KEYERA CORP.

ANNUAL INFORMATION FORM

February 14, 2013

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The information in this AIF is given as of December 31, 2012 unless otherwise indicated. All dollar amounts set forth in this AIF are in Canadian dollars unless otherwise indicated. Capitalized terms and industry terms used herein without definition have the respective meanings set forth in the Glossary.

GLOSSARY

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

"**ABCA**" means the *Business Corporations Act* (Alberta) and the regulations thereunder;

"**acid gas**" means H_2S or CO_2 or a combination of H_2S and CO_2 which are referred to as acid gases because they form acids or acidic solutions in the presence of water;

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

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

"**AEF**" means the 13,600 barrel per day capacity iso-octane producing facility located in Edmonton, Alberta;

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

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

"**AIF**" means this Annual Information Form;

"**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 C_4H_{10}, used primarily in crude oil and gasoline blending or in the production of iso-octane;

"**CARBOB**" means California reformulated gasoline blendstock for oxygenate blending;

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

"**CO_2**" means carbon dioxide;

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

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

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

"**Conversion**" means the conversion of the Fund from an income trust structure to a corporate structure pursuant to a plan of arrangement and related transactions completed effective January 1, 2011;

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

"**Debenture Indenture**" means the trust indenture dated June 3, 2004 providing for the issuance of unsecured subordinated convertible debentures, as supplemented by the First Supplemental Debenture and the Second Supplemental Debenture;

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

"**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 for pipeline transportation (condensate is a commonly used diluent for pipeline transportation of heavy oil or bitumen);

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

"**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 CO_2 into a reservoir to increase oil production from the reservoir;

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

"**ESRD**" means the department of Alberta Environment and Sustainable Resource Development;

"**ethane**" means an NGL, the chemical formula of which is C_2H_6, 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 which matured on 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;

"**FSCS**" means the Keyera Fort Saskatchewan Condensate System, a collection of integrated facilities in the Edmonton/Fort Saskatchewan area through which Keyera will deliver a full complement of condensate transportation, storage, handling and logistics services;

"**Fund**" means Keyera Facilities Income Fund, an unincorporated open-ended trust established under the laws of the Province of Alberta pursuant to a 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 CO_2 and H_2S;

"**H_2S**" 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;

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

"**iso-octane**" is a low vapour pressure, high octane gasoline blending component;

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

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

"**Keyera**" means, in reference to the period prior to the Conversion, the Fund and its subsidiaries and thereafter means Keyera Corp. 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 Conversion, a person that was controlled, directly or indirectly, by the Fund);

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

"**KML**" means Keyera Midstream Ltd., a corporation formed under the laws of Alberta;

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

"**KRL**" means Keyera Rimbey Ltd., a corporation formed under 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;

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

"**Partnership Agreement**" means the amended and restated partnership agreement of the Partnership dated January 1, 2011, as amended in December 2011, and as may be further amended or amended and restated from time to time.

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

"**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 C_3H_8, used for heating, crop drying, motor fuel and as a feedstock for the petrochemical industry in the manufacture of ethylene and propylene;

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

"**RBOB**" means reformulated gasoline blendstock for oxygenate blending;

"**Right**" means the rights issued to Shareholders pursuant to the Rights Plan;

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

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

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

"**sales gas**" means saleable natural gas after it has been treated in a natural gas processing facility to remove water vapour, inert gases, CO_2, H_2S and NGLs comprised primarily of methane with small amounts of ethane and other NGLs;

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

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

"Shareholder" means a holder of Common Shares;

"**sour gas**" means natural gas that contains an amount of H_2S 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;

"**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;

"**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; and

"**WCSB**" means the Western Canada Sedimentary Basin.

For ease of reference, the terms “Common Shares”, “Shareholders” and “dividends” as used in this AIF shall be deemed to include “Units”, “Unitholders” and “distributions” for periods prior to the Conversion.

ABBREVIATIONS AND CONVERSIONS

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

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

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

FORWARD LOOKING STATEMENTS

In order to provide readers with information regarding Keyera, including its assessment of future plans and operations, certain statements contained in this AIF and the documents incorporated by reference herein contain forward-looking statements under applicable securities laws. These statements relate to future events or Keyera's future performance. Such statements are predictions only and actual events or results may differ materially. The use of words such as “anticipate,” “continue”, “estimate”, “expect”, “may”, “will”, "project”, “should,” “plan,” “intend,” “believe,” and similar words or 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; marketing risk management contracts such as energy related forward contracts, price swaps and forward currency contracts and expectations regarding Keyera’s ability to raise capital, add to its assets through acquisitions or internal growth opportunities and maintain its competitive position.

The forward looking statements reflect Keyera’s beliefs and assumptions with respect to such things as the outlook for general economic trends, industry trends, commodity prices, capital markets, and the governmental, regulatory and legal environment. In some instances, this AIF and accompanying documents may also contain forward-looking statements attributed to third parties. Management believes that its assumptions and analysis in this AIF are reasonable and that the expectations reflected in the forward looking statements contained herein are also reasonable. 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 either or both components of the Premium Dividend™ and Dividend Reinvestment Plan); operational matters, including potential hazards inherent in our

operations; risks arising from co-ownership of facilities; activities of other facility owners; access to third party facilities; competitive action by other companies; activities of producers, 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; availability of contractors, engineering and construction services; 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, materials, equipment, labour 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 AIF.

Readers are therefore cautioned that the foregoing list of important factors is not exhaustive and they should not unduly rely on the forward looking statements included in this AIF or any documents incorporated by reference. Further, readers are cautioned that the forward looking statements contained herein speak only as of the date of this AIF.

All forward looking statements contained in this AIF are expressly qualified by this cautionary statement. Further information about the factors affecting forward looking statements and management's assumptions and analysis thereof, is available in filings made by Keyera with Canadian provincial securities commissions available on SEDAR at www.sedar.com.

PRESENTATION OF FINANCIAL INFORMATION

This AIF refers to certain financial measures that are not determined in accordance with Canadian Generally Accepted Accounting Principles applicable to publicly traded companies ("GAAP"). These measures do not have standardized meanings and may not be comparable to similar measures presented by other public 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 and such non-GAAP financial measures may not be comparable with measures provided by other public corporations or entities.

DESCRIPTION OF THE STRUCTURE OF KEYERA CORP.

Keyera Corp. and its Subsidiaries

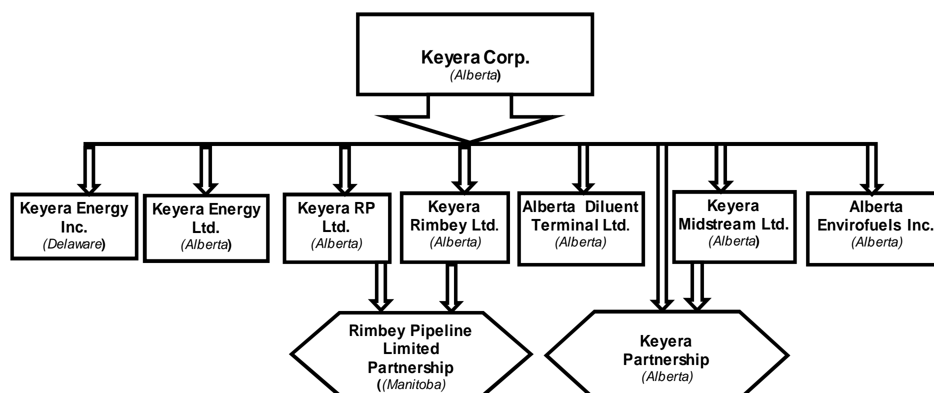
Keyera Corp. is a public company trading on the TSX under the symbols KEY (Common Shares) and KEY.DB.A (Second Debentures). Its registered office and head office are located at 600, 144 – 4th Avenue SW, Calgary, Alberta T2P 3N4. The Articles of Amalgamation and bylaws of Keyera Corp. are available on SEDAR at www.sedar.com.

Keyera Corp. directly or indirectly owns 100% of the voting interests in all of its operating subsidiaries and is the managing partner of the Partnership, Keyera's primary Canadian operating subsidiary. The Partnership owns and operates the majority of Keyera's Canadian assets and businesses. In accordance with the Partnership Agreement, the Partnership is authorized to carry on a number of business activities including: (i) directly or indirectly, alone or in conjunction with other persons, gathering, processing, transporting, delivering, fractionating, extracting, storing, blending, buying, selling, marketing, investing in, exploring for, developing, producing, and disposing of natural gas, NGLs, crude oil, bitumen and 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, managing, acquiring and investing in facilities and infrastructure related to the foregoing; (iii) other business activities as the Board of Directors may determine; and (iv) all activities ancillary or incidental to any of the foregoing. A copy of the Partnership Agreement is available on SEDAR at www.sedar.com.

Keyera's only Canadian assets that are not owned and operated by the Partnership are the Edmonton Terminal and the Rimbey Pipeline, both of which are owned and operated by Rimbey LP, and the Alberta Diluent Terminal which is owned and operated by ADT Ltd. KEI, Keyera's only non-Canadian subsidiary, carries out Keyera's business activities in the United States.

Organizational Structure

The following diagram sets out the name and jurisdiction of formation of each subsidiary of Keyera Corp.



Prior to 2011, Keyera was structured as an income trust. In response to changes in Canadian tax laws, the Unitholders of the Fund approved a plan for Keyera to convert to a corporation in 2010 and Keyera implemented the Conversion effective January 1, 2011. The following table outlines notable milestones in Keyera's corporate structure, starting with the Conversion.

Date	Milestone
January 1, 2011	Keyera completed its conversion from an income trust structure to a corporate structure pursuant to a Plan of Arrangement previously approved by Unitholders in 2010. As a result of Conversion: Keyera Corp. became the successor to the Fund and the Fund was wound-up; Units of the Fund were converted to Common Shares of Keyera Corp. on a one-for-one basis; Keyera Corp. assumed all of the business, assets, liabilities and obligations of the Fund; the operating subsidiaries of the Fund were reorganized under the ownership of Keyera Corp. with the Partnership becoming the main Canadian operating entity; and Keyera Corp. and KEML were amalgamated and the directors and management of KEML (who had been previously elected by the Unitholders of the Fund) became the directors and management of Keyera Corp.
December 2011	The Partnership interests were reorganized as part of a small internal restructuring, with Keyera Corp. increasing its direct ownership interest to 98.979%, KML acquiring a 1.021% interest and KFL being wound-up.
January 2012	Keyera acquired AEF and associated assets, along with all of the shares of AEF Inc. The AEF assets and business are owned by and conducted through the Partnership; however, AEF Inc. holds certain licenses and titles in trust for the Partnership.
March 2012	Keyera Corp. completed a public offering of 4,715,000 Common Shares at $43.00 per Common Share, and used the net proceeds to pay down its credit facility, which had been drawn upon to fund the acquisition of AEF and associated assets, as well as various other incremental plant interests.

GENERAL DEVELOPMENT OF THE BUSINESS

Overview

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

1. Gathering and Processing Business Unit - Keyera owns and operates raw gas gathering pipelines and processing plants, which collect and process raw natural gas, remove waste products and separate the economic components before the sales gas is injected into pipeline systems for transportation to end-use markets.

2. Liquids Business Unit, consisting of the following operating segments:

   - NGL Infrastructure - Keyera owns and operates a network of facilities for the processing, storage and transportation of the by-products of natural gas processing, including NGLs. With the acquisition of AEF in early 2012, this segment now includes Keyera's iso-octane facilities.

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

See "Business of Keyera" for a more detailed description of each of these Business Units.

Business Strategy

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

- pursues opportunities to increase throughput at its existing facilities,
- invests in expansion and optimization opportunities to meet its producer customer needs and complement its service offerings;
- selectively pursues acquisitions;
- builds on the interconnectivity of its infrastructure and its integrated business model; and
- maintains a conservative capital structure.

Over the past three years, Keyera has been increasingly focused on growth opportunities, while continuing to deliver strong returns and shareholder value. In selecting which capital projects and acquisitions to pursue, Keyera pays close attention to both the macro-trends that affect its business, as well as the particular needs of customers and potential customers. This has allowed Keyera to successfully secure full or partial contractual underpinning for its major capital projects and various backstopping arrangements for preliminary studies on other potential projects.

In 2010 total growth capital investment was $242.5 million, of which $184.0 million was acquisitions; in 2011, total growth capital investment was $147.6 million, of which $36.9 million was acquisitions; and in 2012 total growth capital investment was $394.4 million, of which $280.7 million was acquisitions. Given the number of projects that have been initiated or are in the planning stages, together with the host of potential projects that have been identified, Keyera expects the trend toward higher growth capital spending will continue over the next several years.

The following tables highlight some of the key acquisitions and capital projects which were either completed in the last three years or are currently under active development or construction.

ACQUISITIONS 2010 Total Expenditures: $184.0 million	
Facility/Area	**Description**
Simonette Gas Plant and associated pipelines	Acquired 37.5% interest in the Simonette gas plant in October 2010, and the remaining 62.5% in December 2010. Also acquired 100% interest in the North Cabin pipeline and the Solomon and Cabin Creek facilities in connection with these transactions.
Minnehik Buck Lake Gas Plant and associated assets[1]	Acquired 36.5% ownership interest in the Minnehik Buck Lake gas plant and related assets and became the operator.
Edson Gas Plant	Acquired a 21.8% ownership interest in the Talisman-operated Edson gas plant.

Various Keyera-Operated Gas Plants	Acquired incremental ownership interest at various Keyera-operated gas plants, including: 7.0% in the Nordegg River gas plant; 7.0% in the West Pembina gas plant and various ancillary assets[1]; 1.7% in the Gilby gas plant; and 1.0% in the Brazeau River gas plant; as well as an incremental interest in a raw gas transportation pipeline at the Strachan gas plant.

ACQUISITIONS **2011 Total Expenditures: $36.9 million**	
Facility/Area	**Description**
Various Keyera-Operated Gas Plants	Acquired incremental interests in various Keyera-operated plants: 6.7% in the Strachan gas plant; 7.6% and 24.0% in the Bigoray ethane recovery unit and the Bigoray solution compressor unit respectively; 11.9% in the Paddle River gas plant; and 8.6% in the Minnehik Buck Lake gas plant and related assets.[1]
Findley Pipeline	Acquired 100% interest in the Findley pipeline which is associated with the Simonette gas plant

ACQUISITIONS **2012 Total Expenditures: $280.7 million**	
Facility/Area	**Description**
Alberta EnviroFuels	Acquired 100% interest in the Alberta EnviroFuels facility, a 13,600 barrel per day iso-octane processing plant, as well as the pipelines associated with the facility and iso-octane sales agreements with major refiners.[2] In connection with this acquisition, Keyera entered into new multi-year iso-octane supply, processing and transportation agreements with one of the vendors.
Hull Rail and Truck Terminal	Acquired 100% interest in an NGL rail and truck terminal facility in Hull, Texas. This terminal is connected via pipeline to several NGL facilities in the Mont Belvieu energy hub and once refurbishment and reconfiguration of the site are completed, it will be able to handle the receipt and delivery of propane, butane and NGL Mix.
Strachan North Gas Gathering System Pipeline Addition	Acquired 100% interest in a newly built eight-inch, 23-kilometre gathering pipeline constructed by a producer that connects to the Strachan North Gas Gathering System.
Minnehik Buck Lake Gas Plant – Pipeline Addition	Entered into an agreement with a producer to purchase a gathering pipeline upon completion of construction. Based on the current schedule, and subject to regulatory approvals, this pipeline is expected to be tied into the plant in the second quarter of 2013.
Various Keyera-Operated Gas Plants	Acquired incremental interests in various Keyera-operated plants including 34.4% in the Minnehik Buck Lake gas plant and related assets.[1] Keyera also acquired the remaining 25.6%, 31.6% and 0.7% interests in the Pembina North, Brazeau North and Paddle River gas plants respectively and, as a result, Keyera now owns 100% of each of these three facilities.

