more than 50% of the shares outstanding held by independent shareholders. Keyera will issue new Rights on the date of the Meeting to all shareholders pursuant to the terms of the Rights Plan. One Right was issued for each outstanding Common Share on May 9, 2017 (the date the Rights Plan was approved by the Shareholders) and one Right will be issued for each Common Share issued after May 9, 2017 and prior to the earlier of the separation time (as described below) and the termination of the Rights Plan. The Rights will automatically trade with and be transferred with their underlying shares unless and until an event occurs that causes a separation, which would include a flip-in event (as described below) or the announcement of an intention to commence a take-over bid (other than Permitted Bid). The Rights are not exercisable unless and until there is such a separation. The issuance of the Rights does not change the manner in which shareholders currently trade their shares.

A flip-in event would occur if a person were to become an acquiring person, that is, if a person acquires beneficial ownership of at least 20% of the shares other than pursuant to certain exceptions such as a Permitted Bid or an exempt acquisition. If the person acquires shares under a Permitted Bid or exempt acquisition or one of the other specified exceptions, they are not considered to be an acquiring person and no flip-in event occurs. If a person does become an acquiring person, each Right then entitles each holder (other than the acquiring person) to purchase shares at a 50% discount. Each holder of a Right may then purchase that number of shares having a fair market value at the relevant time equal to twice the exercise price for an amount equal to the exercise price, in effect permitting shares to be acquired at a 50% discount to the market price at the time of exercise.

The acquiring person is not permitted to exercise any Rights. The Rights Plan provides that the acquiring person's Rights become null and void when the flip-in event occurs. The Rights Plan also provides that the Board of Directors may either waive the Rights Plan or redeem the Rights at a minimal price in certain circumstances. The Rights Plan thereby encourages unsolicited bidders to either make a Permitted Bid or to approach the Board of Directors with their offer and attempt to convince the Board of Directors to either waive the flip-in event or to redeem the Rights. If the offer is coercive or inadequate, the Board of Directors can choose not to cooperate with the bidder and not to agree to waive the Rights Plan or redeem the Rights.

Key Characteristic:

The key characteristics of the Rights Plan are described in more detail below:

- Creation and Issuance of Rights. Pursuant to the Rights Plan, Keyera will issue one Right for each Common Share outstanding on May 9, 2017, being the date of the Meeting, and will issue one Right for each additional Common Share issued after May 9, 2017 but prior to the separation time or the expiry of the Rights. Certificates issued for shares after May 9, 2017 (but prior to the close of business at the separation time or the expiry of the Rights) will include a legend evidencing the Rights. Certificates issued for shares while the Original Plan was in place may have a legend referencing the Original Plan, which will be deemed to reference the new Rights Plan instead. Notwithstanding the foregoing, certificates representing shares that were issued prior to approval of the Rights Plan do not require a legend to evidence the Rights.
- Term of Rights Plan. The Rights Plan must be reconfirmed by shareholders every three years to remain in effect. It may also be terminated earlier by the Board of Directors in certain circumstances.
- Separation Time. The Rights can become separated or unstapled from the shares to which they are attached and then trade separately from the shares. This separation time will generally only occur on the close of business on the 10th trading day after the earlier of: (a) the first date of public disclosure of facts indicating that a person has become an acquiring person (i.e. that there has been a flip-in event); (b) the date of commencement

or first public announcement of a non-permitted take-over bid; or (c) the date on which a Permitted Bid ceases to qualify as a Permitted Bid. Unless and until the separation time occurs, the Rights will continue to be attached to and trade with the shares.

- Flip-in Event. When a person becomes an acquiring person, all Rights holders, other than the acquiring person, are entitled to purchase shares at a 50% discount to market price at the time of exercise.
- Acquiring Person. An acquiring person is a person that becomes the beneficial owner of 20% or more of the outstanding shares, subject to the following exemptions: a voting share reduction (generally, a repurchase or redemption of shares by Keyera which has the effect of increasing the person's or company's percentage ownership of Keyera); a permitted bid acquisition (an acquisition of shares made pursuant to a Permitted Bid or Competing Permitted Bid); an exempt acquisition (an acquisition in respect of which the Board of Directors has waived the application of the Rights Plan or an acquisition made pursuant to a Shareholder-approved transaction such as an amalgamation or arrangement or an acquisition made as an intermediate step in a larger transaction where the acquiring party has then distributed the shares out to its security holders); and a pro rata acquisition (generally, the acquisition of shares pursuant to a rights offering, public offering or private placement to the extent necessary to prevent dilution of the person's or company's shareholding).
- Beneficial Ownership, Exemptions for Portfolio Managers and Others, and Permitted Lock-up Agreements. In determining whether a person has become an acquiring person, all shares over which the person has beneficial ownership must be included. A person is deemed to beneficially own any shares which are owned by its associates or affiliates or by persons or companies "acting jointly or in concert" with such person for the purpose of acquiring shares and any shares which it has the right to vote or the right to acquire within 60 days. Specific exclusions clarify that portfolio managers, fund managers, trust companies, crown agents engaged in the management of investment funds and pension plan and registered plan administrators are not caught simply because they may have the right to vote shares managed by them for others. In addition, to the extent there were any shareholders holding at least 20% of the outstanding shares as of May 9, 2017, such shareholders would be grandfathered and would not trigger a flip-in event as a result of their current holdings, but would become an acquiring person upon the acquisition of additional shares amounting to more than 1% of the outstanding shares. Keyera is not aware of any such 20% Shareholder.

A person may also be considered to be the beneficial owner of shares that are subject to a lock-up agreement. A lock-up agreement is an agreement under which a Shareholder (a "Locked-Up Shareholder") agrees to deposit or tender its shares to a particular bid (the "Lock-Up Bid"). The person who makes the Lock-Up Bid will be deemed to be the beneficial owner of the shares of the Locked-Up Shareholder unless the agreement it enters into with the Locked-Up Shareholder is a "permitted lock-up agreement". In order for a lock-up agreement to constitute a "permitted lock-up agreement", certain conditions must be met (a "Permitted Lock-Up Agreement").

A Permitted Lock-Up Agreement is one which permits the Locked-up Shareholder to withdraw its shares from the lock-up to tender to another take-over bid or support another transaction that will provide greater value to the Locked-Up Shareholder than the Lock-Up Bid, subject to certain exceptions. If the Lock-Up Bid is for less than 100% of the shares, a Permitted Lock-Up Agreement must also permit the Locked-Up Shareholder to withdraw its shares from the lock-up to tender to another take-over bid or support another transaction offering to acquire a greater number of shares for at least the same consideration per share, again subject to certain exceptions. A Permitted Lock-Up Agreement is not allowed to require a Locked-Up Shareholder to pay excessive fees, penalties, expense reimbursement or other amounts if it fails to deposit or tender its

shares to the Lock-Up Bid or withdraws shares previously tendered in order to deposit such shares to another take-over bid or support another transaction.

- Permitted Bids and Competing Permitted Bids. An offeror can avoid causing a flip-in event by making a bid that meets all of the requirements of the Rights Plan (a "Permitted Bid"). A Permitted Bid must: (i) be made by way of a take-over bid circular; (ii) be made to all shareholders of record, other than the offeror, for all or a portion of the shares outstanding; (iii) be open for acceptance for at least 105 days (or such shorter period as permitted by securities legislation); (iv) require a minimum deposit of more than 50% of the shares held by independent shareholders (i.e., generally, shareholders who are not, or are not related to, the acquiring person); (v) unless the take-over bid is withdrawn, allow the shares to be deposited up to the close of business on the first date on which the deposited shares are taken up or paid for; (vi) allow the shares deposited pursuant to the take-over bid to be withdrawn until they are taken up and paid for; and (vii) if the required minimum amount of shares are deposited, require the offeror to make a public announcement of that fact and leave the take-over bid open for deposits of shares for an additional 10 days after the announcement.

The Rights Plan also allows for a competing Permitted Bid (a "Competing Permitted Bid") to be made while a Permitted Bid is in existence. A Competing Permitted Bid is a take-over bid that is made after a Permitted Bid has been made but prior to its expiry, termination or withdrawal and that satisfies all the requirements of a Permitted Bid as described above, except that no shares can be taken up or paid for prior to the close of business on the last day of the minimum initial deposit period that such take-over bid must remain open for deposits.

- Redemption Rights and Waiver. An offeror can also avoid causing a flip-in event by negotiating with the Board of Directors and convincing them to allow a take-over bid that is not a Permitted Bid but is made fairly to all holders of shares. In such circumstances, the Board of Directors can waive the flip-in event and deem the take-over bid to be an exempt acquisition such that the reduced exercise price does not come into effect. Any such waiver in respect of a particular take-over bid will also constitute a waiver of any other take-over bid made to all holders of shares during the period when the first take-over bid is outstanding. The Board of Directors can also waive the flip-in event in certain other circumstances; for example, if a person has inadvertently become an acquiring person and within a specified period of time reduces its shareholdings.

Further, the Rights Plan permits the Board of Directors to redeem (buy back and cancel) the Rights for a nominal price (\$0.00001 per Right) in certain circumstances. The redemption right must generally be made for all and not less than all the Rights and must be made prior to the occurrence of a flip-in event.

- Exercise Price. The exercise price is three times the current market value of the shares from time to time. Before a flip-in event, a Rights holder would receive one share upon the exercise of a Right, the effect of which is to render the Rights of little or no value at the time of issue. After a flip-in event, all Rights holders, other than the acquiring person, would be entitled to purchase shares at a 50% discount to the market value, effectively entitling the Rights holders to acquire six shares upon the exercise of each Right. The Exercise Price and the number of Rights are subject to adjustment from time to time upon the occurrence of certain events, including a subdivision or consolidation of the shares, the declaration of a dividend payable through the issuance of certain securities or the issuance of certain securities in exchange for or in lieu of shares.
- Trading of Rights. Until the separation time, the Rights will be evidenced by the outstanding certificates for shares and the Rights may be transferred with, and only with, the shares. Unless and until the separation time occurs (or earlier termination or expiration of the Rights), the surrender for transfer of a certificate representing shares will also constitute the transfer of the Rights associated with the shares represented by the

certificate. If the separation time occurs, Keyera will either mail separate certificates evidencing the Rights or otherwise register the Rights in an uncertificated “book entry form”, but in either case will maintain a separate register for the holders of Rights.

- Deemed Redemption. The Rights Plan provides that, in the event a person acquires shares pursuant to a Permitted Bid or an exempt acquisition, the Rights are no longer valid and are deemed to have been redeemed by the Board of Directors.

DIVIDENDS

Keyera Corp.’s general practice is to pay monthly cash dividends on the Common Shares from its distributable cash flow on the 15th of each calendar month (or the next business day should the 15th not be a business day) to Shareholders of record as of the dividend record date which is usually 20 to 26 days prior to the dividend payment date.

Keyera Corp.’s dividend policy is intended to provide Shareholders with relatively stable and predictable monthly dividends, while retaining a portion of cash flow to help fund maintenance capital and ongoing growth projects. The amount of dividends to be paid on the Common Shares, if any, is subject to the discretion of the Board of Directors and may vary depending on a variety of factors. In addition to the standard legislated solvency and liquidity tests that must be met, Keyera’s ability to declare and pay dividends is also dependent on its compliance with the covenants under its Credit Facility and Note Agreements. (See “Borrowing Arrangements”).

In determining the level of dividends to be declared each month, the Board of Directors takes into consideration such factors as current and expected future levels of distributable cash flow (including income tax), capital expenditures, borrowings and debt repayments, changes in working capital requirements and other factors. Changes in non-cash working capital are primarily the result of seasonal fluctuations in product inventories or other temporary changes and are generally funded with short-term debt. These changes in non-cash working capital are therefore excluded in the determination of distributable cash flow. (See “Presentation of Financial Information”).

Over the long term, Keyera Corp. expects to continue to pay dividends from its 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 and proceeds from additional debt or equity, as required. Although Keyera Corp. intends to continue to make regular monthly dividends to Shareholders, dividends are not guaranteed. (See “Risk Factors – Financial Risks – Cash Dividends Are Not Guaranteed”).

Dividend History

The following table sets forth dividends declared on Keyera Corp.'s Common Shares for the three most recently completed years:

Month	2018	2017	2016
January	\$0.1400	\$0.1325	\$0.1250
February	\$0.1400	\$0.1325	\$0.1250
March	\$0.1400	\$0.1325	\$0.1250
April	\$0.1400	\$0.1325	\$0.1250
May	\$0.1400	\$0.1400	\$0.1250
June	\$0.1400	\$0.1400	\$0.1250
July	\$0.1400	\$0.1400	\$0.1250
August	\$0.1500	\$0.1400	\$0.1325
September	\$0.1500	\$0.1400	\$0.1325
October	\$0.1500	\$0.1400	\$0.1325
November	\$0.1500	\$0.1400	\$0.1325
December	\$0.1500	\$0.1400	\$0.1325
Total	\$1.7300	\$1.6500	\$1.5375

To date in 2019, dividends of \$0.1500 per Common Share were paid in January. The Board of Directors has declared a dividend of \$0.1500 per Common Share payable on February 15, 2019 and a dividend of \$0.1500 per Common Share payable on March 15, 2019.

Premium Dividend™ and Dividend Reinvestment Plan

Keyera Corp.'s Premium Dividend™ and Dividend Reinvestment Plan (collectively, the "Plan") consists of two components:

- The Dividend Reinvestment component of the Plan allows eligible Shareholders to direct that their dividends be reinvested in additional Common Shares issued from treasury at a 3% discount to the Average Market Price (as defined in the Plan) on the applicable dividend payment date.
- The Premium Dividend™ component of the Plan permits eligible Shareholders to elect to have additional Common Shares issued from treasury at a 3% discount to the Average Market Price (as defined in the Plan) and delivered to the designated Plan Broker, Canaccord Genuity Corporation, in exchange for a premium cash payment equal to 101% of the regular, declared cash dividend.

Participation in the Plan is voluntary and is only open to eligible Shareholders. Eligibility to participate in the Plan depends upon certain Shareholder residency criteria. Shareholders who are not enrolled in the Premium Dividend™ will continue to receive their regular dividends. Keyera Corp. reserves the right to limit the amount of new equity available under the Plan on any particular dividend date. Accordingly, participation may be prorated in certain circumstances. In the event of proration, or if for any other reason all or a portion of the dividends cannot be reinvested under the Plan, Shareholders enrolled in the Plan will receive the regular declared dividend on each Common Share for which the dividend was payable but could not be reinvested.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are listed for trading on the TSX under the symbol "KEY". The following table sets forth the monthly high and low sales prices at close and total monthly volumes for the Common Shares traded on the TSX during 2018.

Calendar Period	Price per Share (\$)		Share Trading
	High (Close)	Low (Close)	Volume
2018			
January	\$36.88	\$34.45	10,570,601
February	\$33.88	\$32.17	10,533,818
March	\$33.54	\$32.00	10,354,949
April	\$36.15	\$33.68	8,939,346
May	\$36.35	\$34.04	13,237,834
June	\$36.98	\$35.58	14,061,481
July	\$37.75	\$36.40	7,742,415
August	\$37.98	\$35.96	10,655,066
September	\$35.74	\$34.40	9,755,461
October	\$35.73	\$32.58	12,386,006
November	\$33.75	\$27.95	13,461,637
December	\$29.09	\$24.55	14,547,375

DIRECTORS AND OFFICERS OF KEYERA CORP.

Directors of Keyera Corp.

