



KEYERA CORP.

ANNUAL INFORMATION FORM

February 17, 2011

TABLE OF CONTENTS

	Page
GLOSSARY	1
ABBREVIATIONS AND CONVERSIONS.....	5
FORWARD LOOKING STATEMENTS	5
PRESENTATION OF FINANCIAL INFORMATION	6
DESCRIPTION OF THE STRUCTURE OF KEYERA CORP. AND CERTAIN SUBSIDIARIES	6
Conversion of the Fund to Keyera Corp.....	6
Organizational Diagram.....	7
Keyera Corp.....	7
Keyera's Operating Entities: The Partnership, Rimbey LP, ADT Ltd. and KEI	8
GENERAL DEVELOPMENT OF THE BUSINESS.....	8
Historical Development - The Fund and its Predecessors	8
Recent Developments	10
BUSINESS OF KEYERA	11
Overview	11
Gathering and Processing Business Unit	11
Liquids Business Unit.....	17
OTHER INFORMATION RELATING TO KEYERA'S BUSINESS	21
Business Arrangements	21
Fee Methodologies	22
ConocoPhillips Arrangements	23
Borrowing.....	23
Decommissioning, Abandonment and Reclamation Costs	25
Competition	26
Employees and Labour Relations	26
Foreign Markets and Operations.....	26
CODE OF BUSINESS CONDUCT.....	26
CAPITAL STRUCTURE OF KEYERA CORP.....	27
Common Shares.....	27
Convertible Debentures	27
Shareholder Rights Plan	31
DISTRIBUTIONS AND DIVIDENDS.....	35
Distribution History	35
Premium Dividend™ and Dividend Reinvestment Plan	35
MARKET FOR SECURITIES	36
Trading Price and Volume.....	36
Prior Sales.....	37
DIRECTORS AND OFFICERS OF KEYERA CORP.	38
Directors	38
Committees of the Board of Directors	39
Conflicts of Interest	40
Share Ownership by Directors and Executive Officers	40
Cease Trade Orders, Bankruptcies, Fines or Sanctions	40
Officers of Keyera Corp.	41
AUDIT COMMITTEE INFORMATION	42
Audit Committee Members and Terms of Reference	42
Principal Accountant Fees and Services	43
Pre-Approval Policies	43
INDUSTRY AND ENVIRONMENTAL REGULATION	43
General Regulatory Context	43
Industry Regulation	43
Keyera's Environmental Programs.....	45
Environmental Regulation.....	45
RISK FACTORS AND RISK MANAGEMENT STRATEGIES	48
Operational Risks	48
Financial Risks	55

TABLE OF CONTENTS
(continued)

Page

LEGAL PROCEEDINGS AND REGULATORY ACTIONS	60
INTERESTS OF EXPERTS	60
TRANSFER AGENT AND REGISTRAR.....	60
MATERIAL CONTRACTS.....	60
ADDITIONAL INFORMATION	60
SCHEDULE A AUDIT COMMITTEE TERMS OF REFERENCE	61

The information in this Annual Information Form is given as of December 31, 2010 unless otherwise indicated. All dollar amounts set forth in this Annual Information Form 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 Annual Information Form, 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.

"**2010 Unitholder Meeting**" means the annual and special meeting of Unitholders held on May 11, 2010;

"**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;

"**AFE**" means authority for expenditure;

"**Arrangement**" means the arrangement under section 193 of the ABCA involving the Fund, Keyera Corp., KEML, certain of their subsidiaries and the Unitholders which was completed January 1, 2011 in accordance with the terms and conditions set forth in the Arrangement Agreement;

"**Arrangement Agreement**" means the arrangement agreement dated March 25, 2010 among the Fund, Keyera Corp. and certain of their direct and indirect wholly-owned subsidiaries pursuant to which the Conversion was completed;

"**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, an octane enhancer;

"**CDS**" means The Canadian Depository for Securities Limited;

"**CO₂**" means carbon dioxide;

"**Computershare**" means Computershare Trust Company of Canada;

"**condensate**" means a mixture of hydrocarbons consisting primarily of pentanes and heavier liquids extracted from raw gas;

"**Conversion**" means the conversion of the Fund from an income trust structure to a corporate structure pursuant to the Arrangement and Pre-Arrangement Transactions;

"**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;

"**Debenture Trustee**" means Computershare, who acts as trustee under the Debenture Indenture;

"**Debentures**" means the First Debentures and the Second Debentures and "Debenture" means any one of them;

"**Declaration of Trust**" means the declaration of trust establishing the Fund dated April 3, 2003, as amended and restated effective June 8, 2009, and further amended January 1, 2011;

"**dehydration**" means the process by which water vapour is removed from raw gas;

"**deep cut**" refers to NGL recovery processes by which NGLs are recovered from natural gas in excess of amounts required for sales gas to meet pipeline specifications;

"**diluent**" means a lower density fluid that is blended with heavy oil or bitumen in order to reduce viscosity and density to pipeline conditions (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 and Distributions";

"**distributed control system**" means a computer-based control system used in a gas plant to monitor and control process equipment and alarm shut-down equipment;

"**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;

"**EnerPro Acquisition**" means the indirect acquisition of EnerPro Midstream Company by the Fund as described under "General Development of the Business";

"**ERCB**" means the Alberta Energy Resources Conservation Board;

"**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 Debentures**" means the 6.75% convertible unsecured subordinated debentures due June 30, 2011;

"**First Supplemental Indenture**" means the supplemental indenture issued under the Debenture Indenture dated December 1, 2008, under which the Second Debentures were issued;

"**frac oil**" means a special blend of condensate that is used extensively by the well servicing industry in western Canada for well stimulation;

"**Fund**" means Keyera Facilities Income Fund, an unincorporated open-ended trust established under the laws of the Province of Alberta pursuant to the Declaration of Trust;

"**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;

"**grandfathered**" means, with reference to sour gas facilities, those sour gas facilities in Alberta which were not required to meet sulphur recovery guidelines for raw sour gas plants as defined by the ERCB in IL 88-13;

"**Guidelines**" means the guidelines concerning the meaning of "normal growth" in the context of the SIFT Rules issued by the Department of Finance on December 15, 2006;

"**H₂S**" means hydrogen sulphide;

"**hydrocarbons**" means organic compounds containing a mixture of carbon and hydrogen;

"**ID 2001-3**" means ERCB Interim Directive 2001-3: Sulphur Recovery Guidelines for the Province of Alberta;

"**IL 88-13**" means ERCB Information Letter 88-13: Sulphur Recovery Guidelines — Gas Processing Operations, which has been replaced by ID 2001-3;

"**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;

"**KEFL**" means Keyera Energy Facilities Limited, a corporation incorporated under the laws of the Province of Alberta;

"**KEI**" means Keyera Energy Inc., a corporation incorporated under the laws of the State of Delaware;

"**KEL**" means Keyera Energy Ltd., a corporation incorporated under the laws of the Province of Alberta;

"**KELP**" means Keyera Energy Limited Partnership, a limited partnership organized under the laws of the Province of Alberta pursuant to the KELP Agreement;

"**KELP Agreement**" means the amended and restated partnership agreement dated January 2, 2008, as further amended January 1, 2011, with respect to KELP;

"**KEML**" means Keyera Energy Management Ltd., a corporation incorporated under the laws of the Province of Alberta which was the administrator of the Fund and KELP;

"**Keyera**" means, in reference to the period up to the effective time of the Plan of Arrangement on January 1, 2011, the Fund and subsidiaries and thereafter means Keyera Corp. and its subsidiaries, as successors to the Fund and its subsidiaries;

"**Keyera Corp.**" means Keyera Corp. a corporation formed under the laws of Alberta which became the successor to the Fund effective January 1, 2011 upon completion of the Conversion;

"**Keyera Entity**" means any person controlled, directly or indirectly, from time to time by Keyera Corp. (and, prior to the effective time of the Plan of Arrangement on January 1, 2011, a person that was controlled, directly or indirectly, by the Fund);

"**KFL**" means Keyera Facilities Ltd., a corporation formed pursuant to the laws of Alberta;

"**KRPL**" means Keyera RP Ltd., a corporation formed pursuant to the laws of Alberta;

"**license capacity**" means the maximum permissible raw gas inlet volume for a gas plant as determined by the plant license granted by the ERCB or OGC;

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

"**OGC**" means the British Columbia Oil and Gas Commission;

"**pentane**" means a hydrocarbon, generally a liquid at atmospheric conditions, the chemical formula of which is C₅H₁₂;

"**Plan of Arrangement**" means the plan of arrangement attached as Schedule "A" to the Arrangement Agreement;

"**Pre-Arrangement Transactions**" means those transactions completed immediately prior to the effective time of the Arrangement that were undertaken to facilitate the Conversion;

"**propane**" means an NGL, the chemical formula of which is C₃H₈, used for heating, crop drying and 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;

"**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 GP**" means Keyera Rimbey Ltd., a corporation formed pursuant to the laws of Alberta;

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

"**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 resulting in saleable natural gas comprised primarily of methane with small amounts of ethane and other NGLs;

"**Second Debentures**" means the 8.25% convertible unsecured subordinated debentures due December 31, 2013;

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

"**SIFT Rules**" means the legislation passed by the Government of Canada in June 2007 with respect to changes to the taxation of certain publicly-traded trusts and partnerships and their unitholders, together with the Guidelines and subsequent legislative amendments contained in legislation implementing the changes;

"**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 ERCB 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 body corporate, 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) and the regulations thereunder;

"**throughput**" means, with respect to a gas plant, the raw gas inlet volume processed, and, with respect to a pipeline, means the gas or liquid volume transported therein;

"**TSX**" means the Toronto Stock Exchange;

"**Trustee**" means the trustee of the Fund;

"**Unitholder**" means a holder of Units;

"**Units**" means the ordinary trust units of the Fund, each Unit representing an equal undivided beneficial interest in the Fund; and

"utilization rate" means, with respect to a gas plant, throughput divided by license capacity, and, for a pipeline, throughput divided by pipeline capacity, in both cases expressed as a percentage.

ABBREVIATIONS AND CONVERSIONS

In this Annual Information Form, the following abbreviations have the meanings set forth below:

bbl and bbls	Barrel and barrels, each barrel representing 34.972 Imperial gallons or 42 United States 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).

<u>To Convert From</u>	<u>To</u>	<u>Multiply By</u>
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

Certain statements contained in this Annual Information Form and the documents incorporated by reference herein contain forward-looking statements. These statements relate to future events or Keyera's future performance. Such statements are predictions only and actual events or results may differ materially. The use of words such as "anticipate," "continue," "estimate," "expect," "may," "will," "project," "should," "plan," "intend," "believe," and similar expressions, including the negatives thereof, is intended to identify forward looking statements. All statements other than statements of historical fact contained in this document are forward looking statements, including, without limitation, statements regarding: 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; anticipated project completion dates; anticipated timing for future revenue streams; objectives of or involving Keyera; impact of commodity prices; environmental matters; treatment of Keyera under governmental regulatory regimes; the existence, operation and strategy of risk management programs, including the approximate and maximum amount of forward sales and hedging to be employed; 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 Annual Information Form and accompanying documents may also contain forward-looking statements attributed to third parties. Management believes that its assumptions and analysis in this Annual Information Form are reasonable and that the expectations reflected in the forward looking statements contained herein are also reasonable. 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; access to capital and debt markets (including the operation or suspension of the Premium Dividend™); operational matters, including potential hazards inherent in our operations; risks arising from co-ownership of facilities; activities of other facility owners; competitive action by other companies; activities of producers, other customers and overall industry activity levels; oil sands development activity; changes in gas composition; fluctuations in commodity prices and supply/demand trends; processing and marketing margins; effects of weather conditions; fluctuations in interest rates and foreign currency exchange rates; changes in operating and capital costs, including fluctuations in input costs; actions by governmental authorities; decisions or approvals of administrative tribunals; changes in environmental and other regulations; reliance on key personnel; competition for, among other things, capital, acquisition opportunities and skilled personnel; changes in tax laws 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 Annual Information Form.

Readers are therefore cautioned that they should not unduly rely on the forward looking statements included in this Annual Information Form or any documents incorporated by reference. Further, readers are cautioned that the forward looking statements contained herein speak only as of the date of this Annual Information Form.

All forward looking statements contained in this Annual Information Form 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, and previously made by the Fund, with Canadian provincial securities commissions available on www.sedar.com.

PRESENTATION OF FINANCIAL INFORMATION

This Annual Information Form refers to certain financial measures that are not determined in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). These measures do not have standardized meanings and may not be comparable to similar measures presented by other trusts or corporations. Measures such as "cash flow" and "distributable cash flow" are not standard measures under GAAP and therefore may not be comparable to similar measures for other companies. Keyera believes that these measures are useful supplemental measures as they facilitate the understanding of Keyera's financial performance. Investors are cautioned, however, that these measures should not be construed as an alternative to net earnings determined in accordance with GAAP as an indication of Keyera's performance.

DESCRIPTION OF THE STRUCTURE OF KEYERA CORP. AND CERTAIN SUBSIDIARIES

Conversion of the Fund to Keyera Corp.

As a result of the SIFT Rules announced by the Minister of Finance (Canada) on October 31, 2006 and passed into law in June 2007, the Fund, as a publicly traded income trust, would have become subject to a tax of 26.5% commencing in 2011 and 25% in 2012 and subsequent years on the taxable portion of its distributions to Unitholders. In 2009, the Federal Government passed the Budget Implementation Act, 2009 which established rules to facilitate the conversion of existing SIFT trusts into corporations on a tax deferred basis provided the conversion occurs prior to 2013.

Management and the Board of Directors of KEML carefully evaluated the options available to the Fund as a result of the SIFT Rules, including the implications of maintaining the Fund's income trust structure and the implications of converting to a corporation. After careful consideration, it was determined that it would be in the best interests of the Fund and its Unitholders to convert to a corporation. In May 2010, the Fund presented its plan to convert to a corporation pursuant to a Plan of Arrangement to its Unitholders at the 2010 Unitholder Meeting. The Unitholders approved the Plan of Arrangement and subsequently, the Court of Queen's Bench of Alberta granted the Final Order approving the Plan of Arrangement on December 7, 2010, clearing the way to complete the Conversion as planned.

On January 1, 2011, the Fund completed its Conversion pursuant to the Plan of Arrangement and related transactions. The Conversion resulted in the Unitholders of the Fund becoming the shareholders of Keyera Corp. and Keyera Corp. assuming all of the assets and liabilities of the Fund. Pursuant to the Conversion, all of the outstanding

Units were exchanged for Common Shares on a one-for-one basis and Keyera Corp. assumed all the obligations of the Fund with respect to the Debentures. The Second Supplemental Indenture was adopted to reflect the assumption by Keyera Corp. of the obligations of the Fund with respect to the Debentures and in accordance with the Second Supplemental Indenture, holders of Debentures are now entitled to receive one Common Share in place of each Unit such holder would have been entitled to receive upon conversion of the Debentures prior to the effective time of the Conversion. The Conversion did not trigger a change of control for the purposes of the Second Debentures; however, the Conversion did result in a change of control for the First Debentures. As a result, Keyera Corp. was obligated to offer to purchase all of the outstanding First Debentures at 101% of their principal amount plus any accrued and unpaid interest within 30 days of January 1, 2011 (the "Offer"). This Offer was made on January 26, 2011. Copies of the Second Supplemental Indenture, as well as the Notice of Change of Control and the Offer are available on SEDAR at www.sedar.com.

As an internal reorganization, the Conversion did not involve the acquisition of any additional interests in any operating assets or the disposition of any interests in the operating assets. The principal businesses of Keyera Corp. and its subsidiaries are the same as the principal businesses of the Fund and its subsidiaries immediately prior to the Conversion. Keyera Partnership became the principal operating entity, replacing KELP and KEFL and assuming, among other things, the obligations of KELP and KEFL under credit facilities and other third party debt.

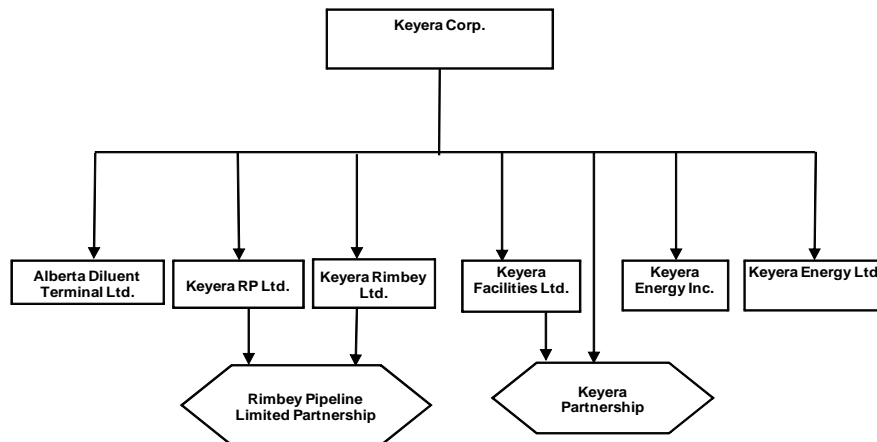
The directors of KEML, elected by the Unitholders at the 2010 Unitholder Meeting, became the directors of Keyera Corp. and the management of KEML became the management of Keyera Corp. The Conversion did not result in a change of control for the purposes of the Fund's Long Term Incentive Plan (the "LTIP") and participants in the LTIP will be entitled to receive the same number of Common Shares as Units that such participants would have otherwise been entitled to receive in accordance with the applicable performance periods and related delivery dates.

As a result of the Conversion, Keyera Corp. became a reporting issuer in all the same jurisdictions as the Fund prior to the Conversion and the Fund ceased to be a reporting issuer in such jurisdictions. Keyera Corp. is a publicly traded, dividend paying corporation. The Common Shares and Debentures are listed for trading on the TSX and the Units have been delisted.

Additional information regarding the background to the Conversion is set forth in the Information Circular of the Fund dated March 25, 2010 which may be viewed on SEDAR at www.sedar.com.

Organizational Diagram

The following diagram sets out the organizational structure of Keyera and its subsidiaries as of the date hereof. All subsidiaries are 100% owned, directly or indirectly, by Keyera Corp.



Keyera Corp.

Keyera Corp. was formed under the ABCA as the result of amalgamation of Keyera Corp., KEML and KEFL in accordance with the terms of the Plan of Arrangement. Both the registered office and head office of Keyera Corp. are located at 600, 144 – 4th Avenue SW, Calgary, Alberta T2P 3N4. Keyera Corp.'s Articles of Amalgamation and bylaws are available on Sedar at www.sedar.com.

Keyera's Operating Entities

The Partnership was originally established in March 2010 as an indirect wholly owned subsidiary of the Fund. Upon completion of the Conversion, the Partnership became the successor in interest to the business and assets previously owned and operated by KEFL and KELP, which were the primary Canadian operating entities within the Fund's organizational structure. As of the date hereof, the Partnership is Keyera's primary operating entity in Canada, owning and operating the majority of Keyera's Canadian assets and businesses. (See "Business of Keyera – Gathering and Processing Business Unit" and "Business of Keyera – Liquids Business Unit").

In accordance with the Partnership Agreement the main businesses and activities that the Partnership is authorized to carry on include: (i) directly or indirectly, alone or in conjunction with other persons, gathering, processing, transporting, delivering, fractionating, extracting, storing, blending, selling, marketing, investing in, exploring for, developing, producing, and disposing of natural gas, NGLs, crude oil, bitumen, other petroleum products (including any by-products associated with the foregoing), petroleum based solvents, electricity, thermal energy and other alternative energy; (ii) constructing, owning, operating, acquiring and investing in facilities and infrastructure related to the foregoing; (iii) such other business activities as the Board of Directors may determine; and (iv) all activities ancillary or incidental to any of the foregoing.

Keyera Corp. is the managing partner of the Partnership and Keyera Facilities Ltd., a wholly owned subsidiary of Keyera Corp. formed pursuant to the ABCA, is the other general partner. A copy of the Partnership Agreement is available on SEDAR at www.sedar.com.

Keyera's other Canadian operating entities are Rimbey LP and ADT Ltd. Rimbey LP is a limited partnership formed under the *Partnership Act (Manitoba)* and is extra-provincially registered in Alberta. Its primary assets are the Edmonton Terminal and the Rimbey Pipeline. ADT Ltd. was formed pursuant to Articles of Amalgamation filed under the ABCA. Its primary asset is the Alberta Diluent Terminal. (See "Business of Keyera – Liquids Business Unit - NGL Facilities").

KEI is Keyera's only U.S. subsidiary. It was incorporated in 2005 pursuant to the Delaware General Corporation Law (Title 8, Chapter 1 of the Delaware Code). It owns and operates five wholesale propane terminals and carries out Keyera's NGL marketing activities in the United States (See "Business of Keyera – Liquids Business Unit - Marketing")

GENERAL DEVELOPMENT OF THE BUSINESS

Historical Development - The Fund and its Predecessors

A significant percentage of Keyera's assets were owned by Gulf Canada Resources Limited ("Gulf") until 1998. Effective December 1, 1998, Gulf sold a 50% interest in the assets held by Gulf's midstream division to KeySpan Energy Development Co. ("KEDCO"), a wholly-owned subsidiary of KeySpan Corporation. In conjunction with the sale, Gulf and KEDCO formed a partnership called Gulf Midstream Services to operate the business. Effective September 1, 2000, Gulf sold its remaining interest in Gulf Midstream Services to KEDCO, and the partnership was renamed KeySpan Energy Canada Partnership ("KECP"). Effective December 1, 1998, Keyera entered into a number of agreements with Gulf for the provision of gathering, processing and marketing services and for the purchase of NGLs.

Effective July 13, 2001, a subsidiary of ConocoPhillips Inc. acquired Gulf. ConocoPhillips Western Canada Partnership and certain of its affiliates ("ConocoPhillips") are the successors to these agreements. ConocoPhillips is currently the largest single customer of Keyera in its Gathering and Processing business segment. On April 1, 2003, Keyera acquired ConocoPhillips' interest in the Dow Fort Saskatchewan facilities and in Rimbey Pipe Line Co. Ltd.

