KEYERA CORP.

ANNUAL INFORMATION FORM

February 10, 2016

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The information in this AIF is given as of December 31, 2015 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), as amended from time to time, 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 Alberta EnviroFuels facility;

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

"**AEP**" means Alberta Environment and Parks;

"**AER**" means the Alberta Energy Regulator;

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

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

"**butane**" means an NGL, the chemical formula of which is C_4H_{10}, used primarily in crude oil and gasoline blending or in the production of iso-octane;

"**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 usually produced with or extracted from raw gas;

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

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

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

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

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

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

"**enhanced oil recovery**" means any method that increases oil production by using techniques or materials that are not part of normal pressure maintenance or water flooding operations, such as injection of natural gas or CO_2 into a reservoir to increase oil production from the reservoir;

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

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

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

"**gas treating**" means the process by which sour gas is sweetened by removal of 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 AER Interim Directive 2001-3: Sulphur Recovery Guidelines for the Province of Alberta;

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

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

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

"**Keyera**" means Keyera Corp. and its subsidiaries;

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

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

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

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

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

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

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

"**operating margin**" means operating revenues less operating expenses and general and administrative expenses associated with the Marketing segment, and does not include the elimination of inter-segment transactions (see note 29 to the 2015 Annual Audit Financial Statements of Keyera available on SEDAR at www.sedar.com);

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

"**Partnership Agreement**" means the amended and restated partnership agreement of the Partnership dated January 1, 2011, as amended December 21, 2011, December 23, 2011 and January 2, 2016;

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

"**Preferred Shares**" means the First Preferred Shares and Second Preferred Shares or any one of them;

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

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

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

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

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

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

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

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

"**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 and is comprised primarily of methane with small amounts of ethane and other NGLs;

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

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

"Shareholder" means a holder of Common Shares;

"**sour gas**" means natural gas that contains an amount of H_2S in excess of the content permitted in gas to be transported on sales gas pipelines, or which the AER considers to be sour gas;

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

"**subsidiary**" means, in relation to any person or entity, any 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), as amended from time to time, and the regulations thereunder;

"**throughput**" means, with respect to a gas plant, the raw gas inlet volume processed; for a pipeline, means the gas or liquid volume transported therein; and for NGL processing facilities the volume of inlet NGLs processed;

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

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

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

"**WCSB**" means the Western Canada Sedimentary Basin; and

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

ABBREVIATIONS AND CONVERSIONS

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

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

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

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

FORWARD LOOKING STATEMENTS

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

- future dividends (including the future amount and timing of dividends and the tax treatment thereof);
- the future financial position of Keyera;
- business strategy and plans of management;
- anticipated growth and proposed activities;
- budgets, including future capital, operating or other expenditures and projected costs;
- estimated utilization rates and throughputs;
- expected project schedules, regulatory timelines, completion/in-service dates, capital expenditures and capacities associated with capital projects;
- anticipated timing for future revenue streams;
- objectives of or involving Keyera;
- expected commodity prices and inventory levels, including the impact of changes in commodity pricing and inventory;
- the effectiveness of Keyera’s health, safety, environment and integrity programs;
- treatment of Keyera or its projects under various regulatory regimes;
- the availability of insurance;
- the existence, operation and strategy of risk management programs, including the approximate and maximum amount of forward sales and hedging to be employed;

- marketing risk management contracts such as energy related forward contracts, price swaps and forward currency contracts; and
- expectations regarding Keyera's ability to raise capital, add to its assets through acquisitions or internal growth opportunities and maintain its competitive position.

The forward looking statements reflect Keyera's beliefs and assumptions with respect to such things as the outlook for general economic trends, industry trends, commodity prices, capital markets, and the governmental, regulatory and legal environment. In some instances, this AIF and accompanying documents may also contain forward looking statements attributed to third parties. Management believes that its assumptions and analysis in this AIF are reasonable and that the expectations reflected in the forward looking statements contained herein are also reasonable based on the information available on the date such statements are made and the process used to prepare the information. However, it cannot assure readers that these expectations will prove to be correct.

All forward looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events, levels of activity and achievements to differ materially from those anticipated in the forward looking statements. Such factors include but are not limited to:

- general economic, market and business conditions;
- activities of producers and customers, oil sands development activity and overall industry activity levels;
- operational matters, including potential hazards inherent in Keyera's operations and the effectiveness of health, safety, environmental and integrity programs;
- activities of other facility owners, including access to third party facilities;
- risks arising from co-ownership of facilities;
- competitive action by other companies;
- changes in gas composition;
- fluctuations in commodity prices, inventory levels and supply/demand trends;
- processing and marketing margins;
- effects of weather conditions;
- construction and engineering variables associated with capital projects, including the availability of contractors, engineering and construction services, accuracy of estimates and schedules, and the performance of contractors;
- fluctuations in interest rates and foreign currency exchange rates;
- changes in the credit-worthiness of counterparties;
- changes in operating and capital costs, including fluctuations in input costs;
- actions by governmental authorities;
- changes in environmental and other regulations; ;
- reliance on key personnel;
- competition for, among other things, business, capital, acquisition opportunities, requests for proposals, materials, equipment, labour and skilled personnel;
- reputational risks;
- technology and security risks;
- proceedings and other types of claims and litigation;
- risks and liabilities associated with the transportation of dangerous goods;
- access to capital and debt markets on acceptable terms (including the operation or suspension of either or both components of the Premium Dividend™ and Dividend Reinvestment Plan);
- changes in 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 are made as of the date of this AIF. All forward looking statements contained in this AIF are expressly qualified by this cautionary statement. Further information about the factors affecting forward looking statements and management's assumptions and analysis thereof, is available in filings made by Keyera with Canadian provincial securities commissions available on SEDAR at www.sedar.com.

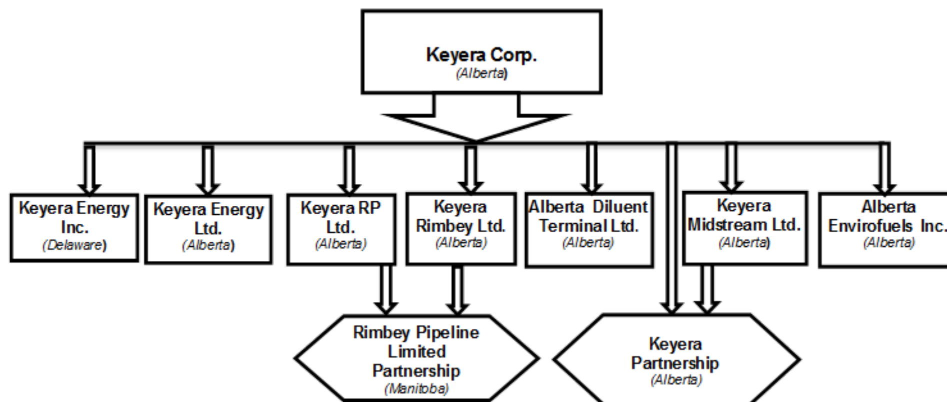
PRESENTATION OF FINANCIAL INFORMATION

This AIF refers to certain financial measures that are not determined in accordance with Canadian generally accepted accounting principles applicable to publicly traded companies ("GAAP"), also known as International Financial Reporting Standards. 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 public 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 alternatives to "net earnings" and "cash flow from operating activities" 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. is a public company and its Common Shares trade on the TSX under the symbol "KEY". Its registered office and head office are located at 200, 144 – 4th Avenue SW, Calgary, Alberta T2P 3N4. The constating documents of Keyera Corp., including the articles and bylaws, are available on SEDAR at www.sedar.com.

Keyera Corp. directly or indirectly owns 100% of the voting interests in all of its operating subsidiaries.[1]



Keyera Corp. is the managing partner of the Partnership, Keyera's primary Canadian operating subsidiary. The Partnership owns and operates the majority of Keyera's Canadian assets and businesses. In accordance with the Partnership Agreement, 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: (i) the Rimbey Pipeline which is owned and operated by Rimbey LP; and (ii) the Alberta Diluent Terminal which is owned and operated by ADT Ltd. KEI, Keyera's only non-Canadian subsidiary, carries out Keyera's business activities in the United States (the "U.S.").

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[1] In addition to the ownership relationships in the structure chart, Rimbey LP owns 100,000 preferred shares of Keyera Midstream Ltd.

The following table outlines notable milestones in Keyera's corporate structure in the three years from 2013 to present.

Date	Milestone
May 2013	Shareholders approved a special resolution to amend the articles of Keyera Corp. to create two new classes of Preferred Shares: (1) First Preferred Shares; and (2) Second Preferred Shares. Each class of Preferred Shares is issuable in one or more series without par value, with such rights, restrictions, designations and provisions as the Board of Directors may at any time and from time to time determine, subject to the aggregate maximum number of authorized Preferred Shares. As of the date hereof, there are no Preferred Shares issued and outstanding.
May 2014	Keyera Corp. completed a public offering of 4,312,500 Common Shares at $73.75 per Common Share.[1]
April 1, 2015	Keyera Corp. completed a two-for-one split of its outstanding Common Shares. The Common Shares commenced trading on a post-split basis on April 6, 2015.
January 2, 2016	Keyera completed a minor internal reorganization of its Edmonton Terminal assets, transferring them from Rimbey LP to the Partnership.

(1) The number of Common Shares issued and the price per Common Share are presented on a pre-split basis.

GENERAL DEVELOPMENT OF THE BUSINESS

Overview

Keyera operates one of the largest energy 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, primarily NGLs, 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, fractionation, storage and transportation of the by-products of natural gas processing, including NGLs such as ethane, propane, butane and condensate. In addition, this segment includes Keyera's iso-octane facilities referred to as AEF and Keyera's crude oil handling 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:

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

Over the past three years, Keyera has been focused on internal growth opportunities, together with selective acquisitions. While pursuing this significant capital growth program, Keyera has maintained its conservative financial structure and implemented four dividend increases between 2013 and 2015. In this time, Keyera has also expanded its credit facility, completed two long term private debt placements (See "Business of Keyera – Borrowing"), completed one equity offering and reinstated the Premium Dividend™ component of its Premium Dividend and Dividend Reinvestment Plan. In addition, in April of 2015, Keyera Corp. completed a two-for-one split of its Common Shares.

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 appropriate contractual underpinnings for its major capital projects. The following tables highlight some of the key acquisitions and capital projects which were either completed in the last three years or are under development or construction. See "Business of Keyera" for more information on each of these initiatives and "Forward Looking Statements" and "Risk Factors" for more information on the factors that could affect the development of projects that have not yet been completed.

ACQUISITIONS 2013 Total Expenditures: $31.9 million	
Facility/Area	**Description**
Alberta Crude Terminal	Acquired 36.4 acres of land adjacent to the Alberta Diluent Terminal for the development of the Alberta Crude Terminal, a 50/50 joint venture with Kinder Morgan Energy Partners L.P.
Minnehik Buck Lake-Gathering System	Acquired 100% interest in a 12-inch gathering pipeline that delivers gas to the Minnehik Buck Lake gas plant.
Carlos Pipeline Extension	Purchased a new 8-inch, 10-kilometre gathering pipeline constructed by a producer and tied-in to the Carlos pipeline in the last half of 2013.
GROWTH CAPITAL PROJECTS 2013 Total Expenditures: $299.8million	
Rimbey Gas Plant – Turbo Expander and Ethane Pipeline	Completed detailed engineering and ordered certain long-lead items for the construction of the turbo expander. Commenced construction of the associated 6-inch, 34-kilometre ethane pipeline to connect to the Alberta Ethane Gathering System.
Strachan Gas Plant – Sulphur Projects	Completed preliminary engineering work for proposed new sulphur forming facilities and modifications to certain sulphur handling infrastructure. Completed detailed engineering and ordered certain long-lead items for the proposed construction of a sulphur handling fertilizer facility at the plant as a 50/50 joint venture with Sulvaris Inc. with Keyera as operator.
Simonette Gas Plant Expansion	Initiated detailed engineering and ordered certain long-lead items for a new condensate stabilizer and a new refrigeration unit.
Wapiti Pipelines	Commenced construction of a 12-inch raw gas gathering pipeline and a 6-inch dedicated condensate pipeline which runs from the Wapiti area to the Simonette gas plant.
Carlos Pipeline Offload	Advanced engineering work on pipeline connections from the Carlos pipeline to other existing pipelines to facilitate delivery of incremental volumes to the Rimbey gas plant.
South Cheecham Rail and Truck Terminal	Completed the construction of the South Cheecham Rail and Truck Terminal (including related pipeline connection). Operations commenced in October 2013 with shipments of bitumen being received by truck and loaded onto railcars for delivery to end-use markets.
Hull Rail and Truck Terminal	Commenced construction work to reconfigure and refurbish the Hull Rail and Truck Terminal.
Fort Saskatchewan Facility – Storage Expansion	Brought the 12th underground storage cavern into service and began washing the 13th underground cavern. Also started preparations for drilling the 14th cavern. Construction of the new brine pond to support the cavern development was largely completed.

Fort Saskatchewan Facility – De-Ethanizer Project	Off-site fabrication of key components of the de-ethanizer tower were completed and on-site preparation activities commenced.
Fort Saskatchewan Facility – Fractionation Expansion	Commenced detailed engineering on a 35,000 Bbls/d expansion of the fractionation capacity.
Fort Saskatchewan Facility – Condensate Pipeline Connections	Ordered long-lead items to construct a receipt point at the Keyera Fort Saskatchewan facility to receive diluent from Kinder Morgan's Cochin Pipeline upon it being reversed and changed into condensate service.
Alberta Crude Terminal	Initiated engineering for the proposed crude loading facility.