In accordance with its articles, Keyera Corp. must have a minimum of three directors and may have a maximum of twelve directors. There are currently 10 directors. At the Annual Meeting held on May 8, 2018, the following directors were elected: James Bertram, Douglas Haughey, Gianna Manes, Donald Nelson, Michael Norris, Thomas O'Connor, Charlene Ripley, David Smith, William Stedman, and Janet Woodruff to serve as directors until the next annual meeting. The names, municipalities of residence and principal occupations for the five most recently completed financial years and committee membership of the directors of Keyera Corp. as of the date hereof are set out below:

Name, Residence, Principal Occupation, Period of Service as a Director, Other Issuers of which the Director is a Director	Position on Committees of the Board of Directors
James V. Bertram Calgary, Alberta, Canada Mr. Bertram has been a director since March 28, 2003 and assumed the role of Chair on June 1, 2016. Mr. Bertram was the Chief Executive Officer of Keyera since its inception in 1998 until December 31, 2014 and Executive Chair from January 1, 2015 until June 1, 2016. He was previously employed at Gulf Canada as Vice President - Marketing. Prior to joining Gulf Canada, he was Vice President - Marketing of Amerada Hess Canada Ltd. Mr. Bertram is also a director of Emera Inc. and Methanex Corporation.	Mr. Bertram is: • Not Independent • Chair • Not a member of any Committees
Douglas Haughey Calgary, Alberta, Canada Mr. Haughey has been a director since May 7, 2013 and was appointed Independent Lead	Mr. Haughey is: • Independent

Name, Residence, Principal Occupation, Period of Service as a Director, Other Issuers of which the Director is a Director	Position on Committees of the Board of Directors
Director on January 1, 2015. Mr. Haughey has more than 35 years of experience in the energy industry. Most recently he was CEO and director of Churchill Corporation, a position he held from August 2012 through May 2013. He was President & CEO and a director of Provident Energy Ltd. from April 2010 to April 2012. He also held various senior executive positions with Spectra Energy Corp. and its predecessor companies from 1999 to 2008, including the President & CEO and director of Spectra Energy Income Fund and President of Spectra's western Canadian natural gas midstream infrastructure and logistics business. Mr. Haughey is also the Chair of the Board of Fortis Inc. and also sits on the board of its wholly owned subsidiary Fortis Alberta Inc. He has an ICD.D designation from the Institute of Corporate Directors.	• Independent Lead Director • Member of the Compensation and Governance Committee
Gianna Manes Calgary, Alberta, Canada Ms. Manes has been a director since May 9, 2017. Ms. Manes has been the President and CEO of ENMAX Corporation since 2012 and has 30 years of experience in the energy sector. Prior to joining ENMAX, she held a number of executive positions with Duke energy, a large North American power company based in Charlotte, North Carolina, including Senior Vice President and Chief Customer officer from 2008 to 2012. Ms. Manes has an ICD.D designation from the Institute of Corporate Directors.	Ms. Manes is: • Independent • Member of the Health, Safety and Environment Committee
Donald J. Nelson Calgary, Alberta, Canada Mr. Nelson has been a director since May 14, 2008. Mr. Nelson is a professional engineer with over 40 years of oil and gas experience. He is President of Fairway Resources Inc., a private company providing consulting services to the oil and gas industry. He was a director of the general partner of Taylor NGL Limited Partnership from 2003 to 2008, holding the office of Chairman of the Board of Directors from 2004 to 2008. From 1996 to 2002, he was with Summit Resources Limited holding the positions of President and CEO (1998 to 2002) and Vice President, Operations (1996 to 1998). Mr. Nelson is also a director of Perpetual Energy Inc.	Mr. Nelson is: • Independent • Chair of the Health, Safety and Environment Committee • Member of the Compensation and Governance Committee
Michael Norris Toronto, Ontario, Canada Mr. Norris has been a director since May 7, 2013. Mr. Norris was Deputy Chair of RBC Capital Markets from 2003 through 2012. Prior to his appointment as Deputy Chair, Mr. Norris held numerous positions with RBC Capital Markets, including Head of the Energy Practice from 1992 through 1998 and Head of Global Investment Banking from 1998 through 2003. He joined RBC in 1987 as an investment banker, following a successful career with Mobil Oil and Gulf Canada. Mr. Norris is also a director of Recipe Unlimited Corp.	Mr. Norris is: • Independent • Chair of the Audit Committee
Thomas O'Connor Evergreen, Colorado, U.S. Mr. O'Connor has been a director since January 6, 2014. He was the Chairman and Chief Executive Officer of DCP Midstream LLC and Chairman of DCP Midstream Partners LP. Prior to that he held executive positions at Duke Energy Corp., including CEO of Duke Energy Gas Transmission. Mr. O'Connor also sits on the board of New Jersey Resources.	Mr. O'Connor is: • Independent • Member of the Audit Committee
Charlene Ripley Vancouver, British Columbia, Canada Ms. Ripley has been a director since June 12, 2017 and is the Executive Vice President, General Counsel at Goldcorp. Prior to Goldcorp, Ms. Ripley served as Senior Vice President and General Counsel at Linn Energy (Houston) and as Vice President General Counsel, Corporate Secretary and Chief Compliance Officer at Anadarko Petroleum Corporation (Houston). Ms. Ripley is a member of the Law Society of British Columbia, the Law Society of Alberta and the Texas State Bar.	Ms. Ripley is: • Independent • Member of the Health Safety and Environment Committee
David G. Smith Calgary, Alberta, Canada Mr. Smith is President and Chief Executive Officer of Keyera Corp. and has been a director since January 1, 2015. Mr. Smith has more than 35 years of experience in the energy industry	Mr. Smith is: • Not Independent • Not a member of any Committees

Name, Residence, Principal Occupation, Period of Service as a Director, Other Issuers of which the Director is a Director	Position on Committees of the Board of Directors
in Canada and has held senior management roles with Keyera and its predecessors since the company's inception in 1998. Mr. Smith is also a director of Crew Energy Inc. He has an ICD.D designation from the Institute of Corporate Directors.	
William R. Stedman Calgary, Alberta, Canada Mr. Stedman has been a director since April 2, 2003. From 2001 to 2014, Mr. Stedman was Chairman and Chief Executive Officer of ENTx Capital Corporation, a private holding company specializing in the electric power industry. Previously, he was President and Chief Executive officer of Pembina Pipeline Corporation, the operating company of Pembina Pipeline Income Fund.	Mr. Stedman is: • Independent • Chair of the Compensation and Governance Committee • Member of the Health, Safety and Environment Committee
Janet Woodruff West Vancouver, British Columbia, Canada Ms. Woodruff has been a director since June 9, 2015. She is a corporate director with over 30 years of experience in the energy, transportation and health sectors, including her most recent role as acting Chief Executive Officer of Transportation Investment Corporation. Previously, Ms. Woodruff held executive roles at BC Hydro, B.C. Transmission Corporation, Vancouver Coastal Health and Westcoast Energy. She serves on the boards of Altus Group Limited and Ballard Power Systems. She is also a director of Fortis BC Inc. and Fortis BC Energy Inc. (both of which are wholly owned by Fortis Inc., but which have public debt securities outstanding) and Capstone Infrastructure Corporation (a wholly owned subsidiary of Irving Infrastructure Corp., but which has preferred shares which are publicly traded on the TSX). Ms. Woodruff holds the ICD.D designation from the Institute of Corporate Directors and is a Fellow Chartered Professional Accountant of British Columbia.	Ms. Woodruff is: • Independent • Member of the Audit Committee

In accordance with the articles of Keyera Corp., directors are to be elected annually by the Shareholders. Between annual meetings, the Board of Directors has the authority to appoint one or more additional directors to serve until the next annual meeting provided that the number of directors so appointed does not exceed 1/3 of the number of directors holding office at the expiration of the last annual meeting.

Committees of the Board of Directors

Subject to applicable law, the Board of Directors may establish and delegate powers, duties and responsibilities to committees. The Board of Directors has established three committees: Audit Committee; Compensation and Governance Committee; and Health, Safety and Environment Committee. The written terms of reference for each committee are updated from time to time as required and are available on the Keyera website at www.keyera.com.

Audit Committee - The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities in relation to, among other things:

- the audit of Keyera's financial statements on a consolidated basis,
- the relationship between Keyera and the external auditor, including the policies, procedures and approvals with respect to any non-audit services that may be provided by the external auditor;
- Keyera's dividend policy, financial structure and financing strategy;
- Keyera's disclosure controls, internal controls and accounting procedures; and
- Keyera's financial risk assessment and management programs.

Compensation and Governance Committee - The purpose of the Compensation and Governance Committee is to assist the Board of Directors in fulfilling its oversight responsibilities in relation to, among other things the:

- compensation of directors and officers of Keyera;
- quality and effectiveness of Keyera's governance practices and policies; and
- identification and recommendation of nominees for election or appointment to the Board of Directors.

Health, Safety and Environment Committee - The purpose of the Health, Safety and Environment Committee is to assist the Board of Directors in fulfilling its oversight responsibilities in relation to, among other things the:

- review, monitoring, and assessment of Keyera's health, safety and environmental policies, practices and procedures;
- implementation of Keyera's health, safety and environmental policies, practices and procedures in light of regulatory requirements and industry standards;
- review of Keyera's integrity management systems;
- review of Keyera's asset retirement obligations;
- review of Keyera's emergency preparedness and transportation of dangerous goods matters; and
- materiality of reserves acquired by Keyera, and any reserves reporting requirements that may arise.

Conflicts of Interest

Circumstances may arise where members of the Board of Directors serve as directors or officers of corporations which are suppliers or customers of Keyera. No assurances can be given that such circumstances will not give rise to a conflict of interest. Keyera's Code of Business Conduct requires that any real or potential conflict of interest be disclosed and dealt with in accordance with the requirements of its Conflict of Interest Policy and applicable laws. The Compensation and Governance Committee closely monitors relationships among the members of the Board of Directors to ensure that business associations do not affect the Board's performance. In a circumstance where a director declares an interest in any material contract or material transaction being considered at a meeting, the director generally absents himself or herself from the meeting during the consideration of the matter, and does not vote on the matter. (See "Code of Business Conduct").

Share Ownership by Directors and Executive Officers

As at December 31, 2018, the directors and executive officers of Keyera Corp., as a group beneficially owned or exercised control or direction over 2,446,976 Common Shares representing approximately 1.2% of the Common Shares issued and outstanding as at December 31, 2018.

Cease Trade Orders, Bankruptcies, Fines or Sanctions

To Keyera Corp.'s knowledge, based on information supplied by the directors and executive officers, no director or executive officer has, within the 10 years preceding the date of this AIF, (i) become bankrupt, made a proposal under legislation relating to bankruptcy or insolvency or become subject to any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such nominee, or (ii) been a director or executive officer of any company or other entity that, while the nominee was acting in that capacity (or within a year of ceasing to act in that capacity), became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, save and except for Mr. Setoguchi, who was an officer of Laricina Energy Ltd. for a period of time ending one year less a day prior to the date on which Laricina filed for creditor protection under the *Companies' Creditors Arrangement Act* (Canada) ("CCAA"). Laricina subsequently came out of CCAA protection on February 1, 2016

Further, to the knowledge of Keyera Corp., and based upon information provided to it by the directors and executive officers, no director or executive officer has, within the 10 years preceding the date of this AIF, been a director, chief executive officer or chief financial officer of a company that, during the time the director or executive officer was acting in such capacity or as a result of events that occurred while the director or executive officer was acting in such capacity, was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities laws that was in effect for a period of more than 30 consecutive days.

Officers of Keyera Corp.

The name, municipality of residence, position held and principal occupations for the five most recently completed financial years of the officers of Keyera Corp. (as of the date of this AIF) are set out below:

Name and Municipality of Residence	Position with Keyera Corp.	Principal Occupation
James V. Bertram Calgary, Alberta	Non-Executive Chair	Chair, Keyera since June 1, 2016; Executive Chair, Keyera, from January 1, 2015 to June 1, 2016; Chief Executive Officer, Keyera, from May 2011 to December 2014; President and Chief Executive Officer, Keyera, prior thereto.
David G. Smith Calgary, Alberta	President and Chief Executive Officer	President and Chief Executive Officer, Keyera, since January 2015; President and Chief Operating Officer, Keyera, prior thereto.
Steven B. Kroeker Calgary, Alberta	Senior Vice President, Chief Financial Officer	Senior Vice President and Chief Financial Officer, Keyera since February 2015; Vice President and Chief Financial Officer, Keyera, from November 2012 to February 2015; Vice President, Corporate Development, Keyera, prior thereto.
Bradley W. Lock Calgary, Alberta	Senior Vice President, Chief Operating Officer	Senior Vice President, Chief Operating Officer since December 2018; Senior Vice President, Gathering and Processing, Keyera, from July 2013 to December 2018; Senior Vice President, Liquids Business Unit, Keyera, from March 2012 to July 2013; Senior Vice President, North Central Region, Keyera, from June 2011 to March 2012; Vice President, North Central Region, Keyera, June 2007 to June 2011; Vice President, Engineering and Operations Services, Keyera prior thereto.
Dean Setoguchi Calgary, Alberta	Senior Vice President, Chief Commercial Officer	Senior Vice President, Chief Commercial Officer since December 2018; Senior Vice President, Liquids Business Unit, Keyera from April 2014 to December 2018; Senior Vice President, Chief Financial Officer, Laricina Energy, from November 2012 to April 2014; Vice President, Chief Financial Officer, Keyera, prior thereto.
Suzanne Hathaway ¹ Calgary, Alberta	Senior Vice President, General Counsel and Corporate Secretary	Senior Vice President, General Counsel and Corporate Secretary, Keyera, since June 2017; Vice President, General Counsel and Corporate Secretary, Keyera, February 2012 to June 2017; General Counsel and Corporate Secretary, Keyera, from May 2011 to February 2012; General Counsel, Keyera, prior thereto.
Graham Balzun Calgary, Alberta	Vice President, Corporate Responsibility	Vice President, Corporate Responsibility, Keyera, since April 2015; Vice President, Engineering and Corporate Responsibility, Keyera prior thereto.