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[1] In connection with the Minnehik Buck Lake and West Pembina acquisitions, Keyera also acquired non-material interests in certain reserves and production assets associated with the facility interests of the vendors.

[2] Keyera was not required to file a Business Acquisition Report in connection with this acquisition. However, a Material Change Report was filed.

GROWTH CAPITAL PROJECTS 2010 Total Expenditures: $58.4 million	
Facility/Area	**Description**
Caribou Gas Plant	Completed the construction of a 40 MMcf/d expansion of the Caribou gas plant and an extension of a gathering line.
Carlos Pipeline	Engineering work was started on the Carlos pipeline, a 45-kilometre, 12-inch gathering pipeline to extend the capture area for the Rimbey gas plant into the Hoadley area of Alberta. The pipeline was underpinned by a long-term fee-for-service contractual arrangement with a large producer in the area.
Strachan NGL Pipeline	Through a combination of new build and some repurposing of an existing pipeline, a new NGL pipeline was constructed to facilitate pipeline delivery of NGLs extracted at the Strachan gas plant to the Rimbey Pipeline and ultimately to Keyera's Edmonton/Fort Saskatchewan facilities. The pipeline was put into service in the first half of 2011.
Alberta Diluent Terminal	Proceeded with site upgrades to enhance the condensate offloading, storage and transportation facilities at the site, as well as started the refurbishment of the storage tanks on the site. Keyera reached an agreement with Imperial Oil to provide segregated solvent handling services, pursuant to which one of the large on-site tanks would be dedicated to meet Imperial's solvent storage needs.
Vancouver, Washington Propane Terminal	Commenced construction of a new wholesale propane terminal located in the Port of Vancouver.
Fort Saskatchewan Facility – Storage Expansion	Keyera completed the washing of its 11th underground storage cavern in 2010 and received regulatory approval to operate in early 2011. Keyera also drilled the well bore for the 12th underground storage cavern.
Fort Saskatchewan Condensate System - Pipeline Connections	Continued engineering work on various components of FSCS and received regulatory approvals for the construction of the two new pipelines that are part of FSCS (from Edmonton Terminal to Enbridge Southern Lights and from Keyera Fort Saskatchewan to Inter Pipeline's Polaris system). Entered into a second long-term diluent handling agreement to support the construction of FSCS. The first agreement, entered into in 2009, was with Imperial Oil in connection with their Kearl Oil Sands project, and this second agreement was with Husky for the Husky-operated Sunrise oil sands project.

GROWTH CAPITAL PROJECTS 2011 Total Expenditures: $110.7 million	
Facility/Area	**Description**
Carlos Pipeline	Completed the Carlos pipeline which began delivering production to the Rimbey gas plant from the liquids-rich Glauconite formation in the Hoadley area in the first half of 2011.
Brazeau River and West Pembina Gas Plants	Constructed an acid gas pipeline connection between the Brazeau River and West Pembina gas plants.
Brazeau River and Nordegg River gas plants	Completed work at the Brazeau River and Nordegg River gas plants to enhance NGL recoveries.
Minnehik Buck Lake – Turbo Expander	Started work on re-commissioning the turbo expander unit at the Minnehik Buck Lake gas plant in order to improve NGL recoveries at the plant.
Nevis Gas Plant	Installed compression facilities at the Nevis gas plant.

Alberta Diluent Terminal	Refurbished the three large storage tanks, including the segregated solvent handling tank for the Imperial solvent handling agreement, completed pipeline connections and acquired working inventory for the storage tanks.
Fort Saskatchewan Condensate System - Pipeline Connections	Completed the pipeline connection between Enbridge Southern Lights and Edmonton Terminal.
Fort Saskatchewan Facility – Storage Expansion	Began washing the 12th underground storage cavern.

GROWTH CAPITAL PROJECTS **2012 Total Expenditures: $113.7 million**	
Rimbey Gas Plant – Turbo Expander	Initiated detailed engineering for the construction of a 400 MMcf/d turbo expander. Also initiated work on the associated six-inch, 34-kilometre ethane pipeline to connect to the Alberta Ethane Gathering System. The project is underpinned by a long-term ethane sales agreement with a large ethane consumer in Alberta and a long-term fee-for-service processing agreement with a large producer.
Strachan Gas Plant – Turbo Expander	Worked on replacing the turbo expander to enhance NGL recoveries at the plant.
Strachan Gas Plant – Sulphur Handling Fertilizer Facility	Entered into a joint venture arrangement with Sulvaris Inc. with respect to the construction and operation of a sulphur handling fertilizer production facility at the Strachan gas plant. The project would build on synergies with the sulphur and transportation facilities at the plant. Engineering was initiated and a final investment decision by Keyera and Sulvaris Inc. is expected in 2013.
Fort Saskatchewan Condensate System – Pipeline Connections	Completed the 21-kilometre, 20-inch pipeline from Keyera Fort Saskatchewan to the Polaris pipeline and the pump station at Edmonton Terminal.
Edmonton Terminal	Completed modifications to the rail loading facilities to accommodate loading of iso-octane, thereby providing a new transportation alternative to shipping iso-octane by pipeline on Trans Mountain which is subject to apportionment. First deliveries of iso-octane by rail were loaded in December 2012 and delivered to a customer on the Gulf Coast in January 2013.
South Cheecham Rail and Truck Terminal	Initiated construction on the South Cheecham Rail and Truck Terminal (including related pipeline connections) which will handle diluent and dilbit. This is a 50% - 50% joint venture initiative with a subsidiary of Enbridge Inc. and Keyera will be the operator. Entered into multi-year fee-for-service agreement with an oil sands producer in connection with the project.
Hull Rail and Truck Terminal	Initiated plans to begin reconfiguring and refurbishing the newly acquired Hull Rail and Truck Terminal. When the first phase of the redevelopment of the site is complete and operational, Keyera plans to use it for the receipt and delivery of propane, butane and NGL mix.
Fort Saskatchewan Facility – Storage Expansion	Finished washing the 12th storage cavern and commenced mechanical integrity testing. The target in-service date is the second half of 2013 subject to completion of the testing and receipt of regulatory approvals. Washing of the 13th underground cavern is scheduled to commence in the first half of 2013. In connection with this cavern development, Keyera also started work on the development of a fourth brine pond.
Fort Saskatchewan Facility – De-Ethanizer Project	Started detailed engineering and ordered certain long-lead items in the fourth quarter for the 30,000 barrel per day de-ethanizer. This project is underpinned by a long-term fee-for-service agreement with a large Alberta producer active in the deep basin region.

Keyera's disciplined approach has allowed it to pursue an ambitious growth program, while at the same time implementing three dividend increases over the last three years. In support its business strategy and growth projects, as well as to provide additional financial flexibility, Keyera increased the size its credit facility in 2012 from $500 million to $750 million (with the potential to increase to $1 billion subject to certain conditions) and extended the term of the facility to December 13, 2016 (see "Borrowing – Credit Facilities"). Keyera has also completed three private debt placements in the last three years, including private placements of long-term senior unsecured notes to institutional investors in Canada and the United States in the amounts of $155 million (Canadian equivalent) and $200 million (Canadian equivalent) in 2010 and 2012, respectively, along with the placement of $70 million of long-term senior unsecured notes with Prudential Capital Group pursuant to an uncommitted private shelf agreement in 2010.

BUSINESS OF KEYERA

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

Gathering and Processing Business Unit

Keyera has interests in 16 operating gas plants in western Canada, with 2,550 MMcf/d of licensed gross raw gas processing capacity, 2,131 MMcf/d net to Keyera. 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. Actual available raw gas processing capacity at each plant can be less than the licensed capacity depending on the capacity of each of the functional units. The difference between licensed capacity and effective available capacity is likely to be more significant if actual plant operating conditions or gas composition differ significantly from original plant design, gas composition specifications or operating conditions. In 2012, the average utilization rate was 47%. Keyera also operates approximately 4,000 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, foothills, and deep basin areas of the WCSB. Natural gas produced from these areas can be sour and often contains significant amounts of NGLs. Over 95%

of Keyera's processing capacity at its facilities have the capability to process sour gas and to extract and ship NGLs. Collectively, Keyera’s gathering and processing facilities constitute a network that is well positioned in its operating areas to serve exploration and production activity.

Several of Keyera’s gas plants are pipeline connected and opportunities exist for construction of other connecting pipelines. Currently, the following plants are interconnected: (a) Strachan, Nordegg River, Brazeau River, and West Pembina, (b) Bigoray, Brazeau North and Pembina North, and (c) Rimbey and Gilby. This interconnectivity allows raw gas to be directed to the gas plant best suited to process a particular type of gas, or from one gas plant to another, during turnarounds or periods of capacity constraints. In addition to these interconnections, some producing areas are served by more than one gathering system, which also allows production to be directed to different plants even if the plants themselves are not pipeline connected. As well, the Rimbey gas plant is pipeline connected to the Edmonton Terminal by the Rimbey pipeline, providing important access to Keyera’s NGL infrastructure in the Edmonton/Fort Saskatchewan area.

The table below summarizes key operating data characterizing Keyera’s gas plants. Keyera operates all of the listed facilities except for the Edson gas plant, which is operated by Talisman Energy Inc. Following the table is a more detailed description of the features of and recent developments at each plant.

Facility[1]	**Ownership Interest[2] (%)**	**Plant Status**	**Licensed Capacity[2] (MMcf/d)**	**2012 Average Daily Throughput[2] (MMcf/d)**	**Utilization Rate[2][3] (%)**
Keyera Operated					
Rimbey	97	Sour	422	310	73
Strachan	98	Sour	275	175	64
Brazeau River	93	Sour	218	81	37
Minnehik Buck Lake[4]	80	Sour	160	53	33
Simonette	100	Sour	150	69	46
Nevis	100	Sour	150	53	35
Chinchaga	100	Sour	149	8	6
West Pembina	76	Sour	145	21	15
Caribou	100	Sour	105	38	36
Bigoray	95	Sour	81	29	36
Paddle River[5]	100	Sour	81	34	42
Nordegg River	89	Sour	75	50	67
Gilby[6]	80	Sour	71	30	42
Brazeau North[7]	100	Sweet	50	15	30
Pembina North[8]	100	Sour	43	23	53
Keyera Non-Operated					
Edson	22	Sour	375	203	54
Total			**2,550**	**1,193**	**47** **(Average)**

Notes:

(1) Keyera also has a 24% interest in the Medicine River gas plant operated by Penn West Petroleum Ltd. which was shut down in 2012 (at which time certain volumes were redirected to the Gilby gas plant.) and 100% interest in the Greenstreet gas plant which has been shut down since June 2011.

(2) Information in this table: (a) is presented as at December 31, 2012, (b) represents total gross capacity and throughput (not only Keyera’s interest), and (c) has been rounded to the nearest whole number.

(3) 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.

(4) Keyera increased its ownership in the Minnehik Buck Lake gas plant from 45% to 80% in 2012.

(5) Keyera increased its ownership in the Paddle River gas plant from 99% to 100% in 2012.

(6) Keyera increased its ownership in the Gilby gas plant from 79% to 80% in 2012.

(7) Keyera increased its ownership in the Brazeau North gas plant from 68% to 100% in 2012.

(8) Keyera increased its ownership in the Pembina North gas plant from 74% to 100% in 2012.

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, gas sweetening, deep cut NGL recovery (including ethane extraction), NGL fractionation, sulphur recovery and other related services. Rimbey also offers truck and rail loading facilities which provides transportation options and flexibility for Keyera and its customers. (See “Business of Keyera - NGL Infrastructure”). In addition to specification NGLs, the plant can also produce a frac oil product, which is used for well servicing operations, and liquefied CO_2, which is used for well servicing and enhanced oil recovery.

Given the strategic value of the Rimbey gas plant, Keyera has been increasing its ownership interest in the plant and related facilities over the last several years and now owns 97% of the plant, 87% of the Medicine River pipeline and 100% of the Gull Lake pipeline. Each year Keyera has undertaken a number of projects to enhance the operations and services at the plant and expand its capture area. In 2011, Keyera completed construction and commissioning of the Carlos pipeline, a twelve-inch, 45-kilometre gathering pipeline, which delivers liquids-rich natural gas from the Hoadley Glauconite play to the plant. In connection with the construction of the Carlos pipeline, Keyera entered into a long-term gas handling agreement with one of the main producers in the area.

In September 2012, Keyera announced that it is proceeding with construction of a 400 MMcf/d turbo expander at the Rimbey gas plant. The turbo expander is designed to extract up to 20,000 bbl/d of ethane, as well as incremental propane, butane and condensate. As part of this project, Keyera also plans to construct a 34-kilometre, six-inch diameter pipeline to deliver ethane to the Alberta Ethane Gathering System. The extracted ethane will be sold to a large consumer in Alberta under a long-term sales agreement. Keyera has also secured a long-term, fee-for-service processing agreement with a large producer that includes a significant area dedication and is currently in discussions with other producers interested in contracting processing capacity at the Rimbey gas plant in connection with this project. Based on the current schedule, and subject to regulatory approvals, the construction of the turbo expander is scheduled to be complete in the second half of 2014.

Strachan Gas Plant and Area Facilities

The Strachan gas plant, located approximately 200 kilometres southwest of Edmonton, Alberta, offers inlet separation, compression, gas sweetening, NGL recovery, condensate stabilization, NGL truck/rail loading and off-loading capabilities. The Strachan gas plant also has significant sulphur handling capabilities, including: sulphur recovery; sulphur forming; sulphur truck/rail loading and off-loading; and a large sulphur block with storage capacity of 500,000 tonnes. With its connections to three major gathering systems (Strachan North, Garrington Caroline and Burnt Timber/Ram River), the Strachan gas plant is able to attract gas from a large capture covering approximately 2,500 square kilometres. In November 2012, Keyera further enhanced the capture area with its acquisition of a newly constructed eight-inch, 23-kilometre gathering pipeline, extending northeast from Keyera’s Strachan North gathering system.

A significant portion of gas delivered to the Strachan gas plant is 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 improve NGL capabilities at the plant. For example, the Strachan NGL pipeline, which was constructed in 2011 and put into service in early 2012, provides a connection from the plant to Keyera’s other NGL infrastructure in the Rimbey/Edmonton/Fort Saskatchewan corridor (see “NGL Infrastructure – Liquids Business Unit – Other Assets”). In 2012, Keyera undertook repairs to a propane compressor and the sulphur plant, and also started work on replacing the turbo expander. The turbo expander project is intended to improve NGL extraction capabilities at the plant. If the project continues on the current schedule without any further delays, it is expected to be in service in the first half of 2013.