ACQUISITIONS **2014 Total Expenditures: $221.4 million**	
Facility/Area	**Description**
Cynthia Gas Plant	Acquired an 85% operator ownership interest in the Cynthia gas plant and a corresponding ownership interest in certain Nisku reserves associated with the plant, along with ownership interests in various oil batteries, compressors and gathering pipelines.
Ricinus Gas Plant	Acquired a 70.79% operator ownership interest in the Ricinus deep-cut gas plant, a sweet gas processing facility.
Twin Rivers East Pipeline	Acquired a 19-kilometre, 12-inch raw gas gathering pipeline constructed by a producer to be tied-in to the Twin Rivers pipeline system.
Various Keyera-Operated Gas Plants	Acquired incremental 1.8% and 4.6% ownership interests in the Strachan and Bigoray gas plants respectively, bringing Keyera's ownership interests in those facilities to 100%. Also acquired incremental 0.6%, 0.5% and 0.23% ownership interests in the Brazeau River, Rimbey and West Pembina gas plants, respectively.
GROWTH CAPITAL PROJECTS **2014 Total Expenditures: $734.8 million**	
Wapiti Pipelines	Completed construction of the 12-inch sour gas gathering pipeline and the 6-inch condensate pipeline which began delivering volumes to the Simonette gas plant in the fourth quarter.
Simonette Gas Plant Expansion	Commenced construction of the new refrigeration unit and the new condensate stabilizer.
Rimbey Gas Plant - Turbo Expander and Ethane Pipeline	Commenced construction of the turbo expander and completed construction of the associated 6-inch, 34-kilometre ethane pipeline.
Carlos Pipeline Offload	Completed construction of an 8-inch raw gas gathering pipeline and a 6-inch condensate pipeline which increased the capacity of the Carlos pipeline. These pipelines are approximately 25-kilometres in length and began delivering raw gas and condensate to the Rimbey gas plant in the second quarter of 2014.
Wilson Creek Gathering System	Completed construction of a 12-inch raw gas gathering pipeline and a 6-inch condensate pipeline which began delivering raw gas and condensate to the Rimbey gas plant from west of the plant in the second quarter of 2014. The pipelines are approximately 30-kilometres in length.
Strachan Gas Plant - Sulphur Projects	Engineering work on the proposed new sulphur forming facilities and modifications to certain sulphur handling infrastructure was delayed due to increased capital cost estimates. The project was subsequently suspended in 2015. Construction of the new fertilizer production facility commenced in 2014; however higher than anticipated cost estimates caused delays as Keyera and its joint venture partner, Sulvaris Inc., reviewed the new estimates. The project was subsequently suspended in 2015.

Twin Rivers Pipeline System and Associated Pipeline Modifications	Commenced construction of both phases of the Twin Rivers Pipeline system. Phase I is a 20-kilometre, 12-inch gathering system that will deliver raw gas to the Brazeau River gas plant. Phase II involves extending the pipeline an additional 25-kilometres further southeast of the Brazeau River plant. Commenced modifications to an existing gathering system to provide producers in the Brazeau River area with the ability to access available processing capacity at the West Pembina gas plant.
Zeta Creek Gas Plant	Agreed to participate as a 60% owner in the Zeta Creek gas plant being constructed by Velvet Energy in the West Pembina area of Alberta, which will have a licensed capacity of 54 MMcf/d. Agreed to participate as a 75% owner in a proposed pipeline to connect the Zeta Creek plant to a third party sales gas pipeline.
Bellatrix O'Chiese Nes-Ohpawganu'ck ("Alder Flats") Gas Plant	Agreed to participate as a 35% non-operating owner in a new deep-cut gas plant and related pipelines to be constructed by Bellatrix Exploration Ltd. in the Alder Flats area of west central Alberta in two phases, each with design inlet capacity of 110 MMcf/d. Construction of Phase I of the plant commenced in fourth quarter of 2014.
Fort Saskatchewan Facility - De-ethanizer Project	Continued on-site construction of the de-ethanizer tower and associated facilities.
Fort Saskatchewan Facility – Fractionation Expansion	Continued engineering work on the 35,000 bpd C3+ mix fractionation, product receipt, operational storage facilities and pipeline interconnections.
Fort Saskatchewan Facility – Storage Expansion	Continued washing of the 13th cavern. Drilling of the 14th cavern was completed and washing continued. Commenced drilling of the 15th cavern. Completed construction of the 4th brine pond.
Fort Saskatchewan Facility – Condensate Pipeline Connections	Completed construction of the receipt point connection to Kinder Morgan's Cochin Pipeline and began receiving condensate deliveries through the Cochin system.
Norlite Pipeline	Entered into a joint venture with Enbridge to become a 30% non-operating owner in the Norlite pipeline, a long-haul condensate pipeline that will extend from Fort Saskatchewan to the Athabasca oil sands and which is to be constructed by Enbridge.
Josephburg Rail Terminal	Commenced construction of the rail terminal and continued to advance engineering on the pipeline connections between Josephburg and Keyera's Fort Saskatchewan Facility.
Alberta Diluent Terminal and Alberta Crude Terminal	Completed construction of the 12-inch condensate pipeline connecting the Alberta Diluent Terminal to Keyera's Fort Saskatchewan Pipeline System, allowing an existing pipeline to be converted into crude oil service to serve the adjacent Alberta Crude Terminal.
Alberta Crude Terminal	Completed construction of the terminal and commenced crude loading operations.
Hull Rail and Truck Terminal	Completed the refurbishment and reconfiguration of the terminal and commenced operations.

ACQUISITIONS 2015 Total Expenditures: $24.6 million	
Facility/Area	**Description**
Alberta Heartland Lands	Acquired 130.8 total acres of land for future development in the Edmonton/Fort Saskatchewan area.
Various Keyera-Operated Gas Plants	Acquired incremental 8.00%, 0.88%, and 0.38% ownership interests in the Cynthia, Rimbey, and West Pembina gas plants, respectively.
GROWTH CAPITAL PROJECTS 2015 Total Expenditures: $641.4 million	
Simonette Gas Plant Expansion	Construction of the new refrigeration unit and condensate stabilization facility were completed and commissioned for service.
Strachan Gas Plant – Sulphur Projects	Keyera and its customer chose not to sanction sulphur forming project due to higher than anticipated capital costs. Keyera and Sulvaris Inc. (50/50 joint venture) agreed to suspend construction of the sulphur handling fertilizer production facility. Both parties are currently reviewing the business and execution plans.
Rimbey Gas Plant - Turbo Expander	Installation of the 400 MMcf/d turbo expander was completed and became operational in July 2015.
Rimbey Gas Plant - Fractionation and NGL Truck Offload Expansion	The fractionation debottlenecking project and NGL truck offload expansion were completed and became operational in the second quarter of 2015, enhancing the NGL handling capabilities at the plant.
Wilson Creek Gas Gathering System Extension	Construction of the 17-kilometre Wilson Creek Gas Gathering System (a 12-inch raw gas and 6-inch condensate pipeline) extension was completed in the fourth quarter of 2015. The pipelines and associated compressor station were put into service in the first quarter of 2016.
Twin Rivers Pipeline and Associated Pipeline Modifications	Both phases of the Twin Rivers pipeline were completed and put into service as were the associated modifications to the existing pipeline between Brazeau River gas plant and the West Pembina gas plant.
Bellatrix O'Chiese Nes-Ohpawganu'ck ("Alder Flats") Gas Plant	Phase 1 of the new 110 MMcf/d deep-cut gas plant and related pipelines (a 16-inch raw gas gathering line, a 4-inch condensate pipeline and a fuel gas line) were completed and became operational at the end of May 2015. Bellatrix has indicated that the second 110 MMcf/d phase of the plant will be delayed to the first half of 2018.
Zeta Creek Gas Plant	The 54 MMcf/d Zeta Creek gas plant was completed and became operational in September 2015 at which time Keyera assumed operatorship.
Keyera Fort Saskatchewan - De-ethanizer Project	The 30,000 bpd de-ethanizer was completed and became operational in March 2015.
Keyera Fort Saskatchewan – NGL Fractionation Expansion	Construction of the 35,000 bpd fractionation facility commenced and major equipment and modules were delivered to site. Completion is targeted for the second quarter of 2016.
Keyera Fort Saskatchewan – Storage Expansion	Completed washing of the 13th cavern and put the cavern into service in October. Washing of the 14th cavern continued, with a targeted completion date in the second quarter of 2017. Drilling of the well bore for the 15th cavern was completed in the first quarter of 2015 and washing began early in the fourth quarter. The fourth brine pond was placed into service.
Josephburg Rail Terminal	The terminal became operational in July 2015. The original scope for the terminal included a single pipeline connection to Keyera's Fort Saskatchewan facility. The scope was subsequently changed to: i) expand the existing rail facility to handle increased activity and have the flexibility to store rail cars; and ii) include three additional pipelines that provide long term flexibility and security for incremental product movements in and out of the Fort Saskatchewan area.

Norlite Pipeline	Regulatory approval was received and Enbridge commenced construction of the 24-inch pipeline. Enbridge is targeting 2017 for the completion of the pipeline.
Base Line Terminal	Keyera entered in to a 50-50 joint venture with Kinder Morgan, Inc. to construct the Base Line Terminal, an above ground crude oil storage terminal in the Edmonton area which will provide customers with 4.8 million barrels of storage capacity in 12 above ground crude oil storage tanks. Civil work commenced in the fourth quarter of 2015.
Edmonton Terminal - Condensate Tanks	Regulatory and engineering work progressed on the four condensate storage tanks, each having a working capacity of approximately 60,000 barrels. Completion of the tanks is targeted for 2017.
Edmonton Terminal - South Grand Rapids Pump Station	In connection with Keyera's commitment to acquire a 50% interest in the southernmost portion of the Grand Rapids diluent pipeline ("South Grand Rapids") to be constructed, Keyera advanced engineering work for the pump station to be constructed at its Edmonton Terminal.
Fort Saskatchewan Condensate System Expansion	Keyera advanced engineering work on the 24-inch pipeline connection and manifold that will connect the Norlite Pipeline and the South Grand Rapids pipeline to Keyera's existing condensate transportation infrastructure.

In addition to these initiatives, Keyera also took steps to advance several other projects in 2015, including:

- entering into an agreement to purchase a 50% operator interest in the South Grand Rapid diluent pipeline to be constructed by a Grand Rapids Pipeline Limited Partnership, an affiliate of TransCanada Pipelines Limited ("TCPL") and Brion Energy Corporation, upon completion of the pipeline, all of which is being targeted for the last half of 2017;
- entering into purchase and lease agreements in respect of a 49-kilometre pipeline between Redwater and Edmonton, scheduled to close in late 2016;
- exploring transportation alternatives to move NGLs into the Edmonton/Fort Saskatchewan hub.

(See "Business of Keyera – Liquids Business Unit – NGL Infrastructure").

BUSINESS OF KEYERA

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

Gathering and Processing Business Unit

Description of Gathering and Processing Facilities and Business

Keyera has ownership interests in 17 active gas plants[2] in western Canada, of which it operates 15. Each gas plant is connected to gathering pipelines which deliver the gas from the field to the plants for processing. In total Keyera has over 5,000 kilometres of four to twelve inch diameter raw gas gathering pipelines.

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

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

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

In addition to third party customers served at Keyera's gathering and processing facilities, Keyera's Gathering and Processing business charges fees, at market rates, to Keyera's corporate segment to process Keyera's proprietary production and to Keyera's Marketing business for the use of facilities. In 2015, Keyera's Gathering and Processing business accounted for 17% of Keyera's total revenues and 35% of Keyera's total operating margin (compared to 11% of total revenues and 33% of operating margin in 2014). Keyera believes operating margin provides an accurate portrayal of operating profitability by segment.

The following table provides an overview of the key operating features for each of Keyera's gas processing plants that was active in 2015.

Gas Plant[1]	Ownership Interest (%)[2]	Plant Status	Date of Last Turnaround[3]	Licensed Capacity[4][5] (MMcf/d)	Average Annual Daily Throughput[4][5] (MMcf/d)	Facilities										
						Inlet Separation	Compression	Gas Sweetening	NGL Recovery[6]	NGL Fractionation	Condensate Stabilization	Oil Battery	Acid Gas Injection	Sulphur Recovery	NGL Truck and/or Rail Handling[7]	Other Features
Rimbey[8]	99	Sour	2015	422	329	●	●	●	TE	●	●			●	T/R	Cogeneration Liquefied CO2
Strachan	100	Sour	2014	275	209	●	●	●	TE		●			●	T	Sulphur Forming Sulphur Rail Loading Sulphur Block
Ricinus	71	Sweet	2014	221	30	●	●		TE							
Brazeau River[9]	94	Sour	2015	218	95	●	●	●	RFG		●		●		T	
Nordegg River[9]	89	Sour	2012	75	56	●	●	●	RFG		●		●		T	
Minnehik Buck Lake	80	Sour	2015	160	75	●	●	●	TE		●			●	T	Cogeneration
Simonette[10]	100	Sour	2013	300	125	●	●	●	RFG		●			●	T	
Cynthia[8]	93	Sour	2014	78	40	●	●	●	TE		●	●	●			
Bigoray[11]	100	Sour	2015	81	32	●	●	●	TE			●	●			
West Pembina[8][11]	77	Sour	2014	145	94	●	●	●	LO		●			●		Sulphur Block
Brazeau North	100	Sweet	2012	50	20	●	●		RFG		●	●				
Pembina North	100	Sour	2013	43	23	●	●	●	RFG			●	●			
Paddle River[12]	100	Sour	2013	81	3	●	●	●	TE		●		●			
Caribou[13]	100	Sour	2014	105	17	●	●	●	RFG		●		●		T	
Gilby	80	Sour	2012	71	33	●	●	●	LO	●	●				T/R	
Nevis	100	Sour	2012	150	41	●	●	●	LO	●	●			●	T/R	
Edson	22	Sour	2014	375	201	●	●	●	LO		●			●	T	Sulphur Recovery Sulphur Block Cogeneration
Alder Flats[14]	35	Sweet	N/A	110	68	●	●		TE		●				T	
Zeta Creek[15]	60	Sweet	N/A	54	8	●	●		RFG		●				T	

Notes:

(1) Keyera is the operator of all the gas plants listed except Edson, which is operated by Repsol Canada Energy Partnership (formerly Talisman Energy Inc.) and Alder Flats (formally known as "O'Chiese Ohpawganu'ck"), which is operated by Bellatrix Exploration Ltd. Keyera also has a 36% ownership interest in the Gregg Lake-Obed Pipeline system, a 129-km sour gas pipeline system operated by SemCAMS that originates in the Hinton area and connects to the SemCAMS Kaybob 3 gas plant.

(2) Ownership interest as at December 31, 2015 rounded to the nearest whole number.

(3) Turnaround cycles are typically six years for sweet gas plants and four years for sour gas plants.

(4) Information in these columns: (a) is presented as at December 31, 2015; (b) represents total gross capacity and throughput (not only Keyera's net capacity); and (c) has been rounded to the nearest whole number. The average annual daily throughput is calculated based on the total annual throughput for the facility divided by 365 days.

(5) Actual available processing capacity at each plant is often less than the licensed capacity depending on a number of factors, including the capacity of various functional units, operating conditions and gas composition. The difference between licensed capacity and actual operating capacity may be more significant where plant operating conditions or actual gas compositions differ significantly from original plant or equipment design. At Ricinus, while the licensed capacity is 221 MMcf/d, one of the NGL processing trains, with a capacity of approximately 97 MMcf/d, is not currently operational. With the expansion of Simonette in 2015, the licensed capacity was increased to 300 MMcf/d; however, the estimated actual capacity with the installation of the new facilities is approximately 250 MMcf/d, (prior to the expansion, the licensed capacity was 150 MMcf/d). (See "Risk Factors – Operational Risk Factors").