Name and Municipality of Residence	Position with Keyera Corp.	Principal Occupation
Jarrold Beztilny Sherwood Park, Alberta	Vice President, Operations, Gathering and Processing	Vice President, Operations, Gathering and Processing since December 2018; Vice President, Operations, Liquids Business Unit, Keyera from December 2015 to December 2018; General Manager, NGL Facility Operations, Keyera, from July 2013 to December 2015; Director, Operations - NGL Facilities, Keyera prior thereto.
Mike Freeman Calgary, Alberta	Vice President, Commercial Strategy, Liquids Business Unit	Vice President, Commercial Strategy, Liquids Business Unit since July 2018; Vice President, Commercial, Keyera, prior thereto.
Rick Koshman Calgary, Alberta	Vice President, Corporate Development	Vice President, Corporate Development since December 2018; Vice President, Engineering, Keyera from April 20, 2015 to December 2018; Vice-President, Major Projects, Athabasca Oil Sands, from October 2014 to March 2015; Vice President, Operations, Athabasca Oil Corporation from November 2013 to September 2014; Vice President, Projects, Athabasca Oil Corporation, from June 2011 to October 2013; Manager, Thermal Oil Sands Projects, Canadian Natural Resources Limited prior thereto.
Dion Kostiuk Calgary, Alberta	Vice President, Human Resources and Corporate Services	Vice President, Human Resources and Corporate Services, Keyera, since February 2013; Director, Human Resources and Corporate Services, Keyera, prior thereto.
Eileen Marikar Calgary, Alberta	Vice President, Controller	Vice President, Controller, Keyera, since February 2014; Controller, Keyera, from April 2012 to Feb 2014; Director of Accounting, Keyera prior thereto.
Brian Martin Calgary, Alberta	Vice President, Business Development, Liquids Infrastructure	Vice President, Business Development, Liquids Infrastructure since December 2018; Vice President, Business Development, Liquids Business Unit from June 2017 to December 2018; Vice President, Business Development, NGL Facilities from July 2013 to June 2017; Director, Liquids Infrastructure, Keyera prior thereto.
Jamie Urquhart Calgary, Alberta	Vice President, Marketing	Vice President, Marketing since December 2018; Vice President, Operations, Gathering and Processing, Keyera from February 1, 2017 to December 2018; Director, Business Development, Gathering and Processing, Keyera from 2015 to February 2017; Power Generation/Marketing Consultant, Keyera from 2014 to 2015; Vice President, North American Terminal Operations, Canexus Corp. from 2012 to 2014; Vice President, Operations and Chief Operating Officer, Maxim Power Corp. prior thereto.
John Hunszinger Edmonton, Alberta	Vice President, Operations, Liquids Infrastructure	Vice President, Operations, Liquids Infrastructure, Keyera since December 2018; Plant Director, Alberta EnviroFuels Facility, Keyera, 2012 to 2018; Superintendent, Nevis Gas Plant, Keyera, prior thereto;

Notes:

(1) Ms. Hathaway is stepping down as an Officer of Keyera effective March 1, 2019.

AUDIT COMMITTEE INFORMATION

Audit Committee Members and Terms of Reference

The Audit Committee is appointed annually by the Board of Directors. The responsibilities and duties of the Audit Committee are set forth in the Audit Committee Terms of Reference attached hereto as Schedule A. The Audit Committee consists of four members, each of whom is independent and

financially literate as defined by National Instrument 52-110 *Audit Committees*. The following table sets out the relevant education and experience of the members of the Audit Committee:

NAME	RELEVANT EDUCATION AND EXPERIENCE
Michael Norris - Independent - Financially Literate	Mr. Norris, the Chair of the Audit Committee, holds a Bachelor of Engineering from Queens University and Master of Business Administration from the Richard Ivey School of Business, University of Western Ontario. Mr. Norris was Deputy Chair of RBC Capital Markets from 2003 through 2012. Prior to his appointment as Deputy Chair, Mr. Norris held numerous positions with RBC Capital Markets, including Head of the Energy Practice from 1992 through 1998 and Head of Global Investment Banking from 1998 through 2003. Prior to RBC, Mr. Norris held roles at Mobil Oil and Gulf Canada Resources. Mr. Norris has experience serving on the boards of private and public companies, and non-profit organizations. His experience has provided him with extensive knowledge of financial and accounting issues, as well as disclosure and internal control procedures.
Thomas O'Connor - Independent - Financially Literate	Mr. O'Connor holds a Bachelor of Science degree in Biology, cum laude, and a Master of Science degree in Environmental Studies from the University of Massachusetts at Lowell and has completed the Harvard Business School Advanced Management Program. He was the Chairman and Chief Executive Officer of DCP Midstream LLC and Chairman of DCP Midstream Partners LP. Prior to that he held executive positions at Duke Energy Corp., including CEO of Duke Energy Gas Transmission. Mr. O'Connor has served on various public boards and is well versed in financial and accounting matters, as well as disclosure and internal control procedures.
Janet Woodruff - Independent - Financially Literate	Ms. Woodruff holds a Bachelor of Science (Honours) from the University of Western Ontario and a Masters of Business Administration from York University. She holds the Corporate Director (ICD.D) designation from the Institute of Corporate Directors and is also a member of the Chartered Professional Accountants of Canada. Ms. Woodruff is an experienced corporate director and executive with Board and C-suite experience in corporations in energy, transportation and health sectors, including her most recent role as acting Chief Executive Officer of Transportation Investment Corporation. Previously she held executive roles at BC Hydro, BC Transmission Corporation, Vancouver Coastal Health and Westcoast Energy. Ms. Woodruff has served on various boards and has extensive knowledge in the areas of accounting, financial reporting, internal controls and disclosure.

Principal Accountant Fees and Services

In 2018 and 2017, fees billed for audit, audit-related, tax and other services provided to Keyera by Deloitte LLP were as follows:

Year Ended December 31	2018	2017
Audit Fees	\$616,175	\$520,047
Audit Related Fees	\$262,187	\$104,047
Tax Fees	\$0	\$0
All Other Fees	\$28,213	\$95,768
Total	\$906,575	\$719,862

A description of the nature of the services provided under each category is as follows:

- Audit Fees: Fees for the annual audit and quarterly review of Keyera financial statements and for audit services related to ongoing regulatory filings.
- Audit Related Fees: Fees for review and translation services related to non-routine regulatory filings such as prospectuses.

- Tax Fees: Fees for advice and assistance in preparing transfer pricing documentation for KEI and advice related to income tax and commodity taxes.
- All Other Fees: Fees for products and services provided by Keyera's auditors other than those described as "Audit Fees", "Audit Related Fees" and "Tax Fees".

Pre-Approval Policies

Pursuant to the Terms of Reference of the Audit Committee, the Audit Committee approves all audit plans and pre-approves significant non-audit engagements of the external auditors, including reviewing the fees paid for such engagements. The Audit Committee has delegated the responsibility for approving certain non-audit services to the Chair of the Audit Committee. All audit and non-audit services provided to Keyera for the year ended December 31, 2018 that were required to be pre-approved were pre-approved in accordance with the policies and Terms of Reference of the Audit Committee.

RISK FACTORS

In carrying out its business and operations, Keyera deals with a number of risks. Generally, Keyera's risks fall into two principal categories: (i) operational risks, including legal, regulatory and strategic risks; and (ii) financial risks. These categories are outlined below along with summaries of the specific risk factors within each general category. In some instances, risks may fall into both categories. In such cases we have classified risks based on the primary category in terms of how they affect Keyera. The most significant risks in each category are listed first, based on Keyera's current assessment of each risk. To the extent Keyera's business or operations are affected by these risks, there could be an adverse effect on Keyera's financial performance and cash flow available to pay dividends.

Keyera continually works to identify and evaluate significant risks and to develop and maintain appropriate strategies to mitigate the impact of potential risks to its business. Keyera's approach to risk management is integrated into its overall approach to decision making (both formal and informal) and also includes formal risk reviews with respect to certain matters. The summary provided below describes the main risks known to Keyera and also identifies some of the steps that Keyera takes to mitigate these identified risks.

Readers should carefully consider the risk factors set out below and consider all other information contained in this AIF and in Keyera's other public filings before making an investment decision. Readers are cautioned that this summary of risks may not be exhaustive, as there may be risks that are unknown and other risks that may pose unexpected consequences. Further, many of the risks are beyond Keyera's control and, in spite of Keyera's active management of its risk exposure, there is no guarantee that these risk management activities will successfully mitigate such exposure.

Operational Risks

Reliance on Producer Activity and Long Term Declines

The volumes of natural gas, NGLs, iso-octane, sulphur, crude oil, and other products produced, transported or processed by Keyera depend on production of natural gas and crude oil. Without reserve additions, production will decline over time as reserves are depleted. Most of Keyera's facilities are located in or depend on the WCSB. As a mature basin, production is projected to decline over the long term. Although, new technology has allowed producers to access and produce reserves that were previously viewed as uneconomic, it is not clear the extent to which such advances in technology will offset the long term overall declines. As well, industry activity levels depend upon economic and regulatory conditions that permit and incent producers to explore for and develop reserves. Producers in the areas serviced by Keyera's gas plants may not be successful in exploring for and developing additional reserves, or may determine that the reserves are uneconomic to produce. Further, with current commodity pricing dynamics compounded by product egress challenges in the WCSB, some producers have slowed or modified their exploration and development plans in Western Canada. Keyera cannot predict the impact of future economic conditions on the energy and petrochemical industries or future demand for and prices of petroleum substances. These and other factors such as higher development costs or royalties, global and North American commodity inventory levels and infrastructure constraints, may discourage further producer exploration and development. A reduction in exploration and development activities or the curtailment of production (whether due to regulatory requirements, market constraints or voluntarily by producers) could result in declines in throughput at gas plants, pipelines, terminals and NGL processing facilities.

The rate and timing of production from proven natural gas reserves tied-in to the gas plants are at the discretion of the producers and are subject to regulatory constraints. The producers have no obligation to produce natural gas from these lands. Producers may suspend their drilling programs or shut in production as a result of lower product prices or higher production costs. Where possible, Keyera attempts to negotiate area dedications or take-or-pay arrangements with producers. However, a significant portion of the proven natural gas in the areas connected to Keyera's gas plants is not

contractually dedicated for processing at those gas plants and the majority of the reserves which are subject to processing obligations may be terminated on less than six months' notice.

Natural gas rich in NGLs typically improves the economics associated with natural gas production and is therefore more attractive to producers. While Keyera's gas processing facilities have the capacity to extract NGLs and are located in areas where the natural gas reserves are rich in NGLs, there is no guarantee that this factor will be sufficient to encourage continued gas exploration and development around Keyera's facilities.

There is also risk associated with Keyera's customers being able to perform their contracted obligations. For example, customers may not comply with their contracted obligations (counterparty risk) or may not deliver volumes consistent with their production profile (volume risk), all of which could adversely affect Keyera's financial results, including the returns on capital investments.

Keyera's future growth plans for its Liquids Infrastructure business depend to a significant degree on producer activities in the Alberta oil sands. Oil sands activity can be affected by many factors, including but not limited to commodity prices and pricing differentials, access to transportation and take-away capacity, environmental pressures (including but not limited to emissions regulations, management of tailings ponds, and public perceptions with respect to the environmental impact of these operations), curtailment of oil production and cost escalation. Over the last few years, several oil sands producers announced delays in projects and overall interest in new investment in the oil sands appears to have declined. As well, oil sands producers are continuing to explore new technologies that would reduce the volume of condensate required as diluent. If these trends continue, they may result in lower than expected demand for Keyera's Liquids Infrastructure services and fewer opportunities to earn margin on condensate imports in Keyera's NGL Marketing business.

While Keyera is unable to directly influence producer activity, it actively monitors, on an ongoing basis, plant throughput, third party system performance and industry activities in the oil sands, the Edmonton/Fort Saskatchewan hub and in the capture areas surrounding its plants (including land sales, well licenses and drilling activity). As circumstances warrant, Keyera pursues opportunities to expand its capture areas and/or to modify its facilities to provide new services in order to try to maximize revenue generation and extend the service life of its assets. Keyera also attempts to reduce its risk by negotiating long term contracts to underpin its investments. There is no guarantee that these mitigation strategies will be effective.

Facilities Throughput and Utilization Rates

Some of Keyera's facilities may operate at lower throughputs compared to their respective licensed or operating capacities. This may be due to a multitude of factors, including: declines in production; decisions by producers to delay or shut in production; actual production delivered by customers to Keyera facilities not aligning with production profiles; operational issues or constraints in certain functional units within the facilities; operating conditions; changes in gas or NGL composition; low commodity prices; infrastructure or service bottlenecks and logistical issues; inventory or market constraints for particular commodities; and other reasons. Several of Keyera's facilities are in areas with declining producer activity. There may also be times when facilities experience capacity constraints due to increasing throughput. In certain circumstances, the increased throughput may contribute to operating conditions that are not in line with the operational design of the facility.

The demand for midstream services depends, in part, on factors such as the quality of services offered, the cost of such services and the physical capabilities of the facilities. At Keyera's AEF facility, utilization may also be affected by demand for high octane, low vapour pressure gasoline additives, the willingness of customers to pay a premium price for this product, as well as availability of feedstock (butane) and storage and transportation (particularly rail service) capacity.

Keyera cannot predict the impact of future economic conditions, fuel conservation measures, alternative fuel requirements, governmental regulation or technological advances in fuel economy and

energy generation devices, all of which could reduce the demand for oil, natural gas, NGLs, sulphur or iso-octane, thereby potentially reducing utilization rates at Keyera's facilities.

Keyera tries to mitigate these risks through a number of strategies, including: maintaining formal inspection, monitoring and maintenance programs for its equipment and pipelines to assist in maximizing facility availability and operational efficiency; working cooperatively with customers to provide them with comprehensive and competitive service options; pursuing business development initiatives to attract additional volumes; expanding or modifying functional units at certain plants if conditions warrant and/or there is sufficient demand; working with customers to manage inlet volumes; and pursuing projects to improve efficiencies and remove bottlenecks. There is no guarantee any of these strategies will be effective.

Use of utilization rates to estimate available raw gas processing capacity may be misleading as the ability of individual plant functional units, such as gas treating, NGL recovery or sulphur plant capacity, to handle additional raw gas volumes may become a limiting factor particularly if current plant operating conditions or gas composition depart significantly from original plant design operating conditions. Use of throughputs to estimate revenues may be misleading as Keyera charges different fees for gas streams with different compositions.

Operational Matters and Hazards

Keyera's operations are subject to common hazards of the natural gas (sweet and sour), NGL and Crude oil handling business. Keyera also transports significant volumes of hydrocarbons by rail and truck which may be more prone to accidents and mishaps than pipeline transportation of hydrocarbons. The operation of Keyera's assets involves many risks, including the breakdown or failure of equipment, information systems or processes, the performance of equipment at levels below those originally intended (whether due to declining throughput, misuse, unexpected degradation or design, construction or manufacturing defects), failure to maintain an adequate inventory of supplies or spare parts, operator error, labour disputes, disputes with owners of interconnected facilities and carriers, releases of harmful substances into the environment, spills associated with the loading and unloading of harmful substances onto rail cars and trucks, and catastrophic events such as natural disasters, fires, explosions, derailments, fractures, well blowouts, acts of terrorists and saboteurs, and other similar events, many of which are beyond the control of Keyera. The occurrence or continuance of any of these events could increase the cost of operating Keyera's facilities and/or reduce its processing or throughput capacity, or result in damages, claims or fines, all of which could adversely affect Keyera's operations and financial performance.

The integration of Keyera's business and operations may also give rise to risks, as the impact of and operational upset or business interruption in one part of its business may create implications for other parts of Keyera's operation or business. For example, a significant disruption to the integrated value chains of butane, which includes being the feedstock for production of iso-octane at Keyera's AEF facility, and condensate, for Keyera's oil sand customers, could have impacts on Keyera's Gathering and Processing, Liquids Infrastructure and/or Marketing businesses. (See "Risk Factors – Operational – Operational Matters and Hazards", "Reliance on Other Facilities and Third Party Services", "Information Technology Systems and Cyber Security", "Change in Laws" and "Transportation of Dangerous Goods").

In order to help mitigate these risks, Keyera has adopted formal processes with respect to such matters as risk assessment, hazard identification and management of change. It retains and relies on knowledgeable, competent personnel to identify and manage such operational risks, and has developed training programs and competency tracking programs to support the maintenance of its skilled workforce. Keyera also maintains formal inspection and maintenance programs for equipment and pipelines, a formal safety program (including work permitting processes), conducts targeted design and operating reviews of its facilities, and security programs to protect key assets from deliberate harm. Keyera has been integrating these elements, and others, into the development and implementation of its Operational Excellence Management System, through which it is pursuing a structured approach to continuous improvement in its operations (See "Health Safety and Environment"). Keyera is also a member of

several mutual aid groups and has established the Keyera Emergency Response Team (“KERT”) under the umbrella of Emergency Response Assistance Canada. Volunteers on the KERT team receive specialized emergency response training and may be called upon to assist in responding to emergency situations should they arise. There is no guarantee that these mitigation efforts will be effective.