In 2012, Keyera completed maintenance work on the sulphur plant and began exploring a number of business opportunities related to sulphur handling. For example, Keyera has entered into a joint venture arrangement with Sulvaris Inc. to pursue the construction of a sulphur handling fertilizer production facility at the Strachan gas plant site. If the project proceeds, the facility would be operated as 50/50 joint venture with Keyera as the operator. Keyera would also supply services to the joint venture on a fee-for-service basis. Sulvaris would acquire the fertilizer produced at the facility from the joint venture for its fertilizer business. Engineering work has been initiated, and a final investment decision by Keyera and Sulvaris is expected in 2013.

Given that the Strachan gas plant is a strategic asset in Keyera’s processing portfolio, Keyera has been increasing its ownership interest in the plant and related facilities. With the acquisition of an additional 6.7% interest in 2011, Keyera now owns 98% of the plant.

Brazeau River Gas Plant and Area Facilities

The Brazeau River gas plant, located approximately 170 kilometres southwest of Edmonton, Alberta, has inlet separation, compression, gas sweetening, NGL recovery, condensate stabilization, acid gas injection and the ability to offload acid gas to the West Pembina facility. Keyera also has ownership interests in the following pipelines: (a) the South and North interconnect pipelines, (b) a 38-kilometre, eight-inch pipeline running northeast of the plant, and (c) a 363-kilometre gathering pipeline system with associated compression facilities. An additional gathering pipeline southwest of the plant also services the Pembina area.

In 2011, Keyera constructed and commissioned an acid gas connection line between Brazeau River and West Pembina allowing for acid gas from the Brazeau River and Nordegg River gas plants to be offloaded and processed at the West Pembina gas plant. As well, in keeping with Keyera's focus on enhancing NGL recoveries at its facilities, a modified lean oil NGL recovery process was constructed and commissioned at the plant, and a propane refrigeration unit was installed.

Nordegg River Gas Plant and Area Facilities

The Nordegg River gas plant is located approximately 160 kilometres southwest of Edmonton, Alberta. The plant has a large capture area and its facilities include inlet separation, compression, gas sweetening, acid gas handling and disposal, NGL recovery and condensate stabilization. In 2009, Keyera completed an acid gas compression project at the Nordegg River gas plant, allowing acid gas from Nordegg River to be delivered to the Strachan and Brazeau River gas plants for processing. This allowed Keyera to degrandfather the Nordegg River plant, while maintaining the plant's gas sweetening capacity and avoiding significant expenditures to upgrade the sulphur plant. The Strachan, Brazeau River and Nordegg River gas plants are also interconnected through raw gas gathering lines, which provide Keyera's customers with flexibility and backup processing. In 2011, Keyera modified the plant process to enhance NGL recoveries with the installation of a new lean oil system. Keyera successfully completed a scheduled turnaround at the Nordegg River gas plant in 2012.

In the last three years, Keyera has been able to increase its ownership interest in the Nordegg River facilities, acquiring an additional 7% ownership interest in the Nordegg River gas plant in 2010, bringing its total ownership to 89% and an additional 15% ownership interest in the Nordegg River gas plant inlet compressor, bringing its total ownership in the compressor to 83%.

Minnehik Buck Lake Gas Plant and Area Facilities

The Minnehik Buck Lake gas plant, located approximately 110 kilometres southwest of Edmonton, Alberta, is capable of processing both sweet and sour gas. Plant facilities include inlet separation, gas sweetening, compression, NGL recovery, condensate stabilization, sulphur recovery and power generation facilities. Keyera also has ownership interests in nine compressor stations and approximately 260 kilometres of sweet and sour gas gathering pipelines. In 2012, Keyera entered into an agreement to purchase a pipeline being constructed by three area producers. In connection with Keyera agreeing to purchase the pipeline once it is completed, the producers have entered into agreements to have their gas delivered to and processed at the Minnehik Buck Lake gas plant. Also in 2012, Keyera completed the refurbishment and re-activation of the turbo expander in order to optimize the plant's NGL recoveries.

Having acquired its first interest in the plant in 2010, by the end of 2012, Keyera increased its ownership interest to 79.7%. The Minnehik Buck Lake gas plant is part of a unit that includes reserves. In connection with acquiring its interests in the plant, Keyera acquired interests in the production and reserves associated with the unit, as well as certain non-unit reserves; however, these reserves are not material to Keyera.

Simonette Gas Plant and Area Facilities

The Simonette gas plant, located approximately 250 kilometres northwest of Edmonton, offers inlet separation, compression, gas sweetening, sulphur recovery, NGL recovery and condensate stabilization. The plant is pipeline connected to both the Alliance pipeline and the TransCanada pipeline system.

Keyera acquired its initial 37.5% interest in this plant in October 2010 and completed a second acquisition for the remaining 62.5% interest shortly thereafter in December 2010. In connection with these transactions, Keyera acquired 100% ownership of the North Cabin pipeline and the Solomon and Cabin Creek facilities, and entered into long-term gas handling agreements with the producer vendors. In January 2011, Keyera acquired 100% of the 37-kilometer Findley pipeline that connects to the North Cabin pipeline. In 2012, the capture area for the plant was enhanced, with one producer completing the construction of a twelve-inch pipeline that was tied-in to the plant and another producer tying-in two pipelines to the North Cabin Pipeline.

Because producer activity around the Simonette gas plant has been very active, Keyera initiated preliminary work to evaluate the feasibility of adding a turbo-expander to the gas plant. The addition of a turbo expander would expand the capacity of the plant and allow it to increase NGL recovery levels. In addition, Keyera is also evaluating the feasibility of an acid gas injection project to provide an alternative to the existing sulphur recovery unit and increase the plant's ability to handle the changing gas composition in the area.

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 inlet separation, compression, gas sweetening, 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 2011, Keyera reactivated an eight-inch, 24-kilometre pipeline, thereby extending the plant's capture area.

Over the last three years, Keyera has continued to increase its ownership in the Bigoray gas plant and associated facilities. In 2011, Keyera acquired an additional 14% interest in the plant bringing its ownership to 95.4%. Keyera has also acquired incremental interests in various other facilities associated with the plant, including interests in compression, battery and pipeline facilities.

West Pembina Gas Plant and Area Facilities

The West Pembina gas plant, located 160 kilometres southwest of Edmonton, Alberta, has inlet separation, compression, gas sweetening, sulphur recovery, NGL recovery with a lean oil system, and condensate stabilization. With approximately 110 kilometres of operational gathering pipelines, the West Pembina gas plant has an extensive capture area that reaches into the gas producing areas of the Pembina region. The plant is also interconnected with other Keyera gathering pipelines in the area. Keyera's ancillary assets also include a sour gas gathering pipeline, as well as sulphur and water handling and disposal facilities.

Having originally acquired its interest in the West Pembina gas plant in 2008, Keyera has continued to build its ownership in the plant and associated facilities. 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 were additional interests in a number of related assets, including approximately 125,000 tonnes of sulphur inventory located at West Pembina, all of which was sold to a third party in 2011. In 2012, Keyera acquired an additional 50% interest in the West Pembina water disposal well and pipeline resulting in 100% ownership interest in these facilities. In connection with acquiring its interests in the plant, Keyera has also acquired interests in the production and reserves associated with the vendors' facility interests. These reserves are not material to Keyera.

In 2011, Keyera commissioned an acid gas line connecting the Brazeau River and West Pembina gas plants so that acid gas from Brazeau River and Nordegg River could be processed at the West Pembina gas plant.

Brazeau North and Pembina North Gas Plants and Area Facilities

The Brazeau North gas plant, located approximately 140 kilometres southwest of Edmonton, Alberta, features inlet separation, compression, sweet gas processing, condensate stabilization and NGL recoveries through propane refrigeration. The Pembina North gas plant, located approximately 7 kilometres northwest of the Brazeau North gas plant, features inlet separation, compression, gas sweetening, NGL recovery, acid gas injection and condensate stabilization. Because of their close proximity to one another and their overlapping gathering systems, these two plants are operated as a gathering and processing complex. The numerous pipelines between the Brazeau North and Pembina North plants permit gas to be directed to either plant for processing.

In 2012, Keyera constructed a modified lean oil system to help improve NGL recoveries and also successfully completed a scheduled maintenance turnaround at the Brazeau North gas plant. In addition, with Keyera's 2012 purchase of a 32% interest in Brazeau North gas plant, a 15% interest in the Brazeau North oil battery and a 26% interest in the Pembina North gas plant, each of these three facilities is now wholly owned by Keyera.

Paddle River Gas Plant and Area Facilities

The Paddle River gas plant is located approximately 130 kilometres northwest of Edmonton, Alberta. Gas processing services at the plant include gas sweetening, deep cut NGL recovery, acid gas injection, NGL storage and other related services. In addition to gathering and processing services offered to area producers, the plant also reprocesses gas from a nearby gas stream. In 2012, Keyera purchased the remaining 1% interest in the plant, bring its ownership interest to 100%, and also completed modifications to the plant to enhance NGL recovery efficiencies.

Edson Gas Plant and Area Facilities

The Edson gas plant is located approximately 190 kilometres west of Edmonton, Alberta. The Edson gas plant can process both sweet and sour gas and has NGL extraction capabilities. In 2010, Keyera acquired a 21.8% ownership interest in the plant, which is operated by Talisman Energy Inc.

Caribou Gas Plant and Area Facilities

The Caribou gas plant is located approximately 170 kilometres northwest of Ft. St. John, British Columbia. The plant facilities include inlet separation, compression, 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. Keyera also owns 85% of the Caribou North gas gathering system, a 48-kilometre, six-inch pipeline serving an area north of the plant. This gathering system increases the capture area of the Caribou gas plant by approximately 1,000 square kilometres.

Keyera secured commitments from a significant producer in the area to deliver sour gas to the plant and completed a 40 MMcf/d expansion of the plant in July 2010. With this expansion, the licensed capacity of the plant was increased to 105 MMcf/d.

Gilby Area Gas Plant and Facilities

The Gilby gas plant is located approximately 140 kilometres southwest of Edmonton, Alberta, and its facilities include inlet separation, compression, gas sweetening, lean oil NGL recovery, and condensate stabilization. Keyera also has a 100% ownership interest in the Aurora pipeline, a 20-kilometre, six-inch gathering pipeline west of the plant. In 2010, Keyera acquired an additional 1.7% interest in the Gilby gas plant, bringing its total ownership to 79%. Keyera successfully completed a scheduled turnaround at the Gilby gas plant in 2012. With the Penn West operated Medicine River gas plant being shut down in the second half of 2012, Keyera has been successful in attracting most of the gas that was being processed at that facility to the Gilby gas plant.

Nevis Gas Plant and Area Facilities

The Nevis gas plant is located approximately 150 kilometres southeast of Edmonton, Alberta. The plant offers a suite of services including inlet separation, compression, gas sweetening, NGL recovery with a lean oil system, condensate stabilization, NGL fractionation and sulphur recovery. The plant has 6,500 barrels per day of NGL fractionation capacity and NGL rail and truck loading facilities, as well as 280 kilometres of active gathering pipelines. In 2010, an additional field compressor and a six-kilometre pipeline was installed near Alix to deliver incremental gas volumes to the plant. This equipment, which was initially installed by a producer in the area and brought on stream in December 2010, was acquired by Keyera in 2011. In 2012, Keyera successfully completed a scheduled maintenance turnaround at the Nevis gas plant.

Chinchaga Gas Plant and Area Facilities

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. Keyera successfully completed a scheduled maintenance turnaround at the Chinchaga gas plant in 2012. The Cranberry oil and condensate pipeline has been shut down since September 2012.

Other Assets

The Gregg Lake - Obed Pipeline is a 129-kilometre sour gas pipeline consisting of eight-inch, ten-inch and 12-inch segments originating in the Solomon 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.

Keyera also owns and operates four oil batteries, three are associated with gas plants and one is a stand-alone facility.

Liquids Business Unit

NGL Infrastructure

The NGL Infrastructure segment provides gathering, fractionation, storage, transportation and terminalling services for NGLs and crude oil. These services are provided to customers through an extensive network of facilities, including: underground NGL storage caverns; NGL processing/fractionation facilities; NGL and crude oil pipelines; and pipeline, rail and truck terminals.

Most of Keyera's NGL Infrastructure assets are located in, or connected to, the Edmonton/Fort Saskatchewan area in Alberta, one of four key energy hubs in North America. A significant portion of the NGL production from Alberta raw gas processing plants is delivered into the Edmonton/Fort Saskatchewan hub via several NGL gathering systems for fractionation into specification products and delivery to market. 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 and crude oil export pipelines extending to key markets out of Alberta.

Keyera's underground storage caverns at Fort Saskatchewan are used to store NGL mix and specification products to meet seasonal and operational requirements. Keyera manages its storage capacity to meet market demands. For example, propane can be stored in the summer months in order to meet winter demand; condensate can be stored to meet the diluent supply needs of the oil sands sector; and butane can be stored to meet seasonal demands of refineries, as well as Keyera's feedstock needs for the production of iso-octane at AEF. Given the integrated nature of Keyera's business units, the NGL Infrastructure assets provide essential services to Keyera's Marketing segment by providing the physical assets essential to its ability to source, transport, process, store and deliver products across North America. The NGL Infrastructure segment charges market rates to Keyera's Marketing segment for these services, and therefore a portion of the revenues earned by the NGL Infrastructure segment relates to services provided to Keyera's Marketing business.

With Keyera's acquisition of AEF in 2012, the NGL Infrastructure segment now also produces iso-octane, a low vapour pressure, high octane gasoline blending component, which is sold (primarily to refineries and gasoline blenders) by Keyera's Marketing segment. AEF uses butane as the primary feedstock to produce iso-octane, creating positive synergies with Keyera's Marketing business. All of the revenues attributed to AEF within the NGL Infrastructure segment relate to processing services provided to the Marketing business for the production of iso-octane.

Condensate is a preferred diluent to facilitate movement of bitumen by pipeline. Assuming that the oil sands projects that are underway or in development continue to proceed as planned, Keyera anticipates the future demand for condensate as a diluent will continue to 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 NGL facilities are well situated to provide diluent handling and other logistics services related to growing oil sands development. The completion of the FSCS pipelines in 2012 has further enhanced Keyera's ability to provide these services by creating connections between the major inbound condensate pipelines and rail facilities and pipelines delivering condensate to the Alberta oil sands.

As of December 31, 2012, Keyera had a total net NGL processing/fractionation capacity of 80,000 bbls/d (including Rimbey ethane extraction and the Dow Fort Saskatchewan de-ethanizer) and total net storage capacity of approximately 8,649,000 bbls. Certain key operating data are presented below:

Facility	Ownership Interest (%)	Operator	Gross Capacity (bbls/d)[1]	Net Capacity (bbls/d)[1]
Fort Saskatchewan Facilities	77	Partnership		
NGL Processing[2]			30,200	23,250
Storage			10,600,000 bbls	8,160,000 bbls
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[3]			342,600 bbls	342,600 bbls
AEF[4]	100	Partnership	13,600	13,600

Facility	Ownership Interest (%)	Operator	Gross Capacity (bbls/d)[1]	Net Capacity (bbls/d)[1]
Rimbey Gas Plant	97	Partnership		
NGL Processing[2]			31,500	30,555
Ethane Extraction[2]			6,000	4,850
Rail			13,750	13,330
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
Strachan NGL Pipeline	100	Partnership	4,142	4,142
Wabasca Area Pipelines		Partnership		
Wabasca River Pipeline	64		20,000	12,800
North Senex Pipeline	88		3,500	3,080
Judy Creek NGL Pipeline	70	Partnership	31,450	22,015
Bonnie Glen Pipeline	50	Pembina	105,660	52,830

Notes:
(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 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.
(4) Keyera acquired AEF effective January 19, 2012.