(6) TE- turbo expansion, LO – lean oil recovery, RFG – refrigeration. In the past, modifications to the refrigeration systems have been completed at the Brazeau River, Nordegg River and Pembina North gas plants to enhance recoveries. Installation of the turbo expander at the Rimbey gas plant was competed in mid-2015, following which, the lean oil recovery unit was shut down.

(7) R – NGL rail handling facilities, T – NGL truck handling facilities.

(8) In 2015, Keyera acquired the following incremental ownership interests: 8% in the Cynthia gas plant; 0.88% in the Rimbey gas plant, and 0.38% in the West Pembina gas plant, respectively.

(9) Acid gas from Nordegg River is delivered to the Brazeau River gas plant for acid gas injection.

(10) The Simonette sulphur block was removed in 2015.

(11) The West Pembina gas plant is licensed as a sour gas plant, however because of declining sour gas volumes, the sour side of the plant was shut down in January 2016 and the plant is currently only processing sweet volumes.

(12) Operation of the Paddle River gas plant was suspended in February 2015. The gross average daily throughput from January 1, 2015 through the date operations were suspended was 17 MMcf/d.

(13) Operation of the Caribou gas plant was suspended in December 2015. The gross average daily throughput from January 1, 2015 through the date operations were suspended was 19 MMcf/d.

(14) Operations at the Alder Flats gas plant commenced in May 2015. The gross average daily throughput from the date operations commenced through December 31, 2015 was 101 MMcf/d.

(15) Operations at the Zeta Creek gas plant commenced in September 2015. The gross average daily throughput from the date operations commenced through December 31, 2015 was 24 MMcf/d.

Overview of Key Initiatives

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

1. Optimizing NGL Recoveries and Gas Handling Capabilities

Rimbey Area: Keyera has consistently pursued opportunities to expand the operations and services at the Rimbey gas plant. In 2015, Keyera completed the installation of a 400 MMcf/d turbo expander unit. The turbo expander unit increased the ethane extraction capabilities of the plant to 20,000 Bbls/d, and also improved propane, butane and condensate recoveries. This project is underpinned by a long term ethane sales agreement with a major ethane consumer in Alberta, as well as various gas processing agreements with producers, including a long term processing agreement with an area dedication. In connection with the turbo expander project, Keyera also constructed a 6-inch, 34-kilometre pipeline capable of delivering the ethane to the Alberta Ethane Gathering System to facilitate deliveries of increased ethane volumes. This pipeline connection was completed in 2014. In addition to completing the turbo expander at the Rimbey gas plant, Keyera completed the following additional projects to expand or unlock NGL handling capacity at the Rimbey gas plant: (i) a 7,000 Bbls/d debottlenecking project increasing gross fractionation capacity from 21,000 Bbls/d to 28,000 Bbls/d (and its corresponding total liquids handling capacity from 31,500 Bbls/d to 38,500 Bbls/d) and (ii) a NGL truck offload expansion increasing its truck offload capacity from 6,300 Bbls/d to 9,400 Bbls/d.

Simonette Area: In 2015, Keyera advanced several projects to increase the processing capacity and improve the condensate handling capabilities of the plant. The projects include the addition of refrigeration and the construction of condensate stabilization facilities. Both projects were completed and in service in the first half of 2015, enabling the plant to handle an additional 100 MMcf/d of raw natural gas and 10,000 Bbls/d of condensate.

Brazeau River and West Pembina Areas: Over the last two years, Keyera completed several debottlenecking projects in the Brazeau River and West Pembina areas to help increase operational capacity. These initiatives were largely in response to infrastructure constraints that were being encountered as producers ramped up production through 2013, 2014 and into 2015. As part of these projects, Keyera has contracted with TCPL for the construction of two new, higher capacity sales gas meters to support higher physical sales gas take-away capacity onto the TCPL system. Both meter stations were completed and became operational in 2015.

Various Facilities: In addition to the projects listed above, Keyera has also undertaken a number of steps to enhance the NGL handling capabilities and improve reliability at a number of its gas plants, including maintenance and repair activities on the turbo expander units at its Strachan and Minnehik Buck Lake gas plants.

2. Expanding Infrastructure through Growth Projects and Acquisitions

Cynthia Gas Plant: In May 2014, Keyera acquired an 85% ownership interest in the Cynthia gas plant and became the operator. In connection with this acquisition, Keyera also acquired certain reserves in the Nisku formation which are associated with the plant and ownership interests in various associated oil batteries, compressors and gathering pipelines. In October 2015, Keyera acquired an additional 8% ownership interest bringing its ownership interest in the Cynthia gas plant to 93%.

Ricinus Gas Plant: In December 2014, Keyera acquired a 70.8% operator ownership interest in the Ricinus deep-cut gas plant. The current operating capacity of the plant is approximately 124 MMcf/d, compared to a licensed capacity of 221 MMcf/d. The lower operating capacity is due to only one of the two NGL processing trains currently being in operation. If there is sufficient producer interest in accessing additional processing capacity in the area, Keyera could reactivate the second NGL processing train in the future to enable the plant to operate closer to its licensed capacity. In addition, Keyera continues to evaluate pipeline connections between the Ricinus and Strachan gas plants, as well as other investment opportunities in the associated gas gathering systems.

Bellatrix O'Chiese Ohpawganu'ck ("Alder Flats") Gas Plant. In December 2014, Keyera agreed to participate as a 35% non-operating owner in a new deep-cut gas plant and related pipelines, including a 16-inch raw gas gathering line, a 4-inch condensate pipeline and a fuel gas line, all of which were constructed by Bellatrix Exploration Ltd. in the Alder Flats area of west central Alberta. The gas plant is operated by Bellatrix and is being developed in two phases. Phase I of the facility, which has design inlet capacity of approximately 110 MMcf/d, became operational in May 2015 and the plant is now operating at capacity. Bellatrix has indicated that Phase II will be delayed to the first half of 2018. Based on current designs, if Phase II proceeds, it would add additional inlet capacity of 110 MMcf/d and a turbo expander capable of extracting ethane-rich NGLs (C2+ mix) from the raw gas stream.

Zeta Creek Gas Plant. In December 2014, Keyera agreed to participate as a 60% owner and operator in the Zeta Creek gas plant constructed by Velvet Energy in the West Pembina area of Alberta. Construction of the plant was completed in 2015, with operations commencing in September 2015. As part of the transaction, Keyera also participated as a 75% owner in the sales gas lateral pipeline which runs from the plant to the TCPL mainline.

Rimbey Area: Over the last three years, Keyera has undertaken a number of projects to continue to expand the approximate 4,600 km^2 capture area of the Rimbey gas plant, including the following:

- Purchasing a newly built 8-inch, 10-kilometre lateral pipeline from a producer in 2013 in order to extend the Carlos pipeline and entering into a gas handling agreement with that producer to deliver volumes to the pipeline.
- Completing the Carlos pipeline offload project, which included the construction of an 8-inch raw gas gathering pipeline and a 6-inch condensate pipeline to increase the capacity of the Carlos Pipeline by approximately 40 MMcf/d in response to producer demand. These pipelines are approximately 25-kilometres in length and were completed in 2014.

- Constructing the Wilson Creek pipeline system underpinned by a long term, fee-for-service gas handling agreement with a producer. The system, which includes a 12-inch high pressure raw gas pipeline and a 6-inch condensate pipeline, extends the capture area for the Rimbey gas plant into the Wilson Creek area west of the plant.
- Constructing a 17-kilometre extension to the Wilson Creek pipeline system and an associated compressor station, both of which were put into service in January 2016. The pipeline extension is underpinned by a long term, fee-for-service gas handling agreement with a producer, and the compressor station is jointly owned with that producer.

Simonette Area: In 2014, Keyera completed construction of the Wapiti Pipeline system, a 12-inch sour gas gathering pipeline and a 6-inch condensate pipeline extending from the Wapiti region of northwest Alberta to the Simonette gas plant and put the pipeline into service by the second half of 2014. This 90-kilometre pipeline system is underpinned by long term, fee-for-service gas handling agreements with area producers.

Minnehik Buck Lake Area: In 2013, Keyera completed the purchase of a 12-inch, 23-kilometre gathering pipeline to the west of the Minnehik Buck Lake plant and began receiving volumes. In connection with the purchase of this pipeline, three producers entered into gas handling agreements. In 2014, producers increased their annual nominations on this pipeline to 70 MMcf/d of gas, backed by take-or-pay fee arrangements.

Gilby Area: In 2015, Keyera entered into an arrangement to redirect gas from a small processing plant operated by a producer to the Gilby plant for processing. A project to tie-in the gas from that facility is expected to be completed in the first quarter of 2016, assuming construction proceeds on schedule.

Brazeau River and West Pembina Areas: Keyera completed the construction of the Twin Rivers Pipeline system and modifications to certain existing pipelines in 2015. Phase I of the Twin Rivers pipeline system, a 20-kilometre, 12-inch gathering system was completed in February 2015 and is delivering raw gas to the Brazeau River gas plant. Phase II, which included construction of an additional 25-kilometre extension southeast of the Brazeau River plant, was completed in April 2015. In connection with these new pipelines, Keyera also completed modifications to an existing gathering system to provide incremental pipeline connectivity from this prospective area to its West Pembina gas plant.

3. Expanding Services in Alignment with Demand

Strachan Area: Over the last three years, Keyera has been pursuing two sulphur handling opportunities at its Strachan gas plant that would be complementary to the existing sulphur handling services offered at the facility in connection with its sour gas processing operations. The first project is a 50/50 joint venture arrangement with Sulvaris Inc. to construct a sulphur-based fertilizer production facility. The second project would involve the installation of new sulphur forming equipment and associated incremental sulphur rail off-loading capability and storage capacity. Both projects were suspended in 2015 due to higher than expected capital costs. Keyera is continuing to work with its joint venture partner in the fertilizer facility project and its potential customer in the sulphur forming project on scope and cost adjustments for each project to determine next steps.

Rimbey, Gilby and Nevis Areas: With fractionation capacity constrained in the Edmonton/Fort Saskatchewan energy hub in the last several years prior to the downturn in the oil and gas sector in 2015, Keyera successfully pursued opportunities to utilize available fractionation capacity at its gas plants outside of the hub to handle NGL mix from its other facilities. The availability of this fractionation capacity helps Keyera to manage its overall fractionation requirements, and provides flexibility during outages and turnarounds in Fort Saskatchewan. In addition to NGL volumes extracted at these facilities, NGL mix may be trucked to these facilities for fractionation. Once fractionated, the specification products can then be moved by rail or truck to end users, and in the case of Rimbey may also be moved by pipeline to the Edmonton Terminal. (See "Liquids Business Unit – NGL Infrastructure – Overview of Key Initiatives").

Starting in 2014, and continuing through 2015, the oil and gas industry has been experiencing a significant drop in commodity prices. As a result, many producers have cut back on their development plans in the WCSB. In

addition, some producers have shut-in production or are looking for fee relief to keep their production on-line (including fee reductions and relief from the strict application of take-or-pay requirements). Keyera has been working diligently on opportunities to reduce operating costs at its facilities to help bring down costs passed onto producers. To date, Keyera has not seen significant declines in throughput. However, in a sustained low commodity price environment, throughputs can be expected to decline

In 2015, Keyera suspended operations at two of its marginal gas plants due to the effect of low commodity prices, low throughputs and producer decisions to shut-in production. Operations were suspended at the Paddle River gas plant in February 2015 and at the Caribou gas plant in December 2015. As actual throughput at both these plants was already very low at the time of suspension, the impact was not material to Keyera. Both plants could be reactivated in the event there is sufficient demand for processing services in these areas in the future.

Business Arrangements

Most of Keyera's Gathering and Processing business is conducted on a fee-for-service basis. The fees can be calculated a number of ways, depending on the facility and the nature of the services being provided. Keyera's gas handling agreements tend to be based on either a flow-through operating cost structure or a fixed fee structure. In flow-through cost structures, the fees are generally comprised of a capital component and a flow-through operating component. The capital component is generally a function of the replacement cost of capital invested in the facility with a reasonable rate of return, 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. In 2015, the majority of Keyera's total gathering and processing revenue was derived from flow-through operating cost business arrangements.

<u>Gas Handling Agreements</u>: 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. These contracts will frequently contain a take-or-pay provision and/or dedication of reserves under which the producer agrees to deliver all gas produced from specified reserves to a facility.

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

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

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

In 2015, the majority of throughput at Keyera's gathering and processing facilities was handled under interruptible-service, evergreen contracts.

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

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

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

Liquids Business Unit – NGL Infrastructure

Description of NGL Infrastructure Facilities and Business

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

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

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

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 area via multiple NGL gathering systems for fractionation into specification products and delivery to market.

Keyera has significantly grown its NGL Infrastructure segment over the last three years. The location and interconnectivity of Keyera's assets are important factors driving this growth. Given the integrated nature of Keyera's business units, the NGL Infrastructure segment provides essential services to Keyera's Marketing segment, by providing the physical assets essential to its ability to source, transport, process, store and deliver products across North America. Typically, the prices negotiated with producers by Keyera's Marketing segment for the purchase of NGLs reflect deductions for transportation, fractionation and handling costs, including certain fees charged to the Marketing segment by the NGL Infrastructure segment. A portion of the revenues earned by the NGL Infrastructure segment relate to services provided to Keyera's Marketing segment, including all the revenue from AEF relating to the processing services provided to the Marketing segment for the production of iso-octane. In 2015, Keyera's NGL Infrastructure business accounted for 12% of Keyera's total revenues and 30% of Keyera's total operating margin (compared to 8% of total revenues and 28% of operating margin in 2014). Keyera believes operating margin provides an accurate portrayal of operating profitability by segment.