Keyera also carries casualty and business interruption insurance with amounts of coverage customary for similar business operations to help defray the costs associated with the foregoing risks should they materialize; however, such insurance coverages may not be sufficient to compensate for all business or casualty losses or damages and/or may not be available in the future. (See “Risk Factors – Financial Risks – Adequacy of Insurance”).

Reliance on Other Facilities and Third Party Services

Keyera’s facilities are connected to various third party pipeline systems, including the Alliance, Kinder Morgan, Pembina, Inter Pipeline, Enbridge and TCPL systems, as well as raw gas gathering systems that feed Keyera’s gas plants. These connections are important to Keyera and its customers as they provide critical transportation routes, both from the perspective of delivering product to Keyera facilities (e.g. raw gas to feed Keyera’s gas plants, NGL mix to feed Keyera’s fractionation facilities, condensate deliveries to feed Keyera’s condensate system) and providing product egress. Keyera also relies on a variety of third party facilities, both upstream and downstream from its operations and third party services. Risks may be created as a result of: differences in pressures, specifications or capacities which affect operations; planned and unplanned outages or curtailments at third party facilities that restrict deliveries from Keyera facilities; measurement and component balancing errors affecting product deliveries. As well, there may be issues with respect to scheduling and service delivery by third parties that affect Keyera’s operations, such as the scheduling and availability of timely and reliable rail service by the railway companies on which Keyera relies to move product. Operational disruptions, apportionment, regulatory action and other events on third party systems and infrastructure may prevent the full utilization of Keyera’s facilities, require Keyera to spend additional capital, or otherwise hamper Keyera’s business activities.

Keyera is also impacted by the development or lack of development of pipeline infrastructure providing product egress from the WCSB. Without incremental project egress options, it is possible the pricing differentials and supply/demand dynamics will continue to disadvantage the WCSB which may have an adverse effect on Keyera’s business.

Keyera is unable to control operations, events, decisions, regulatory actions or public perceptions with respect to third party facilities making the mitigation of these risks challenging. Among the strategies that may be employed to assist in mitigating these risks include having multiple connections, service arrangements or transportation alternatives available in order to provide some flexibility during curtailments or interruptions. Where such alternatives are not available, Keyera’s operations can be significantly affected. For example, the capacity constraints on the TCPL sales gas system starting in 2014 and extending into 2018 reduced many producers’ ability to secure take away capacity for their sales gas. If producers cannot secure adequate takeaway capacity for their sales gas, it adversely affects the volume of raw inlet gas and associated liquids that Keyera can accept at its facilities. Another example is curtailments at certain third party ethane facilities which have affected ethane deliveries and sales from Keyera facilities. Keyera relies predominantly on rail service to transport its iso-octane to its primary markets located outside of Alberta and therefore inadequate rail service could trigger a need to cutback operations at AEF. Keyera experienced some rail service challenges in early 2018 that caused it to operate AEF at reduced levels and it is not certain whether these service issues will continue or the impact they may have on operations at AEF. Keyera will continue working with its service providers on adequate service levels.

Risks Arising from Co-ownership

Many of Keyera’s facilities are jointly owned with third parties. Approvals must be obtained from such joint owners for proposals to make capital expenditures regarding such facilities. These approvals

typically require that a capital expenditure proposal be approved by at least two or three owners holding a specified percentage of the ownership interests in the relevant facility, usually ranging between 50% and 70%. It may not be possible for Keyera to obtain the required levels of approval from co-owners of facilities for future proposals for capital expenditures, which may adversely affect Keyera's ability to expand or improve its existing facilities.

In addition, agreements for joint ownership often contain restrictions on transferring an interest in a facility. The most frequent restrictions are consent requirements and rights of first refusal. A consent requirement requires a transferor who is proposing to transfer an interest, to obtain the consents of facility co-owners prior to completing the transfer. A right of first refusal requires a transferor who is proposing to transfer an interest, to offer such interest on the same commercial terms to the other holders of interests in the facility prior to completing the transfer. Such provisions may restrict Keyera's ability to transfer its interests in facilities or to acquire a joint venture owner's interests in facilities, and may also restrict Keyera's ability to maximize the value of a sale of its interest.

Keyera has been increasing its ownership interests at many of its existing gas plants over the years, in many cases becoming the sole owner, in order to mitigate some of the risks arising from co-ownership. However, many of Keyera's current capital projects and business initiatives are joint ventures, and in several of these projects Keyera was not appointed or will not be appointed the operator.

As part of Keyera's effort to minimize the risks associated with co-ownership, Keyera maintains communication with its co-owners through its participation in operating committees and formal decision-making processes such as mail ballots and expenditure approvals. Keyera also utilizes its knowledge of industry activity and relationships with other owners to mitigate the risk of uncooperative behaviour. However, there is no guarantee that Keyera will be able to execute its preferred business or operational strategy at facilities which are jointly owned.

In addition, some of Keyera's facilities are operated by third parties (such as Norlite pipeline, Base Line Terminal and the Edson and Alder Flats gas plants); therefore, to the extent a third party operator fails to perform its functions efficiently or becomes insolvent, Keyera's business and operations may be adversely affected. Efforts to mitigate this risk by contracting with competent operators and negotiating appropriate allocation of risk in its contracts may not be effective.

Natural Gas and NGL Composition

Each of Keyera's gas plants is designed to process raw natural gas feedstock within a certain range of composition specifications. The gas plants may require modification to operate efficiently if the composition of the raw gas being processed changes significantly. The configuration of each of Keyera's gas plants may not be optimal for efficient operation in the future if a change in inlet gas composition is outside a plant's acceptable range of composition specifications. Changes in gas composition, including the trend toward producers producing less sour gas and more sweet gas, can present challenges for achieving sulphur recovery levels at certain facilities, and can also create challenges in maintaining competitive operating costs at sour gas facilities. Keyera may need to change its license parameters, including sulphur recovery levels, may decide to shut down sour processing equipment at its facilities as gas composition changes (as Keyera did in 2018 at the Strachan gas plant), or may need to adjust its fee structure to remain competitive (eg. not recovering all of its operating costs).

Keyera monitors plant throughput, gas composition, third party system performance and industry development activity in the capture areas surrounding its facilities on an ongoing basis. This information is used to assist with ongoing operational decisions, bringing on new production and new customers, evaluating expansion opportunities and assessing opportunities to modify or add new services to accept the inlet gas in the capture areas surrounding its facilities. Keyera has also amended its AER licenses at certain plants to deal with changes in gas composition, particularly to address declining concentrations of H₂S in the inlet gas, and may consider additional amendments in the future.

Keyera's NGL facilities are also exposed to risks associated with feedstock composition. If the NGLs handled at these facilities differ in composition or specification from the design of the facilities, there may be operational challenges and additional maintenance activities may be necessary. Further, because NGLs in Keyera's system may come from many sources, it is possible product originating from a non-NAFTA country could enter the system and result in customs duties being applied on imports and exports.

Reliance on Principal Customers and Suppliers

Keyera relies on a number of principal customers and suppliers in each of its business segments. Keyera enters into many contracts with its customers and suppliers which are often for a defined term or are subject to early termination upon notice. Keyera also relies on agreements with key customers to underpin capital projects.

There is no guarantee that any of the contracts that Keyera currently has in place will be renewed at the end of their term or replaced with other contracts in the event of early termination. Further, there is a risk that customers or suppliers will be unable to perform their obligations under the contracts. Customers may also seek relief from their contractual obligations or seek to restructure their contractual arrangements. If any of these circumstances were to arise, the revenue generated by Keyera's operating entities could be reduced or capital projects could be suspended. In either case, Keyera's financial results and the cash flow available to pay dividends to Shareholders could be adversely affected. In a low commodity price environment, counterparty risk becomes more significant.

In an effort to minimize the risk of reliance on any single customer or supplier, Keyera continues to diversify its customer and supplier base and actively continues to explore relationships with existing and potential new customers and suppliers. Keyera also tries to provide efficient, reliable services and to build on its relationships with producers and others as a way of encouraging existing customers to renew contracts and to attract new customers and suppliers. In spite of these efforts, there is no guarantee that Keyera will be able to renew or replace existing contracts or enter into new contracts or that existing contracts will generate the expected benefits. Keyera may also be able to partially mitigate potential losses in some circumstances through the use of business interruption insurance; however, such insurance coverage may not be sufficient to compensate for all such losses or damages. (See "Risk Factors – Financial Risks – Adequacy of Insurance").

Competition

Keyera's Gathering & Processing, Marketing, and Liquids Infrastructure businesses operate in competitive markets and compete with other companies. Each of Keyera's gas plants is subject to competition from other gas processing plants which are either in the general vicinity of Keyera's plants or have gathering systems that currently or in the future, could potentially extend into Keyera's capture areas. In addition, competition from non-hydrocarbon based energy sources may have an adverse effect on the production of natural gas and gas products in Alberta and, as a result, on the demand for Keyera's services.

As well, in Keyera's Liquids Business Unit, its pipelines and storage, terminal and processing facilities are subject to competition from other pipelines and facilities, which competition is anticipated to continue to grow. The competition to attract NGL volumes is competitive, which has implications not only for Keyera's facilities, but also for the Marketing business. In 2017 and 2018 Keyera was successful in competing for NGL supply volumes, but there is no guarantee that the strategies that were employed will continue to be successful.

NGL and crude oil commodities that are marketed by Keyera compete with supplies from Canadian, U.S., and international sources. There is also competition from industries seeking to provide substitute products or alternative sources of fuel, gasoline blending products, diluents and feedstock. For example, in the iso-octane marketing business, alkylate is the main alternative competitive product. Alkylate is produced by reacting otherwise low-value by-products with isobutene to produce a relatively high octane

gasoline component. Most North American refineries have some alkylate production capabilities. Keyera also competes with local and international entities to secure NGL supply for its marketing and NGL facilities business.

Overall, competition for business opportunities has continued to be aggressive. This competitive dynamic, may place downward pressure on expected returns when seeking to negotiate new projects and opportunities or force Keyera to reduce its fees (and associated) returns in order to retain customers.

Keyera tries to mitigate these risks by working cooperatively with its existing customers, monitoring industry activity and the activities of its competitors in key markets and being proactive in identifying opportunities in existing and emerging markets. In some circumstances, the capital investment necessary to construct new competitive infrastructure may discourage some potential new competitors from constructing new facilities. While Keyera feels it is well positioned to compete with its peers, the aggressive action by competitors, changes in law, declines in production and shifts in the market place to non-hydrocarbon based renewable energy sources could all adversely affect Keyera's competitive position.

Regulatory Compliance, Approvals and Interventions

Keyera is subject to a variety of laws and regulations that require it to obtain registrations, licenses, permits, inspections and other approvals in order to operate. There is no guarantee that such approvals can be obtained on a timely basis, or at all. Delays in processing applications may impact the schedule for capital projects. In some instances, regulatory delays, whether as a result of actions by a regulator or intervention by third parties, may result in project delays, project economics becoming less favourable or, in some cases, projects not proceeding at all.

The cost to comply with regulatory requirements can be significant. For example, carbon pricing, emissions reduction requirements, noise mitigation, measurement and reporting, all come with implementation and management costs. As well, proposed changes to federal and provincial environmental laws may adversely affect the ability of Keyera and others to advance projects which could adversely affect Keyera's growth opportunities. Regulatory uncertainty makes it challenging for industry, including Keyera, to make investment decisions and forecast compliance obligations (including costs) which compounds the challenges with the investment climate and industry activity in the WCSB. (See "Risk Factors - Operational Risks Changes in Laws").

Pipelines and facilities can be subject to common carrier and common processor applications and to rate setting by regulatory authorities in the event that agreement on fees or tariffs cannot be reached with producers. To the extent that producers believe processing fees or tariffs respecting pipelines and facilities are too high, they may seek rate relief through regulatory means. Keyera tries to reduce the likelihood of regulatory intervention by taking industry standards and guidelines into account and by working proactively with various stakeholders and its customers. Rates and tariffs for Keyera's pipelines and facilities are generally established to recover capital costs and earn a reasonable rate of return on investment. To date, no pipeline or facility operated by Keyera has ever been declared to be a common carrier or a common processor. Nevertheless, there is no guarantee that Keyera will be able to avoid challenges to its rates and tariffs. Further, Keyera may also be adversely affected by regulatory action taken with respect to third party systems and infrastructure. (See "Risk Factors – Operational Risks – Reliance on Other Facilities and Third Party Services").

Information Technology Systems and Cyber Security

Keyera utilizes a number of information technology systems for the management of its business and the operation of its facilities. The reliability and security of these systems is critical. If the functionality of these systems is interrupted or fails and cannot be restored quickly, or if the technologies are no longer supported, Keyera's ability to operate its facilities and conduct its business could be compromised. Keyera has continued to mature its approach to technology planning. It has also established an Information Technology Steering Committee who oversees the long term planning and

prioritization of information technology initiatives. In addition, Keyera's operational excellence initiative includes an aspect of establishing minimum standards that have implications for various aspects of the management of its operational control systems. There is no guarantee the mitigation measures will be effective.

Although the technology systems Keyera utilizes are intended to be secure, there is a risk that an unauthorized third party could access the systems. Such a security breach could lead to a number of adverse consequences, including but not limited to, the unavailability, disruption or loss of key functionalities within Keyera's control systems and the unauthorized disclosure, corruption or loss of sensitive company, customer or personal information. Keyera attempts to prevent such breaches through the implementation of various technology security measures, segregation of control systems from its general business network, engaging skilled consultants and employees to manage Keyera's technology applications, conducting periodic audits and adopting policies and procedures as appropriate.

Keyera also relies on many third party service providers with respect to its information technology security and storage of information and data. While Keyera attempts to conduct appropriate due diligence on these third party service providers, there is no guarantee that there will not be a breach of security or service levels by these third parties which could result in risks to Keyera's systems and information.

In addition to the oversight provided by Keyera's Information Technology Steering Committee, there is further reporting on Keyera's information technology and cyber security risks to both the Audit Committee and the Health, Safety and Environment Committee. To date, Keyera has not been subject to a cyber security breach that has resulted in a material impact on its business or operations; however, there is no guarantee that the measures it takes to protect its business systems and operational control systems will be effective in protecting against a breach in the future.

Environmental and Public Safety Considerations

Keyera's activities are regulated by federal, provincial, and municipal environmental legislation. This legislation imposes, among other things, restrictions, liabilities and obligations in connection with the handling, use, storage, transportation, treatment and disposal of hazardous substances and waste, and in connection with spills, releases and emissions of various substances into the environment. Environmental risks from Keyera's operating facilities typically include: air emissions, such as sulphur dioxide, nitrogen oxides, particulate matter and greenhouse gases; potential impacts on land, including land reclamation or restoration following construction; the use, storage or release of chemicals or hydrocarbons; the generation, handling and disposal of wastes and hazardous wastes; and water impacts. Mitigation and management of operational risk matters and hazards are handled using an operational excellence management system which formalizes processes to identify and manage operational risk. Keyera also relies on and maintains a knowledgeable, competent workforce, maintains written standard operating practices, maintains formal inspection and maintenance programs, has a formal management of change process, has a formal competency development and management system, has security programs and maintains emergency response plans and teams.