The Fund completed its initial public offering of 15,000,000 Units on May 30, 2003 at a price of \$10.00 per Unit. On June 10, 2003, the Fund issued an additional 2,000,000 Units at the same price pursuant to the exercise of an over-allotment option granted to the underwriters in connection with this offering. The net proceeds were used by the Fund to indirectly acquire a 39.09% partnership interest in KECP from KEDCO. On April 1, 2004, the Fund completed a subsequent public offering of 15,617,000 Units at a price of \$12.60 per Unit and used the net proceeds to indirectly acquire an additional 35.91% partnership interest in KECP from KEDCO.

On June 3, 2004, the Fund completed a third public offering of Units and Debentures, consisting of 9,325,000 Units at a price of \$10.75 per Unit and 100,000 Debentures. On June 11, 2004, the Fund issued an additional 1,398,750

Units at a price of \$10.75 per Unit pursuant to the exercise of an over-allotment option granted to the underwriters in connection with this third offering. The net proceeds were applied to acquire all of the shares of EnerPro Midstream Company from Chevron Canada Resources. Subsequent to such acquisition, EnerPro contributed its assets to KELP in exchange for partnership interests in KELP. This resulted in the Fund's indirect interest in KELP increasing to 82.56%.

On June 29, 2004, KELP acquired El Paso Velvet Processing Limited Partnership from certain wholly-owned subsidiaries of El Paso Corporation. The El Paso Velvet Limited Partnership owned the Caribou gas plant located in north-eastern British Columbia. Later that year, on December 2, 2004, the Fund completed a fourth offering of 10,872,333 Units at a price of \$13.90 per Unit and used the net proceeds to indirectly acquire the remaining 17.44% partnership interest of KELP from KEDCO. Since the completion of this offering, the Fund has owned, directly or indirectly, 100% of both KELP and KEML. Following the Fund's indirect acquisition of KEDCO's remaining partnership interest in KELP, the Fund changed its name from KeySpan Facilities Income Fund to Keyera Facilities Income Fund effective February 3, 2005. The Keyera name has been similarly adopted by the entities affiliated with the Fund.

Between 2005 and 2007, Keyera completed several strategic acquisitions and undertook a number of important internal growth projects. Among the acquisitions that were completed during this time include: the purchase of additional interests in the Strachan gas processing plant and related facilities, the Medicine River Pipeline and the Rimbey Gull Lake pipeline, as well as the purchase of an 18 kilometre gas gathering pipeline and related assets in the North Trutch/Bougie area of north-east British Columbia adjacent to Keyera's Caribou North Pipeline and a 38 kilometre sales gas pipeline running northeast of the Brazeau River gas plant. (See "Business of Keyera - Natural Gas Gathering and Processing Facilities"). Consistent with Keyera's strategy of increasing its ownership in key facilities, in 2007 Keyera acquired 100% ownership interest in Rimbey LP.

Internal growth projects undertaken between 2005 and 2007 included: construction of a new pipeline and the addition of new compression capacity at the Brazeau North gas plant, construction of oil midstream facilities at the Edmonton Terminal and the Wabasca Area Pipelines, completion of a 25 MMcf/d capacity expansion at the Caribou gas plant, the construction of the Caribou North gas gathering system, construction of a new brine pond at the Fort Saskatchewan facilities, the rail rack expansion at the Edmonton Terminal, the construction of the Aurora pipeline and the truck terminal expansion at its Fort Saskatchewan facilities, as well as commissioning of a fourth NGL pipeline between the Edmonton Terminal and the Fort Saskatchewan fractionation and storage facility. (See "Business of Keyera - Gathering and Processing Facilities" and "Business of Keyera - NGL Facilities"). During this time, Keyera also continued to expand its presence in the U.S. with the incorporation of KEI in 2005 and the acquisition of four propane terminals in 2006 and 2007. (See "Business of Keyera - Marketing").

Other notable developments in 2007 included the adoption of a Rights Plan and the completion of a private placement of long-term senior unsecured notes in the principal amount of \$120 million, denominated in Canadian dollars, to a group of institutional investors in Canada and the U.S. (See "Capital Structure of the Fund - Shareholder Rights Plan" and "Other Information Related to Keyera's Business - Borrowing"). As well, Keyera completed a reorganization of Rimbey Pipe Line Co. Ltd. to form Rimbey LP, and in the reorganization was able to acquire a 100% interest in Rimbey LP.

In January, Keyera completed an internal reorganization pursuant to a plan of arrangement that had previously been approved the Unitholders. This reorganization was intended to simplify the structure of the Fund and thereby reduce compliance and administrative costs. Later in the first quarter, Keyera acquired the distribution terminal property that it has since developed into the Alberta Diluent Terminal, and completed acquisitions of ownership interests in the West Pembina gas plant, the Judy Creek NGL Pipeline system and the Bonnie Glen crude oil and condensate system (including the Wizard Lake pipeline). In the second half of 2008, Keyera increased its ownership interests in the Rimbey gas plant, the Brazeau River gas plant (including an associated gathering system and compression facilities) and the Brazeau North East Gas Gathering System. Keyera also acquired 100% ownership of the Nevis gas plant, along with 100% ownership of related gathering pipelines and associated compression facilities. (See "Business of Keyera - Gathering and Processing"). In December, Keyera completed the offering for the Second Debentures.

In 2009 Keyera continued its focus on building and growing its core businesses. Keyera completed construction of the ethane extraction project at the Rimbey gas plant in the first half of 2009 and increased its ownership in the Strachan gas plant to 91% (from 86%) in June 2009. Later in the year, Keyera acquired an additional 33% interest in the West Pembina gas plant which brought its ownership in the gas plant to 69% and announced a significant

long-term fee-for-service agreement with Imperial Oil to provide diluent transportation, storage and rail offload services for Imperial's Kearl oil sands project. Under the terms of this agreement, Keyera expects to start receiving revenues in 2013. Other notable developments in 2009 included the completion of a private placement of approximately \$97 million (Canadian dollar equivalent) of senior unsecured notes to various institutional investors in Canada and the U.S., the adoption of a Premium Distribution and Distribution Reinvestment Plan and the payment of a special distribution of \$0.45 per unit on December 15, 2009.

Recent Developments

Keyera pursued a number of growth projects in the first half of 2010, including expanding its gathering and processing presence in the west central Alberta area with the acquisition of a 36.5% ownership interest in the Minnehik Buck Lake gas plant and related assets, a 22% ownership interest in the Talisman-operated Edson gas plant, and various additional ownership interests in the Keyera-operated West Pembina, Nordegg River, Gilby, and Brazeau River gas plants. In connection with the West Pembina and Minnehik Buck Lake acquisitions, Keyera also acquired non-material interests in certain reserves and production associated with the facility interests of the vendors. In addition, Keyera completed its expansion of the Caribou gas plant, thereby increasing the licensed capacity at that facility to 105 MMcf/ and also started work on an NGL pipeline near Keyera's Strachan gas plant to connect to an existing third party system to facilitate the delivery of NGLs extracted at the Strachan gas plant to the Rimbey Pipeline and ultimately to Keyera's Edmonton/Fort Saskatchewan facilities. Most of the work on the Strachan NGL pipeline was completed by the end of 2010, and it is expected to be in service in the first quarter of 2011.

The fourth quarter of 2010 was very busy for Keyera, starting with the October announcement of a long term oil sands diluent services agreement with Husky. Under the terms of the deal Keyera should begin receiving long term fee-for-service revenues starting in 2014 for diluent transportation, storage, and rail offload services in the Edmonton/Fort Saskatchewan area for the proposed Husky-operated Sunrise oil sands project. This deal complements the 2009 diluent services agreement signed with Imperial Oil for their Kearl oil sands project. Receipt of regulatory approvals for key elements of the Fort Saskatchewan Condensate System, including a pipeline connection from Keyera's Edmonton Terminal to the Enbridge Southern Lights system and a condensate pipeline from Keyera's Fort Saskatchewan facility north to an interconnection point on the Polaris pipeline system, allowed Keyera to begin construction activities for both these projects. In October 2010 Keyera also announced the acquisition of a 37.5% ownership interest in the Simonette gas plant, together with interests in a related compression facility, the North Cabin Pipeline, and the Solomon and Cabin Creek facilities. Shortly thereafter, in December 2010, Keyera completed a second acquisition for the remaining 62.5% ownership interest in the Simonette gas plant, as well as the remaining interests in the North Cabin Pipeline and the Solomon and Cabin Creek facilities. Also in December, Keyera announced that it would be proceeding with the construction of the Carlos Pipeline from its Rimbey gas plant into the Hoadley region of central Alberta. Assuming construction proceeds on schedule, this 45-kilometre, 12-inch raw gas gathering pipeline is expected to be in-service in the second quarter of 2011.

Other notable developments in 2010 included: (i) Unitholder and court approval of the Plan of Arrangement which were necessary in order to effect the Conversion; (ii) Unitholder approval for the renewal of the Fund's Unitholder Rights Plan which otherwise would have expired in April 2010; (iii) Unitholder approval for Keyera Corp. to adopt a Shareholder Rights Plan (on terms substantially the same as the Unitholder Rights Plan) in connection with the Conversion; and (iv) the completion of a private placement of approximately \$155 million (Canadian equivalent) of senior unsecured notes to a group of institutional investors in Canada and the United States. In addition, in December 2010, Keyera established an uncommitted private shelf agreement with Prudential Capital Group providing for the issuance of up to US \$125 million of senior unsecured notes (the "Prushelf").

Effective January 1, 2011, Keyera completed its conversion to a corporate structure. (See "Description of the Structure of Keyera Corp. and Certain Subsidiaries"). Also effective January 1, 2011, Keyera entered into an amended and restated credit facility with a syndicate of lenders and on January 4, 2011, the Partnership completed a placement for \$70 million of notes under the Prushelf, the proceeds from which were used to fund the Simonette acquisition. (See "Other Information Relating to Keyera's Business – Borrowing").

BUSINESS OF KEYERA

Overview

There are three sectors in the western Canadian natural gas industry, broadly defined as the "upstream", "midstream" and "downstream" sectors. The upstream sector involves exploration for and development and production of raw natural gas. In the midstream sector, the raw gas is gathered, processed, transported and marketed to the downstream sector. The downstream sector consists of end-use customers, wholesalers and local distributors across North America.

Keyera operates one of the largest natural gas midstream businesses in Canada. Midstream companies own raw gas pipelines and processing plants to gather and process the raw natural gas before it is injected as sales gas into long-distance pipeline systems for transportation to end-use markets. The midstream sector also includes facilities for the processing, storage and transportation of the by-products of natural gas processing, including NGLs such as ethane, propane, butane and condensate.

Keyera's operations are conducted through two business units: the Gathering and Processing Business Unit and the Liquids Business Unit. The Gathering and Processing Business Unit is broken down into two geographic areas: the Foothills region and the North Central region. The Liquids Business Unit is broken down into two reportable business segments: NGL Facilities and Marketing. The natural gas Gathering and Processing Business Unit and NGL Facilities segment of the Liquids Business Unit are commonly referred to as the "facilities" components of Keyera's business, providing gathering, processing, transportation, storage and handling services. The Marketing segment of the Liquids Business Unit is focused on marketing NGLs and other by products associated with natural gas processing, as well as crude oil midstream activities. Each of these business units is described in more detail below.

Gathering and Processing Business Unit

Keyera has interests in 18 gas plants in western Canada, with 2,624 MMcf/d of licensed gross raw gas processing capacity, 2,027 MMcf/d net to Keyera. Actual available raw gas processing capacity at these plants can be less than the licensed capacity. Each plant has a number of functional units, each of which performs one or more operations such as gas treating, NGL recovery and sulphur handling. Constraints on actual available capacity at each plant depend on the capacity of each of the functional units to handle additional volumes. The difference between licensed capacity and effective available capacity is likely to be more significant if current plant operating conditions or gas composition depart significantly from original plant design, gas composition specifications or operating conditions. Keyera also owns interests in over 3,400 kilometres of four to twelve inch diameter raw gas gathering pipelines that deliver raw gas to the gas plants for processing.

Almost all of Keyera's gross processing capacity is located in the west-central and foothills areas of the western Canada sedimentary basin. Much of the natural gas produced from these areas is sour, often with significant amounts of NGLs. Over 95% of Keyera's processing capacity is at facilities that have the capability to process sour gas and to extract and ship NGLs. Some of these gas plants are interconnected by raw gas gathering pipelines, and opportunities exist for construction of other connecting pipelines. These pipelines allow raw gas to be directed to the gas plant best suited to process a particular type of gas. Collectively, these facilities constitute a network that is well positioned in the areas covered to serve drilling and production activity.



The assets in Keyera's Gathering and Processing Business Unit are organized into two geographically based areas: Foothills Region and the North Central Region. The Foothills Region consists of the Strachan, Brazeau River, Nordegg River, West Pembina, Paddle River, Bigoray, Brazeau North, Pembina North, Edson, and Simonette gas plants and associated gathering pipelines and facilities. The North Central Region consists of the Rimbey, Gilby, Nevis, Medicine River, Caribou, Minnehik Buck Lake, Chinchaga, and Greenstreet gas plants and associated gathering pipelines. Since 2008, three non-core gas plants have been sold: Tomahawk, North Star and Worsley.

The following table summarizes key operating data characterizing Keyera's natural gas processing assets. Keyera operates all of the listed facilities other than Medicine River and Edson, which are operated by Penn West Petroleum Ltd and Talisman Energy Inc. respectively.

Facility	Ownership Interest	Plant Status	Licensed Capacity ⁽¹⁾	2010 Average Daily Throughput ⁽¹⁾	Utilization Rate ⁽¹⁾⁽²⁾
	(%)		(MMcf/d)	(MMcf/d)	(%)
Foothills Region					
Strachan	91	Sour	275	175	64
Brazeau River ⁽³⁾	92	Sour	218	88	40
Nordegg River ⁽⁴⁾	89	Sour	75	46	61
Bigoray	90	Sour	81	28	35
West Pembina ⁽⁵⁾	76	Sour	145	40	27
Brazeau North	68	Sweet	50	11	22
Pembina North	74	Sour	28	16	57
Paddle River	87	Sour	81	44	54
Edson ⁽⁶⁾	22	Sour	375	186	49
Simonette ⁽⁷⁾	100	Sour	150	54	36
Subtotal			1478	688	46
North Central Region					
Rimbey	97	Sour	422	224	53
Caribou	100	Sour	105	37	35
Gilby ⁽⁸⁾	79	Sour	71	34	48
Nevis	100	Sour	150	67	45
Chinchaga	100	Sour	149	20	13
Medicine River	24	Sour	64	23	36
Greenstreet	100	Sweet	25	2	8
Minnehik Buck Lake ⁽⁹⁾	37	Sour	160	45	28
Subtotal			1146	452	39
Total			2624	1140	43

Notes:

- (1) Information in this table: (a) is presented as at December 31, 2010, (b) represents total gross capacity and throughput (not only Keyera's interest), and (c) has been rounded to the nearest whole number.
- (2) 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. The amount that Keyera charges for a specific service depends on the cost of that service and the competitive position of the specific plant.
- (3) Keyera increased its ownership in Brazeau River from 91% to 92% in 2010.
- (4) Keyera increased its ownership in Nordegg River from 82% to 89% in 2010.
- (5) Keyera increased its ownership in West Pembina from 69% to 76% in 2010.
- (6) Keyera acquired a 22% ownership interest in the Edson Gas Plant. The Average Daily Throughput Volumes reported are based on throughput volumes from July through December 2010.
- (7) Keyera acquired 100% ownership in the Simonette Gas Plant and the North Cabin, Solomon and Cabin Creek gathering pipelines in 2010. The Average Daily Throughput Volumes reported are based on gross throughput volumes in November and December 2010 only.
- (8) Keyera increased its ownership in Gilby from approximately 78% to 79% in 2010.
- (9) Keyera acquired a 36.5% interest in the Minnehik Buck Lake Gas Plant in 2010. The Average Daily Throughput Volumes reported are based on gross throughput volumes from July through December 2010.

Foothills Region

The Foothills Region consists of ten gas processing plants together with their associated gathering systems. Together these ten gas plants have a gross raw gas processing capacity of 1,480 MMcf/d (1,059 MMcf/d net to Keyera) and over 2,200 kilometres of Keyera-owned gathering pipelines.

Strachan Gas Plant and Area Facilities

The Strachan gas plant, located approximately 200 kilometres southwest of Edmonton, Alberta, has the capability and flexibility to process a wide range of sweet and sour gas streams. Three major pipelines, Strachan North, Garrington Caroline and Burnt Timber/Ram River, are connected to the Strachan gas plant and allow the plant to attract sour gas from a 2,500 square kilometre area.

The Strachan gas plant is one of Keyera's largest processing facilities and is seen as a strategic asset in its processing portfolio. As a result, Keyera has strategically increased its ownership interest in the plant as opportunities have arisen. For example, in 2005, Keyera acquired an additional 24.8% interest in the Strachan plant and increased ownership interests in the sulphur priller and several gathering systems in the Strachan area, and in 2009 Keyera purchased an additional 6% ownership in the Strachan gas plant bringing its ownership interest to 91%.

In 2006, the first well associated with a significant natural gas discovery was tied into the Strachan gas plant. Significant volumes of gas from this discovery continue to be processed at Strachan, facilitated in part by the construction of a new gathering pipeline connected to Keyera's Strachan North pipeline in 2007. Because this gas is high in H₂S, the second sulphur train at the Strachan plant was reactivated. In 2008, Keyera also constructed a new sulphur pit on site and began re-melting and selling sulphur, positioning Keyera to reduce anticipated future sulphur remediation costs and generating fee-for-service revenues. Much of the gas delivered to the Strachan gas plant is also rich with NGLs. In order to maximize the value associated with NGLs and provide enhanced services to its customers, Keyera has taken a number of steps to enhance its operational flexibility with respect to transportation of NGLs from the plant, including constructing a second NGL truck loading rack in 2008 and, in 2010, beginning work on an NGL pipeline connection from its Strachan gas plant to provide pipeline connectivity to Keyera's other facilities in the Rimbey/Edmonton/Fort Saskatchewan corridor. Assuming construction continues on schedule, work on the Strachan NGL pipeline connection is expected to be in service in the first half of 2011.

Brazeau River Gas Plant and Area Facilities

The Brazeau River gas plant, located approximately 170 kilometres southwest of Edmonton, Alberta, has the capability and flexibility to process a wide range of sweet and sour gas streams with varying levels of NGL content. Since 2001, the plant has utilized acid gas injection to handle waste products from sour gas processing and was able to increase inlet sulphur license capacity in 2005 from 400 tonnes/d to 466 tonnes/d. Since the start-up of the acid gas injection project, a significant Nisku sour gas and sour oil trend has been successfully drilled northeast of the Brazeau River gas plant.

In 2007, Keyera acquired a 38-kilometre, 8-inch sales gas pipeline running northeast of the plant for use as a low pressure sweet gas gathering pipeline. A second acid gas injection well was commissioned in February 2008, replacing the original injection reservoir and providing additional capacity necessary to accommodate the volumes of sour gas production being received at the plant from the Pembina region. In April 2008, new separator facilities at the Brazeau River gas plant were completed and a new gathering pipeline southwest of the plant was constructed.

Keyera completed its acquisition of certain Brazeau River area assets from Spectra Energy as part of a larger transaction in the fourth quarter of 2008. As a result of this transaction, Keyera acquired an additional 40% interest in the Brazeau River plant, bringing its ownership in the plant to over 91%, and a 49.7% interest in the acid gas injection functional unit associated with the plant, bringing its interest in that unit to over 99%. In addition Keyera acquired interests in a number of gathering systems, including: the remaining interests in the South and North interconnect pipelines, bringing its interest in these pipelines to 100%; a 363 kilometre gathering system along with four associated compression facilities, resulting in most of these facilities becoming wholly owned by Keyera; and a 13.6% interest in the Brazeau North East Gas Gathering System, bringing its ownership in that system to almost 44%. In connection with the acquisition of these assets from Spectra, Keyera also assumed a number of long term contracts with a major producer in the area. More recently, in 2010, Keyera acquired an additional 1% interest in the Brazeau River gas plant, bringing its total ownership in the plant to 92%.

Nordegg River Gas Plant and Area Facilities

The Nordegg River gas plant is located approximately 160 kilometres southwest of Edmonton, Alberta. Several projects were completed between 2005 and 2007 to enhance the processing capabilities and expand the capture area for the plant, including the expansion of the Sunchild north compressor in 2005, the construction of a new pipeline and inlet separator to capture gas west of the plant in 2006 and the installation of new inlet separation facilities to accommodate sweet gas from an area southwest of the plant in 2007.

In 2009, Keyera completed an acid gas compression project at the Nordegg River gas plant, allowing acid gas to be delivered from Nordegg River to the Strachan and Brazeau River gas plants for processing. This allowed Keyera to degrandfather the Nordegg River plant, while maintaining the plant's current sour gas processing capacity and avoiding significant expenditures to upgrade the sulphur plant.

In 2010, Keyera acquired an additional 7% ownership interest in the Nordegg River gas plant bringing total ownership to 89% and an additional 11% ownership interest in the Nordegg River gas plant inlet compressor, bringing its total ownership in the compressor to 79%.

Bigoray Gas Plant and Area Facilities

The Bigoray gas plant, located approximately 110 kilometres west of Edmonton, Alberta, offers a full range of gas processing services including sour gas processing, NGL recovery, acid gas injection and other related services. The majority of the third party gas entering the Bigoray gas plant is delivered by gas gathering systems 100% owned and operated by Keyera. In 2004, the sulphur inlet capacity of the Bigoray gas plant was increased from 44 tonnes/day to 65 tonnes/day in order to accommodate incremental sour solution gas. In 2007, Keyera completed the installation of a new distributed control system designed to improve the operating reliability and flexibility of the plant.

West Pembina Gas Plant and Area Facilities

In 2008, Keyera acquired a 35.6% ownership interest in the West Pembina gas plant and became the operator of the plant. The plant has 145 million cubic feet per day of sour gas processing capacity, natural gas liquids extraction capability and significant sulphur handling capacity. The plant is located approximately 12 kilometres north of Keyera's Brazeau River gas plant, has 520 tonnes per day of licensed sulphur handling capacity and approximately 110 kilometres of operational gathering pipelines, which provide an extensive reach into the gas producing areas of the Pembina region and are interconnected with other Keyera gathering pipelines in the area. In 2009 Keyera acquired an additional 33% ownership interest in the West Pembina gas plant through two transactions, bringing its total ownership to 69%. Keyera also acquired, as part of the transactions, ancillary assets associated with the West Pembina plant, including a sour gas gathering pipeline, as well as sulphur and water handling and disposal facilities. As part of the transactions, Keyera also entered into long-term processing agreements at the facility with the vendors.