Fort Saskatchewan Facilities

Keyera's Fort Saskatchewan facilities include: an NGL fractionation plant, underground storage caverns and the Fort Saskatchewan Pipeline System ("FSPL") which is comprised of four pipelines connected to the Edmonton Terminal.

Keyera Fort Saskatchewan receives NGL feedstock from various sources and separates the NGL mix into saleable products, including propane, butane and condensate. The storage facilities consist of underground caverns and surface storage tanks that hold NGL mix feedstock and specification NGLs. The specification product caverns allow propane, butane and condensate to be stored when demand is lower and sold when demand is higher. Through the FSPL, NGL mix is transported to Keyera Fort Saskatchewan and saleable specification NGLs are transported to various delivery points, including the Edmonton Terminal where the products can be distributed to domestic and export markets via rail, truck and pipelines.

Total underground storage capacity is 10.6 million bbls in eleven underground caverns. Mechanical integrity testing is currently being conducted on Keyera's twelfth underground cavern in preparation for the regulatory approvals needed to put it into service. Provided that the regulatory approvals are obtained without delay, the twelfth cavern is expected to be in service in the second half of 2013. In order to meet long-term storage demand, Keyera drilled the well bore for the thirteenth underground cavern and plans to commence washing in the first half of 2013. In connection with its cavern development, Keyera is also constructing another brine pond. Because of the phased approach to cavern development, Keyera has the flexibility to adjust the timing, scope and scale of development based on such factors as economic conditions, industry activity and demand for the services.

Through the ongoing development of FSCS, Keyera intends to continue to enhance its ability to receive condensate shipments by rail and pipeline and to store, transport and deliver condensate to meet customer needs, particularly for oil sands activity. 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. In 2011, Keyera completed a pipeline connection to the Enbridge Southern Lights pipeline, and in the first half of 2012, it completed a 21-kilometre, 20-inch pipeline connecting Keyera's Fort Saskatchewan Pipeline system with the Polaris pipeline, as well as a pumping station at the Edmonton Terminal. Keyera began receiving revenues under the diluent handling agreement with Imperial Oil on July 1, 2012 and expects to begin receiving revenues under the Husky agreement in 2014, provided that the development of the Sunrise oil sands project continues as planned.

In September 2012, Keyera announced its plan to construct a 30,000 barrel per day de-ethanizer to process ethane-rich streams of NGLs (referred to as C2+ mix) creating specification ethane and an NGL mix that will feed into Keyera's fractionator. Detailed engineering is currently underway and certain long lead items have been ordered. Keyera expects to complete the de-ethanizer in 2014. To provide commercial support for the de-ethanizer project, Keyera has entered into a long-term, fee-for-service agreement with a large producer with production in the deep basin region. Under the terms of the agreement, the producer will deliver C2+ mix to Keyera for processing into specification products, including ethane, propane, butane and condensate.

Rimbey Pipeline and Edmonton Terminal Facilities

Rimbey Pipeline is a 110-kilometre pipeline carrying NGL mix, propane, butane and condensate from the Rimbey and Strachan gas plants 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 the Keyera Fort Saskatchewan facility by the FSPL system, and is also pipeline connected to ADT and AEF. This connectivity provides the Edmonton Terminal with access to product supply, storage capacity and operational flexibility. The Edmonton Terminal has rail facilities to load and offload propane, butane and condensate, as well as truck facilities to load propane and butane and offload butane and NGL mix. In 2011, the connection between the Edmonton Terminal and Enbridge Southern Lights was completed and put into service. This connection provides access to the condensate delivered on the Southern Lights system, a long-term diluent supply source, thereby providing multiple diluent receipt options for customers.

In December, 2012, the rail loading facility at the Edmonton Terminal was modified to load iso-octane from AEF. The first railcars were loaded in December 2012 and delivered iso-octane for sale in the Gulf Coast in January 2013. This project is expected to mitigate the effect of apportionment on the Trans Mountain pipeline, which is currently the primary delivery route for iso-octane produced at AEF. Keyera plans to increase the volume of iso-octane delivered by rail as this new infrastructure opens new domestic and export markets for Keyera.

AEF

AEF is located in Edmonton, Alberta just one kilometre south of the Edmonton Terminal on a 160 acre parcel of land, 80 acres of which is undeveloped. The plant is a 13,600 barrel per day capacity iso-octane producing facility that was acquired by Keyera in January 2012. Iso-octane is a low vapour pressure, high octane gasoline blending component that serves to reduce volatility, improve combustion efficiency and create cleaner burning gasoline.

The AEF facility uses butane as the primary feedstock to produce iso-octane which creates positive synergies with Keyera's NGL Marketing business. The plant is connected by pipeline through Keyera's Edmonton Terminal with the rest of Keyera's NGL infrastructure in the Edmonton/Fort Saskatchewan area. The plant is also pipeline connected to certain nearby refineries.

Most of the iso-octane manufactured at AEF is transported on Trans Mountain Pipeline Pipeline to Chevron Canada Limited's refinery in Burnaby, British Columbia, where any contaminants picked up during transportation are removed. The product is then either sold in Burnaby or transported by ship to customers in California. Some of the iso-octane is also sold locally to refiners in Alberta and, with the completion of rail modifications at Edmonton Terminal, it can now also be shipped by rail to customers with access to rail offload facilities. Keyera has entered into ancillary agreements with Chevron and its affiliates relating to sales, transportation, downstream processing and shipping of iso-octane.

In 2012, AEF was off-line during September and part of October for its scheduled maintenance turnaround. The turnaround was completed successfully and the plant returned to full operation on October 18, 2012. While the plant was off-line, Keyera also replaced the catalyst and completed other maintenance capital projects. The next scheduled turnaround is expected to be in 2016.

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 features a rail offloading rack with a capacity of 80 cars per day, rail storage spurs, a truck loading/offloading rack and above ground tankage with working capacity of approximately 342,600 bbls.

The redevelopment of this facility by ADT Ltd. is part of Keyera's overall plan to grow its solvent and diluent handling services, enhance the services offered to oil sands producers and support its condensate marketing business. 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. With the completion of the solvent storage, rail offload and truck loading facilities in 2011, Keyera was able to expand the services available at the Alberta Diluent Terminal, including providing segregated solvent handling services for Imperial Oil starting in December 2011.

Oil sands activity continued to drive demand for condensate in 2012. To meet this need, Keyera continued to import condensate from the U.S. using the Alberta Diluent Terminal to receive and offload rail cars. With the growth in demand for diluent in Alberta, Alberta Diluent Terminal became capable of 24-hour per day operation effective December 1, 2012.

South Cheecham Rail and Truck Terminal

The South Cheecham Rail and Truck Terminal is a new rail and truck terminal (currently under construction), located approximately 75 kilometres south of Fort McMurray on a 148 acre parcel of land. Keyera has adopted a phased development plan for the site which will allow the development to be aligned with customer needs. The first phase of construction is the development of a multi-purpose hydrocarbon rail and truck facility providing diluent and dilbit handling service, and includes a pipeline connection to the Enbridge Cheecham terminal and a pipeline connection to the Statoil/PTTEP Cheecham terminal, located approximately 12 kilometres to the north. The project is a 50% - 50% joint venture with a subsidiary of Enbridge Inc. and Keyera will be the operator. Currently, the terminal is scheduled to be commissioned in late 2013.

Hull Rail and Truck Terminal

In November, 2012, KEI acquired the Hull Rail and Truck terminal, located approximately 20 miles from Mt Belvieu in Hull, Texas. The acquisition includes approximately 39 acres of land, four rail loading spots and six truck loading spots, as well as NGL storage tanks. Because the terminal has not been operational for a number of years, the first phase of development will be to reconfigure the site and refurbish the equipment before bringing it on-line. This redevelopment of the terminal is expected to be complete in the second half of 2013, provided there are no delays or changes in the scope of work.

When operational, the terminal will enable Keyera to handle the receipt and delivery of propane, butane and NGL mix. Longer term, given the strategic location of the facility, Keyera will evaluate the potential for handling other products, such as iso-octane, bitumen, dilbit and crude oil. Keyera has the flexibility to develop and expand the terminal in phases as demand for terminal and logistics services evolves.

Dow Fort Saskatchewan Facilities

Keyera owns an 18% interest in the Dow Fort Saskatchewan NGL processing facilities, which have a gross capacity of 30,000 bbls/d. Keyera also owns a 10% interest in the Dow Fort Saskatchewan de-ethanizer, which hs a gross capacity of 69,200 bbls/d, along with a 10% interest in the associated storage facilities.

Rimbey, Gilby and Nevis Gas Plants

The Rimbey gas plant NGL assets include a 31,500 bbls/d NGL processing unit, operational storage, truck loading and offloading facilities and a rail terminal. The rail terminal has a capacity of 13,300 bbls/d and provides Keyera 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's 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 infrastructure includes 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 NGL assets include the Wabasca area oil pipelines, the Judy Creek NGL pipeline, the Bonnie Glen pipeline and the Strachan NGL 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 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 four-inch and six-inch gathering pipelines, as well as 110 kilometres of eight-inch trunkline.

The Judy Creek NGL pipeline is a 190-kilometre pipeline running from the Judy Creek gas plant to connect with the COED Pipeline, approximately five kilometres south of Edmonton, Alberta. Keyera has a 69% ownership interest in the pipeline. Keyera also has a 50% non-operating interest in the Bonnie Glen pipeline, which has the capacity to deliver crude oil and condensate from west central Alberta to Edmonton.

In early 2011, Keyera brought the Strachan NGL pipeline into service. The Strachan NGL pipeline is a 60-kilometre pipeline that connects the Strachan gas plant to a third party system, allowing NGLs extracted at the Strachan gas plant to be delivered to the Rimbey Pipeline and ultimately to Keyera's Edmonton/Fort Saskatchewan facilities.

Keyera is also evaluating opportunities to develop additional facilities on lands it owns to the east of its Fort Saskatchewan facilities near Josephburg.

Marketing

The Marketing business is focused on the purchase and sale of products associated with Keyera's facilities, including NGLs, crude oil, iso-octane and sulphur. Keyera markets products acquired through processing arrangements, term supply agreements and other purchase transactions. This business utilizes Keyera's integrated network of processing, storage, pipeline, truck, rail and terminal facilities to source, transport and coordinate the timing and movement of product.

NGLs are purchased by Keyera either as NGL mix or as specification propane, butane and condensate, normally under one-year contracts. Keyera has also entered into certain multi-year agreements, including a long term supply agreement with ConocoPhillips that has been in place since 1998 and expires in 2018 (See "Other Information Relating to Keyera's Business – Business Arrangements – ConocoPhillips Arrangements"). Depending on the terms of the agreements, NGL volumes can be purchased at the gas plant-gate, storage facilities, truck and rail terminals or in NGL gathering pipelines.

The NGL mix acquired by Keyera is fractionated into specification products at Keyera's facilities or, in some instances, at third party facilities. The main specification NGLs that Keyera markets are propane, butane and condensate. Propane is generally used for heating, butane is used as feedstock for the production of iso-octane and in gasoline blending, and condensate is largely used as a diluent to enable heavy crude oil to flow in pipelines. 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 utilizes its storage capacity to manage seasonal market demands. Keyera also markets the ethane that is extracted at its Rimbey gas plant. Currently, these ethane volumes are sold under a long-term contract to a major petrochemical company in Alberta. (See "Business of Keyera – Gathering and Processing Business Unit – Rimbey Gas Plant and Area Facilities").

The acquisitions and growth initiatives that Keyera completed in the past several years in its Gathering and Processing and NGL Infrastructure businesses have contributed to the opportunities available to its Marketing business. In particular, the gas plant acquisitions, the development of the Alberta Diluent Terminal, the increased ethane extraction at the Rimbey gas plant, the acquisition of AEF and the addition of NGL pipeline connections have contributed to the diversification of Keyera's product offerings, sources of supply, customer base and geographic market options. Most recently, the acquisition of the Hull Rail and Truck Terminal will provide additional access to the Mt. Belvieu hub upon completion of the first phase of the redevelopment plans. In addition, KEI owns and operates four wholesale propane terminals in Washington, Montana and New Mexico.

In total, Keyera marketed an average of 93,100 bbls/d of NGLs and iso-octane in 2012 (compared to an average of 76,000 bbls/d in 2011). Keyera pays close attention to global and North American supply/demand and pricing trends, which informs its purchasing, sales and hedging strategies.

Keyera manages its supply and sales portfolio by monitoring its inventory position and its purchase and sale commitments, as well as by actively participating in other hub markets such as those in Mt. Belvieu and Conway. Nevertheless, the marketing business is exposed to commodity price fluctuations arising between the time contracted volumes are purchased and the time they are sold, 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 in terms of volumes, using financial contracts such as energy-related forward sales, price swaps, physical exchanges and options, and by timing performance and delivery obligations. Notwithstanding the strategies Keyera adopts in order to try to manage price and volume risk, marketing margins for NGLs may vary significantly from period to period. There is also inherent risk in the use of financial contracts as a risk management tool, as these contracts cannot be perfectly matched to physical inventory and sales and there is no guarantee that the relationship between the products will be sustained. (See "Risk Factors and Risk Management Strategies - Financial Risks - Market Risk and Marketing Activities").

With the acquisition of AEF and related assets, Keyera now also markets iso-octane. Iso-octane is a low vapour pressure, high octane gasoline blending component that serves to reduce volatility, improve combustion efficiency and create cleaner burning gasoline. One of the largest markets for iso-octane is California because of its more stringent emissions laws. Keyera markets iso-octane to refiners and gasoline blenders in California, Texas, British Columbia, and Alberta. The majority of shipments out of Alberta are currently transported on the Trans Mountain Pipeline to Burnaby, British Columbia where the impurities picked up during transportation are removed from the iso-octane at Chevron's facility. The iso-octane is then either sold locally or loaded onto a ship for transport to California markets. Keyera's ability to deliver the product is therefore largely dependent on access to capacity on the Trans Mountain Pipeline and on its transportation and processing arrangements with Chevron. (See "Risk Factors and Risk Management Strategies – Operational Risks - Reliance on Principal Customers and Suppliers). As deliveries are currently reduced on the Trans Mountain Pipeline due to apportionment, Keyera modified its rail loading facility at the Edmonton Terminal to handle iso-octane loading. The rail loading facility has enabled deliveries of iso-octane to customers in the Gulf Coast and Keyera is continuing to explore opportunities with potential new customers who have access to rail offload capabilities for iso-octane.