Environmental legislation also requires that facilities, pipelines and other properties associated with Keyera's operations be operated, maintained, abandoned and reclaimed to comply with changing regulations and standards to the satisfaction of applicable regulatory authorities. Many of Keyera's facilities are subject to licensing requirements imposed by provincial and/or federal regulators. These licenses must be renewed from time to time and there is no guarantee that the license will be renewed on the same or similar conditions. In addition, certain types of activities may require the submission and approval of environmental impact assessments or permit applications.

Provincial and federal governments may also take steps to impose stricter regulations and emission limits on greenhouse gas or other emissions in the near term. (See "Regulatory Framework - Greenhouse Gas and Emissions Regulation"). If it is determined that emissions exceed permitted limits, regulatory requirements will be triggered that require action to be taken to reduce emission levels to

acceptable levels, unless an extension or relaxation is granted. There can be no assurance that any extension of time to achieve compliance would be granted and immediate compliance may not be possible and failure to comply with current or future regulations could have a material adverse effect on Keyera's business and financial results. Overall, there is some uncertainty surrounding the impact of environmental laws and regulations on Keyera's operations, and it is difficult to predict how these laws and regulations may evolve. At this time, Keyera does not anticipate that it will be affected in a manner materially different than any other comparable midstream business. However, because Keyera has many older facilities, particularly in its Gathering and Processing Business Unit, it is possible that it will face more challenges in achieving future compliance or higher compliance costs compared to newer facilities. The risk created by greenhouse gas and emissions considerations may be interrelated to other risks faced by Keyera, including weather risk, reputational risk, changes in laws and operational risks discussed elsewhere in this "Risk Factors" section.

Given the nature of sour gas, certain public safety and environmental risks are inherent in the handling and gas sweetening processes at Keyera's facilities. As well, some of Keyera's pipelines and facilities run through or are immediately adjacent to heavily populated areas, including the City of Edmonton. Major equipment failure, a release of toxic substances or a pipeline rupture (including as a result of third party contact or impact to the pipeline) could result in damage to the environment and Keyera's facilities, death or injury and substantial costs and liabilities to third parties. Although Keyera may not be able to insure against all such events, Keyera carries control of well insurance and sudden and accidental pollution coverage under its commercial general liability insurance policy with limits and coverage that are customary for similar business operations to mitigate against the losses and damages associated with infrastructure failure, pollution, and pipeline failure. However, there can be no assurance that the types of insurance and the amounts for which Keyera is insured, or the proceeds of such insurance, will compensate Keyera fully for its losses. Further, if, at any time, appropriate regulatory authorities deem any one of the pipelines or facilities unsafe, they may order it to be shut in.

To help further mitigate these risks, Keyera has developed health, safety and environmental programs as well as internal operating, integrity, and maintenance guidelines. These programs are intended to promote safety and minimize the environmental impact of Keyera's operations. Keyera has also developed comprehensive safety training for its employees. Keyera conducts its operations and maintenance activities and monitors environmental impacts in accordance with these programs and acts to remediate environmental impacts. Keyera has also implemented air, soil and water monitoring programs that meet or exceed regulatory requirements. Keyera has ongoing active remediation activities at certain sites (See "Risk Factors – Financial Risks - Environmental Compliance and Remediation Costs" for a further discussion of the costs and risks associated with environmental matters) and has established an Operational Risk Management Committee which facilitates information sharing and provides guidance and direction on health, safety, environment and reliability matters.

Foreign Operations

Keyera is actively involved in U.S. NGL and iso-octane markets. Keyera makes a significant percentage of its propane and iso-octane sales into U.S. markets and also purchases NGLs in U.S. markets, particularly condensate, propane and butane. Keyera's reliance on these markets means that it is subject to downturns in the U.S. economy, adverse weather patterns in the U.S. (such as hurricanes and tropical storms), U.S. regulatory changes, protectionist actions by U.S. legislators and other political developments, all of which could have an adverse impact on Keyera's financial results.

Keyera has expanded its presence in the U.S. by: (a) the incorporation of its American subsidiary, KEI, with its office located in Houston, Texas, (b) the addition of contracted NGL terminalling and storage capacity at Mont Belvieu, Texas, Hutchinson, Kansas (which is near Conway), and Marysville, Michigan; (c) the acquisition and development of the Hull Terminal including a pipeline connected to third party facilities at Mont Belvieu; (d) the acquisition of the Oklahoma Liquids Terminal near Tulsa, Oklahoma, including a connection to a third party facility; and (e) the development of the Wildhorse Terminal, in Cushing, Oklahoma, including connections to third party facilities. While the growth of Keyera's operations in the U.S. enhances its ability to access large U.S. markets, it also presents a number of

risks, including increased regulatory and compliance obligations and costs, risks associated with potential non-compliance and civil liability exposure. The U.S. tends to be a litigious environment with larger damages awards compared to Canada. In some instances, Keyera may be subject to the exclusive jurisdiction of the U.S. courts. In addition, tax laws relating to Keyera's U.S. operations may be changed in a manner which adversely affects Keyera. With the evolving political dynamics in the U.S., including increasing protectionist sentiment, the reopening of trade agreements, and efforts to reduce regulation in many U.S. industries, the competitive position of Keyera and the Canadian energy industry overall may become increasingly uncertain and challenging in relation to the U.S.

While KEI has a small staff in its Houston office, as well as employees and contractors at its Hull Terminal and Oklahoma Liquids Terminal, portions of Keyera's U.S. operations are managed by Canadian personnel with limited expertise in U.S. regulation. To mitigate this risk, Keyera engages: (a) U.S. counsel and other consultants from time to time to assist with identifying and complying with applicable state and federal laws; and (b) customs brokers to assist with the import/export compliance requirements. Keyera monitors developments and trends that may affect NGL and iso-octane transportation, terminalling and sales in the U.S. and its risk management committee considers the risk profile of the U.S. operations when evaluating Keyera's risk mitigation strategies. Keyera has also attempted to implement strategies to reduce the exposure of its Canadian assets to civil claims in the U.S. There is no guarantee that any of these activities will have the effect of reducing the risks associated with its permanent operations in the U.S. or with Keyera's access to U.S. markets, particularly for propane and iso-octane sales and condensate and butane purchases.

In recent years, Keyera has also started loading railcars which are shipped to Mexico. While the sale of the product associated with these shipments is typically completed in Canada or the U.S., Keyera may be the consignor of the product for transportation purposes and therefore must comply with Mexican TDG requirements. As there is a somewhat different risk profile associated with doing business in Mexico, Keyera has worked with the rail leasing companies to permit its rail cars to travel into Mexico and with its insurers to secure insurance coverage. There is no guarantee that the steps Keyera has taken to mitigate the risks associated with its activities in Mexico will be effective.

Construction Project Timing and Cost

Many of Keyera's major projects are currently under development and the successful completion of several projects is dependent on a number of factors that are outside Keyera's control. The timing of completion and capital costs may change depending on many factors including, supply, demand, inflation, labour, materials and equipment availability, contractor non-performance, weather conditions, and cost of engineering services, and other factors that are out of Keyera's control. As these projects are undertaken, required approvals may not be obtained, may be delayed or may be obtained with conditions that materially alter the expected return associated with the underlying projects. Moreover, Keyera may incur financing costs during the planning and construction phases of its growth projects.

Generally, the cash flows Keyera expects these projects to generate will not materialize until after the projects are completed. In addition, construction delays or increased costs associated with capital projects could reduce project returns or prevent Keyera from meeting its contractual "in service" commitments. Further, these projects may be completed behind schedule or in excess of budgeted cost. For example, Keyera must compete with other companies for the materials and construction services required to complete these projects, and competition for these materials or services could result in significant delays and/or cost overruns. As a result, the cost estimates and completion dates for Keyera's major projects can change at different stages of the project. Accordingly, actual costs can vary from these estimates and these differences can be significant. Significant cost overruns may adversely affect the economics of particular projects, as well as Keyera's business operations and financial results. Further, there is a risk that maintenance will be required more often than currently planned or that significant maintenance capital projects could arise that were not previously anticipated.

Keyera tries to mitigate some of these risks through its implementation of a project delivery system, increasing its focus on validating cost estimating, evaluating its contracting strategies and

contractor selection processes, project controls and developing enhancements to its procurement processes. In addition, Keyera tries to build in reasonable time frames and contingencies into its agreements and project economics.

Weather Conditions

Weather conditions can affect the demand for and price of natural gas, NGLs and iso-octane. As a result, changes in weather patterns can affect throughput as well as Keyera's NGL marketing activities. For example, colder winter temperatures generally increase demand for natural gas and NGLs used for heating, which tends to result in increased throughput volumes at facilities and higher prices in the marketing business. In its facilities and NGL business, Keyera tries to position itself to be able to handle increased volumes of throughput and storage at its facilities to meet changes in seasonal demand; however, at any given time, facility and storage capacity is finite. Weather may also affect the operations and projects of Keyera's customers and suppliers, thereby influencing the services and products Keyera provides and/or receives. (See "Health Safety and Environment – Greenhouse Gas and Emissions Programs" and "Regulatory Framework - Greenhouse Gas and Emissions Regulation").

While Keyera does not speculate on weather in its marketing business, it tries to time its inventory builds with the seasonality of supply and demand. For example, Keyera will typically build inventories of propane in the warmer months (when demand is typically lower), for delivery in the winter months (when demand is typically higher). While Keyera uses financial and physical contracts to mitigate the commodity price risks associated with these inventories, there is no guarantee that Keyera's inventory management activities will be effective in mitigating such risks.

Weather conditions, including extreme heat and extreme cold, can pose safety concerns for workers and can affect the performance and operation of Keyera's facilities. Weather conditions may also influence Keyera's ability to complete capital projects or facility turnarounds on time, potentially resulting in delays and increasing costs of such capital projects and turnarounds and in some cases, may result in Keyera being unable to meet its contractual "in service" dates. With respect to construction activities, in areas where construction can be conducted in non-winter months, Keyera tries to schedule its construction timetables so as to minimize delays due to cold winter weather; however, availability of trades and supplies does not always make this possible.

Change in Laws

The oil and natural gas industry, including the midstream industry, is subject to regulation and intervention by governments in such matters as environmental protection, exploration and development activities, the licensing, operation and expansion of wells and facilities, and the abandonment of facilities. There is no guarantee that laws and administrative policies relating to the oil and natural gas industry, including the midstream industry, will not be changed in a manner which could adversely affect Keyera or its Shareholders. In addition to being affected by changes aimed directly at midstream facilities, Keyera could also be adversely affected by changes in regulations or policies directed at upstream activities, such as land sales, exploration and development in the capture areas surrounding Keyera's facilities, as well as changes directed at downstream activities, including retail and consumer uses. In addition, Keyera could be adversely affected by the imposition of additional emission limits for greenhouse gases in Canada or the U.S. (See "Health, Safety and Environment - Greenhouse Gas and Emissions Programs" and "Regulatory Framework - Greenhouse Gas and Emissions Regulation").

Proposed changes to federal environmental assessment requirements have raised a number of concerns for the oil and gas industry and created uncertainty for project proponents. If these changes are passed into law, the ability to secure approvals for projects may be adversely affected. This could affect Keyera directly if any of its potential future projects become subject to the new environmental assessment requirements, as well as indirectly if the proposed new laws become a deterrent to the development of oil and gas in Canada. Overall regulatory uncertainty and ongoing regulatory change in Canada contributes to an uncertain investment climate, which has implications for industry activity levels, investor

perceptions, and the ability to accurately forecast future costs and obligations. (See “Risk Factors - Operational Risks - Regulatory Compliance, Approvals and Interventions”).

While USMCA has been signed by Canada, the U.S. and Mexico, it has yet to be ratified by all the respective countries. This continued uncertainty has the potential to significantly change the trade rules between Canada, the U.S, and Mexico. Changes that limit access to U.S. markets or preferentially favour U.S. industries could have an adverse effect on the Canadian energy industry, including Keyera. (See also “Risk Factors – Foreign Operations”). Sanctions laws, which restrict the counterparties with whom Keyera can deal, have also continued to change and require diligence to ensure compliance. Because both businesses in which our counterparties engage and sanction lists can change with little notice, compliance can be challenging. Failure to comply may result in fines and penalties, and could also result in a breach of material contracts. To mitigate this risk Keyera has adopted processes to screen its counterparties to confirm compliance and seeks appropriate representations from its counterparties as circumstances require.

In the event of other legislative or regulatory changes, Keyera’s ability to conduct business may be adversely affected, which could thereby have a negative effect on distributable cash flow and the dividends it provides to its Shareholders.

Keyera monitors regulatory developments (and proposed regulatory developments) that may affect its operations and has internal communication standards to communicate learnings and regulatory change to relevant parts of the organization. Keyera also works with various industry associations and directly with governments and regulators to provide input in to potential regulatory changes that could adversely affect Keyera’s business.

First Nations and Indigenous Communities: Consultation and Claims

Some of Keyera’s facilities are located on or adjacent to reserve lands or other lands that have been traditionally used by Indigenous peoples. Indigenous peoples have claimed aboriginal title and rights to a substantial portion of lands in western Canada.

The interpretation of aboriginal and treaty rights is evolutionary and government policy (including the requirements that are imposed on industry) continues to change. In many circumstances, Indigenous communities are entitled to be consulted prior to resource development on Crown lands. The consultation processes and expectations of parties involved can vary considerably from project to project (and from community to community), which can contribute to process uncertainty, increased costs, delay in receiving required approvals, and potentially, an inability to secure the required approvals for some projects.

Further, the successful assertion of aboriginal title or other claims could have a significant adverse effect on natural gas production or oil sands development in Alberta, which in turn could have a material adverse effect on Keyera’s business and operations, including the volume of natural gas and NGLs handled through Keyera’s facilities. Additionally, some types of claims may affect or limit Keyera’s ability to secure locations for capital projects.

To help mitigate these risks, Keyera monitors developments that may affect activities around its facilities and changes in government policy. Keyera has also adopted consultation guidelines. When appropriate, Keyera works, directly or indirectly, with aboriginal communities that have reserves or traditional lands where its facilities are located, or that may be affected by Keyera’s ongoing operations as well as construction or expansion projects. Through 2018, Keyera advanced its overall engagement framework, including additional awareness training and a forum to build better relationships outside the formal consultations processes in order to find more effective ways of exploring mutually beneficial business opportunities. Keyera also monitors developments with the Aboriginal Consultation Office, including its expanding role and processes in relation to consultation and regulatory approvals.

Transportation of Dangerous Goods

Keyera's operations include rail/truck loading, offloading and terminalling facilities used to transport various petroleum products. These petroleum products are considered dangerous goods under TDG laws. Keyera ships a high volume of product by truck and rail and loads a significant number of rail cars and trucks at its facilities. When Keyera loads petroleum products, it may be considered the consignor, in which case it has specific responsibilities under the TDG laws, including the responsibility to ensure that the product is properly classified, the shipment is properly labeled and the product is loaded in an appropriate tank. Keyera also owns and operates rail infrastructure and must comply with applicable laws (including TDG laws) relating to the maintenance and inspection of these facilities.