In 2010, Keyera acquired an additional 7% ownership interest in the West Pembina gas plant bringing its total ownership to 76%. Included in that transaction was a 20% ownership interest in a field compressor, an additional 8% ownership interest in the West Pembina sulphur blocking facility and 100% ownership interest in approximately 125,000 tonnes of sulphur inventory located at West Pembina. As part of this acquisition, Keyera also acquired the vendor's 29% ownership interest in the Nisku S Pool and its 11% ownership interest in the Nisku W Pool. These reserves are not material to Keyera and do not form part of its core business.

Simonette Gas Plant and Area Facilities

The Simonette gas plant, located approximately 120 kilometers northwest of the town of Edson, has a licensed capacity of 150 million cubic feet per day with sales lines connected to both the Alliance pipeline system and the TransCanada Pipe Line system. Keyera acquired a 37.5% ownership interest in this plant in October 2010 and on December 14, 2010 completed a second acquisition for the remaining 62.5% ownership interest in the plant. In connection with these transactions, Keyera also acquired 100% ownership of the North Cabin pipeline and the Solomon and Cabin Creek facilities, all of which deliver gas to the plant for processing. In January 2011, Keyera also acquired 100% of the 37 kilometer Findley pipeline that connects to the North Cabin pipeline. The plant has sweet and sour processing capacity as well as NGL extraction capability. In connection with the acquisition, Keyera entered into long-term gas handling agreements with the producer vendors.

Brazeau North and Pembina North Gas Plants and Area Facilities

The Brazeau North and Pembina North gas plants are operated as a gathering and processing complex due to their close proximity to one another and their overlapping gathering systems. There are numerous pipelines between the Brazeau North and Pembina North plants which allow for the offload of gas between the facilities. The Brazeau North gas plant, located approximately 140 kilometres southwest of Edmonton, Alberta, features propane refrigeration and the Pembina North gas plant, located approximately 7 kilometres northwest of the Brazeau North gas plant, features NGL recovery, acid gas injection and condensate stabilization.

In early 2005, a 10 kilometre gas pipeline was constructed into the Brazeau North plant from an area southeast of the plant. Additional compression capacity at the plant was installed in the fall of 2005, and piping and compression modifications at both plants were completed in 2006. In 2008, Keyera funded the installation of the Wolf Creek pipeline to gather gas northwest of the Pembina North gas plant. This six inch, 24 kilometre pipeline is owned and operated by Keyera.

Paddle River Gas Plant and Area Facilities

The Paddle River gas plant is an 81 MMcf/d sour gas plant located approximately 130 kilometres northwest of Edmonton, Alberta. Gas processing services at the plant include sour gas processing, deep cut natural gas liquids recovery, acid gas injection, NGL storage and other related services. Keyera completed modifications and tie-ins at the Paddle River gas plant in 2007 to accommodate the reprocessing of a nearby gas stream and enhance the NGL recovery efficiency of the facility.

Edson Gas Plant and Area Facilities

In 2010, Keyera acquired a 21.8% ownership interest in the Edson gas plant which is operated by Talisman Energy Inc. The acquisition of the interest in the Edson gas plant enhances Keyera's reach in the northwest foothills region. It has a license capacity of 375 MMcfd, can process sweet and sour gas and extract NGLs.

Other Assets

The Foothills Region also has four oil batteries, three of which are associated with gas plants and one of which is a stand-alone facility. Keyera completed an asset swap in 2007 which resulted in Keyera increasing its ownership interest in the Easyford oil battery located in the Pembina region and disposing of its interest in a gathering system connected to a third party facility.

North Central Region

The North Central Region consists of eight gas processing plants and associated gathering systems. Together these eight gas plants have a gross raw gas processing capacity of 1,146 MMcf/d (968 MMcf/d net to Keyera) and over 1,200 kilometres of Keyera-owned gathering pipelines.

Rimbey Gas Plant and Area Facilities

The Rimbey gas plant, located approximately 100 kilometres south of Edmonton, Alberta, has a capture area in excess of 4,600 square kilometres and offers a full range of gas processing services including inlet separation, compression, sour gas processing, NGL recovery (including ethane extraction), NGL fractionation, sulphur and carbon dioxide recovery and other related services. In addition to specification NGLs, the plant also produces a frac oil product, which is used for well servicing operations, and liquefied CO₂, which is used for well servicing and enhanced oil recovery.

Over the last several years, Keyera has been increasing its ownership interest in the Rimbey gas plant and related facilities. In 2008, Keyera increased its ownership interest by 10.5% to 96.9% and entered into a long-term gathering and processing contract with the producer from whom the interest was acquired to continue processing its gas at the plant. As well, as a result of acquisitions in 2005 and 2006, Keyera became the operator of the Medicine River pipeline and increased its ownership interest in the pipeline by 46%, bringing its ownership level to 87%. In 2006, Keyera also acquired the remaining 50% interest in the Gull Lake pipeline, thereby increasing its ownership in that pipeline to 100%.

As a result of active drilling in the area, throughput at the Rimbey gas plant increased significantly between 2003 and 2006. To handle the delivery of new raw gas volumes, two new inlet compressors were installed in 2006. In 2007, Keyera completed construction of a new condensate truck loading facility, providing additional truck loading capacity and

increased flexibility in the marketing of condensate. (See “Business of Keyera – NGL Facilities”). Keyera also added compression at the plant in 2007 for the Gull Lake pipeline, allowing the pipeline to operate at lower pressures and accept gas from additional low-pressure wells for delivery to the Rimbey gas plant.

In 2008, Keyera installed a vapour recovery unit on the flare system at the Rimbey gas plant. The unit recovers gas that would otherwise be burned in the flare system and uses it as fuel, thereby reducing greenhouse gas emissions and fuel gas consumption at the plant. The following year Keyera completed construction of the ethane extraction project at the Rimbey gas plant. Since being commissioned in the second half of 2009, the ethane project has delivered approximately 4,000 to 4,200 incremental barrels per day of ethane supply to the Alberta market.

In the fourth quarter of 2010, Keyera announced that it would be proceeding with the construction of a new gas gathering pipeline southwest of the Rimbey gas plant into the Hoadley area. This 12-inch pipeline will be approximately 45 kilometers in length and is underpinned by a long-term gas handling agreement with an active producer in the area.

Caribou Gas Plant and Area Facilities

The Caribou gas plant is located approximately 170 kilometres northwest of Ft. St. John, British Columbia. Plant facilities include inlet separation, gas sweetening, NGL recovery, condensate stabilization and acid gas injection. Keyera owns 100% of the plant, as well as one of the four gas gathering systems which deliver gas to the plant. Since purchasing the plant in 2004, Keyera has increased the volume of gas processed at the plant from 18 MMcf/d to an average of 37 MMcf/d in 2010, with peak volumes reaching 53 MMcf/d.

The increase in throughput at the Caribou gas plant has been achieved in part by strategically expanding the capture area. For example, in early 2006, Keyera constructed the Caribou North gas gathering system, a 48 kilometre, 6 inch diameter pipeline serving an area north of the plant. The completion of this gathering system, which is 85% owned by Keyera, increased the capture area of the Caribou gas plant by approximately 1,000 square kilometres. Three producer owned compressor sites were tied into this gathering system in 2006. To accommodate these additional gas volumes, Keyera expanded the license capacity at the plant from 40 MMcf/d to 65 MMcf/d in 2006.

Initiatives to increase throughput at the Caribou gas plant continued through 2007, with the completion of an extension of the Caribou North gathering system across Trutch Creek and the acquisition of an 18 kilometre gas gathering pipeline and related assets in the North Trutch/Bougie area near the north end of the system. In 2008 Keyera completed a 24 kilometre extension of the Caribou North gathering system which connects the Caribou gas plant with the Bougie gathering system. With relatively active producers around the plant in 2009 and 2010, Keyera secured commitments from a significant producer in the area to deliver sour gas to the plant and proceeded to complete a 40 MMcf/d expansion of the plant in July 2010. With this expansion, the licensed capacity increased to 105 MMcf/d.

Gilby Area Gas Plants and Facilities

The facilities in the Gilby area include the Gilby gas plant operated by Keyera and the Medicine River gas plant operated by Penn West Petroleum Ltd. The Gilby gas plant is a 71 MMcf/d sour gas processing facility located approximately 140 kilometres southwest of Edmonton, Alberta, with the capability to produce specification propane, butane and condensate. The Medicine River gas plant is a 64 MMcf/d sour gas plant located approximately 8 kilometres from the Gilby gas plant.

In 2006, Keyera completed the Aurora pipeline, a 20 kilometre, 6 inch diameter gas pipeline west of the Gilby gas plant. In 2010 an additional 1.7% ownership interest in various components of the Gilby gas plant were acquired bringing Keyera's total ownership to 79%.

Nevis Gas Plant and Area Facilities

In 2008, Keyera acquired the Nevis gas gathering and processing assets. The Nevis gas plant is a 150 million cubic feet per day sour gas facility located in central Alberta approximately 34 kilometres east of Red Deer, with sulphur handling capacity of over 300 tonnes/day. The plant has 6,500 barrels per day of NGL fractionation capacity and NGL rail and truck facilities, as well as 280 kilometres of active gathering pipelines.

In 2010, an additional field compressor and 6 km pipeline was installed in Alix to deliver incremental gas volumes to the Nevis plant. This equipment, which was initially installed by a producer in the area and brought on stream in December 2010 provides for the delivery of incremental volumes to Nevis and Keyera's acquisition of this equipment is expected to be completed in the first quarter of 2011.

Minnehik Buck Lake Gas Plant and Area Facilities

In July 2010 Keyera acquired 36.5% of the Minnehik Buck Lake gas plant and also became operator. The plant, which is located in Alberta approximately 50 kilometers southwest of the town of Drayton Valley, is a 100 mmcf/d gas processing facility which is able to process both sweet and sour gas and extract natural gas liquids. Plant facilities include inlet separation, gas sweetening, compression, NGL recovery, condensate stabilization, sulphur recovery and power generation. In addition to the acquisition, Keyera also received an equivalent 36.5% ownership interest in the plant inlet compressor, as well as nine compressor stations and approximately 260 kilometers of sweet and sour gathering pipelines with varying ownership interest. As part of this acquisition, Keyera also acquired a 36.5% ownership interest in the Minnehik Buck Lake Gas Unit #1 and a 100% ownership interest in certain non-unit wells. These reserves are not material to Keyera and are not part of Keyera's core business

Other Assets

The other assets included in the North Central Region are the Chinchaga and Greenstreet gas plants, together with their associated gathering systems, as well as the Gregg Lake - Obed Pipeline.

The Chinchaga gas plant is located approximately 550 kilometres northwest of Edmonton, Alberta. Plant facilities include inlet separation, inlet compression, gas sweetening, dehydration and propane refrigeration. The related Chinchaga – Cranberry oil pipeline is the primary conduit for oil and condensate out of the region.

The Gregg Lake - Obed Pipeline is a 129 kilometre sour gas pipeline consisting of 8 inch, 10 inch and 12 inch segments originating in the Salomon area near Hinton, Alberta located 250 kilometres west of Edmonton, Alberta. Keyera is a 36% owner in the pipeline, which is connected to the Kaybob 3 gas plant. Both the pipeline and plant are operated by SemCAMS (formerly Central Alberta Midstream Services).

Liquids Business Unit

NGL Facilities

Keyera owns extensive NGL infrastructure consisting of pipelines, processing, storage facilities and rail and truck loading/offloading facilities primarily located in the Edmonton /Fort Saskatchewan area of Alberta and extending down the Rimbey corridor. Keyera's NGL infrastructure assets include interests in: 1) the Fort Saskatchewan facilities, which include NGL processing, storage and truck facilities as well as pipeline connections to the Edmonton Terminal, other NGL processing facilities and pipelines; 2) the Dow Fort Saskatchewan facilities, which include a de-ethanizer, NGL processing and storage facilities; 3) the Edmonton Terminal, which includes storage, truck and rail facilities, as well as pipeline connections; 4) truck, rail and storage facilities at the Alberta Diluent Terminal; 5) NGL processing, storage, truck and rail facilities at the Rimbey gas plant; 6) NGL processing, truck and rail facilities at the Gilby gas plant; 7) NGL processing, storage, truck and rail facilities at the Nevis gas plant; 8) Rimbey Pipeline, an NGL pipeline connecting the Rimbey gas plant and other facilities to the Edmonton Terminal; 9) the Wabasca Area Pipelines, which include two conventional crude oil pipelines, the Wabasca River Pipeline and North Senex Pipeline; 10) the Judy Creek NGL Pipeline connecting the Judy Creek gas plant to the COED Pipeline; and 11) the Bonnie Glen Pipeline, delivering oil and condensate from west central Alberta into Edmonton. This strategic NGL infrastructure enhances the competitive advantage of Keyera's gathering and processing services and creates opportunities for Keyera's NGL marketing business.

The Edmonton/Fort Saskatchewan hub is one of four key NGL marketing hubs in North America. A significant portion of the NGL production from Alberta raw gas processing plants is delivered into the Edmonton/Fort Saskatchewan area via several NGL gathering systems. This hub is a major supply point for NGLs for use in the petrochemical and refining industries. It is also the starting point for major NGL crude oil export pipelines extending to key markets out of Alberta. Keyera's large underground storage caverns at Fort Saskatchewan allow NGLs to be stored to meet seasonal and operational requirements for propane, butane and condensate.

Many major oil sands projects are in production or slated for development over the next decade in northern Alberta. Assuming these projects continue to proceed as planned, it is anticipated that future demand for condensate as a diluent will grow. This is expected to result in an increase in demand for diluent supply, storage and logistics services in the Fort Saskatchewan area. Keyera's facilities, located in close proximity to major diluent pipelines, are well situated to provide these and other logistics services related to growing oil sands development.

As of December 31, 2010, Keyera had a total net NGL processing capacity of 80,000 bbls/d (including RimbeY ethane extraction and the Dow Fort Saskatchewan De-ethanizer) and total net storage capacity of approximately 7,885,000 bbls. Certain key operating data are presented below:

Facility	Ownership Interest	Operator ^(a)	Gross Capacity	Net Capacity
	(%)		(bbls/d) ⁽¹⁾	(bbls/d) ⁽¹⁾
Fort Saskatchewan Facilities	77	Partnership		
NGL Processing ⁽²⁾			30,200	23,250
Storage			9,725,000 bbls ⁽³⁾	7,488,250 bbls ⁽³⁾
Pipelines			407,100	313,470
Dow Fort Saskatchewan Facilities		Dow		
De-ethanizer ⁽²⁾	10		69,200	6,920
NGL Processing ⁽²⁾	18		30,000	5,400
Storage	10		540,940 bbls	54,100 bbls
Edmonton Terminal	100	RimbeY LP		
Rail			34,000	34,000
Alberta Diluent Terminal Facilities	100	ADT Ltd.		
Rail Offloading			50,000	50,000
Storage			342,600 bbls ⁽⁴⁾	342,600 bbls ⁽⁴⁾
RimbeY Gas Plant	97	Partnership		
NGL Processing ⁽²⁾			31,500	30,555
Ethane Extraction ⁽²⁾			6,000	4,850
Rail			13,750	13,338
Gilby Gas Plant	79	Partnership		
NGL Processing ⁽²⁾			3,200	2,530
Rail			1,600	1,260
Nevis Gas Plant	100	Partnership		
NGL Processing ⁽²⁾			6,500	6,500
Rail			5,787	5,787
RimbeY Pipeline	100	RimbeY LP	45,000	45,000
Wabasca Area Pipelines		Partnership		
Wabasca River Pipeline	63		20,000	12,600
North Senex Pipeline	88		3,500	3,080
Judy Creek NGL Pipeline	69	Partnership	31,450	21,700
Bonnie Glen Pipeline	50	Pembina	105,660	52,830

Notes:

(a) Operator as of January 1, 2011, after giving effect to Keyera's conversion to a corporate structure.

(1) Unless otherwise indicated.

(2) The gross capacity figures are based on licensed capacity. Actual capacity varies from time to time depending on operating conditions and operational constraints.

(3) The storage capacity identified does not include additional capacity associated with the eleventh cavern that was completed in the fourth quarter of 2010. Subject to regulatory approval, this cavern, which has gross capacity of approximately 800,000 bbls and net capacity to Keyera of approximately 613,736bbls, is expected to be in service in the second quarter of 2011.

(4) The geometric gross volume capacity of the above ground storage tanks is 435,000 bbls; however the working storage capacity of the tanks is 342,600 bbls, of which 242,600 bbls is currently commissioned for use, and commissioning of the remaining 100,000 bbls of storage is scheduled for the second half of 2011.

Fort Saskatchewan Facilities

The Fort Saskatchewan facilities are operated by Keyera Partnership and include a 30,200 bbls/d NGL processing plant, storage facilities and four pipelines connecting to the Edmonton Terminal. The NGL processing plant receives NGL feedstock from various sources and splits the NGL mix into saleable products. The storage facilities consist of underground storage caverns and surface storage that holds NGL mix feedstock and specification NGLs. The pipeline system transports NGL mix to the Fort Saskatchewan facilities and saleable specification NGLs from these facilities, as well as other NGL processing and storage facilities in the area, to the Edmonton Terminal for distribution to domestic and export markets via rail, truck and pipelines.

At the NGL processing facility, NGL mix is processed into marketable propane, butane and condensate. The underground storage capacity at this facility, which included 9.7 million bbls in 10 underground caverns as of December 2010, allows propane, butane and condensate to be stored when demand is lower (typically during the summer months) and sold when demand is higher (typically in the winter months). Keyera's long term plan is to expand its storage capacity for condensate, propane and butane at Fort Saskatchewan by approximately 3 million barrels. Plans for this long term project include the development of four new underground storage caverns and the construction of a new brine pond. Development of the eleventh cavern has been completed, and subject to regulatory approval, is expected to enter service in the second quarter of 2011. Washing of the twelfth cavern has been initiated. Because of the phased approach to this project, Keyera can adjust the timing, scope and scale of the project based on such factors as economic conditions, industry activity and demand for the services.

In 2010, Keyera initiated several internal projects to further enhance the pipeline connectivity of the Fort Saskatchewan facility. In one project, Keyera converted an existing pipeline from its Strachan gas plant into NGL service and constructed a short connection to connect this pipeline to an existing system to deliver the NGLs to Fort Saskatchewan. This project is expected to be in service in the first half of 2011. Keyera also made significant progress on its Fort Saskatchewan Condensate System ("FSCS"). This multifaceted project will enhance Keyera's capacity to receive condensate shipments by rail and pipeline, and store, transport and deliver condensate to meet customer needs. A key piece of FSCS is a condensate pipeline approximately 21 kilometres in length that will extend from the Fort Saskatchewan facility to an interconnection point with the Polaris pipeline for ultimate delivery of the diluent to oil sands projects. Regulatory approval for the construction of this pipeline was received in late 2010, allowing preliminary work to get underway. The FSCS is an integral part of Keyera's agreements with Imperial and Husky for the provision of diluent handling services to the Kearl and Sunrise oil sands projects.

Rimbey Pipeline and Edmonton Terminal Facilities

Rimbey Pipeline is a 110 kilometre pipeline carrying propane, butane and condensate from the Rimbey gas plant northward to the Edmonton Terminal. The Edmonton Terminal is a distribution hub for propane, butane and condensate in the Edmonton/Fort Saskatchewan area. Both the Rimbey Pipeline and the Edmonton Terminal are owned and operated by Rimbey LP. The Edmonton Terminal is connected to Keyera's Fort Saskatchewan facilities by four pipelines. This connectivity provides the Edmonton Terminal with access to product storage capacity and operational flexibility. The Edmonton Terminal also has rail facilities to load and offload propane, butane and condensate. In addition, the Edmonton Terminal has truck facilities which have the capability to load propane and butane as well as offload butane and NGL mix. In 2010, construction of a short pipeline connection between the Edmonton Terminal and the Enbridge Southern Lights pipeline got underway. Upon completion of this connection, access to condensate delivered on the Southern Lights system, a long-term diluent supply source, is expected to enhance the diluent receipt options for customers at the Edmonton Terminal. Based on progress to date, this pipeline is expected to be in service by the second quarter of 2011.

Alberta Diluent Terminal

The Alberta Diluent Terminal is located on a 50 acre parcel of land north of the Edmonton Terminal in the Edmonton/Fort Saskatchewan energy hub. The Alberta Diluent Terminal, which is owned and operated by ADT Ltd., features a rail offloading rack with a capacity of 80 cars per day, rail storage spurs, a truck loading rack and above ground storage capacity of approximately 342,600 bbls. The Terminal is primarily used for condensate offloading, storage and transportation, with deliveries of condensate being accepted by rail and then transported by pipeline to the Edmonton Terminal. The Alberta Diluent Terminal will also be used provide solvent handling services in connection with Keyera's oil sands services business. Alberta Environment regulatory approvals for the three large above ground storage tanks at the Alberta Diluent Terminal were received in 2010, which has allowed work at the site to accelerate. Also in 2010, an agreement with Imperial Oil was reached pursuant to which Keyera will provide segregated solvent handling services, including rail off-load, storage and truck loading services to Imperial for the Kearl oil sands project.

The redevelopment of this facility by ADT Ltd. is part of Keyera's overall plan to grow its diluent handling and condensate business and has significantly increased Keyera's import capacity in this key region. Maximizing the capabilities and achieving capacity levels at the Alberta Diluent Terminal will be subject to completion of additional pipeline take away capacity.

Dow Fort Saskatchewan Facilities

Keyera Partnership owns an 18% interest in the Dow Fort Saskatchewan facilities, consisting of a 30,000 bbls/d NGL processing facility and an NGL storage facility. Keyera Partnership also owns a 10% interest in the Dow Fort Saskatchewan de-ethanizer, which has a capacity of 69,200 bbls/d.

Rimbey, Gilby and Nevis Gas Plants

The Rimbey gas plant NGL assets include a 31,500 bbls/d NGL processing unit, storage, truck loading and offloading facilities and a rail terminal. The rail terminal has a capacity of 13,338 bbls/d and provides the Partnership with the ability to direct propane and butane to markets throughout North America. The truck facility accepts delivery of NGL mix for processing and transport to market through Keyera facilities. NGL products can be shipped from Rimbey by truck, by rail, or through the Rimbey Pipeline to Fort Saskatchewan. This flexible access to high-value NGL markets is a competitive advantage for the Rimbey gas plant and for Keyera's NGL marketing business.