The following table presents key operating data for Keyera's main NGL Infrastructure assets:

Facility	Ownership Interest (%)[1]	Operator	Gross Capacity (Bbls/d)[2]	Net Capacity (Bbls/d)[2]
Fort Saskatchewan Facilities	77	Partnership		
Fractionation[3]			30,200	23,170
De-ethanizer[3]			30,000	23,010
Storage[4]			12,460,990 Bbls	9,558,950 Bbls
Pipelines[5]			407,100	312,300
Dow Fort Saskatchewan Facilities		Dow		
De-ethanizer[3]	10		69,200	6,920
Fractionation[3]	18		30,000	5,420

Facility	Ownership Interest (%)[1]	Operator	Gross Capacity (Bbls/d)[2]	Net Capacity (Bbls/d)[2]
Rimbey Gas Plant[6]	99	Partnership		
Fractionation[3]			28,000	27,640
Other Liquids Processing[3]			10,500	10,360
Ethane Extraction[3]			20,000	19,740
Rail[7]			14,000	13,820
Gilby Gas Plant [6]	80	Partnership		
Fractionation[3]			3,650	2,930
Rail[7]			1,200	960
Nevis Gas Plant[6]	100	Partnership		
Fractionation[3]			3,740	3,740
Rail[7]			5,600	5,600
Edmonton Terminal	100	Partnership		
Rail[7]			34,000	34,000
Rimbey Pipeline[5]	100	Rimbey LP	45,000	45,000
Fort Saskatchewan Condensate System Pipelines[5]	100	Partnership	300,000	300,000
Alberta Diluent Terminal	100	ADT Ltd.		
Rail[7]			50,000	50,000
Storage[4]			342,600 Bbls	342,600 Bbls
Alberta Crude Terminal	50	Partnership		
Rail[7]			40,000	20,000
Josephburg Rail Terminal	100	Partnership		
Rail[7]			22,400	22,400
South Cheecham Rail and Truck Terminal	50	Partnership		
Rail loading[7]			24,000	12,000
Rail offloading [7]			15,000	7,500
Storage[4]			51,000 Bbls	25,500 Bbls
Hull Rail and Truck Terminal	100	KEI		
Rail[7]			11,000	11,000
Storage[4]			11,200 Bbls	11,200 Bbls
Wabasca River Pipeline[5]	64	Partnership	20,000	12,800
Bonnie Glen Pipeline[5]	50	Pembina	105,660	52,830
AEF	100	Partnership		
Iso-Octane Production			13,600	13,600
Storage[4]			115,700 Bbls	115,700 Bbls

Notes:

(1) The ownership interest is presented as at December 31, 2015 and has been rounded to the nearest whole number.

(2) Units are expressed in Bbls/d unless otherwise indicated and are subject to rounding.

(3) The gross capacity figures are approximate, based on licensing, equipment specification information and certain modeling assumptions. Actual capacity may be more or less depending on a number of factors, including operating conditions, operational constraints and optimization opportunities. Net capacity is a calculation based on the gross capacity and Keyera's percentage ownership interest. At Dow Fort Saskatchewan, Keyera also has storage arrangements in place in connection with its ownership interest in the de-ethanizer and fractionator. A fractionation expansion project scheduled for completion in the second quarter of 2016 is underway at Keyera Fort Saskatchewan which will add 35,000 Bbls/d fractionation capacity. (See "Business of Keyera – Liquids Business Unit – NGL Infrastructure - Overview of Key Initiatives"). The capacity at Rimbey gas plant reflects an increase in overall NGL processing capabilities (including fractionation) from 31,500 Bbls/d to 38,500 Bbls/d, as well as an increase in de-ethanization capabilities from 6,000 Bbls/d to 20,000 Bbls/d, these increases are as a result of a fractionation debottlenecking project and the Rimbey turbo expander project. (See "Business of Keyera – Gathering and Processing Business Unit – Overview of Key Initiatives").

(4) Storage capacity at Keyera Fort Saskatchewan is based on 13 underground caverns. Two additional caverns are under development at the site. (See "Business of Keyera – Liquids Business Unit – NGL Infrastructure – Overview of Key Initiatives"). The storage capacities reported for the terminals and AEF reflect the approximate working capacity of the storage tanks at these sites; in some cases, the gross geometric storage tank volume capacity may be higher than the working capacity. At the Hull Terminal, in addition to the above ground operational storage capacity of 11,200 Bbls on site, Keyera has contracted for 500,000 Bbls of underground storage at the nearby third-party operated storage facility to which it is pipeline connected. While not specifically listed in the table, there is also above ground storage available at certain of the other facilities, including the Josephburg Rail Terminal and Edmonton Terminal, in order to meet operational requirements. A project is underway at Edmonton

Terminal to increase the above ground storage capacity at that facility. (See "Business of Keyera - Liquids Business Unit – NGL Infrastructure – Overview of Key Initiatives).

(5) All pipeline capacity measurements are approximate based on certain modeling assumptions and may vary depending on a variety of factors, including actual operating conditions. The volumes reported in the table for the Fort Saskatchewan Facilities pipelines include the three proprietary pipelines that connect Keyera Fort Saskatchewan with the Edmonton Terminal, as well as a leased 6-inch pipeline between Keyera Fort Saskatchewan and the Edmonton Terminal. The operator of the Bonnie Glen pipeline determined there was not sufficient business to warrant keeping the pipeline in active service and therefore the pipeline was discontinued in September 2015.

(6) The NGL processing and handling capabilities are located with each of the respective gas plants and are included in the Gathering and Processing segment for financial reporting purposes.

(7) Rail capacity is an estimated calculation taking into account such factors as the number of railcar spots at each facility, the frequency of switches provided by the railways at each facility and the type of product being loaded or off-loaded. The capacity identified for the Josephburg Rail Terminal is based on the facility operating 12 hours per day, should the hours of operation increase, the capacity would also increase.

Overview of Key Initiatives

Keyera is pursuing a number of initiatives in each aspect of its NGL Infrastructure business, including: NGL storage, transportation and fractionation services; oil sands services; and iso-octane opportunities. These initiatives are described in more detail below.

1. NGL Storage, Transportation and Fractionation Services

Keyera receives NGL feedstock from various sources and separates the NGL mix into saleable products, including ethane, propane, butane and condensate. Keyera's underground storage caverns are used to store NGL mix and specification products to meet seasonal and operational requirements. For example, propane can be stored in the summer months in order to meet winter demand; condensate can be stored to meet the diluent supply needs of the oil sands sector; and butane can be stored to meet seasonal demands of refineries, as well as Keyera's feedstock needs for the production of iso-octane at AEF. As described below, Keyera has been actively pursuing a number of large projects to expand its facilities and service offerings in this area.

<u>Keyera Fort Saskatchewan ("KFS") and the Fort Saskatchewan Pipeline System ("FSPL")</u>: The KFS and FSPL facilities currently include: NGL fractionation facilities, a de-ethanizer, underground storage caverns, limited surface storage tanks and the four by-directional pipelines connecting KFS to the Edmonton Terminal (three of which are proprietary and the fourth is leased). The growth projects at KFS include:

- Cavern Development - During 2015, Keyera continued to make progress on its cavern development program at KFS. Washing of the 13th cavern was completed by mid-year and the cavern was placed into service in the fourth quarter of 2015. Washing continued throughout the year on the 14th cavern and Keyera anticipates it will be available for use by mid-2017. Washing of the 15th cavern began later in the year. In Keyera's experience, it typically takes between two and a half and three years to drill, wash, test and bring a cavern into service. Given the high demand for these services in recent years, Keyera has been working on opportunities to accelerate the pace at which it is developing its caverns, including taking steps to allow it to wash more than one cavern at a time. One of these steps is the drilling of fresh ground water wells on the site to supplement Keyera's wash water capabilities. Keyera drilled eight such water wells in the fourth quarter of 2015 and expects these wells will be tied in providing Keyera with incremental water for washing caverns in the second quarter of 2016. In connection with its cavern development program, Keyera continues to pace the addition of brine ponds to its need to manage the operation of its caverns. In 2015, Keyera placed the fourth brine pond at KFS into service. Because of the phased approach to cavern development, Keyera has the flexibility to adjust the timing, scope and scale of development based on factors such as economic conditions, industry activity and demand for the services.
- De-Ethanizer – Construction of the 30,000 Bbls/d de-ethanizer was completed in early 2015 and was in commercial service by April 2015. The addition of the de-ethanizer allows Keyera to process ethane-rich streams of NGLs (referred to as C2+ mix) to create specification ethane and an NGL mix that can be fed into the fractionation facilities. The de-ethanizer is underpinned by a long term, fee-for-service agreement with a producer with production in the Deep Basin region.
- Fractionation Expansion - In 2015, construction progressed on the 35,000 Bbls/d fractionation expansion at KFS. Upon completion, which is targeted for the second quarter of 2016, this expansion will increase the total gross fractionation capacity at KFS for propane plus NGL streams

(referred to as C3+ mix) to 65,000 Bbls/d. In conjunction with this project, Keyera is also adding new product receipt facilities, operational storage and pipeline interconnections.

Rimbey, Gilby and Nevis Gas Plants*:* The Rimbey, Gilby and Nevis gas plants each have NGL fractionation capacity, as well as rail and truck terminal facilities. In addition, the Rimbey gas plant has facilities capable of extracting ethane from the gas supply entering the plant. Also of note, the Rimbey gas plant is connected to the Edmonton Terminal by the Rimbey Pipeline. As fractionation capacity has been quite constrained over the past few years, Keyera has undertaken a number of projects at these facilities to unlock or expand capacity. (See "Business of Keyera – Gathering and Processing Business Unit").

Rimbey Pipeline and Edmonton Terminal Facilities: Rimbey Pipeline is a 110-kilometre pipeline carrying NGL mix, propane, butane and condensate from the Rimbey gas plant northward to the Edmonton Terminal. The Edmonton Terminal is connected to the Keyera Fort Saskatchewan facility by the FSPL system, and is also pipeline connected to the Alberta Diluent Terminal and AEF. The Edmonton Terminal has rail and truck facilities for NGLs, and a rail loading facility capable of loading iso-octane.

Hull Rail and Truck Terminal: The terminal is located in Texas and is pipeline connected to several NGL facilities in the Mont Belvieu energy hub. The terminal has the capability to handle propane, butane and NGL mix. Keyera has also acquired additional land adjacent to the site, giving it additional flexibility to develop and expand its terminal operations in phases in response to market demand. Longer term, Keyera will continue to evaluate the potential for handling other products, including iso-octane, condensate and crude oil.

Josephburg Rail Terminal: In early 2014, Keyera announced its intention to develop an NGL rail and truck terminal at its Josephburg site located near KFS. Construction continued through the early part of 2015 and the terminal became operational in third quarter of 2015. The terminal, which is pipeline connected to KFS, is able to handle both butane and propane and is a key part of Keyera's strategy to facilitate propane movements out of Alberta.

2. Oil Sands Services

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

Fort Saskatchewan Condensate System ("FSCS") and associated Condensate Infrastructure: An important development in providing services to the oil sands sector has been the development of FSCS and Keyera's overall condensate system. The original FSCS pipeline system a 21-kilometre, 20-inch pipeline connecting Keyera's Fort Saskatchewan Pipeline system with Inter Pipeline Ltd.'s Polaris pipeline and a pipeline connection from Keyera's Edmonton Terminal to the Enbridge Southern Lights pipeline. Construction of these pipelines was underpinned by a long term, take-or-pay diluent handling agreement with Imperial Oil for their Kearl oil sands project. Subsequently, Keyera has entered into long term, take-or-pay and fee for service contracts with several other major producers for diluent handling services. In 2014, Keyera completed a new connection at KFS to receive condensate from Kinder Morgan's Cochin pipeline. As of the date hereof, KFS is the only receipt point for condensate volumes delivered into Alberta on the Cochin pipeline. In 2015, Keyera advanced engineering on its proposed 24-inch condensate pipeline extension and manifold that will connect FSCS to the Norlite Pipeline and the South Grand Rapids pipeline (both of which are described below).

Norlite Pipeline: In May of 2014, Keyera entered into agreements with Enbridge to participate in the Norlite pipeline as a 30% non-operating owner. Norlite pipeline is underpinned by a long term take-or-pay diluent handling agreement to serve the Fort Hills oil sands project. Having received regulatory approvals in late

2015, Enbridge has commenced construction of this 24-inch pipeline that will deliver diluent to the Athabasca oil sands region in northeast Alberta and have an initial capacity of 224,000 Bbls/d. Based on the current schedule, Enbridge expects the pipeline to be in service in 2017, assuming construction proceeds as planned. Keyera's condensate transportation network in the Fort Saskatchewan area will deliver product to the Norlite Pipeline on a fee-for-servcie basis, providing Norlite shippers with access to multiple sources of diluent supply.

South Grand Rapids Pipeline: In August 2015, Keyera entered into an agreement with Grand Rapids Pipeline Limited Partnership ("GRPLP"), an affiliate of TCPL and Brion Energy Corporation, to acquire a 50% ownership interest in the southernmost portion of the proposed Grand Rapids diluent pipeline once it is completed. The 45-kilometre, 20-inch pipeline, which will be constructed by GRPLP and operated by Keyera, will extend from Keyera's Edmonton Terminal to TCPL's Heartland Terminal near Fort Saskatchewan. As part of this project, Keyera will be constructing a pump station at its Edmonton Terminal where the South Grand Rapids diluent pipeline will connect and will sell a 50% ownership interest in the pump station to GRPLP, all once the pipeline is complete. The pipeline is expected to provide Keyera with proprietary access to at least 225,000 net barrels per day of additional diluent transportation capacity between Edmonton and Fort Saskatchewan. A portion of this capacity will be used to meet Keyera's commitments under existing agreements with customers for diluent transportation and the remaining capacity will be available for new diluent transportation business. Based on the proposed schedule, GRPLP is targeting completion of the pipeline for the second half of 2017.

Edmonton Terminal: In order to keep pace with the growth in Keyera's diluent handling services and to provide operational flexibility, Keyera will be constructing four condensate storage tanks at its Edmonton terminal. Each of these tanks will have gross capacity of 60,000 Bbls. Keyera expects construction to be ongoing throughout 2016 and the tanks to be operational in late 2017, assuming regulatory approvals are received on a timely basis, delivery of long lead items is on schedule and construction proceeds as planned.

Alberta Diluent Terminal: The Alberta Diluent Terminal is a rail and truck terminal primarily used for condensate offloading, storage and transportation. Deliveries of condensate are accepted by rail or truck and then transported by pipeline into the FSPL system for further delivery to customers and end users. The terminal also includes segregated tank storage, rail offload and truck loading facilities to provide solvent handling services. In 2014, Keyera completed the construction of a new 12-inch condensate pipeline connecting the Alberta Diluent Terminal to Keyera's Fort Saskatchewan pipeline system thereby enabling greater volumes to flow into and out of the terminal, and allowing the existing smaller pipeline to be put into crude service in connection with the development of the Alberta Crude Terminal.

Alberta Crude Terminal*:* The Alberta Crude Terminal, a Keyera operated 50/50 joint venture with Kinder Morgan, is a crude oil rail loading facility located adjacent to the Alberta Diluent Terminal. Construction of the rail facilities and associated pipeline connections was completed in 2014 and the terminal commenced operations in the fall of that year. The terminal includes a rail rack with 20 spots, capable of loading a total of approximately 40,000 Bbls/d and has access to multiple sources of crude via pipeline connections with Kinder Morgan's Edmonton Terminal. The terminal is underpinned by a take-or-pay, fee-for-service arrangement with Irving Oil.