Keyera may face liability for personal injuries, damage to property, lost product in the event of an incident involving rail cars or trucks loaded by Keyera, where Keyera is the consignor or importer of the product, where Keyera owns the product that is involved in an incident, or where an incident occurs on Keyera's proprietary rail infrastructure. As well, under various environmental statutes in both Canada and the U.S., Keyera could be held responsible for environmental damage caused by hydrocarbons loaded at its facilities or being carried on its leased rail cars. Keyera may also be exposed to regulatory action in the event that it fails to comply with TDG laws. In the event that Keyera is ultimately held liable for any damages resulting from its activities relating to TDG, for which insurance is not available, or increased costs or obligations are imposed on Keyera as a result of new regulations, Keyera's business, operations and financial performance could be adversely affected.

Keyera regularly assesses the risks associated with the transportation of dangerous goods and has established a transportation of dangerous goods/logistics committee which provides a level of oversight. The risk mitigation measures that Keyera employs, include: training programs for operational and logistics staff; adoption of general and site-specific procedures for loading/unloading, infrastructure maintenance, testing and product classification; negotiating fleet maintenance contracts; leasing rail cars that comply with current regulatory requirements; engaging with industry associations and regulatory agencies; periodically auditing operations, logistics practices and liability exposure; reviewing insurance adequacy and securing appropriate coverage; and hiring specialists as appropriate to assist. Keyera participates in emergency response programs and has made an emergency response team available; has adopted protocols for product testing for TDG purposes and maintains current Safety Data Sheets. There is no guarantee that these mitigation measures will be effective.

Employees and Contractors

A skilled workforce is important to the ongoing success of Keyera. If Keyera is unable to attract and retain skilled employees and contractors in variable employment markets, Keyera's business and operations could be adversely affected. Further, the cost of retaining employees and hiring contractors in some locations can place inflationary pressure on Keyera's costs.

Given the demand for many of these skilled individuals, Keyera devotes a significant amount of resources and planning to the recruitment, retention, and training of its employees and contractors to secure the required level of staffing and skills necessary to support its businesses and projects. As a result, Keyera maintains a relatively good relationship with its employees and tries to cultivate a work environment in which employees have internal growth opportunities. To date, Keyera has generally been successful in achieving a voluntary turn-over rate below industry averages. Keyera also tries to cultivate good relationships with dependable contractors in order to try to benefit from reliability and continuity of service. Nevertheless, if Keyera is not able to attract skilled employees and contractors, its ability to execute its business plans may be impaired.

Dependence on Key Personnel

The success of Keyera has been largely dependent on the skills and expertise of its key personnel to manage the overall business and achieve positive margins. The continued success of Keyera will be dependent on its ability to retain such personnel. Costs associated with retaining key

personnel could adversely affect Keyera's business operations and financial results. Keyera tries to mitigate the risk of losing key personnel for economic reasons by obtaining expert advice with respect to compensation matters (including salary as well as long and short term incentive plans). Keyera also participates in industry compensation surveys in order to measure its compensation package against prevailing market rates. Keyera also places significant emphasis on employee engagement, leadership training, succession planning, and maintaining a positive corporate culture.

Labour Relations

Keyera has unions at four of its gas plants. Unionized labour disruptions could restrict the ability of the gas plants to process natural gas and therefore affect Keyera's financial results. (See "Other Information About Keyera - Employees and Labour Relations"). The collective agreements for employees at the Strachan gas plant, the Rimbey gas plant, and the Nevis gas plant expire on December 31, 2019. The collective agreement for employees at the Minnehik Buck Lake gas plant expires on April 30, 2019. Overall, Keyera maintains a relatively good relationship with its unions and unionized employees and to date has never experienced a strike or work stoppage at its unionized plants.

Reputational Risk

Keyera believes its reputation as a reliable and responsible midstream energy services provider with a track record of creating shareholder value, is one of its most valuable assets. Maintaining a positive reputation in the eyes of its customers, regulators, communities and the general public is an important aspect of the implementation of Keyera's business strategy. Keyera's reputation may be adversely impacted by the actions and activities it undertakes, as well as the activities of its employees. In addition, Keyera's reputation could be affected by the actions and activities of other companies operating in the energy industry and by general public perceptions of the energy industry, over which Keyera has no control. For example, negative publicity related to pipeline incidents, unpopular expansion plans or new projects, transportation of hydrocarbons by rail, as well as opposition from organizations opposed to oil and gas, oil sands or pipeline development, all have the potential to affect the perception of Keyera by its stakeholders. The increasing debate and focus on climate change has contributed to increasing negative public sentiment toward the hydrocarbon-based energy sector and higher levels of scrutiny with respect to emissions and overall environmental performance. If Keyera's reputation is diminished, it could result in: loss of customers; revenue loss; delays in obtaining regulatory approvals with respect to growth projects, increased operating, capital, financing or regulatory costs; lower shareholder confidence; or loss of public support for Keyera's business and operations. (See "Health, Safety and Environment – Environmental Programs" and "Regulatory Framework - Greenhouse Gas and Emissions Regulation").

Expansion of Operations

Keyera's operations and expertise are currently focused primarily on midstream oil and gas activities. Over the last several years Keyera has expanded its operations in many ways (a) acquired non-material interests in certain reserves associated with its facilities, (b) partnered with Enbridge in the Norlite pipeline, (c) partnered with Kinder Morgan in the Base Line Terminal, (d) acquired a 50% interest in the South Grand Rapids Pipeline; (e) expanded its service offerings with respect to the handling and transportation of dilbit, synbit and solvent; and (f) constructed the Keylink NGL gathering pipeline system to serve Keyera and third party gas plants.

In the future it is possible that Keyera could engage in activities other than its current core business areas. Expansion of Keyera's business into new areas may present new risks or significantly increase the exposure to one or more of the existing risks, any of which may adversely affect Keyera's future operational and financial conditions. To help mitigate this risk, expansion opportunities, whether within Keyera's core activities or into new activities, are carefully evaluated. Keyera reviews the criteria it uses to evaluate expansion opportunities based on its assessment of the business environment and fit with Keyera's business strategy. As appropriate, Keyera evaluates the need for additional insurance that

may be required to address the risk profile associated with any new businesses or expansion of operations.

Financial Risks

Market Risk and Marketing Activities

Keyera enters into contracts to purchase and sell natural gas, NGLs, crude oil and iso-octane. Most of these contracts are priced at floating market prices. These activities expose Keyera to market risks resulting from movements in commodity prices between the time volumes are purchased and the time they are sold, from fluctuations in the margins between purchase prices and sales prices, balancing product purchases and sales contracts, and, in some cases, may also expose Keyera to currency exchange risk. (See “Risk Factors - Financial Risks –Currency Risk”).

(a) **Product Price** - The prices of the products that are marketed by Keyera are subject to fluctuations resulting from seasonal demand changes, transportation constraints, changes in crude oil, natural gas, NGL and iso-octane markets, changes to basis differentials and other factors. Further, Keyera normally has a long position in most of the NGL products that it markets, and may store NGLs in order to meet seasonal demand and take advantage of seasonal pricing differentials, resulting in inventory price risk. Iso-octane margins are driven by the price of butane (the primary feedstock) and RBOB, as well as the iso-octane premiums above RBOB. Because liquids blending margins are earned by capturing spreads between different product qualities, Keyera's liquids blending business is subject to volatility in price differentials between the various product streams. These exposures could result in variability in the operating income generated by the marketing business unit and Keyera's distributable cash flow.

(b) **Volume** - Keyera purchases from producers and other customers a substantial volume of NGLs for resale to third parties, including other marketers and end-users. In many circumstances, particularly in the Marketing business, purchase and sale contracts are not perfectly matched as they are entered into at different times, locations and values. A producer or supplier could fail to deliver contracted volumes or could deliver in excess of contracted volumes, or a purchaser could purchase less than contracted volumes. Any of these actions could cause Keyera's purchases and sales to be unbalanced. While Keyera attempts to balance its purchases and sales, if its purchases and sales are unbalanced, Keyera will face increased exposure to commodity price risks and could have increased volatility in its operating income and distributable cash flow.

To some extent, Keyera can mitigate certain elements of risk exposure through the integration of its marketing business with its facilities businesses (which is a fee-for-service business). In spite of this integration, Keyera remains exposed to market, commodity price, and exchange rate risk. Keyera manages this commodity risk in a number of ways, including the use of financial and physical contracts and by offsetting some physical and financial contracts in terms of volumes, timing of performance and delivery obligations. Keyera's risk management strategy utilizes the following hedging strategies:

- (a) **Butane and Condensate** - Because butane and condensate prices are based on the price of crude oil, crude oil financial contracts are common hedging strategies that Keyera uses for these products. This hedging strategy is subject to basis risk between crude oil and the condensate or butane being hedged and therefore cannot be expected to perfectly offset future butane and condensate price movements.
- (b) **Propane** – For several years, Keyera has used propane physical and financial contracts to hedge its propane inventory. Although propane contracts are expected to eliminate commodity basis risk, they may be exposed to geographic basis risk (depending on the contract terms), plus the ability to enter into propane contracts may not be as liquid as other financial contracts, such as crude oil.

- (c) Iso-octane – Keyera's hedging objective for iso-octane is to secure attractive margins and mitigate the effect of iso-octane price fluctuations on its future operating margins. The sales price for iso-octane is largely based upon the price of motor gasoline or RBOB. RBOB is the highest volume refined product sold in the U.S. It also has the most liquid forward financial contracts. Accordingly, Keyera expects to continue to utilize WTI and RBOB financial contracts to hedge a portion of its iso-octane sales.

As the NGL and iso-octane markets evolve during the year, Keyera monitors and adjusts its hedging strategy to protect the value of its inventory and the future operating margins. There is no guarantee that hedging and other efforts to manage the marketing and inventory risks will generate profits or mitigate all the market and inventory risk associated with these activities. While hedging and other efforts to manage market and inventory risk are intended to mitigate Keyera's risk exposure, because of the inherent nature and risk of such transactions, those activities can result in losses. If Keyera hedges its commodity price exposure, it may forego the benefits that may otherwise be experienced if commodity prices were to increase and it is subject to credit risks associated with the counterparties with whom it contracts. (See "Risk Factors – Financial Risks – Credit Risk"). For additional information on Keyera's hedging strategies, refer to the Management Discussion and Analysis accompanying the 2018 Annual Audited Financial Statements which is available on SEDAR at www.sedar.com.

Operating, Capital and General and Administrative Costs

Operating and capital costs associated with Keyera's facilities represent significant components of the cost of providing services. These costs may vary considerably from current and forecast values and rates. In general, as facilities age, costs associated with operating and maintaining such facilities may increase over time. In addition, fluctuations in the prices of electricity and fuel can cause significant fluctuations in operating costs.

General and administrative costs may vary considerably from current and forecast values as a result of fluctuations in employment markets and the demand for trades which affect compensation that must be paid to attract and retain employees and contractors. As well, the cost of Keyera's long term incentive plan ("LTIP") can vary considerably due to the fact that the value of the payments required to satisfy the grants are dependent on two main factors: i) market price of the Common Shares, and ii) the number of Common shares awarded for corporate performance based on a multiplier linked to Keyera's average annual pre-tax distributable cash flow per share over a three year performance period and Keyera's total shareholder return relative to its peers.

Maintenance capital requirements and maintenance expenses may vary from year to year depending on such factors as the scheduling of maintenance turnarounds, operating conditions and gas composition. The costs of Keyera's inspection, monitoring and maintenance programs have been expensed in the period they are incurred. Maintenance turnarounds, and repairs or replacements, including catalysts at AEF, with enduring value are capitalized rather than expensed in accordance with Keyera's capitalization policies and applicable accounting standards.

Working capital requirements are strongly influenced by the volume of NGLs and iso-octane held in storage and related commodity prices. In addition to the working capital required for inventory, Keyera requires working capital to finance its other business activities, including its risk management program. Growth capital expenditures vary depending upon available opportunities and financing.

Financial results may be adversely affected if significant increases in operating, capital or general and administrative costs are incurred and not recovered. Although operating costs are usually recovered through the tariffs charged on processing and transportation, some processing arrangements do not permit the flow-through of operating costs. Even at facilities where flow-through arrangements are in place, to the extent the costs charged to producers escalate, they may seek lower cost alternatives or shut-in production of their natural gas.

With ongoing maintenance consistent with historical levels, it is anticipated that Keyera's assets can continue to operate safely for decades to come. Keyera prepares annual budgets for each facility in which it has an interest and budgets for each capital project proposed or undertaken. Keyera relies on knowledgeable, competent staff to establish realistic cost projections for budgeting purposes and to operate facilities in an efficient manner. Keyera also monitors input costs such as the prices of electricity and fuel, and may use physical and financial contracts to manage these costs as and when considered appropriate by its risk management committee. While these activities may help to mitigate Keyera's risk exposure, they do not remove the risks associated with unanticipated increases or fluctuations in such costs and can result in losses. If Keyera uses physical and financial contracts to hedge its input costs, it may forego the benefits that may otherwise be experienced if input costs were to decrease and it is subject to credit risks associated with the counterparties with whom it contracts. (See "Risk Factors – Financial Risks – Credit Risk").

Adequacy of Insurance

Keyera currently maintains customary insurance of the types and amounts consistent with prudent industry practice which includes: (i) property and business interruption insurance; and (ii) comprehensive general liability insurance providing coverage for actions by third parties (including sudden and accidental pollution coverage which specifically insures against certain claims for damage from leaks or spills). Keyera may also purchase customary coverage to cover potential losses during the construction of new infrastructure. In addition, Keyera maintains director and officer liability coverage consistent with industry practice. There can be no assurance that such insurance coverage will be available in the future on commercially reasonable terms or at commercially reasonable rates. The insurance coverage obtained with respect to Keyera's business and facilities will be subject to limits and exclusions or limitations on coverage that are considered to be reasonable, given the cost of procuring insurance and current operating conditions. There can be no assurance that the insurance proceeds received by Keyera in respect of a claim will be sufficient in any particular situation to satisfy the indebtedness of Keyera or fully protect against catastrophic events or prolonged shutdowns. Losses beyond the scope of Keyera's insurance coverage could have a material adverse effect on its business, operations and financial performance.

With the growth in Keyera's operating activities in the U.S., Keyera has expanded its insurance coverage to include coverages for its U.S. operations. Because of the litigation environment in the U.S., the potential for higher damages awards and Keyera's acquisition of the Hull Terminal, premiums for this coverage are notably higher than coverage for Canadian operations and there is no guarantee that the coverages Keyera has obtained will be sufficient to satisfy any claims that may be brought as a result of these operations.

Keyera does not insure against soil and groundwater contamination, except for contamination resulting from catastrophic failures. In certain areas in which Keyera has operations, it carries limited or no coverage for terrorism and for injury to workers.

Keyera has a risk management committee, the mandate of which includes reviewing the risks faced by various aspects of Keyera's business, including credit exposure and hedging strategies. Keyera's insurance committee can also draw upon this risk review process to help identify appropriate types and levels of insurance that should be in place to mitigate these risks. In addition to ongoing monitoring of industry and insurance market trends, the insurance committee reviews its insurance and coverage levels at least annually in consultation with insurance providers and experts. Keyera also works with insurance advisors and underwriters to ensure they are knowledgeable about Keyera's operating practices and emergency systems. Their understanding of Keyera's business may help to mitigate the risk of unjustified premium increases or withdrawal of coverage.