The Gilby gas plant NGL facilities include a 3,200 bbls/d NGL processing unit, storage, truck loading/offloading facilities and a rail terminal. Propane and butane are shipped from Gilby by truck and rail. The Nevis gas plant, acquired by Keyera in late 2008, has 6,500 bbls/d of NGL processing capacity as well as NGL rail and truck facilities.

Other Assets

The other assets included in the NGL Facilities segment are the Wabasca Area Oil Pipelines, the Judy Creek NGL Pipeline and the Bonnie Glen Pipeline.

Located approximately 450 kilometres north of Edmonton, Alberta, the Wabasca Area Oil Pipelines include the Wabasca River Pipeline and the North Senex Pipeline, both operated by the Partnership. Both pipelines transport conventional crude oil from the East Peace River Arch area of Northern Alberta to a connection point on the Rainbow Pipeline at Evi, Alberta. The system consists of 80 kilometres of 4 inch and 6 inch gathering pipelines as well as 110 kilometres of 8 inch trunkline.

The Judy Creek NGL Pipeline is a 190 kilometre pipeline running from the Judy Creek gas plant to the COED Pipeline, which is five kilometres south of Edmonton, Alberta. Keyera has a 69% ownership interest in the pipeline. The Bonnie Glen pipeline has the capacity to deliver crude oil and condensate from west central Alberta into Edmonton; however, because a large shipper on the line elected to divert its shipments in 2010, the Bonnie Glen pipeline currently only ships on an intermittent basis.

Marketing

The Marketing business is focused on the marketing of products associated with Keyera's facilities, including NGLs, crude oil and sulphur. Keyera markets products acquired through processing arrangements, term supply agreements and other purchase transactions. The Marketing business has grown significantly, gaining competitive advantage from Keyera's integrated network of processing, storage, pipeline, truck, rail and terminal facilities.

Keyera's NGL Marketing business is conducted primarily through the Partnership and KEI. NGLs are purchased either as NGL mix or as specification propane, butane and condensate, normally under one-year contracts. These volumes are purchased at the gas plant-gate, at truck and rail terminals or in NGL gathering pipelines. The Partnership also acquires NGL volumes through raw gas purchase arrangements and by acquiring ownership of some NGLs produced from the raw gas at its gas plants. At the Edmonton/Fort Saskatchewan hub, NGL supply can be acquired through purchases or exchanges. The NGL business is underpinned by a long-term supply arrangement with ConocoPhillips that provides a base of NGL supply. (See "Other Information relating to Keyera's Business - Business Arrangements - ConocoPhillips Arrangements" and "Risk Factors and Risk Management Strategies- Operational Risks - Reliance on Principal Customers and Suppliers").

The NGL mix acquired by Keyera is fractionated into specification products at Keyera's facilities or, in some instances, at third party facilities. Keyera believes that the integration of its infrastructure business lines (including the

Gathering and Processing segment and the NGL Facilities segment) with its Marketing business will continue to provide opportunities to purchase NGL supply volumes. The main specification NGLs that Keyera markets are propane, butane and condensate. Propane is generally used for heating, butane is used to support western Canadian crude oil production and gasoline blending, and condensate is largely used as a diluent to enable heavy crude oil to flow in pipelines. The specification NGLs may be temporarily stored or delivered immediately to end-use markets for resale. As demand for NGLs, particularly propane, tends to be seasonal, Keyera often utilizes its storage capacity to build inventory over the non-winter months when propane prices are lower which allows it to deliver product out of storage to fulfill sales contracts in the winter months when demand and prices are traditionally higher.

The acquisitions and growth initiatives that Keyera completed in the past several years in its Gathering and Processing and NGL Facilities businesses have contributed to the expansion of its Marketing business. In particular, the additional interests it has acquired in several of its gas plants, the acquisition of the Alberta Diluent Terminal and the Nevis gas plant and the completion of the fourth NGL pipeline between the Edmonton Terminal and the Fort Saskatchewan facilities have provided additional sources of supply and have helped to diversify its customer base and geographic market options.

In addition to selling NGLs into various U.S. markets, Keyera's U.S. subsidiary operates five wholesale propane terminals in Washington, Oregon, Montana and New Mexico. In total, Keyera marketed an average of 67,900 bbls/d of NGLs in 2010.

Keyera manages its supply and sales portfolio by monitoring its inventory position and its purchase and sale commitments, as well as by actively participating in other hub markets such as those in Mt. Belvieu, Texas and Conway, Kansas. 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 fluctuations in the margins between purchase prices and sales prices and other risks that affect price and supply - demand trends. Keyera manages a portion of its price risk by offsetting some of its physical and financial contracts in terms of volumes, using financial contracts such as energy-related forward sales, price swaps, physical exchanges and options, and by timing of performance and delivery obligations. Notwithstanding Keyera's management of price and volume risk, marketing margins for NGLs may vary significantly from period to period. (See "Risk Factors and Risk Management Strategies - Financial Risks - Market Risk and Marketing Activities").

In its crude oil midstream activities, Keyera operates facilities at various locations in Alberta that allow it to process, transport, blend and sell crude oil. A significant proportion of these activities are undertaken as joint ventures. These activities are underpinned by multi-year contracts pursuant to which Keyera obtains access to various crude oil streams and is dependent on continuing access to these streams. (See "Risk Factors and Risk Management Strategies - Operational Risks - Reliance on Principal Customers and Suppliers" and "Risk Factors and Risk Management Strategies - Operational Risks - Reliance on Other Facilities").

Crude oil margins are earned by capturing spreads between different qualities of crude oil and are exposed to volatility in price differentials between various crude oil streams. Keyera manages this risk exposure by trying to balance purchases and sales and locking in margins. Notwithstanding Keyera's management of price and quality risk, marketing margins for crude oil can vary significantly from period to period. (See "Risk Factors and Risk Management Strategies - Financial Risks - Market Risk and Marketing Activities").

OTHER INFORMATION RELATING TO KEYERA'S BUSINESS

Business Arrangements

Gathering and Processing Contracts

Natural gas producers who transport and process natural gas through facilities in which Keyera owns an interest have entered into gathering and processing contracts with Keyera or its predecessors. These contracts outline the services to be provided to the producers, the terms and conditions relating to the provision of such services and the fee structure associated with gathering and processing the producers' natural gas.

Generally, the types of gathering and processing contracts can be categorized as either "interruptible-service contracts" or "firm-service contracts" as follows:

- (a) *Interruptible-service contracts* — Service is available only if the applicable facilities have capacity after all firm-service contracts have been satisfied and Keyera elects to make capacity available to the gas producer. Each contract specifies the producer's processing priority and efforts are made to process each

interruptible-service customer's gas production. When capacity is limited, however, processing priority determines the apportioning of available capacity, with first preference to firm-service contracts.

- (b) *Firm-service contracts* — Service is not subject to interruption by Keyera, except in circumstances beyond Keyera's control. Generally, no other service contract has a higher priority or claim to a facility's capacity than a firm-service contract. These contracts often contain a dedication of reserves under which the producer agrees to deliver all gas produced from specified reserves to a facility.

Typically such gathering and processing contracts are further categorized according to their term:

- (a) *Evergreen contracts* — These agreements continue in force until terminated by either party upon prior notice, generally between one and six months.
- (b) *Long-term contracts* — These agreements remain in force for a period of three years or more or where the term of the contract is defined by the life of natural gas reserves dedicated to the facility.

Interruptible-service, evergreen contracts represented the majority of aggregate throughput at Keyera's facilities during 2010.

NGL Facilities Contracts

Customers who utilize Keyera's NGL infrastructure for transportation, processing or storage of NGLs enter into service contracts with Keyera on a fee-for-service basis. 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 NGL transportation, processing and storage contracts is typically one year; however Keyera has also entered into some multi-year, and some monthly contracts. (See "Risk Factors and Risk Management Strategies – Operational Risks – Reliance on Principal Customers and Suppliers")

Fee Methodologies

Most of Keyera's facilities business is conducted on a fee-for-service basis. Keyera charges a fee to its customers for transportation, processing and storage services. The fees are based on either a flow-through operating cost structure or a fixed fee methodology. Both methodologies are widely accepted by industry participants.

- (a) *Flow-Through Operating Cost* — This type of fee is comprised of a capital component and a flow-through operating component. The capital component is generally a function of the replacement cost of Keyera's capital invested in the facility, while the operating component is a *pro rata* share of the operating costs for the facility calculated based on total throughput. There is generally lower risk to Keyera with this fee structure than with a fixed fee since the intent is that operating costs will generally be flowed through to customers. Revenue from the capital component of these fees may vary depending on throughput volume and the competitive position of the facility. Of the natural gas gathering and processing revenue in 2010, Keyera estimates that approximately 73% was derived from contracts based on a flow-through operating cost structure.
- (b) *Fixed fee* — This type of fee is comprised of a fixed charge per unit transported or processed. While a fixed fee gives customers certainty in their per unit cost, Keyera risks not fully recovering its capital and operating costs. However, Keyera has the opportunity to increase revenues in times of increasing utilization because, unlike a flow-through operating cost fee structure, the per unit cost to customers does not fall with greater utilization. In general, service contracts that include a fixed fee with a term greater than one year also include fixed fee escalation provisions. Of the natural gas gathering and processing revenue in 2010, Keyera estimates that approximately 13% was derived from fixed fee contracts, while virtually all of the NGL processing, storage and transportation revenue is derived from fixed fees.

In general, firm service attracts a higher fee than does interruptible service. In the case of gas processing fees, the fee is usually based on the composition of the raw gas stream being processed, with processing fees for sour gas tending to be higher than processing fees for sweet gas. Keyera has flexibility to tailor the fees and service levels to reflect market conditions and to suit customers' requirements. For example, at the Caribou gas plant, many of the contracts have firm nomination parameters pursuant to which producers nominate daily volumes at the beginning of each year and are required to pay for this capacity even if actual volumes delivered are less than the nominated volume.

Revenue Allocation

Fee revenues collected for services performed by a gas plant or NGL processing facility are generally allocated to facility owners in one of two ways:

- (a) *Excess capacity method*—Facility owners receive a share of third party fee revenue based on their share of capacity of the facility 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 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 working interest they hold in the facility.

ConocoPhillips Arrangements

Under agreements that expire on December 1, 2018, ConocoPhillips is required to deliver certain current and new production from specific areas surrounding certain Keyera gas plants to those plants for processing, subject to commercially competitive terms. Keyera is required to process such production in priority to certain third party production and to provide ConocoPhillips with a preferential right to contract for processing capacity on a firm basis, subject to commercially competitive terms. In 2010, natural gas processed by Keyera pursuant to these agreements accounted for approximately 14% of Keyera's natural gas gathering and processing revenue. This includes a number of long term contracts with another affiliate of ConocoPhillips that were assumed by Keyera in connection with its acquisition of Spectra's interest in the Brazeau River gas plant and related assets in late 2008. These agreements expire in 2014.

Under the agreements with ConocoPhillips that expire on December 1, 2018, Keyera has the right and obligation to purchase certain of ConocoPhillips' NGLs produced at natural gas processing plants in western Canada. The price for these NGLs is calculated using recognized price indices. These NGLs accounted for approximately 15% of Keyera's NGL supply volumes in 2010.

Borrowing

As of December 31, 2010 Keyera had established credit facilities credit facilities consisting of a \$300 million committed unsecured revolving term facility maturing on April 21, 2011 and \$19 million of unsecured revolving demand facilities and bearing interest based on the lenders' rates for Canadian prime commercial loans, U.S. base rate loans, Libor loans or Bankers' Acceptances rates. As of December 31, 2010 the balance outstanding on the unsecured revolving term facility was \$211 million and \$3.962 million on the unsecured revolving demand facility was \$3.962 million. These credit facilities contained a covenant that Keyera would not distribute, in any twelve month period, more than 105% of the distributable cash flow attributable to that twelve month period. For the year ended December 31, 2010, Keyera distributed 53% of its distributable cash flow, using the definitions in the credit facilities. These facilities were also subject to two major financial covenants: "Debt to EBITDA" and "Debt to Capitalization". The calculation for each ratio is based on specific definitions in the credit agreement, is not in accordance with GAAP and cannot be readily replicated by referring to the Fund's financial statements. The definitions in the credit agreements provide for the deduction of net working capital items in the calculation of debt. The following are the ratios as calculated in accordance with the covenants as at December 31, 2010:

Covenant	Position as at December 31, 2010
Debt to EBITDA not to exceed 3.50	1.85
Debt to Capitalization not to exceed 0.55	0.38

In 2010, Keyera repaid \$52.5 million of long-term senior unsecured notes which matured in August and completed a private placement of approximately \$155 million (Canadian equivalent) in long-term senior unsecured notes. With this repayment and new placement, as of December 31, 2010, Keyera had \$239.5 million and US\$168 million of long-term senior unsecured notes as follows: \$52.5 million bearing interest at 6.155% and maturing in August 2013; \$30 million bearing interest at 4.66% and maturing in September 2015; US\$15 million bearing interest at 3.91% and maturing in September 2015; \$35 million bearing interest at 7.87% and maturing in May 2016; US\$50

million bearing interest at 8.40% and maturing in May 2016; \$60 million bearing interest at 5.89% and maturing in December 2017; \$2 million bearing interest at 5.68% and maturing in September 2020; US\$103 million bearing interest at 5.14% and maturing in September 2020; and \$60 million bearing interest at 6.14% and maturing in December 2022. These 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.

The calculations for each of these ratios are based on specified definitions. The following are the ratios calculated in accordance with the covenants as at December 31, 2010 for the notes maturing in 2013:

Covenant	Position as at December 31, 2010
Debt to EBITDA not to exceed 3.50	2.23
EBITDA to Interest Charges not less than 3.0	8.61
Priority Debt to Total Assets not to exceed 15%	0%

The following are the ratios calculated in accordance with the covenants as at December 31, 2010 for the notes maturing in 2015 and 2020:

Covenant	Position as at December 31, 2010
Debt to EBITDA not to exceed 4.0	1.85
EBITDA to Interest Charges not less than 3.0	7.24
Priority Debt to Total Assets not to exceed 15%	0%

The following are the ratios calculated in accordance with the covenants as at December 31, 2010 for the notes maturing in 2016:

Covenant	Position as at December 31, 2010
Debt to EBITDA not to exceed 4.0	1.85
EBITDA to Interest Charges not less than 3.0	7.24
Priority Debt to Total Assets not to exceed 15%	0%

The following are the ratios calculated in accordance with the covenants as at December 31, 2010 for the notes maturing in 2017 and 2022:

Covenant	Position as at December 31, 2010
Debt to EBITDA not to exceed 5.0	1.85
EBITDA to Interest Charges not less than 2.0	7.24
Priority Debt to Total Assets not to exceed 15%	0%

Effective January 1, 2011, Keyera entered into amended and restated credit facilities in connection with the Conversion. These amended and restated credit facilities, consisting of a \$300 million committed unsecured revolving term facility maturing in April 2014 and \$25 million of unsecured revolving demand facilities, replaced the credit facilities described above. Like the prior credit facilities, these facilities bear interest based on the lenders' rates for Canadian prime commercial loans, U.S. base rate loans, Libor loans or Bankers' Acceptances rates. These facilities are subject to two major financial covenants: "Debt to EBITDA" and an "Interest Coverage Test". The calculation for each ratio is based on specific definitions in the credit agreement, is not in accordance with GAAP and cannot be readily replicated by referring to the Fund's financial statements.

The first private placement under the Prushelf was closed on January 4, 2011 for \$70 million bearing interest at a rate of 5.005% and maturing on January 4, 2019. (See "General Development of the Business – Recent Developments"). The Prushelf is subject to the following covenants: "Consolidated Debt to Consolidated EBITDA", "Consolidated EBITDA to Consolidated Interest Charges" and Priority Debt to Consolidated Total Assets". With the closing of the Prushelf placement in January 2011, Keyera has \$309.5 million and US\$168 million of long term senior unsecured notes outstanding as of the date hereof.

If Keyera Corp. is unable to comply with the covenants under its credit facilities and debt agreements, its ability to declare and pay dividends will be affected. (See "Risk Factors and Risk Management Strategies – Financial Risks – Debt Matters"). Copies of the \$300 million credit facility maturing in 2010 and the note agreements, including the Prushelf, are available on SEDAR at www.sedar.com. Management expects that upon maturity of its credit facilities and debt arrangements, adequate replacements will be established.

Decommissioning, Abandonment and Reclamation Costs

Keyera incurs certain decommissioning, abandonment and reclamation costs each year in connection with the facilities component of its operations. These costs can include items such as groundwater remediation programs, soil remediation and removal of unutilized equipment, all of which help Keyera monitor and proactively manage its environmental liability. These costs are included as part of the operating expenses of the respective facilities where the work is under taken and are 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 "Industry and Environmental Regulation" and "Risk Factors and Risk Management Strategies – Financial Risks – Environmental and Public Safety Considerations").

End-of-life costs are accounted for through Keyera's obligations. It is not possible to predict asset retirement obligation costs with certainty, since they will be a function of regulatory requirements and other factors at the time of decommissioning, abandonment and reclamation. (See "Risk Factors and Risk Management Strategies – Financial Risks – Decommissioning, Abandonment and Reclamation Costs"). However, an estimate based on consulting reports and third-party assessments of end-of-life costs is reflected in the asset retirement obligation recorded in Keyera's financial statements filed on Sedar at www.sedar.com. In determining its asset retirement obligation cost estimates, Keyera considers the cost of facility abandonment, including suspension and demolition costs, as well as environmental restoration, including remediation and reclamation costs in order to return the site to an equivalent surrounding land-use state. In support of these estimates, Keyera has performed end-of-life reviews for its key assets and has completed certain site specific liability assessments in accordance with ERCB Directive D-001 – Requirements for Site-Specific Liability Assessments in Support of the ERCB's Liability Management Programs and ERCB Directive D-024 – Large Facility Liability Management Program ("LFP"). Overall, Keyera's estimates of its asset retirement obligations increased in 2010 compared to 2009. A significant portion of this increase is due to acquisitions of new facilities, increased ownership interests in existing gas plants, and the completion of additional D-001 assessments. Keyera regularly evaluates and updates its asset retirement obligations, a process that 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 ERCB. Pursuant to a program commonly referred to as the "Orphan Well Fund", holders of licenses from the ERCB, including Keyera, are required to pay an annual levy to assist in funding the clean-up of orphan facilities. Keyera currently treats the levy as an operating cost for many of the compression and processing facilities. Several facilities are also subject to the LFP. The LFP addresses certain facilities such as sulphur recovery plants, in situ oil sands projects and straddle plants that are not included in the Orphan Well Fund. In order to reduce the occurrence of orphan facilities, these programs mandate monthly tests of each licensee's asset-to-liability ratio on a deemed dollar basis and a predetermined formula and require licensees that

do not pass the test to provide the ERCB with a deposit. Keyera has an asset to liability ratio greater than that required by the ERCB under both of these programs.

British Columbia implemented a Liability Management Rating program in 2010, similar to Alberta. The program's initial years will exclude midstream operators, such as Keyera, which is similar to how the ERCB deployed its program. When fully implemented, this program is not expected to have a material impact to Keyera.

Competition

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. Keyera's pipelines, storage, terminal and NGL processing facilities are also subject to competition from other similar facilities in the Edmonton/Fort Saskatchewan region, as well as facilities located elsewhere in western Canada and the U.S. The NGL marketing businesses of Keyera compete directly with other gas products marketing businesses and may also compete with businesses offering alternative fuel and feedstock sources. (See "Risk Factors and Risk Management Strategies – Operational Risks - Competition").

Employees and Labour Relations

Keyera employs approximately 598 permanent employees in its operations. Approximately 52 employees employed by Keyera at the Rimbey gas plant are represented by Gas and Oil Union Local 504, approximately 46 employees employed by Keyera at the Strachan gas plant are represented by Gas and Oil Union Local 507 and approximately 24 employees employed by Keyera at the Nevis gas plant are represented by Gas and Oil Union Local 506B. Keyera purchased the Buck Lake gas plant on July 1, 2010. Approximately 20 employees employed by Keyera at the Minnehik Buck Lake gas plant are represented by Local 777, Communication, Energy and Paperworkers' Union of Canada. The Rimbey, Strachan and Nevis unions are separate bargaining units and are not associated with any national or international union. The current collective agreements for employees at the Strachan gas plant, the Rimbey gas plant, and the Nevis gas plant expire on December 31, 2011. The current collective agreements for employees at the Minnehik Buck Lake gas plant expires on April 30, 2013. Keyera has never experienced a labour-related work stoppage at any of its facilities. (See "Risk Factors and Risk Management Strategies – Operational Risks – Employees and Contractors").

Foreign Markets and Operations

As part of its NGL marketing activities, Keyera markets NGLs in the United States, including hub markets such as Mt. Belvieu, Texas and Conway, Kansas. These marketing activities are conducted through Keyera's U.S. subsidiary, KEI. KEI, which has offices in Houston, Texas and Spokane, Washington, commenced operations in late 2005 and over the last five years has expanded its U.S. presence through the acquisition of propane terminals in Vancouver, Washington; Albuquerque, New Mexico; Kamilche, Washington; Hermiston, Oregon; and Superior, Montana. It has also entered into contractual arrangements providing it with terminalling and storage capacity at Mt. Belvieu and in Hutchinson, Kansas which is near Conway. Because pricing of NGLs in Canadian markets is influenced by pricing and markets in the U.S., Keyera's Canadian marketing business is affected by trends in the U.S. (See "Risk Factors and Risk Management Strategies – Operational Risks – Foreign Operations").

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, which was originally adopted by the Fund in 2005 and modified from time to time, was adopted by Keyera Corp. in connection with the Conversion. The Code of Business Conduct 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 the Director, Investor Relations of Keyera at Suite 600, 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 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"). Keyera's Insider Trading Procedure is an example of such a procedure. This procedure prescribes blackout periods and outlines the circumstances in which Keyera's directors, officers, employees and consultants will be restricted or prohibited from trading in Units or other securities. In accordance with this procedure, 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 Units. Another example is Keyera's Disclosure Procedures which are designed to facilitate broad, timely and informative dissemination of material information and to prevent selective disclosure, all in accordance with applicable securities rules and regulations.