Iso-octane margins are driven by the price of butane (the primary feedstock) and RBOB (the gasoline market), as well as by the premium between CARBOB and RBOB and the premium between iso-octane and CARBOB. As a result, there can be significant variability in iso-octane margins. As with Keyera's other marketing activities, there are strategies available to try to mitigate the risks associated with the commodity exposure, including the use of financial contracts. However, the success of such strategies is dependent upon, among other things, the sustainability of the relationship between products. (See "Risk Factors 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, and blend crude oil. A significant proportion of these activities are undertaken as joint ventures. These joint-venture 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 blending products of lower value into higher value product streams and by blending various qualities of crude oil to capture spreads between different qualities of crude oil. These transactions 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

Most of Keyera's Gathering and Processing business is conducted on a fee-for-service basis. The fees can be calculated a number of ways, depending on the facility and the nature of the services being provided. Keyera's gas handling agreements tend to be based on either a flow-through operating cost structure or a fixed fee structure. In flow-through cost structures, the fees are generally comprised of a capital component and a flow-through operating component. The capital component is generally a function of the replacement cost of capital invested in the facility, while the operating component is based on the customer's *pro rata* share of the operating costs for the facility calculated based on total throughput. Keyera estimates that in 2012, approximately 80% of its total gathering and processing revenue was derived from gas handling agreements with flow-through operating cost structures. The balance of the revenue in the gathering and

processing business was derived from fixed fee gas handling agreements and fees from other ancillary products and services.

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

(a) *Interruptible-service contracts*: Under interruptible-service contracts, services are provided to the customer only if the facility has capacity after all firm-service contracts (or other contracts with higher priority) have been satisfied and Keyera elects to make capacity available to the customer. There are frequently different levels of interruptible-service that are offered. Each interruptible-service contract will specify the processing priority for that gas. While efforts are made to process each interruptible-service customer's gas production, when capacity is limited, the processing priority identified in the contract determines how the available capacity will be apportioned, with first preference going to firm-service contracts.

(b) *Firm service contracts*: Firm service contracts generally have the highest priority in the event of apportionment and are not subject to interruption by Keyera, except in circumstances beyond Keyera's control. These contracts will frequently contain a dedication of reserves under which the producer agrees to deliver all gas produced from specified reserves to a facility.

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

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

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

In 2012, the majority of throughput at Keyera's gathering and processing facilities was handled under interruptible-service, evergreen contracts.

NGL Infrastructure 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. Typically, the term of NGL transportation, processing and storage contracts is one year; however, Keyera has entered into some multi-year and monthly contracts. (See "Risk Factors and Risk Management Strategies – Operational Risks – Reliance on Principal Customers and Suppliers")

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 ownership 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 2012, natural gas processed by Keyera pursuant to these agreements accounted for almost 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 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. These NGLs accounted for approximately 11% of Keyera's NGL supply volumes in 2012.

Borrowing

Credit Facilities

With the amendments that were completed in 2012, Keyera's credit facilities, include: a $750 million committed unsecured revolving term facility (with the potential to increase to $1 billion subject to certain conditions) with a term extending to December 13, 2016; a $10 million unsecured revolving demand facility; and a $25 million unsecured revolving demand facility. 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. As of December 31, 2012, the balance outstanding on the unsecured revolving term facility was approximately $135 million and the balance outstanding on the unsecured revolving demand facilities was approximately $6.9 million.

These facilities are subject to two major financial covenants: "Debt to EBITDA" and "EBITDA to Interest Charges" ratios. The calculation for each ratio: (i) is based on specific definitions in the credit agreement, (ii) is not in accordance with GAAP, and (iii) cannot be readily replicated by referring to Keyera's financial statements. The 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, 2012:

Covenant	Position as at December 31, 2012
Debt to EBITDA not to exceed 3.50	2.02
EBIDTA to Interest Charges not less than 3.00	7.43

Long Term Debt

On June 19, 2012, Keyera completed a private placement of 7-year and 12-year senior unsecured notes to a group of institutional investors in Canada and the U.S., in the principal amount of approximately $202 million. With this new placement, Keyera's long term debt structure consists of a number of long-term senior unsecured notes, including a note issued pursuant to an unsecured uncommitted shelf facility with the Prudential Capital Group (the "Prushelf"). Under the Prushelf, Keyera can borrow up to US$200 million subject to certain conditions (less the value of the long-term senior unsecured note to Prudential in connection with a previous note offering which closed on January 4, 2011). As of December 31, 2012, $70 million (Canadian) had been drawn on the Prushelf, leaving approximately $114 million (Canadian equivalent) available to be drawn. As of December 31, 2012, Keyera had $378.5 million and US$299 million of long-term senior unsecured notes (including the Prushelf Note) outstanding 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;
- $70 million bearing interest at 5.01% and maturing in January 2019 (the Prushelf Note);
- US$3 million bearing interest at 3.42% and maturing in June 2019;
- $52 million bearing interest at 4.35% and maturing in June 2019;
- $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;
- $60 million bearing interest at 6.14% and maturing in December 2022;
- US$128 million bearing interest at 4.19% and maturing in June 2024; and
- $17 million bearing interest at 4.91% and maturing in June 2024.

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 following are the ratios calculated in accordance with the covenants as at December 31, 2012 for the Prushelf note:

Covenant	Position as at December 31, 2012
Consolidated Debt to Consolidated EBITDA not to exceed 4.0	2.02
Consolidated EBITDA to Consolidated Interest Charges not less than 3.0	7.43
Priority Debt to Consolidated Total Assets not to exceed 15%	0%

The following are the ratios calculated in accordance with the covenants as at December 31, 2012 for the notes maturing in 2013:

Covenant	Position as at December 31, 2012
Consolidated Debt to Consolidated EBITDA not to exceed 3.50	2.02
Consolidated EBITDA to Consolidated Interest Charges not less than 3.0	7.43
Priority Debt to Consolidated Total Assets not to exceed 15%	0%

The following are the ratios calculated in accordance with the covenants as at December 31, 2012 for the notes maturing in 2015 and 2020:

Covenant	Position as at December 31, 2012
Consolidated Debt to Consolidated EBITDA not to exceed 4.0	2.02
Consolidated EBITDA to Consolidated Interest Charges not less than 3.0	7.43
Priority Debt to Consolidated Total Assets not to exceed 15%	0%

The following are the ratios calculated in accordance with the covenants as at December 31, 2012 for the notes maturing in 2016:

Covenant	Position as at December 31, 2012
Consolidated Debt to Consolidated EBITDA not to exceed 4.0	2.02
Consolidated EBITDA to Consolidated Interest Charges not less than 3.0	7.43
Priority Debt to Consolidated Total Assets not to exceed 15%	0%

The following are the ratios calculated in accordance with the covenants as at December 31, 2012 for the notes maturing in 2017 and 2022:

Covenant	Position as at December 31, 2012
Consolidated Debt to Consolidated EBITDA not to exceed 5.0	2.02
Consolidated EBITDA to Interest Charges not less than 2.0	7.43
Priority Debt to Consolidated Total Assets not to exceed 15%	0%

The following are the ratios calculated in accordance with the covenants as at December 31, 2012 for the notes maturing in 2019 and 2024:

Covenant	Position as at December 31, 2012
Consolidated Debt to Consolidated EBITDA not to exceed 4.0	2.02
Consolidated EBITDA to Interest Charges not less than 3.0	7.43
Priority Debt to Consolidated Total Assets not to exceed 15%	0%

If Keyera 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 $750 million term facility maturing in 2016 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 undertaken 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 in force and effect 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 of expected cost based on environmental 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: (i) the cost of facility abandonment, including suspension and demolition costs, and (ii) environmental restoration, remediation and reclamation costs, in order to return the site to an equivalent surrounding land-use state. To support 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, ERCB's Liability Management Programs, and ERCB Directive D-024 – Large Facility Liability Management Program (the "**LFP**"). Keyera is required to update the ERCB assessments every five years and regularly evaluates and updates its other asset retirement obligations, a process that is overseen by the Health, Safety and Environment Committee of the Board of Directors.

Since 2009, Keyera has undertaken a number of specific liability reduction activities to decrease the abandonment and reclamation obligations associated with certain facilities. To assist in identifying priorities and projects, Keyera has developed a liability management system. In some circumstances, Keyera has been able to recover all or a portion of the costs associated with these activities through dedicated fees. Overall however, Keyera's 2012 estimate of its asset retirement obligations on a gross dollar basis for existing facilities increased to $365.4 million compared to $285.1 million in 2011. This increase was primarily due to the acquisition of additional facility interests (including the acquisition of AEF) and completion of updated or additional detailed assessments at several other facilities. (see "Risk Factors – Financial Risks – Decommissioning, Abandonment and Reclamation Costs").

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 ERCB licenses for facilities that are not covered under the LFP, are required to pay an annual levy to assist in funding the clean-up of orphan facilities. At the Keyera facilities that are required to pay the levy, it is treated as an operating cost. In addition, the ERCB requires all licensees to complete prescribed monthly asset-to-liability ratio testing for all licensed facilities (other than pipelines). Licensees that do not pass the asset-to-liability ratio test are required to provide the ERCB with a deposit. Keyera has an asset-to-liability ratio greater than that required by the ERCB and has not been required to provide a deposit.

British Columbia implemented a Liability Management Rating program in 2010, similar to Alberta. The program currently excludes midstream operators, such as Keyera, which is similar to how the ERCB deployed its program. This program is not expected to have a material impact to Keyera, even once fully implemented.

Competition

The midstream oil and gas industry is highly competitive in all aspects, including the gathering, processing, storage, transportation, and marketing of NGL products. Each of Keyera's gas plants is subject to competition from other gas processing plants which are either in the same general vicinity or have gathering systems that are or could potentially extend into geographic regions served by Keyera's facilities. 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 competes directly with other NGL marketing businesses and may also compete with businesses offering alternative fuel and feedstock sources. In the iso-octane marketing business, alkylate is the main alternative competitive product. Alkylate is produced by reacting otherwise low-value by-products with isobutene to produce a relatively high octane gasoline component. Most North American refineries have some alkylate production capabilities. (See "Risk Factors and Risk Management Strategies – Operational Risks - Competition").

Employees and Labour Relations

Keyera employs approximately 729 permanent employees in its operations. Of these permanent employees, 97 joined Keyera as a result of its January 19, 2012 acquisition of AEF Inc. Approximately 53 employees employed by Keyera at the Rimbey gas plant are represented by Gas and Oil Union Local 504, approximately 47 employees employed by Keyera at the Strachan gas plant are represented by Gas and Oil Union Local 507, approximately 26 employees employed by Keyera at the Nevis gas plant are represented by Gas and Oil Union Local 506B, and 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, which recently joined the Canadian Autoworkers Union. 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, 2015. The current collective agreements for employees at the Minnehik Buck Lake gas plant expires on April 30, 2013 and Keyera is currently engaged in negotiations to renew the agreement. To date, 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 and iso-octane marketing activities, Keyera markets NGLs and iso-octane in the United States. These marketing activities are conducted through Keyera's U.S. subsidiary, KEI. KEI, which has an office in Houston, commenced operations in late 2005. In addition to marketing Keyera's NGL and iso-octane products in the United States, KEI currently also owns and operates four wholesale propane terminals and recently acquired the Hull Rail and Truck terminal. KEI has also entered into contractual arrangements providing it with terminalling and storage capacity at Mt. Belvieu and in Hutchinson, Kansas which is near Conway. Keyera's Canadian marketing business can also be affected by trends in the United States due to the fact that commodity prices, including NGLs and iso-octane, in Canada are influenced by pricing and markets in the United States (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 securities of Keyera. 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 securities of Keyera. 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. The Conduct Policies are reviewed annually and updated as necessary.

As part of its Conduct Policies, the Board of Directors has also established a whistleblower hotline, utilizing a third party service provider, to provide a forum for employees, officers, contractors and consultants who have reason to believe that something may have been done illegally or contrary to Keyera policy to report these concerns to a neutral third party on a confidential basis for investigation. Quarterly reports from the whistleblower hotline are provided to the Audit Committee.

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

CAPITAL STRUCTURE OF KEYERA CORP.

The capital structure of Keyera Corp. consists 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 December 31, 2012, 77,662,547 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 Common 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

In accordance with the Debenture Indenture, Keyera is authorized to issue an unlimited number of Debentures. Keyera issued the First Debentures on June 3, 2004 and the Second Debentures on December 1, 2008. The First Debentures matured on June 30, 2011, and therefore the focus of the discussion in this section is on the Second Debentures which mature on December 31, 2013 (the "Maturity Date").

As discussed more fully below, the Second Debentures were issued in denominations of $1,000, are convertible into Common Shares and bear interest from the date of issue at 8.25% per annum, payable semi-annually in arrears on December 31 and June 30 in each year, commencing June 30, 2009. The interest on the Second Debentures is payable in the lawful money of Canada or in accordance with the Common Share Interest Payment Election described under the subheading "Interest Payment Option". The principal amount of the Second Debentures is payable in lawful money of Canada or, at the option of Keyera Corp. and subject to applicable regulatory approval, by issuance of Common Shares as further described under the subheading "Payment upon Redemption or Maturity".

The Second 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 Keyera Corp. as described under the subheading "Subordination". Keyera Corp. is not restricted by the terms of any of Debenture Indenture or the First and Second Supplemental Indentures from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its properties to secure any indebtedness.

Conversion Privilege

The Second 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 its Maturity Date, or the business day immediately preceding the date specified by Keyera Corp. for redemption. 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. 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.

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 Second Debentures are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date. 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%.

On December 15, 2009, a special dividend totalling $0.45 per Common Share was paid to Shareholders of record as of November 23, 2009 (the “Special Dividend”). In accordance with the First Supplemental Indenture, it was necessary to adjust the conversion price of the Second Debentures immediately following November 23, 2009 to take into account the effect of the Special Dividend. As a result, after November 23, 2009, the conversion price for the Second Debentures was reduced from $19.50 to $19.10 per Common Share, being a conversion rate of 52.3560 Common Shares per $1,000 of principal amount.

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 Second 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 Second 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

After December 31, 2011 and on or prior to December 31, 2012, the Second 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 but not less than 30 days notice, at a price of $1,000 per Debenture (the "Redemption Price") plus any accrued and unpaid interest thereon, 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 January 1, 2013, the Second 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 but not less than 30 days notice, at the Redemption Price plus accrued and unpaid interest thereon. In the case of redemption of less than all of the Second Debentures, the Second 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 Second 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 Second Debentures by paying to the Debenture Trustee in lawful money of Canada, an amount equal to the aggregate Redemption Price of the outstanding Second Debentures which are to be redeemed or the principal amount of the outstanding Second 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 Second Debentures which are to be redeemed or the principal amount of the Second Debentures which have matured, as the case may be, by issuing Common Shares to the holders of the Second 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 Second Debentures which are to be redeemed or the principal amount of the outstanding Second 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 Second 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 Second 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 Second Debentures. Subject to statutory or preferred exceptions or as may be specified by the terms of any particular securities, the Second Debenture ranks *pari passu* with each other Second 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 the Second 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 Second Debentures or any unpaid interest accrued thereon. Keyera Corp. will not make any payment, and the holders of the Second 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 Second Debentures (a) in a manner inconsistent with the terms of the Second 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 Second 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 Second 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 Second Debentures, as well as the amount payable upon redemption or maturity of the Second 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 66 $^{2}/_{3}$% 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 Second 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 Second Debentures a notice of the Change of Control and a copy of the Offer to repurchase all the outstanding Second Debentures. If 90% or more in aggregate principal amount of the Second 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 Second 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 Second Debentures not tendered pursuant to the Offer.