Decommissioning, Abandonment and Reclamation Costs

Keyera is 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 costs

of which may be substantial. (See “Health, Safety and Environment – Keyera’s Environmental Programs”). It is not possible to predict these costs with certainty since they are a function of regulatory requirements at the time of decommissioning, abandonment and reclamation and the actual costs may exceed current estimates which are the basis of the asset retirement obligation shown in Keyera’s financial statements. A detailed discussion of the assumptions and basis for calculating the fair value of the asset retirement obligations are included in the 2018 Management Discussion and Analysis accompanying Keyera’s 2018 Annual Audited Financial Statements which is available on SEDAR at www.sedar.com.

Keyera may, in the future, determine it is prudent or may be required by applicable laws or regulations to establish and fund one or more decommissioning, abandonment and reclamation reserve funds to provide for payment of future decommissioning, abandonment and reclamation costs. The creation and maintenance of these reserves could decrease cash flow available to pay dividends to Shareholders and to service debt obligations in the future. Further, even if such reserve funds were established, they may not be sufficient to satisfy the future decommissioning, abandonment and reclamation costs and Keyera will be responsible for the payment of the balance of such costs.

To help mitigate these risks, Keyera has developed a liability management system to estimate future liability, risks, priorities and the anticipated cost of the decommissioning, abandonment and reclamation of its facilities. Costs are accounted for and reported in accordance with the standards imposed by the Chartered Professional Accountants of Canada. Under this program, Keyera has specifically identified and undertaken projects to reclaim retired infrastructure and reclamation projects during the operational life of certain facilities to help reduce the end of life abandonment and reclamation obligations. (See “Health, Safety and Environment – Keyera’s Environmental Programs”).

Environmental Compliance and Remediation Costs

Keyera allocates funding for its environmental programs each year. However, there is the risk that unforeseen matters may arise requiring Keyera to set aside additional funds. Compliance obligations under applicable environmental laws can result in significant costs associated with installing and maintaining pollution controls, fines and penalties resulting from any failure to comply, and potential limitations on operations. Remediation obligations can also result in significant costs associated with the investigation and remediation of contaminated properties. Compliance with environmental legislation and incident response can require significant expenditures. Activities that do not meet regulatory standards or that breach such legislation may result in the imposition of fines, penalties and suspension of operations. It is also possible that increasingly strict environmental and safety requirements could be implemented, which could result in substantial increases in the cost of compliance, including increased capital expenditures and operating expenses. There is also the risk of civil liability for environmental matters.

Keyera also undertakes remediation projects that are identified through its liability management system as part of its ongoing efforts to manage its environmental risk. However, it is not possible for Keyera to estimate the amount and timing of all future expenditures related to environmental matters due to various factors, including: (i) uncertainties in estimating pollution control and clean-up costs, including at sites where only preliminary site investigation or agreements have been completed; (ii) the potential discovery of new sites or additional information at existing sites; (iii) the uncertainty in quantifying liability under environmental laws that impose joint and several liability on all potentially responsible parties; (iv) the evolving nature of environmental laws and regulations, including the interpretation and enforcement thereof; and (v) the potential for litigation on existing or discontinued assets. Based on current operations and practices, the cost of complying with environmental regulations and Keyera’s exposure to civil liability for environmental matters have not had and are not expected to have a material adverse effect on its financial results; however, no assurance can be given that such costs will not adversely affect financial results in the future. (See “Health, Safety and Environment – Environmental Programs” and “Regulatory Framework - Greenhouse Gas and Emissions Regulation”).

Debt Matters

Keyera relies on debt financing for some of its business activities, including capital and operating expenditures. The credit facilities and long term senior unsecured notes have defined terms and there are no assurances that Keyera will be able to refinance any or all of the borrowings at their maturity. In addition, there are no assurances that Keyera will be able to comply at all times with the covenants applicable under its current borrowings; nor are there assurances that Keyera will be able to secure new financing that may be necessary to finance its operations and capital growth program. Any failure of Keyera to secure refinancing, to obtain new financing or to comply with applicable covenants under its borrowings could have a material adverse effect on Keyera's financial results, including its ability to maintain dividends to Shareholders. Further, any inability of Keyera to obtain new financing may limit its ability to support future growth. (See "Borrowing Arrangements").

Borrowings or additional borrowings made by or on behalf of Keyera will affect the leverage of the business. Interest and principal payments on such borrowings will take precedence over cash dividends to Shareholders and may increase the level of financial risk in the operations of Keyera. Keyera's short-term and long term debt prohibit the payment of dividends at any time at which a default or event of default would exist under such debt, or if a default or event of default would exist as a result of paying a dividend.

If Keyera is unable to refinance debt obligations at the time of maturity or is unable to refinance on equally favourable terms, the level of cash dividends to Shareholders may be affected. The revolving credit facilities are currently scheduled to mature in 2022 and the long term senior unsecured notes mature on various dates between 2019 and 2029. ("See "Borrowing Arrangements").

Keyera believes that the existing credit facilities will be sufficient for its immediate requirements and has no reason to believe that it will not be able to renew its existing credit facilities or refinance its long term senior unsecured notes on commercially reasonable terms. However, continued uncertainty in the global economic situation means Keyera, along with other oil and gas companies, may have restricted access to capital and increased borrowing costs. Keyera's ability to raise debt is dependent upon, among other factors, the overall state of the capital markets, the quality of Keyera's public credit ratings and investor appetite for investments in the energy industry and Keyera's securities in particular. The ability to make scheduled payments on or to refinance debt obligations depends on the financial condition and operating performance of Keyera, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond its control. As a result, Keyera may be unable to maintain a level of cash flow from operations sufficient to permit it to pay the principal, premium, if any, and interest on its indebtedness. These conditions could have an adverse effect on the industry in which Keyera operates and its business, including future operating and financial results. There can be no assurance that Keyera's cash flow will be adequate for future financial obligations or that additional funds will be able to be obtained.

Credit Ratings

Keyera has been assigned issuer ratings by DBRS Limited and S&P Global. The issuer ratings are based on an assessment by each of DBRS Limited and S&P Global of Keyera's financial strength, as well as a number of factors not entirely within Keyera's control, including conditions affecting the industry in which Keyera operates generally and the wider state of the economy. Any rating may be revised or withdrawn entirely by a rating agency in the future if in its judgement circumstances so warrant. As a result, there is a risk that Keyera's issuer ratings could be withdrawn or downgraded in the future. In such an event, Keyera's ability to access capital, its cost of borrowing, its financing strategy and its ability to enter in to normal course derivative or hedging transactions (including the associate costs of such transactions) may be adversely affected.

In June 2018 Keyera received a "BBB" rating from DBRS with a "stable" trend and a "BBB" rating from S&P on its Medium Term Notes, 2018. However, Keyera's rating on its Medium Term Notes, 2018 is subject to withdrawal or downgrade. Such a downgrading could trigger a "Rating Event" (as defined in

the MTL Note Indenture) and/or may adversely affect the market price for its Common Shares or other securities. Further, if Keyera were to seek a rating for any securities in the future, there is no guarantee that such securities would receive the same or similar rating as Keyera's issuer rating. (See "Capital Structure of Keyera - Credit Rating").

Credit Risk

Keyera takes on credit risk with respect to its fee-for-service business, the purchase and sale of commodities in its marketing business, hedging of commodity price changes, as well as other financial contracts into which it enters. In particular, Keyera is exposed to credit-related losses in the event that counterparties to contracts become insolvent or otherwise fail to fulfill their present or future financial obligations to Keyera. The majority of Keyera's accounts receivable are due from entities in the oil and gas business and are subject to normal industry credit risks. Concentration of credit risk is mitigated to some degree by having a broad base of domestic and international customers. With respect to counterparties for financial instruments used for economic hedging purposes, Keyera attempts to limit its credit risk by dealing with recognized futures exchanges, or investment grade financial institutions, or by adherence to credit policies that significantly reduce overall counterparty credit risk. Management believes these measures reduce Keyera's overall credit risk; however, there can be no assurance that these processes will protect against all losses from non-performance.

The credit worthiness assessment of a counterparty considers the available qualitative and quantitative information about the counterparty including the financial status and external credit ratings. Depending on the outcome of each assessment, Keyera, in accordance with its credit policy, may: (i) set and adjust limits on exposure to its counterparties, (ii) request collateral/security (i.e. letters of credit, guarantees or other credit enhancements), where appropriate; (iii) require customers to prepay for products or services; and (iv) use contractual arrangements that permit the netting of exposures associated with a single counterparty as well as other remedies. In Keyera's facilities business, the standard operating, transportation and processing agreements provide for an operator's lien on customer products transported or processed through Keyera's facilities. While these liens provide a degree of risk mitigation protection, there are legal risks associated with the enforcement of such liens. While Keyera takes active steps to monitor and manage its credit risk, it is possible that credit exposure to counterparties (or any one of them), may result in Keyera suffering losses, in which case its operations and financial results may be adversely affected.

Interest Rates

Keyera takes on interest rate risk in association with its debt financing. Amounts paid in respect of interest on debt reduce cash flow available for dividends to Shareholders. Interest rates are influenced by Canadian and global economic conditions beyond Keyera's control. Floating rate debt obligations expose Keyera to changes in interest payments, which could have an adverse effect on Keyera's financial results, as variations in interest rates could result in changes in the amount required to service debt. As part of its efforts to mitigate the risk exposure associated with interest rate fluctuations, Keyera: (i) generally funds long term assets with long term, fixed-rate debt or equity, (ii) limits floating-rate debt exposure, which is historically comprised of drawdowns under the Credit Facility, (iii) ladders the maturity dates of its long term unsecured notes to manage re-financing risks; and (iv) uses derivative instruments, including forward currency contracts and cross currency swaps, to hedge against the effect of future exchange rate movements. There is no guarantee these mitigation measures will be effective.

Currency Risk

Currency risk arises on financial instruments that are denominated in a foreign currency. Keyera's functional currency is the Canadian dollar. Operating margins in the Gathering and Processing and Liquids Infrastructure segments are generally not subject to foreign currency risk, as all sales and virtually all purchases are denominated in Canadian dollars. However, Keyera may be exposed to foreign currency fluctuations with respect to capital projects in these segments, as some equipment and services may be sourced or priced in U.S. dollars.

Keyera's foreign currency risk largely arises from the Marketing segment where a significant portion of sales and purchases are denominated in or based on U.S. dollars. Currency risk is actively managed by using forward currency contracts and cross currency swaps. Keyera has adopted a risk management policy in relation to its marketing activities, including the exposure to foreign exchange risk associated with these activities.

Keyera is also exposed to foreign currency risk related to its U.S. dollar denominated long term debt. To manage this currency exposure, Keyera entered into cross currency swap contracts relating to principal and future interest payments for substantially all of the U.S. dollar denominated debt. These cross currency swap contracts are discussed further in the Liquidity and Capital Resources section of the 2018 Annual Management Discussion and Analysis available on SEDAR at www.sedar.com. Management monitors the exposure to foreign currency risk and regularly reviews its risk management strategies and all outstanding positions. Even though Keyera has taken these steps, fluctuations in foreign exchange may still have an adverse effect on its financial results.

Market Price

The market price of the Common Shares may fluctuate due to a variety of factors relating to Keyera's business, including announcements of new developments, fluctuations in Keyera's operating results, sales of the Common Shares or the issuance of Preferred Shares in the marketplace, failure to meet analysts' expectations, general market conditions, and investors' confidence in the WCSB or the worldwide economy. There can be no assurance that the market price of the Common Shares will not experience significant fluctuations in the future, including fluctuations that are unrelated to Keyera's performance. For these reasons, investors should not rely on past trends in the price of Common Shares to predict the future price of Common Shares or Keyera's financial results.

Cash Dividends Are Not Guaranteed

Dividends are not guaranteed and will fluctuate with the performance of the Partnership and other subsidiaries of Keyera Corp. The Board of Directors has the discretion to determine the amount of dividends to be declared and paid to Shareholders each month. In determining the level of dividends, the Board of Directors will take into consideration numerous factors including current and expected future levels of earnings, operating cash flow, income taxes, maintenance capital, growth capital expenditures, debt repayments, working capital requirements, current and potential future environmental liabilities, the impact of interest rates and/or foreign exchange rates; crude oil, natural gas, NGL and iso-octane prices, and other factors. Keyera's short and long term borrowings prohibit Keyera from paying dividends at any time at which a default or event of default would exist under such debt, or if a default or event of default would exist as a result of paying the dividend. (See "Risk Factors – Financial Risks – Debt Matters").

If external sources of capital, including borrowings and the issuance of additional Common Shares or Preferred Shares, become limited or unavailable on commercially reasonable terms, Keyera's ability to sustain its dividends and make the necessary capital investments to maintain or expand its business may be impaired. The extent to which Keyera is required to use cash flow to finance capital expenditures or acquisitions may reduce the cash flow available to declare and pay dividends to Shareholders. Dividends may be increased, reduced or suspended or eliminated entirely depending on Keyera's operations and the performance of its assets and businesses.

Sales of Additional Common Shares or Preferred Shares

Keyera Corp. may issue additional Common Shares or Preferred Shares in the future. As of December 31, 2018, there are no Preferred Shares issued and outstanding. Such additional Common Shares and Preferred Shares may be issued without the approval of Shareholders. Shareholders do not have pre-emptive rights in connection with such additional issuances of Common Shares or Preferred Shares. It is not possible to predict the size of future issuances of Common Shares, Preferred Shares or the effect, if any, that future issuances of Common Shares or Preferred Shares will have on the market price of the Common Shares or Preferred Shares. Issuances of a substantial number of Common Shares

or Preferred Shares, or the perception that such issuances could occur, may adversely affect prevailing market prices for the Common Shares or Preferred Shares. As well, with any additional issuance of Common Shares or Preferred Shares, Shareholders will experience dilution.

Keyera's dividend reinvestment plan (the "Plan"), which was amended effective May 5, 2015, consists of two components: a Premium DividendTM reinvestment component and a regular Dividend Reinvestment component. Under the Dividend Reinvestment component of the Plan, Common Shares are issued from treasury at a 3% discount to the Average Market Price (as defined in the Plan) on the applicable dividend payment date. Effective with the May 2015 dividend, Keyera reinstated the Premium DividendTM component of the Plan. The Premium DividendTM component permits eligible shareholders to elect to have the additional shares issued from treasury at the 3% discount and delivered to the designated Plan Broker (as defined in the Plan) 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.

Changes in Tax Legislation

Tax laws may be amended (its interpretation may change), retroactively or prospectively, resulting in tax consequences that materially differ from those contemplated by Keyera across the jurisdictions in which Keyera has operations or sales which may create a risk of non-compliance and re-assessment. While Keyera believes that its tax filing positions are appropriate and supportable, it is possible that tax authorities may: (a) amend tax legislation (or its interpretation may change), or (b) successfully challenge Keyera's interpretation of tax legislation which may affect Keyera's estimate of current and future income taxes affecting the financial condition, prospects, and cash flow available to pay dividends to Keyera's Shareholders.

To help mitigate this risk, Keyera retains knowledgeable, competent employees and consultants who are responsible for preparation of tax compliance filings, CRA audits, quarterly provisions and tax forecasts to aid in predicting timing and the amount of cash taxability. In addition, Keyera engages external tax counsel and accountants who assist with the review of its tax filings and tax provisions to help Keyera to comply with applicable legislation.

Litigation Risk

Keyera is, in the course of their business, subject to lawsuits and other claims. Defence and settlement costs associated with such lawsuits and claims can be substantial, even with respect to lawsuits and claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding could have an adverse effect on Keyera's operating results or financial performance.