South Cheecham Rail and Truck Terminal: In 2013, operations commenced at the South Cheecham Rail and Truck Terminal, a Keyera-operated 50/50 joint venture with Enbridge near Fort McMurray. Keyera has adopted a phased development plan for the site in order to align the development with customer needs. The Terminal is currently able to load up to 24,000 Bbls/d of bitumen and offload 15,000 Bbls/d of condensate and is pipeline connected to the Statoil/PTTEP Cheecham terminal. In 2014, Keyera entered into a long term agreement to provide solvent handling services at the terminal for the Fort Hills oil sands project. Keyera is progressing with the construction of additional tank storage and rail infrastructure necessary for the solvent services. The new infrastructure is expected to be put in service in the second quarter of 2017 assuming construction proceeds as planned.

Praxair Pipeline Purchase and Lease: In 2015, Keyera entered into agreements with Praxair Canada Inc. in respect of a 49-kilometre, 8-inch pipeline running between Redwater and Edmonton. Under the terms of the agreements, and subject to completion of due diligence and regulatory approvals, Keyera expects to purchase

the northern most segment of the pipeline in late 2016, and will lease the southern segment. Keyera plans to use the northern segment of the pipeline between Redwater and Fort Saskatchewan to receive diluent from the North West Sturgeon Refinery under a long term diluent handling agreement, while the southern segment between Fort Saskatchewan and Edmonton will provide increased flexibility and capacity for transportation services in the future. Keyera is advancing plans to convert the pipeline into NGL service and connect it to its existing NGL transportation network in the Fort Saskatchewan/Edmonton area.

Base Line Terminal: In March 2015, Keyera announced a 50/50 joint venture with Kinder Morgan to build the Base Line Terminal, an above ground crude oil storage facility on undeveloped land at Keyera's AEF site. The terminal will initially include 12 tanks, with 4.8 million barrels of storage capacity, along with pipeline connections to Kinder Morgan's existing Edmonton storage terminal. Kinder Morgan will construct and operate the terminal. The project is expected to be commissioned in phases, with the first tanks scheduled to be in service in the second half of 2017, assuming timely receipt of regulatory approvals and construction proceeds as planned.

3. AEF and Iso-octane Initiatives

AEF and Iso-octane Initiatives: Keyera continues to pursue opportunities to optimize iso-octane production at AEF and develop transportation alternatives, including:

- In December 2012, modifications were completed at the Edmonton Terminal to allow iso-octane to be loaded onto rail cars for transportation to various North American markets.
- In early 2014, Keyera secured access to capacity at Kinder Morgan's Galena Park rail, storage and marine facility in the Gulf Coast. This arrangement provides Keyera with increased flexibility to manage inventory to meet iso-octane demand from refiners and gasoline blenders in the Gulf Coast.
- Also in 2014, additional modifications at the Edmonton Terminal were completed to increase iso-octane rail loading capacity.
- In early 2015, Keyera added a truck loading facility at AEF, providing Keyera with further flexibility and transportation options, primarily to meet local demand for iso-octane.

The ability to move iso-octane by rail and truck removed Keyera's reliance on Trans Mountain Pipeline which was historically the main transportation link to customers on the West Coast. As of the first quarter of 2015, Keyera no longer uses the Trans Mountain Pipeline to transport iso-octane and instead uses its rail and truck capacity to move product to market. (See "Business of Keyera – Liquids Business Unit – Marketing"). AEF is scheduled to be off-line for approximately six weeks starting in September 2016 for its scheduled four-year turnaround.

NGL Infrastructure Business Arrangements

A significant proportion of the services provided through the NGL Infrastructure business is to Keyera's Marketing business, which pays market rates for the services it utilizes. However, Keyera also contracts with third party customers for services. Customers who utilize Keyera's NGL infrastructure for transportation, de-ethanization, fractionation, processing or storage enter into service contracts with Keyera on a fee-for-service basis. Such contracts outline the services to be provided, the terms and conditions relating to the provision of such services and the associated fee structure. The term of these contracts varies widely. For example, some diluent handling agreements, product exchange service agreements and tank storage agreements are long term in nature, while other NGL agreements can be as short as one year. The longer term agreements are often entered into in connection with the underpinning of significant capital projects. (See "Risk Factors – Operational Risks – Reliance on Principal Customers and Suppliers").

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

Liquids Business Unit - Marketing

Description of Marketing Business

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

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

Propane markets, in contrast, are more seasonal and geographically diverse. Keyera sells propane in various North American markets, often where the only delivery option is rail or truck. Keyera is well positioned to serve these markets due to its extensive infrastructure and rail logistics expertise. Further, because demand for propane is typically higher in the winter, Keyera can utilize its NGL storage to build an inventory of propane during the summer months when prices are typically lower to fulfil winter term sales commitments.

Overall, the integration of Keyera's business lines means that its Marketing segment can draw on the resources available to it through its two facilities based operating segments (NGL Infrastructure and Gathering and Processing), including access to NGL supply and key fractionation, storage and transportation infrastructure and logistics expertise. The acquisitions and growth initiatives 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, Alberta Crude Terminal, South Cheecham Rail and Truck Terminal and Josephburg Termanal, the addition of ethane extraction capabilities at the Rimbey gas plant and KFS, 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. As well, the completion of the refurbishment of the Hull Rail and Truck Terminal is expected to generate additional opportunities to access the Mont Belvieu hub.

In total, Keyera marketed an average of 110,500 Bbls/d of NGLs and iso-octane in 2015 (compared to an average of 94,800 Bbls/d in 2014). Keyera monitors global and North American supply/demand and pricing trends, which informs its purchasing, sales and hedging strategies.

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

Keyera's primary markets for iso-octane are Western Canada, the U.S. Rockies and the U.S. Gulf Coast (prior to 2015, Keyera's primary markets included California). Access to these new markets results from the development and expansion of iso-octane rail loading facilities at the Edmonton Terminal and the addition of truck loading facilities at the AEF site in 2015 which eliminated Keyera's reliance on the Trans Mountain Pipeline, such that as of 2015 Keyera no longer uses this pipeline system to transport iso-octane. The ability to move iso-octane by rail and truck mitigated the effects of apportionment on Trans Mountain Pipeline, which was historically the main transportation link to

Keyera's customers on the West Coast, and has allowed Keyera to leverage its rail, logistics and marketing expertise. These rail capabilities, together with the iso-octane storage capacity that it has secured at the Kinder Morgan Galena Park facility, have allowed Keyera to access Gulf Coast and U.S. inland markets, while the new truck loading facilities will reduce Keyera's reliance on a third party truck loading facility and increase its ability to serve local markets. (See "Business of Keyera – Liquids Business Unit – NGL Infrastructure").

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

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 may be underpinned by multi-year contracts pursuant to which Keyera obtains access to various crude oil streams and therefore may rely on continuing access to these streams. (See "Risk Factors – Operational Risks - Reliance on Principal Customers and Suppliers" and "Risk Factors – Operational Risks - Reliance on Other Facilities").

Crude oil midstream margins are earned by blending products of lower value into higher value product streams. These transactions are exposed to volatility in price differentials between various product streams. Keyera manages this risk exposure by trying to balance its purchases and sales and locking in margins. Notwithstanding Keyera's management of price and quality risk, the Marketing segment's margins for its crude oil midstream business can vary significantly from period to period. (See "Risk Factors – Financial Risks - Market Risk and Marketing Activities").

In 2015, Keyera's Marketing business accounted for 70% of Keyera's total revenues and 33% of Keyera's total operating margin (compared to 80% of total revenues and 35% of operating margin in 2014). Keyera's Marketing business pays fees, at market rates, to Keyera's NGL Facilities and Gathering and Processing businesses for the use of facilities. Keyera believes operating margin provides an accurate portrayal of operating profitability by segment.

Marketing Contractual Arrangements

In Keyera's Marketing business, Keyera enters into purchase and sale agreements primarily for NGLs and crude oil. It also enters into sales agreements for iso-octane. These purchase and sale agreements are typically priced relative to market indices. Generally, NGL supply contracts are for one year, commencing April 1st. However, Keyera may also enter into longer-term supply arrangements, and may make purchases on the spot market as well. As part of managing its inventory and commodity price risk, Keyera also enters into financial and physical hedging contracts in accordance with its risk management policy. For further details on the contractual arrangements in Keyera's Marketing business, see Keyera's 2015 Annual Audited Financial Statements and accompanying Management Discussion and Analysis available on SEDAR at www.sedar.com.

OTHER INFORMATION RELATING TO KEYERA'S BUSINESS

Borrowing

Credit Facilities

Keyera has an unsecured revolving credit facility with a syndicate of Canadian financial institutions and foreign banks, led by the Royal Bank of Canada as the administrative agent (the "Credit Facility"). In December 2015, the Credit Facility was amended to: (i) increase the limit from $1 billion to $1.5 billion (with the potential to increase to $1.85 billion subject to certain conditions); and (ii) extend the term from December 6, 2019 to December 6, 2020. In addition, the Royal Bank of Canada has provided a $10 million unsecured revolving demand facility and the Toronto

Dominion Bank has provided a further $25 million unsecured revolving demand facility. These facilities bear interest based on the lenders' rates for Canadian prime commercial loans, U.S. base rate loans, Libor loans or bankers' acceptances.

Long term Debt

Keyera's long term debt structure consists of a number of long term senior unsecured notes. Keyera has an uncommitted private shelf agreement with Prudential Capital Group (the "Prushelf") under which it may borrow up to US$350 million of notes subject to certain conditions. As of December 31, 2015, $270 million (Canadian equivalent) had been drawn on the Prushelf, leaving approximately US$67 million available to be drawn, taking into account certain other long term senior unsecured notes issued to Prudential which are deducted from the available capacity.

As of December 31, 2015, Keyera had $591 million and US$489 million of long term senior unsecured notes outstanding including amounts drawn under the Prushelf (collectively the "Notes") as follows:

Senior Unsecured Notes US Denominated Debt		
Amount	**Interest Rate**	**Maturity Date**
US$50 million	8.40%	May 2016
US$3 million	3.42%	June 2019
US$103 million	5.14%	September 2020
US$128 million	4.19%	June 2024
US$140 million	4.75%	November 2025
US$65 million	4.95%	November 2028

Senior Unsecured Notes Canadian Denominated Debt		
Amount	**Interest Rate**	**Maturity Date**
$35 million	7.868%	May 2016
$60 million	5.89%	December 2017
$70 million (Prushelf note)	5.005%	January 2019
$52 million	4.35%	June 2019
$2 million	5.68%	September 2020
$60 million	6.14%	December 2022
$17 million	4.91%	June 2024
$100 million (Prushelf note)	4.92%	October 2025
$20 million	5.05%	November 2025
$100 million (Prushelf note)	5.09%	October 2028
$75 million	5.34%	April 2029

Compliance with Covenants

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

All covenants under the Credit Facility and the Note Agreements were met as of December 31, 2015. For more information on the calculation of the debt covenants see Keyera's Management Discussion and Analysis accompanying the 2015 Annual Audited Financial Statements which is also available on SEDAR at www.sedar.com. If

Keyera is unable to comply with the covenants under its Credit Facility and/or Note Agreements, its ability to declare and pay dividends will be affected. (See "Risk Factors – Financial Risks – Debt Matters"). Management expects that upon maturity of its credit facilities and debt arrangements, adequate replacements will be established.

Integrity Management

Keyera is committed to maintaining the integrity of all of its pipeline and facility assets. This commitment is integral to Keyera's business strategy of operating safely and reliability, and preserving the longevity of its assets. Keyera's integrity management programs apply to pipelines and facility pressure equipment, and are developed having regard for the applicable regulations and standards which govern the design and operation of these assets.

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

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

Pipeline Integrity

Keyera has a total of over 5,600 kilometres of pipelines. Key elements of the pipeline integrity program include the development and application of specifications and standards for the design of new pipelines; reviewing pipeline operations by system which includes conducting a risk assessment to identify inspection and risk mitigation activities; and measurement of compliance to and performance of the integrity management plan.

Some of the activities undertaken to manage integrity of pipelines include carrying out in-line and other inspections, completing repairs to pipelines to maintain system integrity, application of chemicals to mitigate corrosion, right of way surveillance to minimize the risk of third party damage, and depth of cover surveys including watercourses. Keyera initiated a survey in 2013 to inspect and assess pipeline water crossings. Since that time, all major water crossings have been surveyed and identified mitigations completed.

Facility Integrity

Keyera maintains over 5,300 pressure equipment assets associated with its facility assets. Its integrity programs apply a life cycle approach, the goal of which is to try to ensure that pressure equipment is designed, constructed, installed, commissioned, operated, maintained, decommissioned and managed in a manner that reduces any potential loss of containment, provides worker safety and protects the environment.

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

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

Health and Safety Programs

Keyera is committed to conducting its operations in a manner that protects the health and safety of the public and the people who work at its facilities. It has a highly skilled workforce and provides ongoing training to maintain the necessary skills and understanding necessary for a safe and healthy work environment. Keyera has developed an industry leading Competency Management and Development System to assess and track the competency of its workers. Keyera's Health, Safety and Environmental Policy sets an expectation that everyone must share in the responsibility to work safely and responsibly, while meeting or exceeding all laws and regulations. To this end, everyone at Keyera is expected to:

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

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

Keyera's Environmental, Community and First Nations 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 training that includes health, safety and environmental matters. Keyera also has systems in place for reporting, tracking and monitoring its environmental and regulatory performance. Learnings are shared across the organization and reports on environmental and regulatory performance are regularly delivered to the Health, Safety and Environment Committee of Keyera's Board of Directors and directly to the Board of Directors.

Keyera encourages its employees to identify opportunities to improve efficiencies, reduce fuel gas consumption and reduce emissions. Along with the ability to identify and implement projects that benefit both Keyera's operations and the environment, Keyera continues to enhance its design and approval process for the current expansion of its various facilities. Additionally, Keyera's liability reduction initiative focuses on addressing historical environmental impacts and enhancing Keyera's environmental monitoring and management programs. (See "Decommissioning, Abandonment, and Reclamation Costs").