All employees were required to participate in an education and orientation program about the Code and Conduct Policies when it was originally adopted in 2005. Keyera also requires new directors, officers, employees and certain contractors participate in similar information sessions when they commence their engagement with Keyera and Keyera requires employees, officers and certain contractors to periodically re-certify that they understand and have complied with the Code and Conduct Policies. The Code and Conduct Policies were updated in 2010 at which time all employees were required to demonstrate that they understood the Code and Conduct Policies and to certify that they had they have complied with them. A similar certification process was previously completed in 2008.

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 basis for investigation. Quarterly reports from the whistleblower hotline are provided to the Audit Committee.

CAPITAL STRUCTURE OF KEYERA CORP.

With the completion of the Conversion, Unitholders exchanged their Units for Common Shares on a one for one basis, the Units were cancelled, Keyera Corp. assumed the obligations of the Fund under the Debentures and the Fund was terminated. As such, effective January 1, 2011, the capital structure of Keyera Corp. consisted of the Common Shares and the Debentures. Certain material features of each of the Common Shares and the Debentures are described below.

Common Shares

Keyera Corp. is authorized to issue an unlimited number of Common Shares under the Articles of Amalgamation. As of January 1, 2011, 68,891,237 Common Shares were issued and outstanding. In accordance with the Articles of Amalgamation and the ABCA, holders of the Common Shares are entitled: (i) to one vote per share at all meetings of Shareholders; (ii) to receive dividends if, as and when declared by the Board of Directors, out of the assets of Keyera Corp. properly applicable to the payment of the dividends in such amount and payable at such times and at such place or places as the Board of Directors may from time to time determine; and (iii) to receive the remaining property of Keyera Corp. upon dissolution. The Articles of Amalgamation and Bylaws of Keyera Corp. are available on SEDAR at www.sedar.com.

Convertible Debentures

General

The First Debentures were issued on June 3, 2004 under the Debenture Indenture and the Second Debentures were issued under the First Supplemental Indenture. The Debentures authorized for issuance are unlimited. In connection with the Conversion, the Second Supplemental Indenture was adopted, pursuant to which Keyera Corp. assumed all of the obligations of the Fund in respect of the Debentures. The Debentures are now convertible into Common Shares.

The Debentures were issued in denominations of \$1,000. The maturity date (the "Maturity Date") for the First Debentures is June 30, 2011 and the Maturity Date for the Second Debentures is December 31, 2013. The First Debentures bear interest from the date of issue at 6.75% per annum and the Second Debentures bear interest from the date of issue at 8.25% per annum. Interest on the Debentures is payable semi-annually in arrears on June 30 and December 31 in each year. For the Second Debentures, interest payments commenced June 30, 2009.

The principal amount of the Debentures is payable in lawful money of Canada or, at the option of the Fund and subject to applicable regulatory approval, by issuance of Common Shares as further described under the subheading "Payment upon Redemption or Maturity". The interest on the Debentures is payable in lawful money of Canada or, in the case of the Second Debentures, in accordance with the Common Share Interest Payment Election described under the subheading "Interest Payment Option". The Debentures are direct obligations of Keyera Corp. and are not secured by any mortgage, pledge, hypothec or other charge and are subordinated to other liabilities of the Fund as described under the subheading "Subordination". Neither the Debenture Indenture nor the Supplemental Indentures restrict Keyera

Corp. from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its properties to secure any indebtedness.

Conversion Privilege

The Debentures are convertible at the holder's option into fully paid and non-assessable Common Shares at any time prior to the close of business on the earlier of their respective Maturity Dates and the business day immediately preceding the date specified by Keyera Corp. for redemption of such Debentures. The conversion price for the First Debentures up to and including November 23, 2009 was \$12.00 per Unit, being a conversion rate of approximately 83.3333 Common Shares per \$1,000 principal amount of First Debentures, subject to adjustment as provided in the Debenture Indenture. On December 15, 2009, the Fund paid a special distribution totalling \$0.45 per Unit to Unitholders of record as of November 23, 2009 (the "Special Distribution"). In accordance with the Debenture Indenture, it was necessary to adjust the conversion price of the First Debentures immediately following November 23, 2009 to take into account the effect of the Special Distribution. As a result, after November 23, 2009 the conversion price for the First Debentures was reduced from \$12.00 to \$11.75 per Unit, being a conversion rate of 85.1064 Units per \$1,000 of principal amount. In accordance with the First Supplemental Indenture, it was also necessary to adjust the conversion price of the Second Debentures immediately following November 23, 2009 to take into account the effect of the Special Distribution. As a result, after November 23, 2009, the conversion price for the Second Debentures was reduced from \$19.50 to \$19.10 per Unit, being a conversion rate of 52.3560 Units per \$1,000 of principal amount. There were no adjustments to the conversion price of the Debentures in connection with the Conversion; however, as noted above, the Debentures are now convertible into Common Shares. Therefore, in accordance with the Second Supplemental Indenture, the conversion price for the First Debentures as of the date hereof is \$11.75 per Common Share, being a conversion rate of 85.1064 Common Shares per \$1,000 of principal amount, and the conversion price for the Second Debentures as of the date of this AIF is \$19.10 per Common Share, being a conversion rate of 52.3560 Common Shares per \$1,000 of principal amount.

The Debenture Indenture provides for the adjustment of the conversion price in certain events including: (a) the subdivision or consolidation of the outstanding Common Shares; (b) the distribution of Common Shares to Shareholders by way of dividend or otherwise other than an issue of securities to Shareholders who have elected to receive dividends in securities of Keyera Corp. in lieu of receiving cash dividends paid in the ordinary course; (c) the issuance of options, rights or warrants to Shareholders entitling them to acquire Common Shares or other securities convertible into Common Shares at less than 95% of the then current market price of the Common Shares; and (d) the distribution to all Shareholders of any securities or assets (other than cash dividends and equivalent dividends in securities paid in lieu of cash dividends in the ordinary course). There is no adjustment of the conversion price in respect of any event described in (b), (c) or (d) above if the holders of Debentures are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date. The term "current market price" is defined in the Debenture Indenture to mean the weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date of the applicable event. No fractional Common Shares will be issued on any conversion but, in lieu thereof, Keyera Corp. shall satisfy fractional interests by a cash payment equal to the current market price of any fractional interest. Keyera Corp. is not required to make adjustments in the conversion price unless the cumulative effect of such adjustments would change the conversion price by at least 1%.

In the case of any reclassification or capital reorganization (other than a change resulting from consolidation or subdivision) of the Common Shares or in the case of any consolidation, amalgamation or merger of Keyera Corp. with or into any other entity, or in the case of any sale or conveyance of the properties and assets of Keyera Corp. as, or substantially as, an entirety to any other entity, or a liquidation, dissolution or winding-up of Keyera Corp., the terms of the conversion privilege will be adjusted so that each holder of a Debenture shall, after such reclassification, capital reorganization, consolidation, amalgamation, merger, sale, conveyance, liquidation, dissolution or winding-up, be entitled to receive the number of Common Shares such holder would be entitled to receive if on the effective date thereof, it had been the holder of the number of Common Shares into which the Debenture was convertible prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, merger, sale, conveyance, liquidation, dissolution or winding-up.

Redemption and Purchase

The First Debentures are only redeemable after June 30, 2007 and the Second Debentures are only redeemable after December 31, 2011. After June 30, 2007 and on or prior to June 30, 2009 for the First Debentures and after

December 31, 2011 and on or prior to December 31, 2012 for the Second Debentures, the Debentures may be redeemed in whole or in part from time to time at the option of Keyera Corp. on not more than 60 days and not less than 30 days notice, at a price of \$1,000 per Debenture (the "Redemption Price") plus accrued and unpaid interest thereon, if any, provided that the current market price (as defined in the Debenture Indenture as set forth under "Conversion Privilege") on the date on which the notice of redemption is given is not less than 125% of the conversion price of the Debentures then in effect. Before maturity but after June 30, 2009 for the First Debentures and after January 1, 2013 for the Second Debentures, the Debentures may be redeemed in whole or in part from time to time at the option of Keyera Corp. at the Redemption Price plus accrued and unpaid interest thereon. In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a *pro rata* basis or in such other manner as the Debenture Trustee deems equitable. Keyera Corp. has the right to purchase Debentures in the market, by tender or by private contract.

Payment upon Redemption or Maturity

On redemption or at maturity, Keyera Corp. will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the aggregate Redemption Price of the outstanding Debentures which are to be redeemed or the principal amount of the outstanding Debentures which have matured, together with accrued and unpaid interest thereon. Keyera Corp. may, at its option, on not more than 60 days and not less than 40 days prior notice and subject to applicable regulatory approval, elect to satisfy its obligation to pay the Redemption Price of the Debentures which are to be redeemed or the principal amount of the Debentures which have matured, as the case may be, by issuing Common Shares to the holders of the Debentures. Any accrued and unpaid interest thereon will be paid in cash. The number of Common Shares to be issued will be determined by dividing the aggregate Redemption Price of the outstanding Debentures which are to be redeemed or the principal amount of the outstanding Debentures which have matured, as the case may be, by 95% of the current market price (as described under "Conversion Privilege" above) on the date fixed for redemption or the Maturity Date, as the case may be. No fractional Common Shares will be issued on redemption or maturity but in lieu thereof Keyera Corp. shall satisfy fractional interests by a cash payment equal to the current market price of any fractional interest.

Subordination

The payment of the principal of, and interest on, the Debentures is subordinated in right of payment to the prior payment in full of all Senior Indebtedness and indebtedness to trade creditors of Keyera Corp. "Senior Indebtedness" of Keyera Corp. is defined in the Debenture Indenture as the principal of and premium, if any, and interest on and other amounts in respect of all indebtedness of Keyera Corp. (whether outstanding as at the date of the Debenture Indenture or thereafter incurred), other than indebtedness evidenced by the Debentures and all other existing and future debentures or other instruments of Keyera Corp. which, by the terms of the instrument creating or evidencing the indebtedness, is expressed to be *pari passu* with, or subordinate in right of payment to, the Debentures. Subject to statutory or preferred exceptions or as may be specified by the terms of any particular securities, each Debenture ranks *pari passu* with each other Debenture, and with all other present and future subordinated and unsecured indebtedness of Keyera Corp. except for sinking provisions (if any) applicable to different series of debentures or similar types of obligations of Keyera Corp..

In the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to Keyera Corp., or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of Keyera Corp., whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of Keyera Corp., holders of Senior Indebtedness, including any indebtedness to trade creditors, will receive payment in full before the holders of Debentures will be entitled to receive any payment or distribution of any kind or character which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon. Keyera Corp. will not make any payment, and the holders of the Debentures will not be entitled to demand, institute proceedings for the collection of, or receive any payment or benefit on account of indebtedness represented by the Debentures (a) in a manner inconsistent with the terms of the Debentures or (b) at any time when an event of default has occurred under the Senior Indebtedness and is continuing and the notice of such event of default has been given by or on behalf of the holders of Senior Indebtedness to Keyera Corp., unless the Senior Indebtedness has been repaid in full.

The Debentures are effectively subordinate to claims of creditors of Keyera Corp.'s subsidiaries except to the extent Keyera Corp. is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors. Specifically, the Debentures are effectively subordinated in right of payment to the prior payment in full of all indebtedness under the outstanding senior notes and revolving credit facilities of the Partnership.

Priority over Dividends

The Debenture Indenture provides that certain expenses of Keyera Corp. must be deducted in calculating the amount to be distributed to the Shareholders. Accordingly, the funds required to satisfy the interest payable on the Debentures, as well as the amount payable upon redemption or maturity of the Debentures or upon an Event of Default (as defined below), will be deducted and withheld from amounts that would otherwise be payable as dividends to Shareholders.

Change of Control

Within 30 days following the occurrence of a change of control of Keyera Corp. involving the acquisition of voting control or direction over 66²/₃% or more of the Common Shares (a "Change of Control"), Keyera Corp. will be required to make an offer in writing to purchase all of the Debentures then outstanding (the "Offer"), at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest (the "Offer Price"). The Debenture Indenture contains notification and repurchase provisions requiring Keyera Corp. to give written notice to the Debenture Trustee of the occurrence of a Change of Control within 30 days of such event together with the Offer. The Debenture Trustee will then mail to each holder of Debentures a notice of the Change of Control and a copy of the Offer to repurchase all the outstanding Debentures. If 90% or more in aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered to Keyera Corp. pursuant to the Offer, Keyera Corp. will have the right and obligation to redeem all the remaining Debentures at the Offer Price. Notice of such redemption must be given by Keyera Corp. to the Debenture Trustee within 10 days following the expiry of the Offer, and as soon as possible thereafter, by the Debenture Trustee to the holders of the Debentures not tendered pursuant to the Offer.

In accordance with the terms of the Debenture Indenture, the Conversion constituted a change of control for the First Debentures. As a result, the Keyera Corp., as successor to the Fund, was required to deliver a notice of change of control and an offer to purchase (the "First Debenture Offer") to the Debenture Trustee within 30 days of the effective date of the Conversion. Keyera Corp. delivered First Debenture Offer to the Debenture Trustee on January 26, 2011 and the offer is open for acceptance until March 3, 2011.

In the First Supplemental Indenture, the definition of Change of Control excluded any transaction or series of transactions undertaken pursuant to, as a consequence of or in contemplation of the SIFT Rules in which a new parent or successor entity is established for, in replacement or as a successor to the Fund and voting control over the equity interests in the new entity are held by the former Unitholders immediately prior to the transaction. The Conversion met these criteria and therefore it did not trigger a change of control in respect of the Second Debentures.

Interest Payment Option

Keyera Corp. may elect, subject to regulatory approval, from time to time to satisfy its obligation to pay all or any part of the interest on the Second Debentures (the "Interest Obligation"), on the date it is payable under the First Supplemental Indenture (an "Interest Payment Date"), by delivering sufficient freely tradable Common Shares to the Debenture Trustee to satisfy all or part, as the case may be, of the Interest Obligation in accordance with the First Supplemental Indenture (the "Common Share Interest Payment Election"). The First Supplemental Indenture provides that, upon such election, the Debenture Trustee shall (a) accept delivery from Keyera Corp. of Common Shares, (b) accept bids with respect to, and consummate sales of, such Common Shares, each as Keyera Corp. shall direct in its absolute discretion, (c) invest the proceeds of such sales in short-term permitted Canadian government securities (as defined in the First Supplemental Indenture) which mature prior to the applicable Interest Payment Date, and use the proceeds received from such permitted Canadian government securities, together with any proceeds from the sale of Common Shares not invested as aforesaid, to satisfy the Interest Obligation, (d) deliver proceeds to holders of Second Debentures sufficient to satisfy the Interest Obligation and (e) perform any other action necessarily incidental thereto.

The First Supplemental Indenture sets forth the procedures to be followed by Keyera Corp. and the Debenture Trustee in order to effect the Common Share Interest Payment Election. If a Common Share Interest Payment Election is made, the sole right of a holder of the Second Debentures in respect of interest will be to receive cash from the Debenture Trustee out of the proceeds of the sale of Common Shares (plus any amount received by the Debenture Trustee from Keyera Corp. attributable to any fractional Common Shares) in full satisfaction of the Interest Obligation, and the holder of such Second Debentures will have no further recourse to Keyera Corp. in respect of the Interest Obligation.

Neither Keyera Corp.'s making of the Common Share Interest Payment Election nor the consummation of sales of Common Shares will (a) result in the holders of the Second Debentures not being entitled to receive on the applicable Interest Payment Date cash in an aggregate amount equal to the interest payable on such Interest Payment Date, or (b) entitle such holders to receive any Common Shares in satisfaction of the Interest Obligation.

Events of Default

The Debenture Indenture provides that an event of default ("Event of Default") in respect of the Debentures will occur if any one or more of the following events has occurred and is continuing with respect of the Debentures: (a) failure for 15 days to pay interest on the Debentures when due; (b) failure to pay principal or premium, if any, when due on the Debentures, whether at maturity, upon redemption, by declaration or otherwise; (c) certain events of bankruptcy, insolvency or reorganization of Keyera Corp. under bankruptcy or insolvency laws; or (d) default in the observance or performance of any material covenant or condition of the Debenture Indenture and continuance of such default for a period of 30 days after notice in writing has been given by the Debenture Trustee to Keyera Corp.. If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall upon request of holders of not less than 25% in principal amount of Debentures, declare the principal of and interest on all outstanding Debentures to be immediately due and payable. In certain cases, the holders of a majority of the principal amount of the Debentures then outstanding may, on behalf of the holders of all Debentures, waive any Event of Default and/or cancel any such declaration upon such terms and conditions as such holders shall prescribe.

Offers for Debentures

If an offer is made for the Debentures which is a take-over bid for Debentures within the meaning of the *Securities Act* (Alberta) and not less than 90% of the Debentures (other than Debentures held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Debentures held by the holders of Debentures who did not accept the offer on the terms offered by the offeror.

Modification

The rights of the holders of the Debentures as well as any other series of debentures that may be issued under the Debenture Indenture may be modified in accordance with the terms of the Debenture Indenture. For that purpose, among others, resolutions passed at meetings of the holders of debentures by votes cast thereat by holders of not less than 66 ²/₃% of the principal amount of the debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66 ²/₃% of the principal amount of the debentures are binding on all holders. In certain cases, the modification will, instead or in addition, require assent by the holders of the required percentage of debentures of each particularly affected series.

Non-Resident Holders of Second Debentures

In accordance with the Second Supplemental Indenture, the restrictions on non-resident holders of the Second Debentures have been removed. This amendment reflects the fact that as a corporation, Keyera Corp. is not subject to the legal restrictions that required the Fund to be maintained primarily for the benefit of Canadians.

Shareholder Rights Plan

Prior to the completion of the Conversion, the Fund had established a Unitholder Rights Plan which was renewed by the Unitholders at the 2010 Annual Meeting. In connection with approving the Conversion, the Unitholders also approved the adoption of a Shareholder Rights Plan by Keyera Corp. containing substantially the same terms as the Unitholder Rights Plan. Certain material features of the Rights Plan are described below. This summary does not purport to be exhaustive and readers are referred to the Rights Agreement between Keyera Corp. and Computershare for a complete description. The Rights Agreement is available on the Keyera website at www.keyera.com and on SEDAR at www.sedar.com.

Overview

The Rights Plan provides additional time to explore and develop alternatives for maximizing Shareholder value in the event a take-over bid is made for Keyera Corp. The additional time is meant to allow other potential bidders the opportunity to come forward with superior competing bids thereby increasing the likelihood that all Shareholders will receive fair consideration for their Common Shares and potentially providing a better return. The Rights Plan is also

intended to provide every Shareholder with an equal opportunity to participate in such a bid. The Rights Plan encourages a potential acquiror to proceed either by way of a permitted bid, which requires the take-over bid to satisfy certain minimum standards designed to promote fairness, or with the concurrence of the Board of Directors. Subject to certain exceptions, the Rights Plan applies to acquisitions of greater than 20% of the Common Shares, regardless of whether the acquisition is by public bid, private agreement or gradual accumulation. Shareholders must ratify the continued existence of the Rights Plan at or prior to the first annual meeting of Shareholders following the third anniversary of the date of the Rights Agreement. As the Rights Agreement is dated effective as of January 1, 2011, Shareholders will be asked to ratify the continued existence of the Rights Plan no later than the annual meeting of Shareholders to be held in 2013. If the Shareholders do not ratify the Rights Plan at that time, the Rights will be redeemed for the nominal redemption price of \$0.00001 per right.

Operation of the Rights Plan

The Rights Plan provides a mechanism whereby the minimum expiry period for a take-over bid must be 60 days after the date of the bid and the bid must remain open for a further period of 10 business days after the acquiring person publicly announces that the Common Shares deposited or tendered and not withdrawn constitute more than 50% of the Common Shares outstanding held by independent Shareholders. On January 1, 2011, Keyera Corp. issued Rights to its Shareholders pursuant to the terms of the Rights Agreement. One Right is deemed to have been distributed for each Common Share and will automatically be transferred with that Common Share unless and until a flip-in event occurs. The Rights are not exercisable unless and until a flip-in event occurs. The issuance of the Rights does not change the manner in which Shareholders currently trade their Common Shares.

A flip-in event would occur if a person, company or other entity were to become an acquiring person, that is, a person, company or other entity acquired beneficial ownership of at least 20% of the Common Shares other than pursuant to certain exceptions such as a permitted bid or an exempt acquisition. If the person, company or other entity acquires Common 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, company or other entity does become an acquiring person, each Right then entitles each holder (other than the acquiring person) to purchase Common Shares at a 50% discount. Each holder of a Right may then purchase that number of Common Shares having a fair market value at the relevant time equal to twice the exercise price of the Right, in effect, permitting Common 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 its 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.

The Rights Plan is not intended to interfere with any future financing transactions that Keyera Corp. may wish to implement, including any future issuance of equity securities. The Rights will not affect reported earnings or cash flow per Common Share until and unless the Rights separate from the underlying Common Shares and become exercisable or until the exercise of the Rights. Keyera can continue to conduct its existing business in the ordinary course on the same terms as if the Rights Plan had not been implemented.

The adoption of the Rights Plan does not change the duty of the Board of Directors to act honestly and in good faith with a view to the best interests of Keyera Corp. In the event of a take-over bid or similar transaction, the Board of Directors will continue to have the right and responsibility to take such action and to make such recommendations to Shareholders as are considered necessary or appropriate.