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 Second Debentures will occur if any one or more of the following events has occurred and is continuing with respect of the Second Debentures: (a) failure for 15 days to pay interest on the Second Debentures when due; (b) failure to pay principal or premium, if any, when due on the Second 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 Second Debentures, declare the principal of and interest on all outstanding Second Debentures to be immediately due and payable. In certain cases, the holders of a majority of the principal amount of the Second Debentures then outstanding may, on behalf of the holders of all Second 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 Second Debentures which is a take-over bid for Second Debentures within the meaning of the *Securities Act* (Alberta) and not less than 90% of the Second Debentures (other than Second 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 Second Debentures held by the holders of Second Debentures who did not accept the offer on the terms offered by the offeror.

Modification

The rights of the holders of the Second 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

The Keyera Corp. Rights Plan was approved by the Shareholders in connection with their approval of the Conversion and was adopted by Keyera Corp. on January 1, 2011. 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 Keyera Corp.'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 price at the time of exercise.
- 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 dividend 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.

DIVIDENDS

Keyera Corp.'s general practice is to pay monthly cash dividends on the Common Shares from its distributable cash flow on the closest business day to the 15th of each calendar month to Shareholders of record as of the declaration date which was usually 20 to 26 days prior to the payment date.

Keyera Corp.'s dividend policy is intended to provide Shareholders with relatively stable and predictable monthly dividends, while retaining a portion of cash flow to fund maintenance capital and ongoing growth projects. The amount of dividends to be paid on the Common Shares, if any, is subject to the discretion of the Board of Directors and may vary depending on a variety of factors.

In 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. In 2012, the Board of Directors increased the dividend from $0.17 to $0.18 per Common Share. This increase was effective for the November 2012 dividend paid on December 17, 2012.

Over the long-term, Keyera Corp. expects to continue to pay dividends from its distributable cash flow[3]; 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").

Dividend History

The following table sets forth Keyera Corp.'s dividend history in 2012:

Payment Date	Dividend per Common Share
January 16, 2012	$0.17
February 15, 2012	$0.17
March 15, 2012	$0.17
April 16, 2012	$0.17
May 15, 2012	$0.17
June 15, 2012	$0.17
July 16, 2012	$0.17
August 15, 2012	$0.17
September 17, 2012	$0.17
October 15, 2012	$0.17
November 15, 2012	$0.17
December 17, 2012	$0.18

[3] Distributable cash flow is not a measure under GAAP 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").

Premium Dividend™ and Dividend Reinvestment Plan

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

- The basic Dividend Reinvestment Plan (the "DRIP") allows eligible Shareholders to direct that their dividends be reinvested in additional Common Shares issued from treasury at a 3% discount to the Average Market Price (as defined in the Plan) on the applicable dividend payment date.
- The Premium Dividend™ was suspended by Keyera in 2010 and continues to be suspended. When operational, the Premium Dividend™ provides eligible Shareholders 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 in exchange for a premium cash payment equal to 102% of the regular declared cash dividend. Should Keyera decide to reinstate the Premium Dividend™ in the future, it will make a public announcement via news release.

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. 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 dividend date. Accordingly, participation may be prorated in certain circumstances. In the event of proration, or if for any other reason all or a portion of the dividends cannot be reinvested under the Plan, Shareholders enrolled in the Plan will receive the regular declared dividend on each Common Share for which the dividend was payable but could not be reinvested.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are listed for trading on the TSX under the symbol "KEY". The following table sets forth the high and low sales prices and volumes for the Common Shares traded on the TSX during 2012.

Calendar Period	Price per Share		Share Trading
	High (Close)	Low (Close)	Volume
2012			
January	$51.23	$45.73	3,631,384
February	$47.89	$42.15	8,680,322
March	$43.69	$41.14	6,748,655
April	$41.65	$37.60	6,249,570
May	$43.45	$39.51	6,065,239
June	$43.01	$39.48	3,827,138
July	$45.27	$42.32	2,456,412
August	$47.70	$44.79	3,889,698
September	$47.64	$44.75	3,509,804
October	$49.25	$47.05	2,943,937
November	$48.36	$45.20	2,647,746
December	$49.23	$46.31	3,157,297

The Second Debentures are listed on the TSX under the symbol KEY.DB.A. 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)	
2012			
January	$264.41	$238.55	5,345
February	$252.67	$217.07	2,270
March	$226.91	$215.80	3,514
April	$218.49	$197.39	6,130
May	$227.30	$208.90	2,595
June	$225.44	$208.00	7,783
July	$233.50	$221.65	2,760
August	$249.45	$233.31	520
September	$250.42	$233.61	3,150
October	$258.20	$245.09	5,090
November	$253.44	$240.59	850
December	$255.49	$242.42	2,535

Prior Sales

During 2012, Keyera issued a total 6,061,889 Common Shares as follows:

Description and Date	Number of Common Shares Issued	Price/Share
Public Offering - Closing March 1, 2012	4,100,000	$43.00
Public Offering - Closing March 13, 2012 (over-allotment option)	615,000	$43.00
Conversion of the Second Debentures between January 1, 2012 and December 31, 2012	242,226	$19.10
Premium Dividend™ and Dividend Reinvestment Plan[1]		
January 16, 2012	70,433	$48.3843
February 15, 2012	75,323	$45.6477
March 15, 2012	86,966	$41.3896
April 16, 2012	101,673	$39.7227
May 15, 2012	96,385	$39.1979
June 15, 2012	96,849	$41.0190
July 16, 2012	93,098	$40.9529
August 15, 2012	92,994	$43.7167
September 17, 2012	95,439	$43.7188
October 15, 2012	94,701	$46.4881
November 15, 2012	97,869	$46.0509
December 17, 2012	102,903	$45.7268

Note:

1. All Common Shares were issued pursuant to the Dividend Reinvestment component of the Plan. No Common Shares were issued pursuant to the Premium Dividend™ component of the Plan. (See "Dividends – Premium Dividend™ and Dividend Reinvestment Plan").

DIRECTORS AND OFFICERS OF KEYERA CORP.

Directors

In accordance with its Articles of Amalgamation, Keyera Corp. must have a minimum of three directors and may have a maximum of twelve directors. In 2012, the Board of Directors determined that eight was an appropriate number of directors. At the Annual Meeting held on May 8, 2012, the following directors were elected: James Bertram, Robert Catell, Michael Davies, Hon. Peter Lougheed, Nancy Laird, Donald Nelson, Neil Nichols and William Stedman. Sadly, in September 2012, Keyera's Chairman, Hon. Peter Lougheed passed away. 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:

Name, Residence, Principal Occupation, Period of Service as a Director, Other Issuers of which the Director is a director	Position on Committees of the Board of Directors
James V. Bertram Calgary, Alberta, Canada Mr. Bertram has been a director since March 28, 2003 and is the Chief Executive Officer of Keyera Corp. Mr. Bertram has been the Chief Executive Officer of Keyera since 1998 and 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. He is the Chairman of the Advanced Energy Research and Technology Center of Stonybrook University. From 2007 through 2009, Mr. Catell was the Executive Director and Deputy Chairman of National Grid plc. 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. He is past Chairman of the American Gas Association and is a Vice-Chairman of the National Petroleum Council's Natural Gas Committee.	Mr. Catell is: • Independent • Chairman of the Board • 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 21 years of 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 currently a director of AlterNrg Corp. and Synodon Inc. and sits on the board of several other private companies and non-profit organizations.	Ms. Laird is: • Independent • Chair of the Compensation and Governance Committee • Member of the Health, Safety and Environment Committee

Donald J. Nelson
Calgary, Alberta, Canada

Mr. Nelson has been a director since May 14, 2008. Mr. Nelson is a professional engineer with over 36 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. and Enerplus Corporation, both publicly-traded issuers in the oil and gas industry. He also sits on the boards of a number of private companies.

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. He is also a Director of Tundra Energy Marketing Ltd. and Alberta Balancing Pool since 2011. He is currently the Acting Chairman of the Alberta Balancing Pool.

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

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

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

Conflicts of Interest

Circumstances may arise where members of the Board of Directors serve as directors or officers of corporations which are suppliers or customers of Keyera. No assurances can be given that such circumstances will not give rise to a conflict of interest. Keyera's Code of Business Conduct requires that any conflicts of interest be dealt with in accordance with the requirements of its Conflict of Interest Policy and applicable laws.

Share Ownership by Directors and Executive Officers

As at December 31, 2012, the directors and executive officers of Keyera Corp., as a group beneficially owned or exercised control or direction over 917,011 Common Shares representing less than 1.2% of the Common Shares issued and outstanding as at December 31, 2012.

Cease Trade Orders, Bankruptcies, Fines or Sanctions

To Keyera Corp.'s knowledge, based on information supplied by the directors and executive officers, no director or executive officer has, within the 10 years preceding the date of this AIF, (i) become bankrupt, made a proposal under legislation relating to bankruptcy or insolvency or become subject to any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such nominee, or (ii) been a director or executive officer of any company or other entity that, while the nominee was acting in that capacity (or within a year of ceasing to act in that capacity), became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, save and except for Mr. 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 AIF, been a director, chief executive officer or chief financial officer of a company that, during the time the director or executive officer was acting in such capacity or as a result of events that occurred while the director or executive officer was acting in such capacity, was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities laws that was in effect for a period of more than 30 consecutive days.

Officers of Keyera Corp.

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

Name and Municipality of Residence	Position with the Keyera Corp.	Principal Occupation
Robert B. Catell New York, New York, USA	Chairman of the Board	Chairman, Advanced Energy Research and Technology Center of Stonybrook University, since 2009; Executive Director and Deputy Chairman of National Grid plc from 2007 to 2009.
James V. Bertram Calgary, Alberta	Chief Executive Officer	Chief Executive Officer, Keyera, since December 1998; Chief Executive Officer and President, Keyera, prior thereto.

Name and Municipality of Residence	Position with the Keyera Corp.	Principal Occupation
David G. Smith Calgary, Alberta	President and Chief Operating Officer	President and Chief Operating Officer, Keyera, since May 2011; Executive Vice President, Liquids Business Unit, Keyera, from November 2008 to May 2011; Executive Vice President and Chief Financial Officer, Keyera, prior thereto.
Steven B. Kroeker Calgary, Alberta	Vice President, Chief Financial Officer	Vice President and Chief Financial Officer, Keyera, since November 2012 Vice President, Corporate Development, Keyera, prior thereto.
Marzio Isotti Calgary, Alberta	Senior Vice President, Gathering and Processing Business Unit	Senior Vice President, Gathering and Processing Business Unit, Keyera, since March 2012; Senior Vice President, Foothills Region, Keyera, from June 2011 to March 2012; Vice President, Foothills Region, Keyera, prior thereto.
Bradley W. Lock Calgary, Alberta	Senior Vice President, Liquids Business Unit	Senior Vice President, Liquids Business Unit, Keyera, since March 2012; Senior Vice President, North Central Region, Keyera, since June 2011; Vice President, North Central Region, 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.
John Cobb Calgary, Alberta	Vice President, Investor Relations and Information Technology	Vice President, Investor Relations and Information Technology, Keyera, since August 2012; Director, Investor Relations and Information Technology, Keyera, prior thereto.
Mike Freeman Calgary, Alberta	Vice President, Commercial	Vice President, Commercial, Keyera, since May 2010; General Manager, Marketing, Keyera, prior thereto.
Suzanne Hathaway Calgary, Alberta	Vice President, General Counsel and Corporate Secretary	Vice President, General Counsel and Corporate Secretary, Keyera, since February 2012; General Counsel and Corporate Secretary, Keyera, since May 2011; General Counsel, Keyera, since May 2009; Corporate Counsel, Keyera, prior thereto.
Jim Hunter Calgary, Alberta	Vice President, NGL Facilities	Vice President, NGL Facilities, Keyera, since May 2010; General Manager, NGL Infrastructure, Keyera, prior thereto.
Dion Kostiuk Calgary, Alberta	Vice President, Human Resources and Corporate Services	Vice President, Human Resources and Corporate Services, Keyera, since February 2013; Director, Human Resources and Corporate Services, Keyera, prior thereto.

AUDIT COMMITTEE INFORMATION

Audit Committee Members and Terms of Reference

The Audit Committee is appointed annually by the Board of Directors. The responsibilities and duties of the Audit Committee are set forth in the Audit Committee Terms of Reference attached hereto as Schedule A. The Audit Committee consists of four members, each of whom is independent and financially literate as defined by Multilateral Instrument 52-110 *Audit Committees*. The following table sets out the relevant education and experience of the members of the Audit Committee:

Name	Relevant Education and Experience
Neil Nichols • Independent • Financially Literate	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.
Michael Davies • Independent • Financially Literate	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.
Donald Nelson • Independent • Financially Literate	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 is a professional engineer with over 36 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.
William Stedman • Independent • Financially Literate	Mr. Stedman holds a Bachelor of Science from Dalhousie University, a Bachelor of Civil Engineering (with Distinction) from McGill University, and a Master of Business Administration from Harvard Business School. 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. He is also a Director of Tundra Energy Marketing Ltd. and Alberta Balancing Pool since 2011.

Principal Accountant Fees and Services

In 2011 and 2012, fees billed for audit, audit-related, tax and other services provided to Keyera by Deloitte LLP were as follows:

Year Ended December 31	2012	2011
Audit Fees	$473,728	$593,262
Audit Related Fees	$143,393	$143,039
Tax Fees	$71,554	$196,915
Other Fees	$11,936	$116,224
Total	**$700,611**	**$1,049,440**

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

- Audit Fees: Fees for the annual audit and quarterly review of Keyera financial statements and for audit services related to ongoing regulatory filings.
- Audit Related Fees: Fees for review and translation services related to non-routine regulatory filings such as prospectus offerings.
- Tax Fees: Fees for advice and assistance in preparing income tax returns and transfer pricing documentation for KEI and advice related to income tax and commodity taxes.
- Other Fees**:** Fees incurred for the review of Keyera'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, 2012 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, regulations and requirements imposed by various levels of government and regulatory bodies in the jurisdictions in which it operates. While these legal controls and regulations affect all dimensions of Keyera's activities, including but not limited to, the operation of pipelines and facilities, construction activities, emergency response, operational safety and environmental procedures, Keyera does not believe that they impact its operations in a manner materially different from other comparable businesses operating in those jurisdictions.

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, owns four wholesale propane terminals as well as the Hull Rail and Truck Terminal in the United States, and ships products to customers across Canada and the U.S. 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 the *Gas Utilities Act* (Alberta). As of the date hereof, none of Keyera's facilities are designated common carriers or common processors.

Alberta Energy Regulatory Enhancement Project

Alberta Government concerns about upstream oil & gas competiveness 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 solicited input from a number of associations, corporations, individuals and stakeholder groups culminating in December 31, 2010 with the release of the Enhancing Regulation Report. The recommendations emphasize having a more integrated policy approach with supportive inter-departmental implementation (e.g. 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.

In December 2012, the Alberta Government passed Bill 2, *The Responsible Energy Development Act* (the "Act") which will establish the framework to create a single regulator called the Alberta Energy Regulator (the "AER") for energy resource activities. The AER will assume the functions of the ERCB and the ESRD for oil, gas, oil sands and coal developments.