Dependence on Subsidiaries

Keyera Corp. depends on the operations and assets of its subsidiaries. Keyera's primary Canadian businesses and assets are owned and operated by the Partnership; however, Rimbey LP owns and operates the Rimbey Pipeline and ADT Ltd. owns and operates the Alberta Diluent Terminal. Keyera's U.S. subsidiary, KEI, owns and operates Keyera's facilities located in the U.S. and carries out Keyera's NGL and iso-octane marketing activities in the U.S. The ability of Keyera Corp. to pay dividends to Shareholders and the actual amount of such dividends will be dependent upon, among other things, the financial performance of its subsidiaries.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Keyera is subject to various legal proceedings and regulatory actions arising in the normal course of business. While the final outcome of such legal proceedings and regulatory actions cannot be

predicted with certainty and there can be no assurance that such matters will be resolved in Keyera's favour, it is the opinion of Keyera's management that the resolution of such proceedings and regulatory actions will not have a material impact on Keyera's consolidated financial position, results of operations or liquidity. No penalties or sanctions material to Keyera have been imposed by a court or regulatory body, nor has Keyera entered into a settlement agreement in relation to any securities legislation.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director, officer or principal shareholder of Keyera Corp., nor any associate or affiliate of any such person, has had any material interest, direct or indirect, in any transaction with Keyera Corp. within the three most recently completed financial years that has materially affected or is reasonably expected to materially affect Keyera Corp.

INTERESTS OF EXPERTS

Deloitte LLP is the external auditor of Keyera Corp. Deloitte LLP has advised they are independent with respect to Keyera Corp. within the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Alberta.

TRANSFER AGENT AND REGISTRAR

Computershare is the transfer agent and registrar for Keyera Corp. Computershare has principal offices in Calgary, Alberta and Toronto, Ontario where transfers of securities may be recorded.

MATERIAL CONTRACTS

The following material contracts have been entered into on behalf of Keyera and are available under the Keyera Corp. profile on SEDAR at www.sedar.com:

Agreement	Amendment	SEDAR Filing Date
Amended and Restated Partnership Agreement dated January 1, 2011		February 17, 2011
	First Amendment dated December 21, 2011	February 16, 2012
	Second Amendment dated December 23, 2011	February 16, 2012
	Third Amendment dated January 2, 2016	February 10, 2016
	Fourth Amendment dated January 2, 2016	February 10, 2016
	Fifth Amendment dated January 1, 2017	February 14, 2017
Shareholder Rights Plan dated March 14, 2017		May 11, 2017
Note Purchase Agreement dated September 4, 2007		February 17, 2011
	First Amending Agreement dated March 31, 2017	November 16, 2017
	Second Amending Agreement dated December 14, 2018	January 31, 2019
Note Purchase Agreement dated September 8, 2010		February 17, 2011
	First Amending Agreement dated March 31, 2017	November 16, 2017
	Second Amending Agreement dated December 14, 2018	January 31, 2019
Note Purchase Agreement dated June 19, 2012		February 14, 2013
	First Amending Agreement dated March 31, 2017	November 16, 2017
Note Purchase Agreement dated November 20, 2013		February 13, 2014
	First Amending Agreement dated March 31, 2017	November 16, 2017
Note Purchase Agreement dated October 13, 2016		February 14, 2017

	First Amending Agreement dated March 31, 2017	November 16, 2017
Note Purchase Agreement dated September 20, 2017		February 15, 2018
Uncommitted Private Shelf Facility dated November 5, 2010		February 17, 2011
	First Amendment dated January 4, 2011	February 15, 2018
	Second Amendment dated June 8, 2011	February 16, 2012
	Third Amendment dated October 10, 2013	February 13, 2014
	Fourth Amendment dated December 15, 2016	February 14, 2017
	Fifth Amending Agreement dated March 31, 2017	November 16, 2017
Assumption Agreement dated January 1, 2011*		February 17, 2011
Amended and Restated Credit Agreement dated January 1, 2011		February 8, 2011
	First Amending Agreement dated November 2, 2011	November 28, 2011
	Second Amending Agreement dated December 14, 2012	February 14, 2013
	Third Amending Agreement dated December 6, 2013	February 13, 2014
	Fourth Amending Agreement dated December 9, 2014	February 11, 2015
	Fifth Amending Agreement dated December 9, 2015	February 10, 2016
	Sixth Amending Agreement dated December 6, 2016	February 14, 2017
	Seventh Amending Agreement dated March 31, 2017	August 29, 2017
	Eighth Amending Agreement dated December 8, 2017	February 15, 2018
	Ninth Amending Agreement dated December 13, 2018	January 31, 2019
MTN Note Indenture		June 28, 2018

* The Assumption Agreement dated January 1, 2011, between the Partnership, Keyera Corp. and the relevant noteholders relates to the September 4, 2007 Note Purchase Agreement, September 8, 2010 Note Purchase Agreement, and November 5, 2010 Uncommitted Private Shelf Facility.

ADDITIONAL INFORMATION

1. Additional information in relation to Keyera may be found on SEDAR at www.sedar.com.
2. Additional information including directors' and officers' remuneration and indebtedness, principal holders of securities and securities authorized for issuance under equity compensation plans (all where applicable) is contained in the Keyera Corp. information circular dated March 23, 2018 filed on SEDAR at www.sedar.com. Information for 2018 will be included in Keyera Corp.'s information circular to be mailed to Shareholders (and filed on SEDAR) in connection with the annual meeting of Shareholders to be held on May 14, 2019.
3. Additional financial information is provided in Keyera's 2018 Audited Annual Consolidated Financial Statements and accompanying Management Discussion and Analysis filed on SEDAR at www.sedar.com.

SCHEDULE A AUDIT COMMITTEE TERMS OF REFERENCE

Purpose

The purpose of the Audit Committee of the Board of Directors (the "**Committee**") is to assist the Board of Directors (the "Board") of Keyera Corp. in fulfilling its responsibilities in relation to financial matters. The Committee's role includes monitoring and overseeing the quality of the financial reporting and systems of internal control and the financial risk management of Keyera Corp. and its subsidiaries, including Keyera Partnership (collectively Keyera Corp. and its subsidiaries being referred to as "**Keyera**"). The Committee shall serve as the ultimate authority to which Keyera Corp.'s internal and external auditors are accountable.

Mandate

Management is responsible for preparing the interim and annual financial statements of Keyera and for maintaining systems of risk assessment, risk management and internal controls to provide reasonable assurance that assets are protected and that transactions are authorized, recorded, and reported properly. The Committee is responsible for reviewing and monitoring management's actions and for overseeing the work of the external auditor.

1. Financial Performance and Reporting. The Committee has responsibility for monitoring and reviewing financial performance and reporting by Keyera. The Committee shall:
 - (a) receive quarterly reports from management with respect to the financial performance of Keyera;
 - (b) review with management and the external auditors the financial reporting of Keyera in connection with the annual audit and the preparation of financial statements, including, without limitation, the judgment of the external auditors as to the quality and appropriateness of the accounting principles as applied in that financial reporting;
 - (c) receive the report of the external auditors on the annual financial statements of Keyera;
 - (d) review with the external auditors, (i) the annual financial statements of Keyera; (ii) the audit of those financial statements; and (iii) the report of the external auditors thereon; in order to confirm that the external auditors are satisfied with the disclosure to them of appropriate information and the content of the financial statements;
 - (e) review with management and make recommendations to the Board of Directors relating to (i) the audited annual financial statements of Keyera, and (ii) Management's Discussion and Analysis ("MD&A") in respect of Keyera's annual financial statements, and (iii) the accompanying report of the Chief Executive Officer and press release;
 - (f) receive the report of the external auditors on Keyera's interim financial statements;
 - (g) review with management and the external auditors (i) Keyera's interim financial statements, (ii) the review of those financial statements, and (iii) the auditor's report on their review and review with management the MD&A in relation thereto (along with the

accompanying report of the Chief Executive Officer and press release) and make recommendations to the Board relating to the interim financial statements, MD&A and related documents;

- (h) review and make recommendations to the Board with respect to Keyera's Annual Information Form and those aspects of Information Circular related to the Committee (including with respect to the appointment of auditors);
 - (i) review and make recommendations to the Board of Directors relating to any prospectus required to be filed in connection with an offering of securities by Keyera;
 - (j) receive a report from the general counsel each quarter and review with management, and, if necessary, the external auditors and legal counsel, any litigation, claim or contingency, including tax assessments (collectively "Claims"), that could have a material effect upon the financial position of Keyera and the manner in which such Claims may be, or have been, disclosed in the financial statements;
 - (k) review with management accounting practices, policies, significant estimates and instances of management override of controls and the financial impact thereof; and
 - (l) review accounting, tax and financial aspects of the operations of Keyera as the Committee considers appropriate.
2. Financing Strategy and Oversight. The Committee has responsibility for overseeing Keyera's financing strategy. The Committee shall:
- (a) review with management Keyera's dividend policy, dividend recommendations, financial structure, proposed financings and overall financing strategy.
3. Relationship with the External Auditors. The Committee has responsibility for the relationship with the external auditors relating to audit, review and attest services. The Committee shall:
- (a) subject to applicable law and the rights of shareholders and the Board, be directly responsible, for the appointment, compensation, and retention of the external auditors and oversight of their work relating to their audit (including resolution of disagreements between management and the external auditors regarding financial reporting), their preparation or issuance of an audit report, or their performance of other audit, review or attest services for Keyera;
 - (b) be responsible for requiring the external auditors to report directly to the Committee;
 - (c) review and approve the audit plans of the external auditors of Keyera;
 - (d) meet separately with the external auditors to discuss matters of mutual interest, and to consider any matter that the external auditors recommend that the Committee bring to the attention of the full Board;

- (e) pre-approve significant non-audit engagements, including audit-related activities and other services, of the external auditors and review the fees paid and other terms for these engagements;
 - (f) review and discuss with the external auditors all significant relationships that the external auditors and their affiliates have with Keyera in order to determine the external auditors' independence, including, without limitation, (A) requesting, receiving and reviewing, on a periodic basis, a statement from the external auditors delineating all relationships that may reasonably be thought to bear on the independence of the external auditors with respect to Keyera, (B) discussing with the external auditors any disclosed relationships or services that the external auditors believe may affect the objectivity and independence of the external auditors, and (C) recommending that the Board take appropriate action in response to the external auditors' report to satisfy itself of the external auditors' independence;
 - (g) periodically consider whether external auditors should be precluded from providing non-audit services to Keyera;
 - (h) assess the effectiveness and performance of the external auditors; and
 - (i) determine whether restrictions should be placed on the recruitment by Keyera of employees and management from the external auditors.
4. Internal Audit and Controls. The Committee has an oversight responsibility for the design, maintenance and assessment of internal controls and the internal audit function by Keyera's management. The Committee shall:
- (a) oversee the internal audit function;
 - (b) review and consider, as appropriate, any significant reports and recommendations issued by Keyera or any external party relating to internal audit issues, together with management's response thereto;
 - (c) receive a report each quarter on management overrides of internal controls and review with management and the external auditors any issues arising from overrides;
 - (d) review with management, and the external auditors, the effectiveness of the disclosure controls and internal controls of Keyera, and review whether those controls are in compliance with legal and regulatory requirements and with the policies of Keyera;
 - (e) establish procedures for the receipt, retention and treatment of complaints received by Keyera regarding accounting, internal controls or auditing matters, including the confidential, anonymous submission by employees of Keyera of concerns regarding illegal activity or questionable accounting or auditing matters;
 - (f) review with management, prior to consideration by the Board, the proposed appointment, re-assignment or removal of the Chief Financial Officer of Keyera Corp.;

- (g) review the adequacy of internal controls and procedures related to the expense accounts of officers of Keyera at the level of Vice-President and above, including officers' use of corporate assets, and consider the results of any reviews by the external auditors; and
 - (h) review the financial aspects of any transactions of Keyera that involve related parties (other than wholly-owned subsidiaries).
5. Risk Management. The Committee has a responsibility for monitoring and reviewing financial risk assessment and management programs. The Committee shall:
- (a) review with management the identification, assessment and management of significant financial risks and exposures;
 - (b) review the processes implemented or proposed by management to identify material financial risks associated with Keyera's businesses, and review management's implementation of appropriate processes and systems to manage and mitigate those risks;
 - (c) review the management of risks associated with Keyera's information technology systems, including the effectiveness of Keyera's cyber security practices; and
 - (d) review management's program to obtain appropriate insurance to mitigate risks and coverage, deductibles and key issues regarding corporate insurance policies.

Committee and Procedures

1. Composition of Committee.

The Committee shall consist of not less than three and not more than six Directors, at least one-half of whom are resident Canadians (as defined in the *Business Corporations Act* (Alberta)), all of whom are independent of Keyera within the meaning of applicable laws, rules, policies, guidelines and requirements, as affirmatively determined by the Board. In addition, all members of the Committee shall be financially literate as determined by the Board from time to time. Determinations as to whether a particular Director satisfies the requirements for membership on the Committee shall be made by the full Board.

2. Appointment of Committee Members

Members of the Committee shall be appointed from time to time and shall hold office at the pleasure of the Board. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board. The Board shall fill any vacancy if the membership of the Committee is less than three Directors.

3. Committee Chair

The Board shall appoint a Chair for the Committee.

4. Absence of Committee Chair

If the Chair of the Committee is not present at any meeting of the Committee, one of the other members of the Committee who is present at the meeting shall be chosen by the Committee to preside at the meeting.

5. Secretary of Committee

The Committee shall appoint a Secretary who need not be a Director of Keyera Corp.

6. Meetings

The Committee shall meet at least four times per year and shall meet at such other times during each year as it deems appropriate. In addition, the Chair of the Committee may call a special meeting of the Committee at any time. The Committee shall ensure that it meets the external auditors on a regular basis in the absence of management.

7. Quorum

A majority of the members of the Committee shall constitute a quorum.

8. Notice of Meetings

Notice of the time and place of every meeting shall be given in writing (including by way of written facsimile communication) to each member of the Committee at least 24 hours prior to the time fixed for such meeting, provided however, that a member may in any manner waive a notice of a meeting; and attendance of a member at a meeting constitutes a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

9. Attendance at Meetings

At the invitation of the Chair of the Committee, one or more officers of Keyera may attend any meeting of the Committee. Any independent director may attend any meeting of the Committee.

10. Procedure, Records and Reporting

Subject to any statute or the articles and by-laws of Keyera Corp., the Committee shall fix its own procedures at meetings, keep records of its proceedings and report to the Board when the Committee may deem appropriate (but not later than the next quarterly meeting of the Board). The minutes of its meetings shall be distributed to all directors. All independent Directors shall be provided with access to any materials distributed to members of the Committee.

11. Assessment

The Audit Committee should assess from time to time its own performance, considering responsiveness to the Terms of Reference of the Audit Committee and the effectiveness of relationships and communications with management, the internal auditors, the external auditors and the Board of Directors.

12. Delegation

The Committee may delegate from time to time to any person or committee of persons any of the Committee's responsibilities that lawfully may be delegated.

13. Independent Advisors

The Committee has the authority to retain independent legal, compensation or other advisors to advise the Committee or a member of the Committee independently on any matter. The Committee (subject to the Board's oversight) has the authority to retain and terminate such advisors, including the authority to approve fees and other terms of the retainer.

14. Review of Terms of Reference

The Committee shall review and reassess the adequacy of these Terms of Reference at least annually, and otherwise as it deems appropriate, and recommend changes to the Board.