Characteristics of the Rights Plan

The key characteristics of the Rights Plan are described below:

- Creation and Issue of Rights. The Rights Plan was created by Keyera Corp. entering into the Rights Agreement with Computershare. Pursuant to the Rights Agreement, Keyera Corp. issued one Right for each Common Share outstanding on January 1, 2011 and will issue one Right for each additional

Common Share issued after January 1, 2011 but prior to the separation time or the expiry of the Rights. Certificates issued for Common Shares after the Rights Plan was approved (but prior to the close of business at the separation time or the expiry of the Rights), will include a legend evidencing the Rights; however, certificates representing Common 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 will expire following the first annual meeting of Shareholders held after January 1, 2014, being the first annual meeting following the third anniversary of the effective date of the Rights Plan. If the Shareholders approve, it can be extended for another three years to the close of business on the date of the Corporation's annual meeting of Shareholders in 2017.
- Flip-in Event. When a person, company or other entity becomes an acquiring person, all Rights holders, other than the acquiring person, are entitled to purchase Common Shares of Keyera Corp. at a 50% discount to market.
- Acquiring Person. An acquiring person is a person, company or other entity who, at any time after the date of the Rights Agreement, is the beneficial owner of 20% or more of the outstanding Common Shares, subject to the following exemptions: a voting unit reduction (generally, a repurchase or redemption of Common Shares by Keyera Corp. which has the effect of increasing the person's or company's percentage ownership of Keyera Corp.); a permitted bid acquisition (an acquisition of Common Shares made pursuant to a permitted bid or competing permitted bid, both as defined in the Rights Plan); an exempt acquisition (an acquisition prior to the date of the Rights Plan or an acquisition in respect of which the Board of Directors has waived the application of the Rights Plan); and a *pro rata* acquisition (generally, the acquisition of Common 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, company or other entity has become an acquiring person, all Common Shares over which the person, company or other entity has beneficial ownership must be included. A person, company or other entity is deemed to beneficially own any Common Shares which are owned by its associates or affiliates or by persons or companies "acting jointly or in concert" with such person, company or other entity for the purpose of acquiring Common Shares and any Common 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 Common Shares managed by them for others. In addition, Shareholders holding at least 20% of the outstanding Common Shares as of January 1, 2011 do not trigger a flip-in event as a result of their current holdings, but would become an acquiring person upon the acquisition of additional Common Shares amounting to more than 1% of the outstanding Common Shares. Keyera Corp. is not aware of any such 20% Shareholder.

A person, company or other entity may also be considered to be the beneficial owner of Common Shares that are subject to a lock-up agreement with it, that is, an agreement under which a Shareholder agrees to tender its Common Shares to a bid (the "Lock-up Bid") made by that person, company or other entity; however, the person, company or other entity will not be deemed to be the beneficial owner of Common Shares subject to a lock-up agreement if the holder of such Common Shares has agreed to deposit or tender its Common Shares pursuant to a "permitted lock-up agreement". In order for a lock-up agreement to constitute a "permitted lock-up agreement", certain conditions must be met.

- Permitted Bids and Competing Permitted Bids. An offeror can avoid causing a flip-in event by making a permitted bid. A permitted bid must: be made by way of a take-over bid circular; be made to all Shareholders of record, other than the offeror, for all or a portion of the Common Shares outstanding and must be open for acceptance for 60 days; require a minimum deposit of more than 50% of the Common Shares held by independent Shareholders (i.e., generally, Shareholders who are not, or are not related to, the acquiring person); unless the take-over bid is withdrawn, allow the Common Shares to be deposited up to the close of business on the first date on which the deposited Common Shares are taken up or paid for; allow the Common Shares deposited pursuant to the take-

over bid to be withdrawn until they are taken up and paid for; and if the minimum 50% of Common Shares are deposited, the offeror must make a public announcement of that fact and leave the take-over bid open for deposits of Common Shares for at least 10 business days after the announcement.

An offeror can also avoid causing a flip-in event by making a competing permitted bid. A competing permitted bid is a permitted bid made after another permitted bid has been made and before that other permitted bid has expired; however, a competing permitted bid is only required to be left open for the later of (i) 35 days after the date of such bid and (ii) the earliest date on which the Common Shares may be taken up and paid for under the other permitted bid that is in existence.

- 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 Common 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 Common 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, a person, company or other entity 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.

- Separation Time. The Rights can become separated or unstapled from the Common Shares to which they are currently attached and then trade separately from the Common Shares. This separation time will generally only occur on the close of business on the 10th business day after the earlier of: (a) the first date of public disclosure of facts indicating that a person, company or other entity has become an acquiring person; (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. Until and unless the separation time occurs, the Rights will continue to be attached to and trade with the Common Shares.
- Exercise Price. The exercise price before the flip-in event is three times the current market value of the Common Shares from time to time. Before a flip-in event, a Rights holder would receive one Common 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 the flip-in event, all Rights holders, other than the acquiring person, would be entitled to purchase Common Shares at a 50% discount to the market value, effectively entitling the Rights holders to acquire six Common 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 Common Shares, the declaration of a distribution payable through the issuance of certain securities or the issuance of certain securities in exchange for or in lieu of Common Shares.
- Trading of Rights. Until the separation time, the Rights will be evidenced by the outstanding certificates for Common Shares and the Rights may be transferred with, and only with, the Common Shares. Until and unless the separation time occurs (or earlier termination or expiration of the Rights), the surrender for transfer of a certificate representing Common Shares will also constitute the transfer of the Rights associated with the Common Shares represented by the certificate. If the separation time occurs, then, as soon as practicable following the separation time, separate certificates evidencing the Rights (“Rights Certificates”) will be mailed to holders of record of Common Shares as of the close of business at the “separation time” and the separate Rights Certificates will thereafter evidence the Rights.
- Deemed Redemption. The Rights Plan provides that, in the event a person, company or other entity acquires Common 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.

DISTRIBUTIONS AND DIVIDENDS

Prior to the Conversion, the Fund paid monthly cash distributions on Units from its distributable cash flow. The Fund's general practice was to pay these distributions on the closest business day to the 15th of each calendar month to Unitolders of record as of the distribution record date which was usually 20 to 26 days prior to the distribution payment date.

With the completion of the Conversion, Keyera Corp. has continued the practice of declaring and paying dividends on a monthly basis on a timetable substantially similar to the schedule previously adopted by the Fund. 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 fund 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 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. Prior to the Conversion, Keyera announced that it intended to maintain dividends at the same level as the Fund's distributions, namely \$0.15 per share, and the first two dividends declared by Keyera Corp. were declared at this level.

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 and Risk Management Strategies – Financial Risks"). Distributable cash flow is not a measure under Canadian generally accepted accounting principles and there is no standardized measure of distributable cash flow. Distributable cash flow, as presented, may not be comparable to the calculations of similar measures by other entities. (See "Presentation of Financial Information").

Distribution History

The following table sets forth the distribution history of the Fund in 2010:

<u>Payment Date</u>	<u>Per Unit Cash Distribution</u>
January 15, 2010.....	\$0.15
February 16, 2010.....	\$0.15
March 15, 2010.....	\$0.15
April 15, 2010.....	\$0.15
May 17, 2010.....	\$0.15
June 15, 2010.....	\$0.15
July 15, 2010.....	\$0.15
August 16, 2010.....	\$0.15
September 15, 2010.....	\$0.15
October 15, 2010.....	\$0.15
November 15, 2010.....	\$0.15
December 15, 2010.....	\$0.15

Premium DividendTM and Dividend Reinvestment Plan

In connection with the Conversion, effective January 1, 2011 Keyera Corp. adopted a Premium DividendTM and Dividend Reinvestment Plan (the "Plan"). This Plan is substantially similar to the Fund's Premium DistributionTM and Distribution Reinvestment Plan, as amended and restated in April 2010.

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. As an alternative, under the Premium Dividend™ component of the Plan, eligible Shareholders have the opportunity to elect to have their dividends reinvested in additional Common Shares at a 5% discount to the Average Market Price and delivered to Canaccord Genuity Corporation, the plan broker for the Premium Dividend™, in exchange for a premium cash payment equal to 102% of the regular declared cash distribution that is reinvested on their behalf under the Plan. The Fund suspended its Premium Distribution™ as of April 2010 and, as of the date hereof, Keyera Corp. has continued that suspension with respect to Premium Dividend™.

Participation in the Plan is completely voluntary and is only open to eligible Shareholders. Eligibility to participate in the Plan depends upon certain Shareholder residency criteria:

- residents of Canada are eligible to participate in either the distribution reinvestment component or the Premium Distribution™ component of the Plan
- residents of the United States are not currently eligible to participate in either component of the Plan
- and residents of foreign jurisdictions other than the United States may only participate in the distribution reinvestment component of the Plan if the laws of that foreign jurisdiction permit such participation without imposing any additional legal or regulatory requirements on the Plan or Keyera.

Shareholders who do not enroll in the Plan 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 distribution 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

Shortly after the completion of the Conversion, on January 17, 2011, the Common Shares commenced trading on the TSX under the ticker symbol KEY at the same time the Units, which had traded on the TSX under the ticker symbol KEY.UN, were delisted. The following table sets forth the high and low sales prices per Unit and trading volumes for the Units on the TSX for the periods indicated.

<u>Calendar Period</u>	<u>Price per Unit</u>		<u>Unit Trading Volume</u>
	<u>High (Close)</u>	<u>Low (Close)</u>	
2010			
January	\$25.60	\$23.96	3,655,912
February.....	\$26.31	\$23.79	3,708,606
March	\$27.02	\$25.16	3,709,367
April	\$27.55	\$26.00	3,095,917
May	\$27.64	\$25.40	4,650,122
June	\$27.85	\$26.10	2,380,178
July	\$29.22	\$26.72	1,861,767
August	\$29.66	\$28.19	2,637,934
September	\$31.49	\$28.50	2,464,026
October	\$31.65	\$30.63	1,796,800
November	\$35.00	\$32.07	2,720,242
December	\$36.01	\$33.92	3,407,564

The First Debentures are listed on the TSX under the symbol KEY.DB and the Second Debentures are listed on the TSX under the symbol KEY.DB.A. In connection with the completion of the Conversion, Keyera Corp. assumed all of the obligations of the Fund under the Debenture Indenture. In accordance with the Second Supplemental Indenture, the Debentures are now convertible into Common Shares rather than Units. (See “Capital Structure of Keyera Corp – Debentures”). The following table sets forth the high and low sales prices per debenture and trading volumes for the First Debentures on the TSX for the periods indicated.

Calendar Period	Price per \$100 Principal Amount of First Debenture		First Debenture Trading Volume (per \$100 Principal Amount)
	High (Close)	Low (Close)	
2010			
January	\$217.00	\$192.04	910
February	\$217.00	\$206.22	530
March	\$228.40	\$210.00	370
April	\$228.00	\$218.21	1,610
May	\$223.00	\$216.02	550
June	\$235.00	\$223.00	1,560
July	\$241.50	\$240.00	140
August	\$265.81	\$240.00	300
September	\$260.00	\$240.00	690
October	\$265.90	\$243.04	920
November	\$284.00	\$273.00	320
December	\$307.00	\$302.00	400

The following table sets forth the high and low sales prices per debenture and trading volumes for the Second Debentures on the TSX for the period indicated.

Calendar Period	Price per \$100 Principal Amount of Second Debenture		Second Debenture Trading Volume (per \$100 Principal Amount)
	High (Close)	Low (Close)	
2010			
January	\$133.00	\$123.93	113,680
February	\$136.40	\$125.05	34,950
March	\$141.00	\$130.22	53,370
April	\$143.00	\$135.68	33,040
May	\$144.50	\$132.50	31,390
June	\$145.54	\$136.00	10,824
July	\$152.00	\$140.00	16,910
August	\$155.00	\$148.04	11,710
September	\$164.00	\$148.70	5,710
October	\$165.00	\$159.69	14,100
November	\$181.81	\$167.52	8,480
December	\$188.00	\$176.51	7,160

Prior Sales

During 2010, the Fund issued a total of 4,077,680 Units as follows:

	Number of Units	Dollars	Average Price
Units issued on conversion of convertible debentures – Series KEY.DB	106,114	1,246,770	\$11.75
Units issued on conversion of convertible debentures – Series KEY.DB.A	2,469,074	47,159,191	\$19.10
Units issued pursuant to distribution reinvestment plans	1,502,492	38,716,454	\$25.77

DIRECTORS AND OFFICERS OF KEYERA CORP.

Directors

In accordance with the Plan of Arrangement, effective January 1, 2011, the directors of KEML elected at the Fund's 2010 Annual Meeting were appointed as the directors of Keyera Corp. In accordance with its Articles of Amalgamation, Keyera Corp. must have a minimum of three directors and may have a maximum of twelve directors. As of the date hereof, the Board of Directors has determined that eight is the appropriate number of directors. The names, municipalities of residence, 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:

<u>Name, Residence, Principal Occupation, Period of Service as a Director, Other Issuers of which the Director is as a director</u>	<u>Position on Committees of the Board of Directors</u>
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James V. Bertram

Calgary, Alberta, Canada

Mr. Bertram has been a director since March 28, 2003. Mr. Bertram is also President and Chief Executive Officer of Keyera Corp. (formerly KEML), a position he has held since the business was started in 1998. Mr. Bertram was previously employed at Gulf Canada as Vice President – Marketing for worldwide operations. Prior to joining Gulf Canada, he was Vice President – Marketing of Amerada Hess Canada Ltd. Mr. Bertram is a director of Legacy Oil & Gas Inc. (formerly Glamis Resources Ltd.).

Mr. Bertram is:

- Not Independent
- Not a member of any Committees

Robert B. Catell

New York, New York, U.S.A.

Mr. Catell has been a director since April 2, 2003. Mr. Catell recently retired as Executive Director and Deputy Chairman of National Grid plc, a position he assumed in 2007. Prior to this, he was Chairman and Chief Executive Officer of KeySpan Corporation, as well as Chairman and Chief Executive Officer of KeySpan Energy Delivery, formerly Brooklyn Union Gas. In addition, Mr. Catell was Chairman of several KeySpan affiliates and subsidiaries. Mr. Catell recently retired as a director of National Grid plc. He is past Chairman of the American Gas Association and is a Vice-Chairman of the National Petroleum Council's Natural Gas Committee. Currently Mr. Catell is Chairman of the Advanced Energy Research and Technology Center of Stonybrook University.

Mr. Catell is:

- Independent
- Not a member of any Committees

Michael B.C. Davies

Banff, Alberta, Canada

Mr. Davies has been a director since April 2, 2003. Mr. Davies is Principal of Davies & Co. Mr. Davies is a director of Cadent Energy Partners and Eno-Tech Energy Partners, both of which are private equity firms, as well as Echoex Energy Ltd., a private oil and gas exploration and development company. Previously, Mr. Davies headed RBC Dominion Securities' M&A Group from its formation in 1986 to 1996 and from 1996 – 2002 acted as the firm's senior M&A advisor. Prior to that, he spent a number of years in the securities industry as a member of the Energy Group of Morgan Stanley in New York. Mr. Davies was also Vice-President and Chief Financial Officer of Polar Gas Project, an Arctic natural gas pipeline mega project.

Mr. Davies is:

- Independent
- Member of the Audit Committee

Nancy M. Laird

Calgary, Alberta, Canada

Ms. Laird has been a director since April 2, 2003. Ms. Laird is a corporate director with more than 20 years experience in the energy industry. From 1997 until 2002 she was Senior Vice President, Marketing and Midstream for EnCana Corporation (and its predecessor, PanCanadian Energy Corporation). Previously, Ms. Laird was President of NrG Information Services Inc., a joint venture initiative involving four of North America's leading natural gas pipeline companies. Ms. Laird is a director of AlterNrg Corp. and Synodon Inc. She was also a director of Enerflex Systems Income Fund prior to its acquisition by Toromont.

Ms. Laird is:

- Independent
- Chair of the Compensation and Governance Committee
- Member of the Health, Safety and Environment Committee

Name, Residence, Principal Occupation, Period of Service as a Director, Other Issuers of which the Director is as a director

Position on Committees of the Board of Directors

Hon. E. Peter Lougheed, P.C., C.C., Q.C.

Calgary, Alberta, Canada

Mr. Lougheed has been a director since April 2, 2003. Mr. Lougheed is a corporate director and is currently Counsel at Bennett Jones LLP, Barristers and Solicitors, having previously been a partner of that firm from 1986 to 1999. He served as Premier of Alberta from 1971 to 1985 and is a member of the Privy Council of Canada and a Companion of the Order of Canada. Mr. Lougheed has been associated with Quorum Funding Corporation since 1986 and his current role with the company is Director and Chairman of the Advisory Committee for Quorum Secured Equity Trust and Quorum Oil and Gas Technology Fund. Mr. Lougheed is also a director of MEG Energy Corp and a member of the Advisory Board of KERN Partners Ltd.

Mr. Lougheed is:

- Independent
- Chairman of the Board
- Member of the Compensation and Governance 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 35 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 a director of Perpetual Energy Inc., Culane Energy Ltd. and Ember Resources Canada, all publicly-traded issuers in the oil and gas industry, Aduro Resources Ltd., Milestone Exploration Inc., and Capio Exploration Inc., all private companies in the oil and gas industry, and Beyond Compliance Inc., a private company in the information technology industry.

Mr. Nelson is:

- Independent
- Member of the Health, Safety and Environment Committee
- Member of the Audit Committee

H. Neil Nichols

Smiths Cove, Nova Scotia, Canada

Mr. Nichols has been a director since April 2, 2003. He was President of KeySpan Energy Development Corp. from 1997 to 2004 and Senior Vice President of KeySpan Corporation from December 1998 to December 2004. Prior to joining KeySpan, Mr. Nichols was an owner and President of Corrosion Interventions, Ltd. and was Chief Financial Officer and Executive Vice President of Trans Canada PipeLines Limited.

Mr. Nichols is:

- Independent
- Chair of the Audit Committee
- Member of the Compensation and Governance Committee

William R. Stedman

Calgary, Alberta, Canada

Mr. Stedman has been a director since April 2, 2003. Since 2001, Mr. Stedman has been 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 also a director of OMERS Energy Inc. and sits on the advisory board of Birch Hill Equity Inc.

Mr. Stedman is:

- Independent
- Chair of the Health, Safety and Environment Committee
- Member of the Compensation and Governance Committee
- Member of the Audit Committee

In accordance with the Articles of Amalgamation, the directors of Keyera Corp. 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;
- Keyera's governance practices and policies; and
- the 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 and assessment of Keyera's health, safety and environmental policies, practices and procedures;
- the implementation of Keyera's health, safety and environmental policies and practices and procedures in light of regulatory requirements and industry standards;
- the review of Keyera's integrity management systems;
- the review of Keyera's asset retirement obligations; and
- the 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 conflicts of interest be dealt with in accordance with the requirements of its conflict of interest policy.

Share Ownership by Directors and Executive Officers

As at January 1, 2011, the directors and executive officers of Keyera Corp., as a group beneficially owned or exercised control or direction over 556,066 Common Shares representing less than 1% of the Common Shares issued and outstanding as at January 1, 2011.

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 Annual Information Form, (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. William Stedman who was a director of Efficient Energy Resources Ltd., a private company, when it declared bankruptcy in 2005. 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 Annual Information Form, 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. are set out below:

<u>Name and Municipality of Residence</u>	<u>Position with the Keyera Corp.</u>	<u>Principal Occupation</u>
Hon. E. Peter Lougheed, P.C., C.C., Q.C. Calgary, Alberta	Chairman of the Board	Corporate Director and Counsel, Bennett Jones LLP, Barristers and Solicitors.
James V. Bertram Calgary, Alberta	President and Chief Executive Officer	President and Chief Executive Officer, Keyera.
Dean Setoguchi Calgary, Alberta	Vice President and Chief Financial Officer	Vice President and Chief Financial Officer, Keyera since November 2008; Vice President, Finance, Keyera, from October 2008 to November 2008; Vice President and Chief Financial Officer, Cordero Energy Inc. from April 2005 to September 2008.
David G. Smith Calgary, Alberta	Executive Vice President, Liquids Business Unit	Executive Vice President, Liquids Business Unit, Keyera, since November 2008; Executive Vice President and Chief Financial Officer, Keyera, from February 2006 to November 2008; Senior Vice President and Chief Financial Officer, Keyera, prior thereto.
Graham Balzun Calgary, Alberta	Vice President, Engineering and Corporate Responsibility	Vice President, Engineering and Corporate Responsibility, Keyera since March 2008; Director, Operations, Keyera prior thereto.
Mike Freeman Calgary, Alberta	Vice President, Commercial	Vice President, Commercial , Keyera, since May 2010; General Manager, Marketing, Keyera, from December 2006 to May 2010; Director, Gas Products Marketing, Keyera, prior thereto.
Jim Hunter Calgary, Alberta	Vice President, NGL Facilities	Vice President, NGL Facilities, Keyera since May 2010; General Manager, NGL Infrastructure, Keyera, from December 2006 to May 2010; Director, Product Pipelines and Facilities, Keyera, prior thereto.
Marzio Isotti Calgary, Alberta	Vice President, Foothills Region	Vice President, Foothills Region, Keyera since August 22, 2007; Vice President, West Central Region, Keyera, from July 2004 to August 2007.
Steven B. Kroeker Calgary, Alberta	Vice President, Corporate Development	Vice President, Corporate Development, Keyera, since June 2006; Director, Scotia Capital Investment Banking (Energy Group) from 2004 to 2006.

<u>Name and Municipality of Residence</u>	<u>Position with the Keyera Corp.</u>	<u>Principal Occupation</u>
Bradley W. Lock Calgary, Alberta	Vice President, North Central Region	Vice President, North Central Region, Keyera since August 2007; Vice President, Engineering and Operational Services, Keyera from July 2004 to August 2007.
David A. Sentes Calgary, Alberta	Vice President, Comptroller	Vice President, Comptroller, Keyera.