Keyera is committed to developing and maintaining meaningful, long term relationships with its neighbours, the communities in which it operates and other stakeholders that may be affected by its operations. Keyera has ongoing community relations, aboriginal relations and public consultation programs. These programs are intended to keep Keyera's neighbours informed about its operations and to proactively identify and address any potential concerns. Keyera also recognizes that it constructs and operates facilities in areas where First Nations communities may be affected. In these circumstances, Keyera's approach is to work together with the First Nations communities to proactively identify any potential impacts of its activities on the community in order to develop mutually acceptable solutions and benefits. Keyera is guided by the following principles in its relationships with First Nations: respecting the diversity of First Nations cultures and seeking to understand the customs, values and traditions of First Nations peoples; being committed to honest, open, ongoing communication with First Nations communities affected by its operations and engaging in timely and meaningful consultation with these communities; and offering support for strategies intended to encourage development within First Nations communities, including training, employment, business development and community opportunities related to Keyera's operational activities.

Decommissioning, Abandonment and Reclamation Costs

Keyera incurs certain decommissioning, abandonment and reclamation costs each year in connection with the facility, well, pipeline and other physical asset components of its operations. These costs can include items such as groundwater remediation programs, soil remediation, well abandonment and removal of unutilized equipment, all of

which help Keyera assess and proactively manage its environmental liability. These costs may be included as part of the operating expenses of the respective facilities where the work is undertaken, in which case they can be recovered from customers as part of the operating fee charged where flow-through-operating-cost fee structures are in place. This treatment of current environmental costs does not, however, provide for recovery of end-of-life costs expected after a facility is permanently decommissioned. (See "Industry and Environmental Regulation" and "Risk Factors – Financial Risks – Environmental and Public Safety Considerations").

End-of-life costs are accounted for through Keyera's financial obligations and are reflected in its financial statements. Keyera makes full provision for the future cost of its asset retirement obligations measured at the present value of Keyera's best estimate of the cost to settle the obligation, using a risk-free rate as prescribed by accounting standards. While the provision is based on the best estimate of future costs and the economic lives of the facilities, there is uncertainty in the amount and timing of these costs. For further information refer to Keyera's 2015 Annual Audited Financial Statements and associated Management Discussion and Analysis available on SEDAR at www.sedar.com.

It is difficult to predict asset retirement obligation costs with certainty, because they are a function of regulatory requirements and other factors in force and effect at the time of decommissioning, abandonment and/or reclamation. In determining its asset retirement obligation cost estimates, Keyera considers: (i) the cost of facility abandonment, including suspension and demolition costs, and (ii) environmental restoration, remediation and reclamation costs, in order to return the site to an equivalent surrounding land-use state. Keyera engages reputable third party environmental consultants and experienced employees to collect, review and assess the relevant data in preparation of the estimates. To support its estimates, Keyera has performed end-of-life reviews for its key assets and has completed certain site specific liability assessments in accordance with AER Directive D-001 – Requirements for Site-Specific Liability Assessments, AER's License Liability Rating Program and Management Plan, and AER Directive D-024 – Large Facility Liability Management Program (collectively, the "LFP"). Keyera is required to update the AER 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.

Keyera undertakes 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. Through this system, potential projects are identified and prioritized based on a risk ranking system which takes into account a number of variables. Based on the results of this analysis, an annual plan is developed which identifies the proposed projects for that year. The results of this program are reported annually to Keyera management and to the Health, Safety and Environment Committee of the Board of Directors.

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

British Columbia has also implemented a Liability Management Rating program similar to Alberta that includes midstream operators, such as Keyera. Given that operations at the Caribou gas plant were suspended in December 2015, Keyera may have to post security under this program in 2016.

Competition

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

facilities, which competition is anticipated to continue to grow as other companies announce plans for expanded transportation, terminalling and storage services in the Edmonton/Fort Saskatchewan hub, as well as other interconnected geographic areas in western Canada and the U.S.

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

Employees and Labour Relations

Keyera employs approximately 985 permanent employees in its operations. Approximately 54 employees employed by Keyera at the Rimbey gas plant are represented by Gas and Oil Union Local 504, approximately 48 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 22 employees employed by Keyera at the Minnehik Buck Lake gas plant are represented by Local 777, UniforCanada. The Rimbey, Strachan and Nevis unions are separate bargaining units and are not associated with any national or international union. The collective agreements for employees at the Strachan gas plant, the Rimbey gas plant, and the Nevis gas plant expire on December 31, 2019. The current collective agreement for employees at the Minnehik Buck Lake gas plant expires on April 30, 2016. Keyera expects a new collective agreement will be reached with this union. To date, Keyera has never experienced a labour-related work stoppage at any of its facilities. (See "Risk Factors – 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 U.S. and also imports certain NGLs from the U.S. 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 U.S., KEI also owns the Hull Rail and Truck Terminal. KEI has also entered into contractual arrangements providing it with terminalling and storage capacity at Mt. Belvieu, Hutchinson, Kansas (which is near Conway), and Marysville, Michigan. Keyera's Canadian Marketing business can also be affected by trends in the U.S. due to the fact that commodity prices, including NGLs and iso-octane, in Canada are influenced by pricing and markets in the U.S. (See "Risk Factors– 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 is available on SEDAR at www.sedar.com and on Keyera's website at www.keyera.com. Copies may also be obtained free of charge from Keyera's Investor Relations Department at Suite 200, 144 – 4th Avenue S.W., Calgary, Alberta T2P 3N4.

In support of the Code, Keyera has adopted business conduct policies covering various matters, including but not limited to 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 rights, privileges and restrictions on the Common Shares and the Preferred shares are contained in the articles of Keyera Corp. which are available on SEDAR at www.sedar.com. Effective April 1, 2015, Keyera completed a two-for-one split of its outstanding Common Shares. The Common Shares commenced trading on a post-split basis on April 6, 2015. As of December 31, 2015 there were:

- 171,701,715 Common Shares issued and outstanding; and
- no Preferred Shares (or any other shares ranking senior to the Common Shares) issued and outstanding.

An overview of the capital structure of Keyera Corp. is described below.

Common Shares

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

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

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

Preferred Shares

On May 7, 2013, Shareholders approved a special resolution to amend Keyera Corp.'s articles to create two new classes of Preferred Shares (one class referred to as the "First Preferred Shares" and the second class referred to as the "Second Preferred Shares"). As of the date hereof, there are no issued and outstanding Preferred Shares. The number of Preferred Shares that may be authorized and issued is restricted. Specifically, Preferred Shares of any class may not be issued if:

- the aggregate number of First Preferred Shares and Second Preferred Shares that would then be outstanding would exceed 50% of the aggregate number of Common Shares then outstanding; or

- the maximum aggregate number of Common Shares into which all of the First Preferred Shares and Second Preferred Shares then outstanding could be converted in accordance with their terms (regardless of any restrictions on the time of conversion and regardless of any conditions to the conversion) would exceed 20% of the aggregate number of Common Shares then outstanding; or

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

of Preferred Shares are entitled to vote) would exceed 20% of the aggregate number of votes which the holders of all of the Common Shares then outstanding would be entitled to cast at any such meeting.

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

Convertible Debentures

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

Shareholder Rights Plan

The Keyera Corp. Rights Plan was adopted effective January 1, 2011. Certain material features of the Rights Plan are described below. This summary is not exhaustive and readers are referred to the Rights Agreement between Keyera Corp. and Computershare available on the Keyera website at www.keyera.com and on SEDAR at www.sedar.com for a complete description of the Rights Plan.

Overview

Originally adopted effective January 1, 2011, Shareholders of Keyera Corp. voted to extend the Rights Plan for an additional three years (until the close of business of the 2017 annual meeting of Shareholders) at the 2014 annual and special meeting of Shareholders of Keyera Corp. held on May 6, 2014.

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) a permitted bid, which requires the take-over bid to satisfy certain minimum standards designed to promote fairness, or (b) 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.

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. Shareholders voted to extend the Rights Plan at the 2014 annual and special meeting of Shareholders of Keyera Corp. With this favourable vote, the term of the Rights Plan was extended for another three years to the close of business on the date of Keyera Corp.'s annual meeting of Shareholders in 2017. Had the Shareholders not voted to extend the term, the Rights Plan would have expired on the first annual meeting of Shareholders held after January 1, 2014.

- 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 15th of each calendar month (or the next business day should the 15th not be a business day) to Shareholders of record as of the dividend record date which is usually 20 to 26 days prior to the dividend payment date.

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

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

Over the long term, Keyera Corp. expects to continue to pay dividends from its distributable cash flow; however, credit facilities may be used to stabilize dividends from time to time. Growth capital expenditures will be funded from retained operating cash flow and proceeds from additional debt or equity, as required. Although Keyera

Corp. intends to continue to make regular monthly dividends to Shareholders, dividends are not guaranteed. (See "Risk Factors – Financial Risks – Cash Dividends Are Not Guaranteed").

Dividend History

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

Month of Payment Date	2015	2014	2013
January	$0.1075	$0.1000	$0.0900
February	$0.1075	$0.1000	$0.0900
March	$0.1075	$0.1000	$0.0900
April	$0.1150	$0.1000	$0.0900
May	$0.1150	$0.1000	$0.0900
June	$0.1150	$0.1075	$0.0900
July	$0.1150	$0.1075	$0.0900
August	$0.1150	$0.1075	$0.0900
September	$0.1250	$0.1075	$0.1000
October	$0.1250	$0.1075	$0.1000
November	$0.1250	$0.1075	$0.1000
December	$0.1250	$0.1075	$0.1000
Total	**$1.3975**	**$1.2525**	**$1.1200**

(1) On April 1, 2015, Keyera's outstanding Common Shares were split on a two-for-one basis which commenced trading on a post-split basis on April 6, 2015. All per share information has been presented on a post-share split basis.

To date in 2016, dividends of $0.1250 per Common Share were paid in January and February. On February 10, 2016, the Board of Directors declared a dividend of $0.1250 per Common Share payable in March.

Premium Dividend™ and Dividend Reinvestment Plan

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

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

The Premium Dividend™ was reactivated effective with the May 2015 dividend, and in connection with this reactivation, the discount at which the Common Shares are issued was reduced from 5% to 3% to align with the discount for the Common Shares issued through the Dividend Reinvestment component of the Plan. Prior to this reactivation, the Premium Dividend™ had been suspended since April 2010.

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

MARKET FOR SECURITIES

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 at close and volumes for the Common Shares traded on the TSX during 2015.

Calendar Period	Price per Share ($)[(1)]		Share Trading
	High (Close)	Low (Close)	Volume
2015			
January	$40.58	$37.49	11,507,428
February	$42.36	$37.19	10,925,064
March	$43.05	$39.55	11,406,420
April	$45.43	$42.47	6,512,940
May	$43.63	$40.30	8,500,242
June	$43.26	$40.10	7,256,253
July	$43.50	$40.30	6,987,735
August	$44.11	$37.12	8,694,250
September	$39.18	$36.02	7,699,516
October	$41.49	$35.97	7,350,485
November	$42.92	$38.46	9,082,804
December	$41.42	$37.53	10,786,889

(1) On April 1, 2015, Keyera's outstanding Common Shares were split on a two-for-one basis which commenced trading on a post-split basis on April 6, 2015. All per share information has been presented on a post-share split basis.

For a summary of the long term senior unsecured notes issued by Keyera Partnership to private noteholders, please refer to "Other Information Relating to Keyera's Business – Borrowing". These long term senior unsecured notes are not listed or quoted on any exchange and no such securities were issued in 2015.

DIRECTORS AND OFFICERS OF KEYERA CORP.

Directors of Keyera Corp.

In accordance with its articles, Keyera Corp. must have a minimum of three directors and may have a maximum of twelve directors. There are currently 10 directors. At the Annual Meeting held on May 5, 2015, the following directors were elected: James Bertram, David Smith, Douglas Haughey, Nancy Laird, Donald Nelson, Michael Norris, Neil Nichols, Thomas O'Connor and William Stedman to serve as directors until the next annual meeting. On June 9, 2015, the Board of Directors appointed Janet Woodruff to serve as director until the next annual meeting. The names, municipalities of residence and principal occupations for the five most recently completed financial years and committee membership of the directors of Keyera Corp. as of the date hereof are set out below:

Name, Residence, Principal Occupation, Period of Service as a Director, Other Issuers of which the Director is a Director	Position on Committees of the Board of Directors
James V. Bertram Calgary, Alberta, Canada Mr. Bertram has been a director since March 28, 2003 and assumed the role of Executive Chair on January 1, 2015. Prior to that, Mr. Bertram was the Chief Executive Officer of Keyera since its inception in 1998. He 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: • Not Independent • Executive Chair • Not a member of any Committees

Name, Residence, Principal Occupation, Period of Service as a Director, Other Issuers of which the Director is a Director	Position on Committees of the Board of Directors
Douglas Haughey Calgary, Alberta, Canada Mr. Haughey has been a director since May 7, 2013 and was appointed Independent Lead Director on January 1, 2015. Mr. Haughey has more than 35 years of experience in the energy industry. Most recently he was CEO of Churchill Corporation, a position he held from August 2012 through May 2013. He was President and CEO and a director of Provident Energy Ltd. from April 2010 to April 2012. He also held various senior executive positions with Spectra Energy Corp. and its predecessor companies from 1999 to 2008, including the President & CEO of Spectra Energy Income Fund and President of Spectra's western Canadian natural gas midstream infrastructure and logistics business. Mr. Haughey is also a director of Fortis Inc. and its wholly owned subsidiary Fortis Alberta Inc. He has an ICD.D designation from the Institute of Corporate Directors.	Mr. Haughey is: • Independent • Independent Lead Director • Member of the Compensation and Governance 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 30 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 Synodon Inc. and the Business Development Bank of Canada. She has an ICD.D designation from the Institute of Corporate Directors.	Ms. Laird is: • Independent • Member of the Health, Safety and Environment Committee • Member of the Audit Committee
Donald J. Nelson Calgary, Alberta, Canada Mr. Nelson has been a director since May 14, 2008. Mr. Nelson is a professional engineer with over 40 years of oil and gas experience. He is President of Fairway Resources Inc., a private company providing consulting services to the oil and gas industry. He was a director of the general partner of Taylor NGL Limited Partnership from 2003 to 2008, holding the office of Chairman of the Board of Directors from 2004 to 2008. From 1996 to 2002, he was with Summit Resources Limited holding the positions of President and CEO (1998 to 2002) and Vice President, Operations (1996 to 1998). Mr. Nelson is a director of Perpetual Energy Inc.	Mr. Nelson is: • Independent • Chair of the Health, Safety and Environment Committee • Member of the Compensation and Governance Committee
Michael Norris Toronto, Ontario, Canada Mr. Norris has been a director since May 7, 2013. Mr. Norris was Deputy Chair of RBC Capital Markets from 2003 through 2012. Prior to his appointment as Deputy Chair, Mr. Norris, held numerous positions with RBC Capital Markets, including Head of the Energy Practice from 1992 through 1998 and Head of Global Investment Banking from 1998 through 2003. Prior to RBC, Mr. Norris held roles at Mobil Oil and Gulf Canada Resources. Mr. Norris also sits on the Board of Cara Operations Limited.	Mr. Norris is: • Independent • Chair of the Audit Committee
Thomas O’Connor Evergreen, Colorado, USA Mr. O’Connor has been a director since January 6, 2014. He was the Chairman and Chief Executive Officer of DCP Midstream LLC and Chairman of DCP Midstream Partners LP. Prior to that he held executive positions at Duke Energy Corp., including CEO of Duke Energy Gas Transmission. Mr. O’Connor also sits on the board of Tesoro Logistics and 8point3 Energy Partners LP.	Mr. O’Connor is: • Independent • 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 TCPL.	Mr. Nichols is: • Independent • Member of the Audit Committee