In addition to the AER, the Government is also changing its approach to establishing energy-related policy. Policy direction for the Province will continue to be set by the Government of Alberta, but through a newly-created Policy Management Office (the "PMO"). The PMO will be responsible for providing policy guidance to the new regulator, AER. The PMO is also tasked with developing a public consultation process in order to engage Albertans earlier in the policy-making process and developing performance measures.

Regulations with respect to the PMO and AER are currently being developed but have not been made available for public review. The PMO is already in existence and the Government of Alberta intends to have the AER operational by June 1, 2013. Keyera will continue to monitor the development of these regulations in order to be prepared to adapt to these substantive legislative changes. At this time, based on the currently available information, Keyera does not expect that it will be affected in any materially different way from other companies in the energy industry.

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, including:

- 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;
- 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 gas sweetening; and
- installing a flare gas recovery system at its Rimbey plant, one of only a few in Alberta.

Keyera is also a past winner of the Alberta Emerald Award for Environmental Excellence (for its carbon dioxide liquefaction project at the Rimbey gas plant) and the SAIT Polytechnic Outstanding achievement in Applied Technology & Innovation Award (for its role in the development of technology to detect and quantify fugitive emissions). 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 the ESRD. (See "Environmental Regulation").

Keyera has also developed ongoing community relations, aboriginal 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.

Environmental Regulation

General Framework

The midstream industry is subject to provincial and federal environmental legislation and regulations. Among other things, the environmental regulatory regime provides for restrictions and prohibitions on releases or emissions of various substances produced in association with certain oil and natural gas industry operations. 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 and ESRD are the two main government agencies that regulate midstream operations and facilities in the Province of Alberta; however, as discussed above, these two regulators will be coming together under the umbrella of the AER. (See "Industry Regulation – Alberta Energy Regulatory Enhancement Project"). The primary pieces of legislation that form the regulatory framework are the *Oil and Gas Conservation Act* (Alberta) and *Environmental Protection and Enhancement Act* (Alberta) (the "**EPEA**") and their 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 ESRD 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 ESRD and/or licences from the ERCB. ESRD 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 wastewater and gases into wells drilled into deep geologic formations is regulated by both the ERCB and ESRD. 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 ESRD 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. The ERCB has also issued multiple Directives and Guides with strict requirements and standards concerning matters such as oilfield waste management and the suspension, abandonment and reclamation of oil and natural gas facilities that must be factored into the cost of conducting operations in Alberta.

Keyera will continue to monitor any changes in the regulatory framework in connection with Alberta's transition to the AER which is expected in 2013.

Sulphur Recovery

ERCB Interim Directive 2001-3 establishes sulphur recovery guidelines for sour gas plants and also sets maximum allowable limits on the amount of inlet sulphur that can be processed through "grandfathered" 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 degrandfathered. With changing gas compositions around Keyera's plants, meeting the sulphur recovery requirements can be challenging. Keyera carefully monitors sulphur recovery at its plants and takes active steps to manage its operations accordingly.

Sulphur Dioxide and Nitrogen Oxides Ambient Air Criteria

In late 2010, ESRD 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 came into effect in 2011 and new dispersion modelling guidelines were introduced in late 2012. Keyera facilities, some of which are already governed by ESRD emission approvals, were assessed for potential impact and no potential changes or equipment alterations are expected to be needed.

Particulate Matter and Ozone Management Framework

ESRD, together with the Clean Air Strategic Alliance, has implemented the Particulate Matter and Ozone Management Framework to achieve Canada-wide standard levels. This Framework indirectly affects 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 of their actions sometime in the future will be 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 processed and handled at Keyera's facilities. Operations at Keyera's facilities, including the combustion of fossil fuels in engines, heaters and boilers, release carbon dioxide, methane and other minor greenhouse gases. Keyera uses an engineering consulting firm to compile inventories of greenhouse gas emissions and reports 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 emissions intensities. Emissions 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 emissions offsets. Emissions offsets are classified as actions or projects which have resulted in reduced greenhouse gas emissions in Alberta on or since January 1, 2002;
- purchasing fund credits from the Climate Change and Emissions Management Fund (the "CCEMF") at a cost of $15/tonne of CO2e; and/or
- purchasing emissions performance credits (such credits are reductions in greenhouse gas emissions beyond the 88% of the baseline emissions intensity).

Keyera is the operator of the following five facilities which are subject to emissions reduction targets under the Regulation: the Strachan, Rimbey, Brazeau River and Nevis gas plants and AEF. Two of the primary factors that affect emissions 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 emissions 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 has also reported emissions for its Gilby, Chinchaga, West Pembina, Minnehik Buck Lake and Simonette gas plants.

In 2008, the Government of Alberta 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. In 2010, the Climate Change and Emissions Management Corporation was formed with a mandate to utilize the funds in the Climate Change and Emissions Management Fund ("CCEMF") to support technology advancements in energy efficiency, greening of fossil fuels, renewables, and carbon capture and storage. Keyera plans to continue to evaluate and submit applications for projects that may qualify for CCEMF funding 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 and therefore has cost implications for the Caribou gas plant,

Keyera's only plant in British Columbia. The cost to Keyera for 2012 was approximately $0.9 million (compared to $1.2 million in 2011).

Although Canada withdrew from the Kyoto Protocol, the Canadian government remains active in United Nations Framework Convention on Climate Change and corresponding conferences. Canada is pursuing the reduction of greenhouse gas emissions by 17% of 2005 levels by 2020 through the establishment of emissions standards for various sectors, beginning with transportation and coal generated power. Keyera is monitoring these ongoing developments, as well as policy and regulatory changes in the United States and internationally.

Keyera monitors regulatory initiatives and overall trends so that it is aware of potential developments that could affect its business and operations. It is possible that future international, national or provincial emissions reduction requirements may require further reductions of emissions or emissions intensity. Keyera recognizes that such reductions may not be technically or economically feasible and that failure to meet such emissions reduction requirements may result in fines, penalties, the suspension of operations, and/or the necessity of purchasing greenhouse gas credits, all of which could materially adversely affect the oil and gas industry, including Keyera. (See "Risk Factors 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 emissions reductions; sharing best practices; encouraging continuous improvement in greenhouse gas inventory reporting methodologies and risk management; and identifying and evaluating business opportunities associated with emissions trading, and carbon capture and storage.

Keyera participates in the Carbon Disclosure Project (the "CDP"). 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.

RISK FACTORS AND RISK MANAGEMENT STRATEGIES

In carrying out its business and operations, Keyera deals with a number of risks. Keyera generally considers that its risks fall into two principal categories: (i) operational risks, including legal, regulatory and strategic risks; and (ii) financial risks. These categories are outlined below along with summaries of the specific risk factors within each general category. In some instances, risks may fall into both categories. In such cases we have classified risks based on the primary category in terms of how they affect Keyera. The most significant risks in each category are listed first, based on Keyera's current assessment of each risk.

Keyera continually works to identify and evaluate significant risks and to develop and maintain appropriate strategies to mitigate the impact of potential risks to our business. Keyera's approach to risk management is integrated into its overall approach to decision making (both formal and informal) and also includes formal risk reviews with respect to certain matters. The summary provided below describes the main risks known to Keyera and also identifies some of the steps that Keyera takes to mitigate these identified risks. **Readers are cautioned that this summary of risks may not be exhaustive, as there may be risks that are unknown and other risks that may pose unexpected consequences. Further, many of the risks are beyond Keyera's control and, in spite of Keyera's active management of its risk exposure, there is no guarantee that these risk management activities will successfully mitigate such exposure.**

Operational Risks

Reliance on Producer Activity and Long Term Declines

The volumes of natural gas, NGLs, iso-octane, sulphur, and other products transported or processed by Keyera depend on production of natural gas and crude oil. Without reserve additions, production will decline over time as reserves are depleted. Most of Keyera's facilities are located in or depend on the WCSB. As a mature basin, production is projected to decline over the long term. New technology has allowed producers to access and produce reserves that were previously viewed as uneconomic. However, it is not clear the extent to which such advances in technology will offset the long-term overall declines. As well, industry activity levels depend upon economic and regulatory conditions that permit and incent producers to explore for and develop reserves. Producers in the areas

serviced by Keyera's gas plants may not be successful in exploring for and developing additional reserves. This risk, combined with sustained low gas prices or higher production costs or royalties, may discourage further exploration and development, the result of which could be declines in throughput at gas plants, 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 suspend their drilling programs or 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 Infrastructure business depend to a significant degree on producer activities in the Alberta oil sands. Oil sands activity can be affected by many factors, including but not limited to commodity prices and pricing differentials, access to transportation and take-away capacity, environmental pressures and cost escalation. If oil sands activity slows down, it may result in lower than expected demand for Keyera's NGL Infrastructure 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 and Utilization Rates

Many of Keyera's facilities are presently operating at lower throughputs than their respective licensed or operating capacities, in part due to declines in production since the facilities were built or decisions by producers to delay or shut in production due to the low natural gas prices. 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 for processing and related services.

The demand for processing and related services is dependent on factors such 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 and competitive service options and pursuing business development initiatives to attract additional volumes. Utilization of Keyera's AEF facility depends on demand for high octane, low vapour pressure gasoline additives, the willingness of customers to pay a premium price for such product, as well as availability of feedstock (butane) and transportation capacity. Keyera cannot predict the impact of future economic conditions, fuel conservation measures, alternative fuel requirements, governmental regulation or technological advances in fuel economy and energy generation devices, all of which could reduce the demand for natural gas, NGLs or iso-octane, thereby potentially reducing utilization rates at Keyera's facilities.

Another reason that Keyera's facilities may 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 constraints such 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 the facility's full licensed capacity.

One of the ways Keyera tries to mitigate these risks is through its formal inspection, monitoring and maintenance programs for equipment and pipelines. The programs 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 from producers 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 of hydrocarbons. The operation of Keyera's assets involves many risks, including the breakdown or failure of equipment, information systems or processes, the performance of equipment at levels below those originally intended (whether due to declining throughput, misuse, unexpected degradation or design, construction or manufacturing defects), failure to maintain an adequate inventory of supplies or spare parts, operator error, labour disputes, disputes with owners of interconnected facilities and carriers, releases of harmful substances into the environment, spills associated with the loading and unloading of harmful substances onto rail cars and trucks, and catastrophic events such as natural disasters, fires, explosions, derailments, fractures, well blowouts, acts of terrorists and saboteurs, and other similar events, many of which are beyond the control of Keyera. The occurrence or continuance of any of these events could increase the cost of operating Keyera's facilities and/or reduce its processing or throughput capacity, or result in damages, claims or fines, all of which could adversely affect Keyera's operations and financial performance.

In order to mitigate these risks, Keyera retains and relies on knowledgeable, competent personnel to identify and manage such 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 is a member of several mutual aid groups and has established the Keyera Emergency Response Team ("KERT") under the umbrella of the Liquefied Petroleum Gas Emergency Response Corporation. Volunteers on the KERT team receive specialized emergency response training and may be called upon to assist in responding to emergency situations should they arise.

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

Reliance on Other Facilities

Keyera's facilities are connected to various third party pipeline systems, including the Alliance, Kinder Morgan (Trans Mountain) and TransCanada Pipeline systems, as well as various third party NGL pipeline systems. These connections are important to Keyera and its customers as they provide critical transportation routes. Keyera's NGL Infrastructure and Marketing businesses also rely on connections to other third party infrastructure, including various pipelines, rail facilities and marine shipping facilities. Operational disruptions, apportionment, regulatory action or other events on any third party systems and infrastructure may prevent the full utilization of Keyera's facilities or otherwise hamper Keyera's business activities. For example, currently, the Kinder Morgan Trans Mountain pipeline system is under apportionment thereby restricting the volume of iso-octane that Keyera can ship to markets on the west coast which affects throughput at AEF.

Keyera is unable to control operations or events in third party facilities making the mitigation of these risks challenging. However, generally speaking, the owners of these facilities have significant financial resources, competent personnel, formal security programs and well developed operating practices and inspection and maintenance programs. Several of Keyera's facilities benefit from connections to more than one transportation alternative which provides some flexibility during curtailments or interruptions.

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 (i.e. a right of first refusal). 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 to over 75% in all but one of its facilities, 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 expenditure approvals. Keyera also utilizes its knowledge of industry activity and relationships with other owners to mitigate the risk of uncooperative behaviour. However, there is no guarantee that Keyera will be able to 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 a change in inlet gas composition is outside a plant's acceptable range of composition specifications. Keyera may need to change its license parameters, including sulphur regulatory levels, as gas composition changes. Changes in gas composition, including the trend toward producers producing less sour gas and more sweet gas, can present challenges for achieving sulphur recovery levels at certain facilities.

Keyera monitors plant throughput, gas composition, third party system performance and industry development activity in the capture areas surrounding its facilities on an ongoing basis. This information is used when assessing expansion opportunities and the possibility of adding new processing or commercial services to be able to accept the inlet gas in the capture areas surrounding its facilities. With the current focus by producers on drilling NGL-rich, sweet gas, Keyera has been pursuing opportunities to enhance its NGL recovery capabilities. Keyera has also amended its ERCB licenses at certain plants to deal with changes in gas composition.

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 2012, ConocoPhillips, as a customer, contributed approximately 14% of Keyera's natural gas gathering and processing revenue, and as a supplier, contributed approximately 11% of Keyera's NGL supply volumes. These transactions were largely based on 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, which are often for a defined term or are subject to early termination upon notice. Keyera also relies on agreements with key customers to underpin capital projects, including the pipeline additions to FSCS, the de-ethanizer project, the Rimbey turbo-expander project and the South Cheecham Rail and Truck Terminal.

In connection with Keyera's acquisition of AEF in January 2012, Keyera entered into a number of ancillary agreements with Chevron Standard Limited and its affiliates relating to sales, transportation, downstream processing, and shipping of iso-octane. These agreements are essential to Keyera's ability to transport iso-octane to its west coast markets via pipeline and ship.

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 could be reduced or capital projects could be suspended. In either case, Keyera's financial results and the cash flow available for dividends to Shareholders could be adversely affected. Keyera attempts to partially mitigate any potential losses in this respect through the use of business interruption insurance; however, such insurance coverage may not be sufficient to compensate for all such losses or damages.

In an effort to minimize the risk of reliance on any single customer or supplier, Keyera has diversified its customer and supplier base and actively continues to explore relationships with existing and potential new customers and suppliers. Keyera also tries to provide efficient, reliable services and to build on its relationships with producers and others as a way of encouraging existing customers to renew contracts and to attract new customers and suppliers.

In spite of these efforts, there is no guarantee that Keyera will be able to renew or replace existing contracts or enter into new contracts or that existing contracts will generate the expected benefits.

Competition

Each of Keyera's gas plants is subject to competition from other gas processing plants which are either in the general vicinity of Keyera's plants or have gathering systems that 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, United States, 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 United States. Keyera competes with local and international entities to acquire NGLs for processing and resale and to attract and retain customers. Competition for customers is not confined to NGL suppliers and marketers. The natural gas and gas products industry also competes with other industries seeking to provide substitute products or alternative sources of fuel, gasoline blending products, diluents, and feedstock to consumers. In the iso-octane marketing business, alkylate is the main alternative competitive product. Alkylate is produced by reacting otherwise low-value by-products with isobutene to produce a relatively high octane gasoline component. Most North American refineries have some alkylate production capabilities. In addition, 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, the 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 cases, the 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. 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 also 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 sulphur dioxide, nitrogen oxides, particulate matter and greenhouse gases; potential impacts on land, including land reclamation or restoration following construction; the use, storage or release of chemicals or hydrocarbons; the generation, handling and disposal of wastes and hazardous wastes; and water impacts. 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 ESRD 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 effect on Keyera's business and financial results. Overall, there is some uncertainty surrounding the impact of environmental laws and regulations on Keyera's operations, and it is difficult to predict how these laws and regulations may evolve. At this time, Keyera does not anticipate that it will be affected in a manner materially different than any other comparable midstream business, but it will continue to monitor developments and assess the potential implications.