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 three members, each of whom is independent and financially literate as defined by Multilateral Instrument 52-110 *Audit Committees*. The following table sets out the relevant education and experience of the members of the Audit Committee:

<u>Name</u>	<u>Relevant Education and Experience</u>
<p>Neil Nichols</p> <ul style="list-style-type: none"> • Independent • Financially Literate 	<p>Mr. Nichols is a member of the Society of Management Accountants of Canada. He is a corporate director and management consultant specializing in natural gas infrastructure and delivery systems. He was President of KeySpan Energy Development Corporation and was owner and President of Corrosion Interventions, Ltd. He was also Chief Financial Officer and Executive Vice President of TransCanada Pipelines. Mr. Nichols has significant experience in accounting and financial issues, as well as disclosure and internal control issues.</p>
<p>Michael Davies</p> <ul style="list-style-type: none"> • Independent • Financially Literate 	<p>Mr. Davies holds a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of British Columbia. He is also a Chartered Business Valuator. Through his current role as Principal of Davies & Co. and his past experience (including his roles as head of RBC Dominion Securities' M&A Group, as a member of the Energy Group of Morgan Stanley in New York and as Vice-President and Chief Financial Officer of the Polar Gas Project), Mr. Davies has a breadth of understanding of financial and accounting issues, as well as disclosure and internal control procedures.</p>
<p>Donald Nelson</p> <ul style="list-style-type: none"> • Independent • Financially Literate 	<p>Mr. Nelson holds a Bachelor of Science (Honours) in Mathematics and is a member of APEGGA and the Society of Petroleum Engineers. He is President of Fairway Resources Inc., a private firm providing consulting services to the oil and gas industry and has been a professional engineer with over 35 years of oil and gas experience, including corporate management, engineering and operations. Previously Mr. Nelson held the position of President and CEO (1998 – 2002) with Summit Resources Limited a mid-sized, public, energy company with responsibility for all facets of the company including financial. Mr. Nelson serves as a director on various public and private company boards and has an extensive knowledge of financial and accounting issues, as well as disclosure and internal control procedures.</p>
<p>William Stedman</p> <ul style="list-style-type: none"> • Independent • Financially Literate 	<p>Mr. Stedman holds a Bachelor of Science from Dalhousie University (1973), a Bachelor of Civil Engineering (with Distinction) from McGill University (1975) and a Master of Business Administration from Harvard Business School (1982). Since 2001, Mr. Stedman has been 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 also a director of OMERS Energy Inc. and sits on the advisory board of Birch Hill Equity Inc. Mr. Stedman has significant experience in accounting and financial issues, as well as disclosure and internal control issues.</p>

Principal Accountant Fees and Services

In 2009 and 2010, fees billed for audit, audit-related, tax and other services provided to the Fund by Deloitte & Touche LLP were as follows:

Year Ended December 31	2010	2009
Audit Fees	\$382,763	\$412,475
Audit Related Fees	\$71,444	\$63,308
Tax Fees	\$215,458	\$81,085
Other Fees	\$116,600	\$150,743
Total	\$786,265	\$707,611

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 the Fund and its subsidiaries' 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 prospectus offerings.
- **Tax Fees:** Fees for advice and assistance in preparing income tax returns for the Fund and its subsidiaries and advice related to income tax and commodity taxes.
- **Other Fees:** Fees incurred for the review of the Fund's accounting research and for audit procedures of the opening balance sheet under International Financial Reporting Standards.

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, 2010 that were required to be pre-approved were pre-approved in accordance with the policies and Terms of Reference of the Audit Committee.

INDUSTRY AND ENVIRONMENTAL REGULATION

General Regulatory Context

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

Because the majority of Keyera's operations and facilities are located in Alberta, this section focuses on the Alberta regulatory regime. However, Keyera also operates one gas plant in British Columbia, one gas plant in Saskatchewan and five propane terminals in the United States, plus it ships products to customers across Canada and the United States. Each of these jurisdictions has its own regulatory and environmental regimes.

Industry Regulation

General

Keyera's natural gas gathering, processing and transportation facilities located wholly within the boundaries of Alberta are subject to regulation by the ERCB, and may also be subject to further regulation under the *Public Utilities*

Board Act (Alberta) and *Gas Utilities Act* (Alberta). None of Keyera's facilities are designated common carriers or common processors.

Legislation in Alberta exists to ensure that producers have fair and reasonable opportunities to produce, transport, process and market their reserves. The extent to which regulatory authorities in such instances can override existing transportation or processing contracts has not been fully determined. Facilities may be subject to common carrier and common processor applications and potentially to rate setting by regulatory authorities in the event an agreement cannot be reached with producers on access or rates. To the extent that producers believe processing fees or tariffs respecting facilities are too high, they may seek rate relief through such regulatory means. (See "Risk Factors and Risk Management Strategies – Operational Risks – Regulatory Intervention").

Approximately 4.3 kilometres of the Greenstreet gas gathering system is regulated by the National Energy Board as it crosses the border between Alberta and Saskatchewan. The traffic, tolls and tariffs for this pipeline system are regulated on a complaints-basis. Upon receiving a complaint, the National Energy Board may elect to undertake a detailed examination of the tolls and tariffs. Keyera has never received such a complaint.

Alberta and British Columbia Royalty Structure Changes

Keyera has interests in a non-material amount of production which it acquired in connection with its acquisition of an interest in the Minnehik Buck Lake gas plant and its acquisition of an additional interest in the West Pembina gas plant in 2010. The reserves and production are not material to Keyera and therefore any changes to royalty structures do not have a direct material affect on Keyera. However, as a service provider to the upstream energy industry, Keyera is affected by producers' responses to new royalty regimes.

Effective January 1, 2009, previously announced changes to the Alberta royalty regime were implemented by the Government of Alberta. These amendments, which included sliding rate formulas that are price and volume sensitive and new price sensitive formulas for oil sands development at both the pre-payout and post-payout stages, were expected to result in higher royalty rates. However, in three separate initiatives, the Government of Alberta has adopted modifications to the new royalty regime. In November 2008, royalty reductions for new wells between 1,000 to 3,500 metres in depth were announced and in February 2009 additional incentives for junior and mid-sized oil and gas companies were announced. These royalty incentive programs included the Deep Gas Royalty Holiday Program, the Natural Gas Deep Drilling Program, and the New Well Royalty Reduction program. Further changes to the royalty structure were announced in 2010, including the Emerging Resources and Technologies Initiative, which modifies the royalty rate for wells that require use of high-cost technologies. These adjustments to the royalty structure appear to have had a positive effect on producer activity in Alberta. Keyera will continue to work with producers to assess the implications of these changes.

The combination of incentive programs and a favourable royalty structure have made British Columbia one of the most competitive oil and gas jurisdictions in North America. As of January 2009, the Government of British Columbia approved changes to its Deep Well Royalty Program intended to recognize the cost of deep well drilling and to encourage increased oil and gas activity. Keyera has significantly expanded its gathering and processing facilities in the Caribou area of British Columbia over the last several years and in early 2010 completed an expansion to the plant to accommodate new volumes brought on stream that were committed to the plant by a producer in the area.

Alberta Energy Regulatory Enhancement Project

Alberta Government concerns about upstream oil & gas competitiveness resulted in the formation of a task group in early 2010 to review the regulatory framework across government departments affecting the natural gas and conventional oil sectors. The task group met and solicited input from a number of associations, corporations, individual and stakeholder groups culminating in the December 31, 2010 release of the Enhancing Regulation Report. The recommendations emphasize having a more integrated policy approach with supportive inter-departmental implementation (eg. remove redundancy, conflicting requirements and improve timeliness of approvals, etc.); creating one regulator for a more unified responsibility for industry activities; clarifying public engagement processes; using a systemic and common risk assessment and management approach; adopting a performance measurement framework and public reporting; and, ensuring a mechanism to address landowner concerns. The changes would have far-reaching effects on the government's policy development, regulation, enforcement and performance assurance aspects. Alterations to the current mandate and operation of Alberta Energy, Alberta Environment, Sustainable Resource Development and the ERCB would occur. The Government plans to review the report and begin drafting enabling legislation in the spring of 2011. Keyera will continue to monitor the progress and implications of this initiative on its business and operations.

Keyera's Environmental Programs

Keyera recognizes and values the importance of responsible environmental stewardship and has made significant investments in infrastructure to improve efficiencies and enhance environmental performance. Keyera's environmental programs focus on preventing environmental impacts and adopting appropriate remediation strategies when required. Keyera is committed to conducting its business in a way that balances diverse stakeholder expectations, respects the environment and emphasizes the health and safety of its employees and communities. As part of this commitment, Keyera strives to conduct its operations in accordance with internally developed environmental operating guidelines and provides its employees with comprehensive training that emphasizes health, safety and environmental matters. Keyera encourages its employees to identify opportunities to improve efficiencies, reduce fuel gas consumption and reduce emissions. By taking this eco-efficiency approach, Keyera has the ability to identify and implement projects that have benefits for its operations and the environment. Keyera has also developed ongoing community relations and public consultation programs to keep Keyera's neighbours informed and to proactively identify and address any potential concerns with respect to the operation of its facilities.

Over the years, Keyera has been a leader in its sector for the implementation of sound environmental initiatives, in areas such as carbon dioxide liquefaction, waste heat recovery and acid gas injection. Some of the initiatives Keyera has implemented include:

- removing and liquefying carbon dioxide from the raw gas stream at its Rimbey gas plant, thereby turning part of a waste gas stream into a saleable product. In doing so, Keyera created a new revenue stream at the plant, enhanced its sulphur recovery process, reduced plant emissions and won an Alberta Emerald Award for environmental excellence;
- using heat contained in exhaust from a large turbine at its Strachan gas plant to generate steam at the plant, resulting in the combined benefit of reducing emissions and fuel gas consumption;
- proactively improved or relicensed grandfathered sulphur recovery gas plants, such that reduction of sulphur dioxide emissions is at the highest standard at all its sour gas plants, other than the Minnehik Buck Lake gas plant, which was acquired in 2010;
- utilizing acid gas injection at five of its facilities, a process widely recognized as one of the most environmentally sound ways of handling the waste gas products associated with sour gas processing;
- assisting in the development of technology to detect and quantify fugitive emissions resulting in Keyera receiving the 2009 SAIT Polytechnic Outstanding Achievement in Applied Technology & Innovation Award; and
- installing a flare gas recovery system at its Rimbey plant, one of only a few in Alberta.

In addition to these initiatives, Keyera has developed a variety of environmental monitoring programs to track its environmental footprint. Keyera's air, soil and water monitoring programs meet or exceed regulatory requirements. Monitoring at gas plants includes: regular soil monitoring to detect impacts from plant operations, incinerator stack emission monitoring for compliance with license requirements, and ambient air quality monitoring at various stations near its sour gas plants for traces of sulphur bearing compounds. Keyera also participates in regional air shed (air quality) monitoring programs ratified by the Clean Air Strategic Alliance and licensed by Alberta Environment. (See "Environmental Regulation").

Environmental Regulation

General Framework

The natural gas gathering and processing 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. Due to the toxic and corrosive nature of sour gas, numerous regulatory precautions are applied to gas plants and pipelines that process and transport sour gas. 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 the imposition of fines, the issuance of clean-up orders or the shutting down of facilities and pipelines.

The ERCB, together with Alberta Environment, are the two main government agencies that regulate midstream operations and facilities in the Province of Alberta. The primary pieces of legislation that form the regulatory framework are the *Oil and Gas Conservation Act* (Alberta) and its related regulations, and *Environmental Protection and Enhancement Act* (Alberta) ("EPEA") and its related regulations. Generally, gas processing plants require a permit from the ERCB to process a specified volume of natural gas and a demonstration at the time of application that the impact on the environment will be within acceptable limits. Approvals from Alberta Environment address a plant's impact on the physical environment and limit emissions to air and water depending on the size of the gas plant and whether the plant processes sweet or sour gas. Other types of facilities and activities, such as pipelines and certain storage facilities, also require operating approvals from Alberta Environment and /or licences from the ERCB. Alberta Environment and the ERCB also conduct regular inspections of the facilities that are subject to their regulation. Further, the use of water (surface or groundwater) is regulated under the *Water Act* (Alberta). The disposal of waste water and gases into wells drilled into deep geologic formations is regulated by both the ERCB and Alberta Environment. A number of Keyera's facilities hold approvals and permits for these disposal activities.

Under EPEA, environmental standards and compliance obligations for releases, clean-up and reporting are subject to scrutiny by both Alberta Environment 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 of contaminated lands, 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.

The ERCB has jurisdiction over environmental matters under the *Oil and Gas Conservation Act* (Alberta), the *Pipelines Act* (Alberta) and other legislation and also has 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 facilities that must be factored into the cost of conducting operations in Alberta.

Sulphur Recovery

The ERCB and Alberta Environment periodically undertake a review of the sulphur recovery requirements for both new and existing gas plants to determine whether or not factors such as advances in technology or changing environmental or economic considerations warrant adjustments to the requirements. A review was undertaken in 2001 and the results were published in ID 2001-3. In ID 2001-3, the ERCB set maximum allowable limits on the amount of inlet sulphur that could be processed through "grandfathered" plants. This directive established revised sulphur recovery guidelines for new and/or expanding sour gas plants. Existing "grandfathered" plants are required to meet the revised sulphur recovery guidelines over time. All of Keyera's facilities over the last several years have been grandfathered with the exception of the Minnehik Buck Lake gas plant, which was acquired in 2010.

Sulphur Dioxide and Nitrogen Oxides Ambient Air Criteria

In late 2010, Alberta Environment introduced new Ambient Air Quality Objectives for sulphur dioxide (maximum level in ambient air) based on a detailed provincial assessment and changing Environment Canada levels and targets. Additionally, there are proposed lower levels for nitrogen oxides that will likely come into effect in 2011. Keyera facilities, some of which are already governed by Alberta Environment emission approvals, will be assessed for potential impact.

Particulate Matter and Ozone Management Framework

Alberta Environment, together with the Clean Air Strategic Alliance, has implemented the Particulate Matter and Ozone Management Framework to achieve Canada-wide standard levels by the 2010 target date. This Framework likely will affect several Keyera plants operating in central Alberta. Development of the management strategies and recommended actions will occur through the region's ambient air monitoring associations of the Parkland Airshed Management Zone and the Fort Air Partnership. The likely result will be actions to reduce emissions of nitrogen oxides from compressor engines beyond the current standard and the comprehensive implementation of fugitive mitigation programs for hydrocarbon emissions from facility operations under Directive 060, Upstream Petroleum Industry Flaring, Incineration and Venting.

Greenhouse Gas Emissions Limits

Greenhouse gases, mainly carbon dioxide and methane, are components of the raw natural gas being processed and handled at oil and gas facilities. Additionally, greenhouse gases are emitted from the combustion of fossil fuels in

engines, heaters and boilers. Keyera's facilities and related operations also emit greenhouse gases from fuel combustion activities and processes. Some of Keyera's facilities have the potential to capture carbon dioxide from the raw gas processed, and Keyera has undertaken a variety of initiatives that have reduced greenhouse gas emissions. Keyera has used an engineering consulting firm to compile inventories of greenhouse gas emissions for several of the years since 2000 and has reported these inventories in accordance with federal and provincial programs. Third party audits or verifications of inventories are conducted for facilities that are required to meet regulatory targets.

In Alberta, the Climate Change and Emissions Management Act and the accompanying Specified Gas Emitters Regulation (the "Regulation"), establishes the framework for the regulation of emission intensities. Emission intensity refers to the amount of greenhouse gas, measured on a carbon dioxide equivalent ("CO₂e") basis, emitted on a unit of production basis. The Regulation, which was originally adopted in 2007, requires facilities that produce over 100,000 tonnes of CO₂e annually to reduce net emissions intensity to 88% of the baseline emissions intensity. The baseline emissions intensity is the average emissions intensity at a facility over the period between 2003 and 2005. If the actual emissions intensity is above the net emissions intensity, then the facility licensee can bring the facility into compliance by:

- purchasing emission 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 \$15/tonne of CO₂e; and/or
- purchasing emission performance credits (such credits are reductions in greenhouse gas emissions beyond the 88% of the baseline emissions intensity).

Keyera is the operator of four facilities which are subject to emission reduction targets under the Regulation: the Strachan, Rimbey, Brazeau River and Nevis gas plants. In 2010, Keyera completed a third party audit of its greenhouse gas baseline calculations and greenhouse gas modeling, which resulted in some adjustments to its compliance costs. The cost of complying with the Regulation in 2010 was approximately \$1,600,000, excluding \$200,000 earned in emission performance credits. Two of the primary factors that affect emission intensity at Keyera's facilities are fuel gas consumption and throughput. Higher levels of fuel gas consumption result in higher emission intensities, while lower throughput results in higher emission intensities per volume of gas processed. Pursuant to the Specified Gas Reporting Regulations which were amended in 2009 to require reporting by facilities with emissions of 50,000 tonnes of CO₂e, Keyera will be reporting emissions for the Gilby, Chinchaga, West Pembina, Minnehik Buck Lake and Simonette gas plants. At this time these facilities are not subject to emission reduction targets.

In 2008, the Government of Alberta also announced its intention to cut projected emissions by 50% by 2050. The three main strategies for achieving this reduction identified in the announcement included: carbon capture and storage; energy conservation and efficiency; and developing green technology to be used in energy production. Then in 2009, several announcements were made with respect to specific projects that would receive funding to support this initiative in the area of carbon capture and sequestration ("CCS"). This past year, in 2010, the Climate Change and Emissions Management Corporation was formed with a mandate to utilize the funds in the CCEMF to support technology advancements in energy efficiency, greening of fossil fuels, renewables and CCS. Keyera will continue to evaluate projects that qualify for CCEMF funding priorities in each funding cycle.

In connection with the release of its 2008 budget package, the Government of British Columbia announced a series of measures it intends to take as part of an overall climate change initiative aimed at reducing greenhouse gas emissions by one third by 2020. The announcement included a broad-based carbon tax which was implemented in 2008. The carbon tax applies to fuel and flared gas which has cost implications for the Caribou gas plant, Keyera's only plant in British Columbia. The cost to Keyera for 2010 was approximately \$800,000 a notable increase over the prior year due to a tax rate increase.

The Canadian government remains active in United Nations Framework Convention climate change conferences. While no legally binding emission targets have been placed on Canada, Canada did commit to reduce greenhouse gas emissions by 17% of 2005 levels by 2020. Recently, the Federal Government has indicated that it is considering moving toward a 'cap and trade' system and away from intensity based regulation. Keyera is monitoring these ongoing developments, as well as policy and regulatory developments in the United States and internationally.

Overall, Keyera is aware that there is a risk that future international, national or provincial emission reduction requirements may require further reductions of emissions or emissions intensity from its operations and facilities. These reductions may not be technically or economically feasible and the failure to meet such emission reduction requirements

may result in fines, penalties, the suspension of operations, and/or the necessity of purchasing greenhouse gas credits, all of which could materially adversely affect Keyera's business. (See "Risk Factors and Risk Management Strategies – Operational Risks - Environmental and Public Safety Considerations").

Keyera endeavours to be proactive in anticipating the changes on the horizon and is engaged in identifying opportunities to mitigate its overall environmental footprint. As such, Keyera 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: identifying and implementing cost effective greenhouse gas reductions in its operations; adopting economically viable conservation and energy efficient technologies; monitoring and reporting emission reductions; sharing best practices; encouraging continuous improvement in greenhouse gas inventory reporting methodologies and risk management; and identifying and evaluating business opportunities associated with CCS and emission trading.

Keyera has participated in the Carbon Disclosure Project ("CDP") every year since 2008. The CDP is an organization that encourages private and public sectors to measure, manage and reduce emissions and climate change impacts through the promotion of an ongoing dialogue between institutional investors and senior corporate management. Keyera's submission and more about CDP can be found at their website at <https://www.cdproject.net>.

Other Specific Regulatory Initiatives

Environment Canada began a staged phase-out of all remaining PCB services in 2009. Keyera's initial assessment has shown that all of its operations are in compliance with these new initiatives. Other legislation and framework documents are reviewed and assessed for direct effect and implications, as they are issued.

RISK FACTORS AND RISK MANAGEMENT STRATEGIES

In carrying out its business and operations, Keyera deals with a number of risks. We generally consider that our risks fall into two principal categories: (1) operational risks, including legal, regulatory and strategic risks; and 2) 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.

We continually work to identify and evaluate significant risks and to develop and maintain appropriate strategies to mitigate the impact of potential risks to our business. Our approach to risk management is integrated into Keyera's 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 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 and other products transported or processed by Keyera depend on production of natural gas. Without reserve additions, production will decline over time as reserves are depleted. Most of Keyera's facilities are located in or depend on the Western Canadian Sedimentary basin. As a mature basin, production is projected to decline over the long term. To some extent, new technology has allowed producers to access and produce reserves that were previously viewed as uneconomic. However, it is not clear the extent to such advances in technology will offset the 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, sustained low gas prices or higher production costs or royalties may discourage further exploration and development, the result of which could be declines in the volume of throughput at the gas plants, the pipelines and NGL processing facilities. 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. Natural gas rich in NGLs improves the economics associated with natural gas production and is therefore more

attractive to producers; however, there is no guarantee that these factors will be sufficient to encourage continued gas exploration and development around Keyera's facilities.

The rate and timing of production from proven natural gas reserves tied into 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 shut in production as a result of lower product prices or higher production costs. Further, 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.

Keyera's future growth plans for its NGL Facilities business depend to a significant degree on producer activities in the Alberta oil sands. As 2009 commenced, the economy was fully entrenched in a global recession where access to capital was limited and there was extreme volatility in the financial markets. Demand for condensate through much of 2009 was weak due to the slow down in oil sands activity. In late 2009 and early 2010, several major producers announced that they will be commencing projects that were previously delayed. However, continued volatility may continue to result in lower than expected demand for Keyera's NGL Facilities services, as well as decreased demand for diluent which could also adversely affect 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 endeavours to mitigate this risk by providing reliable, efficient, cost-effective and customer-centered services.

Facilities Throughput

Keyera's facilities are presently operating at lower throughputs than their respective licensed capacities in part due to declines in production since the facilities were built. Over the long term, the business of Keyera will depend, in part, on the level of demand for the processing of NGLs and natural gas in the geographic areas in which Keyera's facilities are located, and the ability and willingness of producers and shippers to direct gas to those facilities. The demand for processing and related services is dependent on such factors as the quality of services offered, the cost of such services and the physical capabilities of the facilities. Keyera tries to mitigate this risk by working cooperatively with producers to provide them with comprehensive service options and pursuing business development initiatives to attract additional volumes. 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 natural gas and NGLs, thereby potentially reducing utilization rates at Keyera's facilities.

Another reason that Keyera's facilities frequently operate at lower throughputs than their respective licensed capacities is because of the difference between the licensed capacity and the effective available raw gas processing capacity. The ability of individual functional units within each plant to handle additional volumes can become a limiting factor due to such factors as gas composition changes over time or changes in plant operating conditions. Certain Keyera facilities would require expenditures for equipment refurbishment, replacement or de-bottlenecking in order to reach licensed capacity.

One of the ways Keyera tries to mitigate these risk is through its formal inspection, monitoring and maintenance programs for equipment and pipelines which assist in maximizing facility availability and operational efficiency. Keyera may also from time to time consider expanding the capacity of some of its functional units at certain plants if conditions warrant and there is sufficient demand for such expansion.

Operational Matters and Hazards

Keyera's operations are subject to common hazards of the natural gas (sweet and sour) processing and pipeline transportation business. Keyera also transports significant volumes of hydrocarbons by rail and truck which may be more prone to accidents and mishaps than pipeline transportation. 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 financial results.