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
David G. Smith Calgary, Alberta, Canada Mr. Smith is the President and Chief Executive Officer of Keyera Corp. and has been a director since January 1, 2015. Mr. Smith has more than 30 years of experience in the energy industry in Canada and has held senior management roles with Keyera and its predecessors since the company's inception in 1998. Mr. Smith is also a director of Crew Energy Inc. He has an ICD.D designation from the Institute of Corporate Directors.	Mr. Smith is: • Not Independent • Not a member of any Committees
William R. Stedman Calgary, Alberta, Canada Mr. Stedman has been a director since April 2, 2003. From 2001 through June 2014, Mr. Stedman was Chairman and Chief Executive Officer of ENTx Capital Corporation, a private holding company specializing in the electric power industry. Previously, he was President and Chief Executive officer of Pembina Pipeline Corporation, the operating company of Pembina Pipeline Income Fund. Mr. Stedman sits on the board of the Alberta Balancing Pool.	Mr. Stedman is: • Independent • Chair of the Compensation and Governance Committee • Member of the Health, Safety and Environment Committee
Janet Woodruff Vancouver, British Columbia, Canada Ms. Woodruff is a corporate director with over 30 years of experience in the energy, transportation and health sectors, including her most recent role as acting Chief Executive Officer of Transportation Investment Corporation. Previously, Ms. Woodruff held executive roles at BC Hydro, B.C. Transmission Corporation, Vancouver Coastal Health and Westcoast Energy. Ms. Woodruff currently serves on the boards of Altus Group Limited and Capstone Infrastructure Corporation. She also sits on the boards of Fortis BC Inc. and Fortis BC Energy Inc. (both of which are wholly owned by Fortis Inc., but which have public debt securities outstanding). Ms. Woodruff holds the ICD.D designation and is a Fellow Chartered Professional Accountant of British Columbia.	Ms. Woodruff is: • Independent • Member of the Health, Safety and Environment Committee

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

Committees of the Board of Directors

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

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

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

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

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

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

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

Conflicts of Interest

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

Share Ownership by Directors and Executive Officers

As at December 31, 2015, the directors and executive officers of Keyera Corp., as a group beneficially owned or exercised control or direction over 2,228,671 Common Shares representing approximately 1.3% of the Common Shares issued and outstanding as at December 31, 2015.

Cease Trade Orders, Bankruptcies, Fines or Sanctions

To Keyera Corp.'s knowledge, based on information supplied by the directors and executive officers, no director or executive officer has, within the 10 years preceding the date of this AIF, (i) become bankrupt, made a proposal under legislation relating to bankruptcy or insolvency or become subject to any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such nominee, or (ii) been a director or executive officer of any company or other entity that, while the nominee was acting in that capacity (or within a year of ceasing to act in that capacity), became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, save and except for Mr. Setoguchi, who was an officer of Laricina Energy Ltd. for a period of time ending just under a year prior to the date on which Laricina filed for creditor protection under the *Companies' Creditors Arrangement Act* (Canada). 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
James V. Bertram Calgary, Alberta	Executive Chair	Executive Chair, Keyera, since January 1, 2015; Chief Executive Officer, Keyera, from May 2011 to December 2014; President and Chief Executive Officer, Keyera, prior thereto.

Name and Municipality of Residence	Position with the Keyera Corp.	Principal Occupation
David G. Smith Calgary, Alberta	President and Chief Executive Officer	President and Chief Executive Officer, Keyera, since January 2015; President and Chief Operating Officer, Keyera, from May 2011 to January 2015; 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	Senior Vice President, Chief Financial Officer	Senior Vice President and Chief Financial Officer, Keyera since February 2015; Vice President and Chief Financial Officer, Keyera, from November 2012 to February 2015; Vice President, Corporate Development, Keyera, prior thereto.
Bradley W. Lock Calgary, Alberta	Senior Vice President, Gathering and Processing Business Unit	Senior Vice President, Gathering and Processing, Keyera, since July 2013; Senior Vice President, Liquids Business Unit, Keyera, from March 2012 to July 2013; Vice President, North Central Region, Keyera, June 2007 to March 2012; Vice President, Engineering and Operations Services, Keyera prior thereto.
Dean Setoguchi Calgary, Alberta	Senior Vice President Liquids Business Unit	Senior Vice President, Liquids Business Unit, Keyera since April 2014; Senior Vice President, Chief Financial Officer, Laricina Energy, from November 2012 to April 2014; Vice President, Chief Financial Officer, Keyera, prior thereto.
Graham Balzun Calgary, Alberta	Vice President, Engineering and Corporate Responsibility	Vice President, Corporate Responsibility, Keyera, since April 2015; Vice President, Engineering and Corporate Responsibility, Keyera, from March 2008 to April 2015; Director, Operations, Keyera prior thereto**.**
Jarrod Beztilny Sherwood Park, Alberta	Vice President, Operations, Liquids Business Unit	Vice President, Operations, Liquids Business Unit, Keyera since December 2015; General Manager, NGL Facility Operations, Keyera, from July 2013 to December 2015; Director, Operations - NGL Facilities, Keyera prior thereto.
Mike Freeman Calgary, Alberta	Vice President, Commercial	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, from May 2011 to February 2012; General Counsel, Keyera, from May 2009 to May 2011; Corporate Counsel, Keyera, prior thereto.
Jim Hunter Calgary, Alberta	Vice President, Strategy and Special Projects Liquids Business Unit	Vice President, Strategy and Special Projects Liquids Business Unit, Keyera since October 2015, Vice President, NGL Facilities, Keyera, from May 2010 to October 2015; General Manager, NGL Infrastructure, Keyera, prior thereto.
Rick Koshman Calgary, Alberta	Vice President, Engineering	Vice President, Engineering, Keyera since April 20, 2015; Vice-President, Major Projects, Athabasca Oil Sands, from October 2014 to March 2015; Vice President, Operations, Athabasca Oil Corporation from November 2013 to September 2014; Vice President, Projects, Athabasca Oil Corporation, from June 2011 to October 2013; Manager, Thermal Oil Sands Projects, Canadian Natural Resources Limited prior thereto.
Dion Kostiuk Calgary, Alberta	Vice President, Human Resources and Corporate Services	Vice President, Human Resources and Corporate Services, Keyera, since February 2013; Director, Human Resources and Corporate Services, Keyera, prior thereto.
Eileen Marikar Calgary, Alberta	Vice President, Controller	Vice President, Controller, Keyera, since February 2014; Controller, Keyera, from April 2012 to Feb 2014; Director of Accounting, Keyera, from April 2010 to March 2012; Manager Financial Reporting, Keyera, from June 2005 to 2010.
Brian Martin Calgary, Alberta	Vice President, Business Development, NGL Facilities	Vice President, Business Development, NGL Facilities since July¸ 2013; Director, NGL Infrastructure, Keyera prior thereto.

Note: John Cobb of Calgary, Alberta retired effective June 1, 2015. Mr. Cobb held the position of Vice President, Investor Relations and Technology, Keyera from August 2012 to June 2015; Director, Investor Relations and Information Technology, 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 National Instrument 52-110 *Audit Committees*. The following table sets out the relevant education and experience of the members of the Audit Committee:

NAME	RELEVANT EDUCATION AND EXPERIENCE
Michael Norris • Independent • Financially Literate	Mr. Norris, the Chair of the Audit Committee, holds a Bachelor of Engineering from Queens University and Master of Business Administration from the Richard Ivey School of Business, Western University. Mr. Norris was Deputy Chair of RBC Capital Markets from 2003 through 2012. Prior to his appointment as Deputy Chair, Mr. Norris held numerous positions with RBC Capital Markets, including Head of the Energy Practice from 1992 through 1998 and Head of Global Investment Banking from 1998 through 2003. Prior to RBC, Mr. Norris held roles at Mobil Oil and Gulf Canada Resources. Mr. Norris currently sits on the boards of a number of private companies and non-profit organizations and has an extensive knowledge of financial and accounting issues, as well as disclosure and internal control procedures.
Nancy Laird • Independent • Financially Literate	Ms. Laird holds a Bachelor of Arts (Honours) from the University of Western Ontario and an MBA from York University's Schulich School of Business. She also holds the Corporate Director (ICD.D) designation from the Institute of Corporate Directors. She has more than 30 years of experience in the oil and gas and technology sectors and has held senior positions in several major energy companies. She has a diverse background in managing marketing, midstream assets, information technology and environmental portfolios. Previously, Ms. Laird served as Senior Vice President, Marketing and Midstream at PanCanadian Energy Corporation (predecessor to Encana Corporation). She was also President of NrG Information Services Inc. and prior thereto she held various positions of increasing responsibility with Norcen Energy Inc., North Canadian Oils Inc. and Shell Canada Limited. Ms. Laird's experience serving on numerous private and public boards has provided her with a strong understanding of financial and accounting issues, as well as disclosure and internal control procedures.
Neil Nichols • Independent • Financially Literate	Mr. Nichols is a Chartered Professional Accountant. 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 TCPL. Mr. Nichols has an extensive knowledge of financial and accounting issues, as well as disclosure and internal control procedures.
Tom O'Connor • Independent • Financially Literate	Mr. O'Connor holds a Bachelor of Science degree in Biology, cum laude, and a Master of Science degree in Environmental Studies from the University of Massachusetts at Lowell and has completed the Harvard Business School Advanced Management Program. He was the Chairman and Chief Executive Officer of DCP Midstream LLC and Chairman of DCP Midstream Partners LP. Prior to that he held executive positions at Duke Energy Corp., including CEO of Duke Energy Gas Transmission. Mr. O'Connor has served on various public boards and has an extensive knowledge of financial and accounting issues, as well as disclosure and internal control procedures.

Principal Accountant Fees and Services

In 2014 and 2015, fees billed for audit, audit-related, tax and other services provided to Keyera by Deloitte LLP were as follows:

Year Ended December 31	2015	2014
Audit Fees	$537,550	$461,500
Audit Related Fees	$88,590	$126,027
Tax Fees	$99,809	$81,033
Other Fees	$0	$12,676
Total	**$725,949**	**$681,236**

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

- Audit Fees: Fees for the annual audit and quarterly review of Keyera financial statements and for audit services related to ongoing regulatory filings.
- Audit Related Fees: Fees for review and translation services related to non-routine regulatory filings such as prospectuses.
- Tax Fees: Fees for advice and assistance in preparing transfer pricing documentation for KEI and advice related to income tax and commodity taxes.
- Other Fees**:** Fees for products and services provided by Keyera's auditors other than those described as "Audit Fees", "Audit Related Fees" and "Tax Fees".

Pre-Approval Policies

Pursuant to the Terms of Reference of the Audit Committee, the Audit Committee approves all audit plans and pre-approves significant non-audit engagements of the external auditors, including reviewing the fees paid for such engagements. The Audit Committee has delegated the responsibility for approving certain non-audit services to the Chair of the Audit Committee. All audit and non-audit services provided to Keyera for the year ended December 31, 2015 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 numerous aspects of Keyera's activities, including but not limited to, the operation of wells, 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 the same 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 has operations and carries on business in other jurisdictions. For example, the Caribou gas plant (and associated facilities) is located in British Columbia, the Hull Rail and Truck Terminal is located in Hull, Texas, and Keyera ships products to customers across North America. Each of these jurisdictions has its own regulatory and environmental regimes.

Alberta Energy Regulatory Framework

The *Responsible Energy Development Act (Alberta)*, provides the framework under which a number of energy regulatory responsibilities and key pieces of legislation, including the *Oil and Gas Conservation Act (Alberta)*, EPEA and the *Public Lands Act (Alberta),* were brought under the umbrella of the AER. The consolidation of these responsibilities under the AER was phased in through 2013 and 2014. Since this time, the AER has been the primary regulator of Keyera's operations and activities. During this time, the Alberta Government also established the Aboriginal Consultation Office with a mandate of managing the various aspects of First Nations consultation required in the context of oil and gas development.

Noise Control Regulation

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

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

Under EPEA, environmental standards and compliance obligations for releases, clean-up and reporting are subject to scrutiny by the AER and the public. Liability for clean-up, remediation and reclamation costs may be imposed on a wide range of parties including present and past owners 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 AER has also issued multiple Directives and Guides with strict requirements and standards concerning matters such as oilfield waste management and the suspension, abandonment and reclamation of oil and natural gas wells, pipelines, and facilities that must be factored into the cost of conducting operations in Alberta.

Sulphur Recovery

AER 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 de-grandfathered. With changing gas compositions around Keyera's plants and declining sour gas production, 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.

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, turbines, heaters and boilers, release carbon dioxide, methane and other minor greenhouse gases. As such, Keyera is subject to various greenhouse gas reporting and reduction programs. Keyera uses engineering consulting firms 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* ("CCEMA") and regulations, establish a framework for the regulation of greenhouse gas emission 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. 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.

Currently, the *Specified Gas Emitters Regulations* and the *Specified Gas Reporting Regulations* are two main regulations under CCEMA that effect Keyera:

- *Specified Gas Emitters Regulation* – This regulation requires facilities, which are Large Final Emitters ("LFEs") that produce over 100,000 tonnes of CO2e annually to reduce net emissions intensity to 88% of the baseline emissions intensity. The emissions intensity reduction target is 12% in 2015, 15% in 2016, and 20% in 2017. The baseline emissions intensity for each facility is based on the average emissions intensity at that facility, typically for the period between 2003 and 2005. If, in any given year, the actual emissions intensity at such a facility is above the net emissions intensity target, then the facility licensee can bring the facility into compliance by:

    a) 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;
    b) purchasing fund credits from the Climate Change and Emissions Management Fund (the "CCEMF") at a cost of $15/tonne of CO2e for 2015, $20/tonne for 2016, and $30/tonne for 2017; and/or
    c) purchasing emissions performance credits (such credits are earned by reducing the emissions intensity beyond the reduction target of the baseline emissions intensity).