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

To help further mitigate these risks, Keyera has developed health, safety and environmental programs as well as internal operating and maintenance guidelines. These programs are intended to promote safety and minimize the environmental impact of Keyera's operations. Keyera has also developed comprehensive safety training for its employees. Keyera conducts its operations and maintenance activities and monitors environmental impacts in accordance with these programs and acts to remediate environmental impacts 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 and iso-octane markets. Keyera makes a significant percentage of its propane and iso-octane sales into U.S. markets and also purchases NGLs in U.S. markets, particularly condensate 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., U.S. regulatory changes, protectionist actions by U.S. legislators and other political developments, all of which could have an adverse impact on Keyera's financial results.

Keyera has expanded its presence in the United States: (a) by the incorporation of its American subsidiary, KEI, with its office located in Houston, Texas, (b) the acquisition and operation of whole sale propane terminals in various locations in the U.S., (c) the addition of contracted NGL handling capacity at Mt. Belvieu and Conway; and (d) the acquisition of the Hull Rail and Truck Terminal. While the growth of Keyera's operations in the United States enhances its ability to access large U.S. markets, it also presents a number of risks, including increased regulatory and compliance obligations and costs, risks associated with potential non-compliance and civil liability exposure. The U.S. tends to be a litigious environment with larger damages awards compared to Canada. In some instances, Keyera may be subject to the exclusive jurisdiction of the United States courts. In addition, income tax laws relating to Keyera's U.S. operations may be changed in a manner which adversely affects Keyera.

While KEI has a small staff in its Houston office, 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. 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 and iso-octane transportation, terminalling and sales in the U.S. and its risk management committee considers the risk profile of the U.S. operations when evaluating Keyera's risk mitigation strategies. Keyera has also attempted to implement strategies to reduce the exposure of its Canadian assets to civil claims in the U.S. There is no guarantee that any of these activities will have the effect of reducing the risks associated with its permanent operations in the U.S. or with Keyera's access to U.S. markets, particularly for propane and iso-octane sales and condensate and butane purchases.

Construction Project Timing and Cost

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

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

Weather Conditions

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

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

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. With respect to construction activities, in areas where construction can be conducted in non-winter months, Keyera tries to schedule its construction timetables so as to minimize delays due to cold winter weather; however, availability of trades and supplies does not always make this possible.

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.

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

Dependence on Key Personnel

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

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

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 Rimbey gas plant, and the Nevis gas plant expire on December 31, 2015. 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 in Canada or the United States. (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 distributable cash flow and the cash dividends it provides to its Shareholders.

First Nations Consultation and Claims

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

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

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

To mitigate these risks, Keyera monitors developments that may affect activities around its facilities, as well as changes in government policy. Keyera has also adopted aboriginal consultation guidelines. When appropriate, Keyera works, directly or indirectly, with aboriginal communities that have reserves or traditional lands where its facilities are located, or that may be affected by Keyera's ongoing operations, as well as construction or expansion projects.

Expansion of Operations

Keyera's operations and expertise are currently focused primarily 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, over the last three years Keyera has acquired non-material interests in certain reserves associated with its facility acquisitions at Minnehik Buck Lake and at West Pembina, and in January, 2012 it acquired the Alberta EnviroFuels iso-octane business, and in December 2012 executed an agreement for the potential construction and operation of a new sulphur handling fertilizer production facility to be constructed on the Strachan gas plant site. 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, crude oil and iso-octane. Most of these contracts are priced at floating market prices. These activities expose Keyera to market risks resulting from movements in commodity prices between the time volumes are purchased and the time they are sold, from fluctuations in the margins between purchase prices and sales prices 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, natural gas, NGL and iso-octane 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 may store NGLs in order to meet seasonal demand and take advantage of seasonal pricing. Iso-octane margins are driven by the price of butane (the primary feedstock) and RBOB, as well as by the premium between CARBOB and RBOB and the premium between iso-octane and CARBOB. 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 Keyera's NGL, iso-octane 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 and physical contracts and by offsetting some physical and financial contracts in terms of volumes, timing of performance and delivery obligations. Keyera's risk management strategy utilizes the following hedging strategies:

(a) Butane and Condensate - Because butane and condensate prices are based on the price of crude oil, crude oil financial contracts are one of the more common hedging strategies that Keyera uses for these products. This hedging strategy is subject to basis risk between crude oil and the condensate or butane being hedged and therefore cannot be expected to perfectly offset future butane and condensate price movements.

(b) Propane – In 2012, Keyera adjusted its hedging strategy to use propane physical and financial contracts to hedge its propane inventory (instead of crude oil financial contracts). Although propane contracts are expected to eliminate commodity basis risk, the ability to enter into propane contracts may not be as liquid as other financial contracts, such as crude oil, and the financial contracts may have a geographical basis risk, depending on contract terms.

(c) Iso-octane – Keyera's hedging objective for iso-octane is to mitigate the effect of iso-octane price fluctuations on its future operating margins. The sales price for iso-octane is largely based upon the price of California gasoline or CARBOB. CARBOB prices are related to the price of motor gasoline or RBOB. RBOB is the highest volume refined product sold in the United States. It also has the most liquid forward financial contracts. Accordingly, Keyera utilizes RBOB financial contracts to hedge a portion of its iso-octane sales.

However, there is basis risk between the prices for RBOB and CARBOB that may result in volatility in sales prices. To a lesser extent, Keyera may also utilize CARBOB financial contracts.

As the NGL and iso-octane markets evolve during the year, Keyera monitors and adjusts its hedging strategy to protect the value of its inventory and the future operating margins. There is no guarantee that hedging and other efforts to manage the marketing and inventory risks will generate profits or mitigate all the market and inventory risk associated with these activities. While hedging and other efforts to manage market and inventory risk are intended to mitigate Keyera's risk exposure, because of the inherent nature and risk of such transactions, those activities can result in losses. If Keyera hedges its commodity price exposure, it may forego the benefits that may otherwise be experienced if commodity prices were to increase and it is subject to credit risks associated with the counterparties with whom it contracts. (See "Risk Factors 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 due, in part, to the fact that the value of the payments required to satisfy the grants are dependent on the market price of the Common Shares. As a result, the cost of the LTIP is directly related to the price of the Common Shares.

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 and iso-octane held in storage and related commodity prices. In addition to the working capital required for inventory, Keyera requires working capital to finance its other business activities, including its hedging program. Growth capital expenditures vary depending upon available opportunities and financing.

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

With ongoing maintenance consistent with historical levels, it is anticipated that Keyera's assets can continue to operate safely for decades to come. Keyera prepares annual budgets for each facility in which it has an interest and budgets for each capital project proposed or undertaken. Keyera relies on knowledgeable, competent staff to establish realistic cost projections for budgeting purposes and to operate facilities in an efficient manner. Keyera also monitors input costs such as the prices of electricity and fuel, and may use physical and financial contracts to manage these costs as and when considered appropriate by its risk management committee. While these activities may help to mitigate Keyera's risk exposure, they do not remove the risks associated with unanticipated increases or fluctuations in such costs.

Adequacy of Insurance

Keyera currently maintains customary insurance of the types and amounts consistent with prudent industry practice which includes: (i) property and business interruption insurance; (ii) comprehensive general liability insurance providing coverage for actions by third parties (and includes sudden and accidental pollution coverage which specifically insures against certain claims for damage from leaks or spills;, and (iii) marine liability insurance. In addition, Keyera maintains director and officer liability coverage consistent with 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. The insurance coverage obtained with respect to Keyera's business and facilities will be subject to limits and exclusions or limitations on coverage that are considered to be reasonable, given the cost of procuring insurance and current operating conditions. There can be no assurance that the insurance proceeds received

by Keyera in respect of a claim will be sufficient in any particular situation to satisfy the indebtedness of Keyera or fully protect against catastrophic events or prolonged shutdowns. Losses beyond the scope of Keyera's insurance coverage could have a material adverse effect on our business, operations and financial performance

With the growth in Keyera's operating activities in the U.S., Keyera has expanded its insurance coverage to include coverages for these U.S. operations. Because of the litigation environment, the potential for higher damages awards and Keyera's acquisition of NGL 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 has also established an insurance committee that 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, this newly formed insurance committee reviews its insurance and coverage levels at least annually in consultation with insurance providers and experts. Keyera also works with insurance advisors and underwriters 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, 2012, Keyera recognized a liability of $365.4 million for its asset retirement obligations. A detailed discussion of the assumptions and basis for calculating the fair value of the asset retirement obligations are included in the 2012 Management Discussion and Analysis accompanying Keyera's 2012 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 for dividends to shareholders and to service debt obligations in the future. Further, even if such reserve funds were established, they may not be sufficient to satisfy the future costs.

To help mitigate these risks, Keyera has developed a liability management system to estimate future liability, risks, priorities and the anticipated cost of the decommissioning, abandonment and reclamation of its facilities. Under this program, Keyera has specifically identified and undertaken reclamation projects during the operational life of certain facilities to help reduce the end of life abandonment and reclamations obligations. (See "Other Information Relating to Keyera's Business – Decommissioning, Abandonment and Reclamation Costs").

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.

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

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 dividends to Shareholders may be affected. The revolving credit facilities are currently scheduled to mature in 2016 and the long-term senior unsecured notes mature on various dates between 2013 and 2024. ("See "Other Information Relating to Keyera's Business - Borrowing").

Keyera believes that the existing credit facilities will be sufficient for its immediate requirements and has no reason to believe that it will not be able to renew its existing credit facilities or refinance its senior notes on commercially reasonable terms. However, the ability to make scheduled payments on or to refinance debt obligations depends on the financial condition and operating performance of Keyera, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond its control. For example, volatility in the credit markets may increase costs associated with debt financing due to increased spreads over relevant interest rate benchmarks, or affect Keyera's ability to access those markets. As a result, Keyera may be unable to maintain a level of cash flow from operations sufficient to permit it to pay the principal, premium, if any, and interest on its indebtedness. In addition, volatility in the capital markets and access to financing, although currently available, can be uncertain. These conditions could have an adverse effect on the industry in which Keyera operates and its business, including future operating and financial results. There can be no assurance that 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, with its insurance providers in the event of an outstanding claim, 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 addition, Keyera has implemented credit approval and monitoring procedures to mitigate against credit risk. The credit worthiness assessment of a counterparty considers the available qualitative and quantitative information about the counterparty including the financial status and external credit ratings. Depending on the outcome of each

assessment, Keyera may request letters of credit, guarantees or other credit enhancements as security. 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 dividends to Shareholders. Interest rates are influenced by Canadian and global economic conditions beyond Keyera's control. Floating rate debt obligations expose Keyera to changes in interest payments, which could have an adverse effect on Keyera's financial results, as variations in interest rates could result in changes in the amount required to service debt. As part of its efforts to mitigate the risk exposure associated with interest rate fluctuations, Keyera 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 that are not associated with a similar investment in a security denominated in Canadian dollars. Such risks include, without limitation, the possibility of significant changes in rates of exchange between the Canadian and U.S. dollar and the possibility of the imposition of currency controls by either the Canadian or United States governments. 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, most of Keyera's U.S. 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.

Market Price

The market price of the Common Shares may fluctuate due to a variety of factors relating to Keyera's business, including announcements of new developments, fluctuations in Keyera's operating results, sales of the Common Shares in the marketplace, failure to meet analysts' expectations, general market conditions or the worldwide economy. In recent years, the Common Shares and stock markets in Canada and the United States have experienced significant price fluctuations, which may have been unrelated to the operating performance of Keyera or the other affected companies. There can be no assurance that the market price of the Common Shares will not experience significant fluctuations in the future, including fluctuations that are unrelated to Keyera's performance. For these reasons, investors should not rely on past trends in the price of Common Shares to predict the future price of Common Shares or Keyera's financial results.

Cash Dividends Are Not Guaranteed

Dividends are not guaranteed and will fluctuate with the performance of the Partnership and other subsidiaries of Keyera Corp. The Board of Directors has the discretion to determine the amount of dividends to be declared and paid to Shareholders each month. In determining the level of dividends, the Board of Directors will take into consideration numerous factors including current and expected future levels of earnings, operating cash flow, income taxes, maintenance capital, growth capital expenditures, debt repayments, working capital requirements, current and potential future environmental liabilities, the impact of interest rates and/or foreign exchange rates; crude oil, natural gas, NGL and iso-octane prices, and other factors. Keyera's short and long term borrowings, 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. Dividends may be increased, reduced or suspended or eliminated entirely depending on Keyera’s operations and the performance of its assets and businesses.

Dependence on Subsidiaries

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

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 of Common Shares. 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, as defined in the Plan. As the Premium Dividend™ component of the Plan has been suspended since April 2010, no Common Shares have been issued under the Premium Dividend™ component of the Plan; however, should the plan be re-activated in the future, Common Shares would be issued thereunder at a 5% discount to the prevailing market price.

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 LLP 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 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, as amended by two partnership amending agreements dated December 21, 2011 and December 23, 2011 respectively, both of which were filed February 16, 2012;
2. Note Purchase Agreements dated August 26, 2003 (including the amending agreements dated May 2, 2005 April 27, 2011 and May 20, 2012); September 4, 2007, April 30, 2009, September 8, 2010, and November 5, 2010 (including the first amending agreement dated January 4, 2011 and the second amending agreement dated June 8, 2011), together with the assumption agreement dated January 1, 2011, between the Partnership, Keyera Corp. and the relevant noteholders related to the foregoing Note Purchase Agreements and the notes issued thereunder all of which were filed February 17, 2011 except the second amending agreement dated June 8, 2011 which was filed February 16, 2012 and the May 20, 2012 amending agreement to the August 26, 2003 Note Purchase Agreement which was filed February 14, 2013, as well as the Note Purchase Agreement dated June 19, 2012 and filed February 14, 2013;
3. Debenture Indenture dated June 3, 2004, together with the First Supplemental Indenture dated December 1, 2008 and the Second Supplemental Indenture dated January 1, 2011, all filed January 4, 2011;
4. Shareholder Rights Plan dated January 1, 2011 and filed January 4, 2011; and
5. Amended and Restated Credit Agreement dated January 1, 2011 (including the first amending agreement dated November 2, 2011 and filed on November 28, 2011 and the second amending agreement dated December 14, 2012 and filed on February 14, 2013).

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) for 2012, is contained in the Keyera Corp. information circular dated March 30, 2012 filed on SEDAR at www.sedar.com. Information for 2013 will be included in Keyera Corp.'s information circular to be mailed to Shareholders (and filed on SEDAR) in connection with the annual meeting of Shareholders to be held on May 7, 2013.
3. Additional financial information is provided in Keyera’s 2012 audited annual consolidated financial statements and accompanying 2012 Annual Management Discussion and Analysis 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 AIF 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.