To help mitigate these risks, Keyera relies on knowledgeable, competent personnel to identify and manage operational risks. It maintains written standard operating practices and formally assesses and documents competencies related to the operation of its facilities. Keyera also maintains formal inspection and maintenance programs for equipment and pipelines, a formal safety program (including hazard identification and work permitting for specific projects) and security programs to protect key assets from deliberate harm. Keyera carries casualty and business interruption insurance to help defray the costs associated with the foregoing risks should they materialize; however, insurance may not be sufficient to fully offset such costs.

Since 2008, some producers in Northern Alberta and British Columbia have experienced an increase in incidents believed to be attributable to saboteurs. These incidents have heightened Keyera's sensitivity to the potential risks posed by saboteurs and has prompted Keyera to take further security measures at its facilities.

Reliance on Other Facilities

Keyera's gas plants are connected to various third party sales gas trunkline systems, such as the Alliance, ATCO and TCPL systems, as well as liquids trunkline systems. Most shippers of natural gas and NGLs through these third party pipeline systems are not party to long term contracts and are free to use alternate transportation arrangements. Keyera's NGL Facilities and Marketing businesses also benefit from connections to third party infrastructure, including various pipelines and rail facilities. Operational disruptions, apportionment, regulatory action or other events on third party systems and infrastructure may prevent the full utilization of Keyera's facilities or otherwise hamper Keyera's business activities.

Keyera is unable to control operations or events in third party facilities making the mitigation of these risks challenging. However, in Keyera's experience, outages on third party operated trunklines for extended periods are rare due to the nature of those facilities. The owners of these facilities have significant financial resources, competent personnel, well developed operating practices and inspection and maintenance programs and formal security programs to protect their assets from deliberate harm. Several of Keyera's facilities also benefit from connections to more than one trunkline system which provides some flexibility during curtailments.

Keyera is also unable to control regulatory actions that may be taken with respect to third party facilities. Depending on the nature of the regulatory action taken, Keyera's commercial operations and business arrangements could be adversely affected. (See "Risk Factors and Risk Management Strategies - Operational Risks - Regulatory Intervention").

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 transfer of an interest in a facility. The most frequent restrictions require a transferor who is proposing to transfer an interest to offer such interest 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 partners' interests in facilities, and may also restrict Keyera's ability to maximize the value of a sale of its interest.

With the acquisitions made over the past several years, Keyera has increased its ownership interest in most of its major facilities to over 70%, thereby enhancing its ability to direct decisions at jointly owned facilities. As well, as part of its 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 AFE 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 proceed with its plans for some facilities which are jointly owned.

Natural Gas 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 inlet gas composition changes.

Keyera monitors plant throughput, third party system performance and industry development activity in the capture areas surrounding its facilities on an ongoing basis. This information is used when assessing expansion opportunities and the possibility of adding new processing or commercial services.

Reliance on Principal Customers and Suppliers

Keyera relies on a number of principal customers and suppliers in each of its business segments, the most significant of which is an arrangement with ConocoPhillips. In 2010 ConocoPhillips, as a customer, contributed approximately 14% of Keyera's natural gas gathering and processing revenue. As a supplier, ConocoPhillips contributed approximately 15% of Keyera's NGL supply volumes in 2010. These customer and supplier arrangements are derived from long term agreements with ConocoPhillips which expire in December 2018. (See "Other Information Relating to Keyera's Business - Business Arrangements - ConocoPhillips Arrangements"). In addition to the arrangement with ConocoPhillips, Keyera enters into many other contracts with its customers and suppliers and may offer services on standard terms without entering into signed written agreements. Often the contracts that are entered into with customers or suppliers are for a defined term or are subject to early termination upon notice.

In 2009, Keyera announced that it entered into a long-term agreement with Imperial Oil Resources Ventures Limited, and in 2010, Keyera announced a similar agreement with Husky for their Sunrise oil sands project. These agreements are expected to provide Keyera with long-term fee-for-service revenues and have the potential to generate significant new business opportunities for Keyera. These agreements are being relied upon to support the construction of the FSCS and related facilities.

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. If any of these circumstances were to arise, the revenue generated by Keyera's operating entities would be reduced which could adversely affect Keyera's financial results.

In an effort to minimize the risk of reliance on any single customer or supplier, Keyera has diversified its customer and supplier base and continues to explore relationships with existing and potential new customers and suppliers. It 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 attracting 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.

Competition

Each of Keyera's gas plants is subject to competition from other gas processing plants which are either in the general vicinity of the Keyera's plants or have gathering systems that do or could potentially extend into Keyera's capture areas. NGL and crude oil commodities that are marketed by Keyera compete with supplies from Canadian, American and international sources. As well, Keyera's NGL pipelines and storage, terminal and 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 transportation, terminalling and storage services in the

Edmonton/Fort Saskatchewan hub, as well as in other interconnected geographic areas in western Canada and the U.S. 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; rather, the natural gas and gas products industry also competes with other industries seeking to provide alternative sources of fuel and feedstock to consumers. Competition from non-hydrocarbon based sources of energy 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.

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. On the gathering and processing side of Keyera's business, the required capital investments may create barriers to entry for some potential competitors. While Keyera feels it is well positioned to compete with its peers, aggressive action by competitors, changes in law, declines in production and a stronger shift in the market place to non-hydrocarbon based energy sources could all adversely affect Keyera's competitive position.

Regulatory Intervention

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. In some instances, regulatory delays, whether as a result of actions by a regulator or intervention by third parties, may result in project economics becoming less favourable or in some projects not proceeding.

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. (See "Industry and Environmental Regulation"). Keyera tries to reduce the likelihood of regulatory intervention by taking industry standards and guidelines into account in setting rates and tariffs and by working proactively with its customers. Nevertheless, there is no guarantee that Keyera will be able to avoid challenges to its rates and tariffs. Further, Keyera may be adversely affected by regulatory action taken with respect to third party systems and infrastructure.

Environmental and Public Safety Considerations

Keyera's activities are regulated by federal and provincial 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 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. Environmental controls including physical design, programs, procedures and processes are in place to assist in managing these risks.

Environmental legislation also requires that facilities, pipelines and other properties associated with Keyera's operations be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Many of Keyera's facilities are subject to licensing requirements imposed by Alberta Environment and/or the ERCB. 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.

It is also possible that the provincial and federal governments may take steps to impose stricter regulations and emission limits on greenhouse gas emissions in the near term. (See "Industry and Environmental 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 affect on Keyera's business and result. 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, but it will continue to monitor developments and assess the potential implications.

Given the nature of sour gas, certain environmental risks are inherent in sour gas processing 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 with the pipeline) could result in damage to the environment and Keyera's gas plants, death or injury and substantial costs and liabilities to third parties. Keyera may not be able to insure against these events or may elect not to insure because of high premium costs or for other reasons. Further, if, at any time, appropriate regulatory authorities deem any one of the pipelines or facilities unsafe, they may order it to be shut down.

To help mitigate these risks, Keyera has developed environmental programs and internal operating and maintenance guidelines intended to minimize the environmental impact of its operations. Keyera has also developed environmental and 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 to acceptable levels. Keyera has also implemented air, soil and water monitoring programs that meet or exceed regulatory requirements. (See Risks and Risk Management Strategies – Financial Risks - Environmental Compliance and Remediation Costs” for a further discussion of the costs risks associated with environmental matters).

Foreign Operations

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

With the incorporation of KEI, the establishment of offices in Houston and Spokane, the acquisition and operation of propane terminals in various locations in the U.S. and the addition of contracted terminalling and storage capacity at Mt. Belvieu and Conway, Keyera has expanded its U.S. presence. 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 American courts.

While KEI has a small staff in its Houston and Spokane offices, as well as employees and contractors at its terminal locations, portions of Keyera's U.S. operations are managed by Canadian personnel with limited expertise in U.S. law and regulation. Keyera engages U.S. counsel and other consultants from time to time to assist with identifying and complying with applicable state and federal laws. Keyera monitors developments and trends that may affect NGL 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 for propane sales and condensate purchases.

Weather Conditions

Weather conditions can affect the demand for and price of natural gas and NGLs. 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 conditions may 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. Weather may also affect the operations and projects of Keyera's customers, thereby influencing the supply of natural gas and NGLs.

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. While

availability of trades and supplies does not always make this possible, Keyera has been relatively successful in minimizing construction delays due to weather issues. While Keyera does not speculate on weather in its marketing business, it tries to respond to supply and demand seasonality by building inventories in the warmer months, for delivery in the winter months when demand is generally expected to be higher. While Keyera uses financial 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. (See "Risk Factors and Risk Management Strategies - Financial Risks – Market Risk and Marketing Activities").

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.

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 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.

Labour Relations

Keyera has unions at four of its gas processing facilities. Unionized labour disruptions could restrict the ability of the gas plants to process natural gas and therefore affect Keyera's financial results. (See "Business of Keyera - Employees and Labour Relations"). The collective agreements for employees at the Strachan gas plant, the Rimbeigh gas plant, and the Nevis gas plant expire on December 31, 2011. The current collective agreement for employees at the Minnehik Buck Lake gas plant expires on April 30, 2013. Overall, Keyera maintains a relatively good relationship with its unions and unionized employees and has never experienced a strike or work stoppage at its unionized plants.

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 by the federal or provincial governments. (See "Industry and Environmental Regulation - Environmental Regulation"). In the event of legislative or regulatory changes, Keyera's ability to conduct business may be adversely affected which could thereby have a negative effect on cash available for distribution.

Aboriginal Land Claims

Some of Keyera's facilities are located on or adjacent to reserve lands or other lands that have been traditionally used by aboriginal peoples. As well, aboriginal peoples have claimed aboriginal title and rights to a substantial portion of lands in western Canada. In some circumstances, aboriginal people are entitled to be consulted prior to resource development on provincial Crown lands. Such claims, if successful, 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.

To mitigate these risks, Keyera monitors developments that may affect activities around its facilities. As well, when appropriate, Keyera works, directly or indirectly, with aboriginal communities that have reserves or traditional lands that may be affected by Keyera's ongoing operations as well as construction or expansion projects.

Expansion of Operations

Keyera's operations and expertise are currently focused on midstream oil and gas activities; however, in the future it is possible that Keyera could engage in other activities. The Partnership Agreement permits the Partnership to engage in activities other than its current core business areas. For example, in 2010, Keyera acquired non-material interests in certain reserves associated with its facility acquisitions at Minnehik Buck Lake and West Pembina. 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 respect to 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 and crude oil. 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 and, in some cases, may also expose Keyera to currency exchange risk. (See "Risk Factors - Financial Risks - Foreign Exchange"). The prices of the products that are marketed by Keyera are subject to fluctuations as a result of such factors as seasonal demand changes, changes in crude oil and natural gas markets, and other factors. In many circumstances, particularly in NGL marketing, purchase and sale contracts are not perfectly matched as they are entered into at different times and at different values. 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 thereby resulting in inventory risk. Because crude oil margins are earned by capturing spreads between different qualities of crude oil, Keyera's crude oil midstream business is subject to volatility in price differentials between crude oil streams. In both Keyera's NGL and crude oil marketing businesses, margins can vary significantly from period to period and volatility in the markets for these products may cause distortions in financial results from period to period that are not replicable.

To some extent, Keyera can lessen certain elements of risk exposure through the integration of its marketing business with its facilities businesses. In spite of this integration, Keyera remains exposed to market and commodity price risk. Keyera manages this commodity risk in a number of ways, including the use of financial contracts and by offsetting some physical and financial contracts in terms of volumes, timing of performance and delivery obligations. For example, in the context of NGL marketing, because NGL product prices are related to the price of crude oil, crude oil financial contracts are one of the more common hedging strategies that Keyera uses. This strategy is subject to basis risk between the prices of crude oil and the NGL product and therefore cannot be expected to fully offset future propane, butane and condensate price movements. Further, 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. 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 and Risk Management Strategies – Financial Risks – Credit Exposure").

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. For example, 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 because the Common Shares that are delivered to fulfil grants made under the plan are purchased on the market, rather than being issued from treasury. As a result the cost of the LTIP is directly related to the price of the Common Share.

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. Historically, the costs of Keyera's inspection, monitoring and maintenance programs have been expensed in the period they are incurred and where a repair or replacement has enduring value, it has been capitalized rather than expensed.

Working capital requirements are strongly influenced by the volume of NGLs held in storage and related commodity prices. Historically the largest allocation of working capital to fund NGL inventory has been approximately \$190 million which occurred in 2008 when oil prices (to which NGL prices are generally tied) reached record highs. In addition to the working capital required for NGL inventory, Keyera requires working capital to finance other activities. Typically, these additional working capital requirements have tended to be in the range of \$50 million to \$70 million before consideration of the working capital requirements relating to Keyera's risk management program. Historically, the risk management program has required up to \$60 million of additional working capital. 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 historic 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 AFE 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.

Adequacy of Insurance

Keyera currently maintains customary insurance of the types and amounts consistent with prudent industry practice. Keyera is not obligated to maintain insurance if it is not available to Keyera on commercially reasonable terms. There can be no assurance that such insurance coverage will be available in the future on commercially reasonable terms or at commercially reasonable rates or that the amounts for which Keyera is insured, or the proceeds of such insurance, will compensate Keyera fully for its losses. 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.

With the growth in Keyera's operating activities in the U.S., Keyera has expanded its insurance coverage to include coverages for these U.S. operations. Because of the litigation environment, the potential for higher damages awards and Keyera's acquisition of propane terminals in U.S. locations, 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 Keyera's various business operations. Keyera can draw upon this risk review process to assist it in identifying 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, Keyera reviews its insurance and coverage levels at least annually in consultation with insurance providers and experts. Keyera also works with insurance advisors and underwriters so that they are knowledgeable about Keyera's operating practices and emergency systems to enhance their understanding of Keyera's business and mitigate the risk of unjustified premium increases.

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 "Other Information Relating to Keyera's Business – Decommissioning, Abandonment and Reclamation Costs"). It is not possible to predict these costs with certainty since they will be 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. As of December 31, 2010, Keyera recognized a liability of \$76.7 million for its asset retirement obligations. A further discussion of the assumptions and basis for calculating the fair value of the asset retirement obligations are included in the 2010 Management Discussion and Analysis accompanying the Keyera's 2010 annual audited financial statements which is available on SEDAR at www.sedar.com.

Keyera may, in the future, determine it to be 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. If Keyera is not able to fund such reserve funds through an environmental recovery fee, the creation and maintenance of these reserves could decrease cash available to distribute 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 costs.

To help mitigate these risks, Keyera utilizes a liability management system and a documented process, overseen by the Health, Safety and Environment Committee of the Board of Directors, to estimate future liability, risks, priorities and the anticipated cost of the decommissioning, abandonment and reclamation of its facilities. These costs are accounted for and reported in accordance with GAAP. Keyera continues to support the concept of decommissioning, abandonment and reclamation recovery fees and will work with industry and government bodies to promote this concept as opportunities to do so arise.

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 monies. 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 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.

It is not possible for Keyera to estimate the amount and timing of all future expenditures related to environmental matters due to: (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 a material adverse affect on its financial results; however, no assurance can be given that such costs will not adversely affect financial results in the future.

Debt Matters

Keyera relies on debt financing for some of its business activities, including capital and operating expenditures. The credit facilities and senior notes are for 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 these borrowings. Any failure of Keyera to obtain refinancing 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 "Other Information Related to Keyera's Business – Borrowing").

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 and the Debentures 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 distributions to Shareholders may be affected. The revolving credit facilities are currently scheduled to mature in 2014 and the long-term senior unsecured notes mature on various dates between 2013 and 2022. ("See "Other Information Relating to Keyera's Business - Borrowing").

Keyera believes that the existing credit facilities and senior notes (including the Prushelf) 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 senior notes on commercially reasonable terms. However, there can be no assurance that the amounts will be adequate for further financial obligations or that additional funds will be able to be obtained.

Credit Exposure

Keyera takes on credit risk with respect to its fee for service business, the purchase and sale of commodities in its marketing business, the hedging of commodity price changes and the 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.

Keyera monitors its accounts receivable and its exposure to counterparties and customers in each of its business lines. 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. Keyera monitors the credit risk in its marketing business in accordance with its credit policy, including reviewing and adjusting credit limits for customers and counterparties and determining appropriate counterparty collateral. With respect to counterparties for financial instruments used for hedging purposes, credit risk is managed through dealing with recognized futures exchanges or investment grade financial institutions, or through application of Keyera's risk management and credit policies.

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 distribution. 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 maintains a portfolio of debt of varying terms and monitors the balance of fixed and floating interest rates in its portfolio.

Foreign Exchange

Keyera takes on foreign exchange risk with respect to its purchase and sale of commodities and with respect to its U.S. investment and borrowings. For example, in Keyera's marketing business, commodity prices are often quoted in U.S. dollars and the price paid and received by it for these commodities is therefore affected by the Canadian – U.S. exchange rate which may fluctuate over time and such fluctuations could have an adverse effect on Keyera's financial condition. Keyera has no ability to control or influence foreign exchange rates. Keyera has adopted a risk management policy in relation to its marketing activities, including the exposure to foreign exchange risk associated with these activities. In addition, Keyera's US denominated long term private placement notes, have been swapped to Canadian dollars to attempt to mitigate the impact of fluctuating foreign exchange rates. Even though Keyera has taken these steps, fluctuations in foreign exchange may still have an adverse effect on its financial results. Keyera's Canadian facilities businesses, where all services are denominated in Canadian dollars, are not subject to foreign exchange risk.

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 current and expected future levels of earnings, operating cash flow, income taxes, maintenance capital, growth capital expenditures, debt repayments, working capital requirements and other factors. Keyera's short and long term borrowings, as well as the Debentures, 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").

Because Keyera distributes the majority of its net cash flow to Shareholders as dividends, if external sources of capital, including borrowings and the issuance of additional Common Shares, become limited or unavailable on commercially reasonable terms, Keyera's ability to 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 level of cash flow available to declare and pay dividends to Shareholders.

Dependence on Subsidiaries

Keyera Corp. depends on the operations and assets of its subsidiaries. Keyera's primary assets are owned and operated by the Partnership. 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 the Partnership.

Sales of Additional Common Shares

Keyera Corp. may issue additional Common Shares in the future. Such additional Common Shares may be issued without the approval of Shareholders. Shareholders do not have pre-emptive rights in connection with such additional issuances. It is not possible to predict the size of future issuances of Common Shares or the effect, if any, that future issuances of Common Shares will have on the market price of the Common Shares. Issuances of a substantial number of Common Shares, or the perception that such issuances could occur, may adversely affect prevailing market prices for the Common Shares. As well, with any additional issuance of Common Shares, Shareholders will experience dilution. Under the regular Dividend Reinvestment portion of the Plan, Common Shares are currently issued at a 3% discount to the prevailing market price. Under the Premium DividendTM component of the Plan, Common Shares are issued at a 5% discount to the prevailing market price and Shareholders receive a premium cash payment equal to 102% of the regular declared cash distribution that is reinvested on their behalf under the Plan. It

should be noted, however, that the Premium Dividend component of the Plan is suspended and therefore no Common Shares are being issued under this component of the Plan as of the date hereof.

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 EXPERTS

Deloitte & Touche LLP was the external auditor of the Fund and is the external auditor of Keyera Corp. It is independent within the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

TRANSFER AGENT AND REGISTRAR

Computershare was the transfer agent and registrar for the Units and 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:

1. Partnership Agreement dated January 1, 2011 and filed February 17, 2011;
2. Note Purchase Agreements dated August 26, 2003 (including an amending agreement dated May 2, 2005), September 4, 2007, April 30, 2009, September 8, 2010, and November 5, 2010, together with the Assumption Agreement between the Partnership and Keyera Corp. with respect to these Note Purchase Agreements and the notes issued thereunder dated January 1, 2011, all of which were filed February 17, 2011;
3. Debenture Indenture dated June 3, 2004 and filed January 4, 2011;
4. First Supplemental Indenture dated December 1, 2008 and filed January 4, 2011;
5. Second Supplemental Indenture dated January 1, 2011 and filed January 4, 2011
6. Shareholder Rights Plan dated January 1, 2011 and filed January 4, 2011; and
7. Credit Agreement dated January 1, 2011 and filed February 8, 2011.

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 information circular of the Fund dated March 25, 2010 filed on Sedar at www.sedar.com. Such information will be contained 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 10, 2011.
3. Additional financial information is provided in Keyera's 2010 audited annual consolidated financial statements and accompanying 2010 Annual Management Discussion and Analysis which are filed on SEDAR at www.sedar.com.

SCHEDULE A
AUDIT COMMITTEE TERMS OF REFERENCE

A. 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.

B. 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 Reporting. The Committee has responsibility for monitoring and reviewing financial reporting by Keyera. The Committee shall:
 - (a) 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;
 - (b) receive the report of the external auditors on the annual financial statements of Keyera;
 - (c) 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;
 - (d) 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;
 - (e) receive the report of the external auditors on Keyera's interim financial statements;
 - (f) 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;
 - (g) review and make recommendations to the Board with respect to Keyera's Annual Information Form and Information Circular;
 - (h) 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;
 - (i) 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;

- (j) review with management accounting practices, policies, significant estimates and instances of management override of controls and the financial impact thereof; and
 - (k) review accounting, tax and financial aspects of the operations of Keyera as the Committee considers appropriate.
2. 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; and
 - (h) determine whether restrictions should be placed on the recruitment by Keyera of employees and management from the external auditors.
3. 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 the dividend policy, financial structure and financing strategy for Keyera;
 - (g) review with management, prior to consideration by the Board, the proposed appointment, re-assignment or removal of the Chief Financial Officer of Keyera Corp.;
 - (h) 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
 - (i) review the financial aspects of any transactions of Keyera that involve related parties (other than wholly-owned subsidiaries).
4. Risk Management. The Committee has a responsibility for monitoring and reviewing financial risk assessment and management programs. The Committee shall:
- (a) review with management and the external auditors their assessment 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 systems to manage and mitigate those risks; and
 - (c) review management's program to obtain appropriate insurance to mitigate risks and coverage, deductibles and key issues regarding corporate insurance policies.

C. 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. No Director who is an officer or employee (other than a non-executive chairman of the Board or similar officer) of Keyera shall serve on the Committee. 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.