    Keyera operates the following five facilities which are LFEs and subject to emissions reduction targets under the Specified Gas Emitter Regulation: Strachan, Rimbey, Brazeau River and Nevis gas plants and AEF.

- *Specified Gas Reporting Regulation* – This regulation requires facilities that produce emissions of 50,000 tonnes or more of CO2e to report their emissions. Keyera operates the following four additional facilities that fall under the reporting obligations of this regulation: Gilby, West Pembina, Minnehik Buck Lake, and Simonette gas plants.

In late 2015, the Alberta Government released its Climate Leadership Plan which identified four key action areas to address climate change matters:

- Phasing out coal-generated electricity and developing more renewable energy;
- Implementing a new carbon price on greenhouse gas pollution, including product-based emission performance standards for LFE facilities and carbon pricing on non-LFE facilities after 2023;
- Legislating an oil sands emission limit; and
- Employing a new methane emission reduction plan.

As the Alberta Government works to develop the details of the initiatives, Keyera is closely monitoring developments and participating in industry committees to provide input. Through its Climate Change Committee, Keyera is also proactively evaluating opportunities to reduce emissions.

In British Columbia, the provincial government has also adopted a series of measures as part of an overall climate change initiative aimed at reducing greenhouse gas emissions by one third compared to the 2007 levels, by 2020. One of the measures that has been implemented is a broad-based carbon tax on fuel and flared gas. Operation of the Caribou gas plant, Keyera's only gas plant in British Columbia that is subject to this tax, was suspended in December 2015.

The Canadian government is active in the United Nations Framework Convention on Climate Change and corresponding conferences. It has stated it will release a Canadian Climate Change Framework in the first quarter of 2016. Currently, Keyera is required to report CO2e emissions under the *Canadian Environmental Protection Act* for all facilities which emit 50,000 tonnes or more of CO2e. As a result, Keyera currently files emission reports with the federal government for its Rimbey, Strachan, Brazeau River, Nevis, Gilby, West Pembina, Minnehik Buck Lake, Simonette gas plants, and AEF. In addition to the Canadian reporting requirements, the U.S. Environment Protection Agency also requires Keyera to report the combusted greenhouse gas equivalent of all products that are imported and exported.

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 a Climate Change Committee and has developed a greenhouse gas strategy which establishes the framework for Keyera's approach to minimizing greenhouse gas emissions while maintaining a sustainable and competitive business. The objectives of Keyera's greenhouse gas strategy include: (i) identifying and implementing cost effective greenhouse gas reductions in its operations; (ii) adopting economically viable conservation and energy efficient technologies; (iii) monitoring and reporting emissions reductions; (iv) sharing best practices; (v) encouraging continuous improvement in greenhouse gas inventory reporting methodologies and risk management; and (vi) identifying and evaluating business opportunities.

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 continuously monitors legislative initiatives and overall regulatory trends across Canada and the U.S. so that it is aware of potential developments that could affect its business and operations. It is possible that future international, national or provincial emissions reduction requirements may require further reductions of emissions or emissions intensity. Keyera recognizes that such reductions may not be technically or economically feasible and that failure to meet such emissions reduction requirements may result in 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 – Operational Risks - Environmental and Public Safety Considerations").

Transportation of Dangerous Goods

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

Keyera monitors regulatory developments, and other recommendations that are introduced by regulatory agencies with respect to TDG matters, including safety data sheet requirements for the products it handles. There have been a number of regulatory developments within the last two years with respect to TDG, some of which are described below:

(a) Responsibilities of Consignor of Petroleum Products - Under TDG laws, Keyera may, in certain circumstances, be considered a consignor of the petroleum products that it ships or that are shipped on its behalf. As a consignor, Keyera is responsible for determining the classification of the product and ensuring that each railcar is properly loaded, labelled and placarded. There has been a trend toward stricter regulatory requirements with respect to the product testing, classification and sampling methods that consignors are required to comply with. As well, consignors are now required to certify on their shipping documents that the petroleum product has been properly classified. Regulators and industry stakeholders are also working through issues with respect to the testing and classification of certain streams of crude oil which could result in further regulatory change.

(b) Emergency Response Assistance Plan ("ERAP") - TDG laws require parties handling, offering for transport, transporting or importing certain dangerous good to have an approved ERAP in place. ERAPs have been required for Class II products, such as propane and butane, for many years. In 2014, the Federal Government began requiring ERAPs for class III products such as crude oil and condensate when transported by rail. An ERAP is intended to ensure that specialized emergency response personnel and equipment are available in a timely manner, in order to assist and/or supplement primary emergency responders responding to an incident.

(c) Rail car specifications – Regulatory changes have been made with respect to the specifications for rail tank cars that are used to transport many petroleum products. The regulators in Canada and the U.S. have taken a phased approach to bringing in these new requirements. Rail cars in Keyera's fleet will require some minor modifications over the next several years. Keyera is working with the rail leasing companies to coordinate this work in compliance with the new regulations.

In addition, major railway companies in Canada have implemented standard contract and/or tariff provisions aimed at shifting responsibility for certain damages and claims to shippers. Under various environmental statutes in both Canada and the U.S., Keyera could be held responsible for environmental damage caused by hydrocarbons loaded at its facilities or being carried on its leased rail cars. Keyera partially mitigates this risk by securing insurance coverage. In the event that Keyera is ultimately held liable for any damages resulting from its activities relating to TDG, for which insurance is not available, or increased costs or obligations are imposed on Keyera as a result of new regulations, Keyera's business, operations and financial performance could be adversely affected. (See "Risk Factors – Operational Risks – Transportation of Dangerous Goods").

RISK FACTORS

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

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

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

Operational Risks

Reliance on Producer Activity and Long Term Declines

The volumes of natural gas, NGLs, iso-octane, sulphur, crude oil, and other products produced, transported or processed by Keyera depend on production of natural gas and crude oil. Without reserve additions, production will decline over time as reserves are depleted. Most of Keyera's facilities are located in or depend on the WCSB. As a mature basin, production is projected to decline over the long term. Although, new technology has allowed producers to access and produce reserves that were previously viewed as uneconomic, it is not clear the extent to which such advances in technology will offset the long term overall declines. As well, industry activity levels depend upon economic and regulatory conditions that permit and incent producers to explore for and develop reserves. Producers in the areas serviced by Keyera's gas plants may not be successful in exploring for and developing additional reserves, or may determine that the reserves are uneconomic to produce. Further, recent global economic events have had a substantial downward effect on commodity prices. Since late 2014 and through 2015, a number of producers have announced reductions in their exploration and development plans in Western Canada and several have shut-in production. Keyera cannot predict the impact of future economic conditions on the energy and petrochemical industries or future demand for and prices of natural gas, NGLs, iso-octane, sulphur, crude oil and other products. These and other factors such as higher development costs or royalties, global and North American commodity inventory levels and infrastructure constraints, may discourage further producer exploration and development. A reduction in exploration and development activities could result in declines in throughput at gas plants, pipelines and NGL processing facilities.

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

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

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. With the low commodity price environment that developed in 2015, several oil sands producers announced delays in projects. If oil sands activity continues to slow 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 attempts to reduce its risk by negotiating long term contracts to underpin its investments. There is no guarantee that these mitigation strategies will be effective.

Facilities Throughput and Utilization Rates

Some of Keyera's facilities may operate at lower throughputs compared to their respective licensed or operating capacities. This may be due to a multitude of factors, including: declines in production; decisions by producers to delay or shut in production; operational constraints in certain functional units within the facilities; operating conditions; changes in gas or NGL composition; low commodity prices; infrastructure or service bottlenecks

and logistical issues; inventory or market constraints for particular commodities; and other reasons. There may also be times when facilities experience capacity constraints due to increasing throughput. In certain circumstances, the increased throughput may contribute to operating conditions that are not in line with the operational design of the facility.

The demand for midstream services depends, in part, on factors such as the quality of services offered, the cost of such services and the physical capabilities of the facilities. At Keyera's AEF facility, utilization may also be affected by demand for high octane, low vapour pressure gasoline additives, the willingness of customers to pay a premium price for this product, as well as availability of feedstock (butane) and 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 oil, natural gas, NGLs, sulphur or iso-octane, thereby potentially reducing utilization rates at Keyera's facilities.

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

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

Operational Matters and Hazards

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

In order to help mitigate these risks, Keyera retains and relies on knowledgeable, competent personnel to identify and manage such operational risks and has developed training programs and competency tracking programs. 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), conducts targeted design and operating reviews of its facilities, 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 Emergency Response Assistance Canada. Volunteers on the KERT team receive specialized emergency response training and may be called upon to assist in responding to emergency situations should they arise. There is no guarantee that these mitigation efforts will be effective.

Keyera also carries casualty and business interruption insurance with amounts of coverage customary for similar business operations to help defray the costs associated with the foregoing risks should they materialize;

however, such insurance coverages may not be sufficient to compensate for all business or casualty losses or damages and/or may not be available in the future. (See "Risk Factors – Operational Risks – Adequacy of Insurance").

Reliance on Other Facilities and Third Party Services

Keyera's facilities are connected to various third party pipeline systems, including the Alliance, Kinder Morgan, Enbridge and TCPL 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. In particular, Keyera's NGL Infrastructure and Marketing businesses also rely on connections to other third party infrastructure, including various pipelines and rail facilities. Risks may be created as a result of lack of alignment between the third party facilities and Keyera's facilities. For example, there may be differences in pressures, specifications or capacities which affect operations. As well, there may be issues with respect to scheduling and service delivery by third parties that affect Keyera's operations, such as the scheduling and availability of timely and reliable rail service by the railway companies on which Keyera relies at its rail terminals. As well, operational disruptions, apportionment, regulatory action and other events on third party systems and infrastructure may prevent the full utilization of Keyera's facilities, require Keyera to spend additional capital, or otherwise hamper Keyera's business activities.

Keyera is 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. 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 - Operational Risks - Regulatory Intervention").

Several of Keyera's facilities benefit from connections to more than one transportation alternative which provides some flexibility during curtailments or interruptions. However, where such alternatives are not available, Keyera's operations can be significantly affected. For example, the capacity constraints on the TCPL sales gas system in 2014 and 2015, reduced many producers' ability to secure take away capacity for their sales gas. If producers cannot secure adequate takeaway capacity for their sales gas, it adversely affects the volume of raw inlet gas that Keyera can accept at its facilities.

Risks Arising from Co-ownership

Many of Keyera's facilities are jointly owned with third parties. Approvals must be obtained from such joint owners for proposals to make capital expenditures regarding such facilities. These approvals typically require that a capital expenditure proposal be approved by at least two or three owners holding a specified percentage of the ownership interests in the relevant facility, usually ranging between 50% and 70%. It may not be possible for Keyera to obtain the required levels of approval from co-owners of facilities for future proposals for capital expenditures, which may adversely affect Keyera's ability to expand or improve its existing facilities. In addition, agreements for joint ownership often contain restrictions on transferring an interest in a facility. The most frequent restriction is a right of first refusal which requires a transferor who is proposing to transfer an interest, to offer such interest on the same commercial terms to the other holders of interests in the facility prior to completing the transfer. Such provisions may restrict Keyera's ability to transfer its interests in facilities or to acquire a joint venture owner's interests in facilities, and may also restrict Keyera's ability to maximize the value of a sale of its interest.

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

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

In addition, some of Keyera's facilities are operated by third parties and, therefore, to the extent a third party operator fails to perform its functions efficiently or becomes insolvent, Keyera's business and operations may be

adversely affected. Efforts to mitigate this risk by contracting with competent operators and negotiating appropriate allocation of risk in its contracts may not be effective.

Natural Gas and NGL Composition

Each of Keyera's gas plants is designed to process raw natural gas feedstock within a certain range of composition specifications. The gas plants may require modification to operate efficiently if the composition of the raw gas being processed changes significantly. The configuration of each of Keyera's gas plants may not be optimal for efficient operation in the future if a change in inlet gas composition is outside a plant's acceptable range of composition specifications. Changes in gas composition, including the trend toward producers producing less sour gas and more sweet gas, can present challenges for achieving sulphur recovery levels at certain facilities. Keyera may need to change its license parameters, including sulphur recovery levels, as gas composition changes.

Keyera monitors plant throughput, gas composition, third party system performance and industry development activity in the capture areas surrounding its facilities on an ongoing basis. This information is used to assist with ongoing operational decisions, bringing on new production and new customers, evaluating expansion opportunities and assessing opportunities to modify or add new services to accept the inlet gas in the capture areas surrounding its facilities. Keyera has also amended its AER licenses at certain plants to deal with changes in gas composition, particularly to address declining concentrations of H_2S in the inlet gas, and may consider additional amendments in the future.

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

Reliance on Principal Customers and Suppliers

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

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

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

Competition

Keyera's Gathering & Processing, Marketing, and NGL Infrastructure businesses operate in competitive markets and compete with other companies.

Each of Keyera's gas plants is subject to competition from other gas processing plants which are either in the general vicinity of Keyera's plants or have gathering systems that currently or in the future, could potentially extend into Keyera's capture areas. In addition, competition from non-hydrocarbon based energy sources may have an

adverse effect on the production of natural gas and gas products in Alberta and, as a result, on the demand for Keyera's services.

As well, Keyera’s NGL pipelines and storage, terminal and processing facilities are subject to competition from other existing pipelines and facilities, which competition is anticipated to continue to grow as other companies announce plans for expanded transportation, terminalling and storage services in the Edmonton/Fort Saskatchewan hub, as well as in other interconnected geographic areas in western Canada and the U.S.

NGL and crude oil commodities that are marketed by Keyera compete with supplies from Canadian, U.S., and international sources. There is also competition from industries seeking to provide substitute products or alternative sources of fuel, gasoline blending products, diluents and feedstock. For example, in the iso-octane marketing business, alkylate is the main alternative competitive product. Alkylate is produced by reacting otherwise low-value by-products with isobutene to produce a relatively high octane gasoline component. Most North American refineries have some alkylate production capabilities. Keyera also competes with local and international entities to secure NGL supply for its marketing and NGL facilities business.

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

Regulatory Compliance, Approvals and Interventions

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

The cost to comply with regulatory requirements can be significant. For example, under AER Directive -038: Noise Control, pre-1988 facilities lose their deferred status as of October 2018. This means that Keyera will be required to complete modifications at a number of its facilities by this 2018 deadline to achieve lower noise levels. As well, proposed additions to certain facilities may be delayed due to noise considerations or may not receive regulatory approval unless noise mitigation measures are implemented.

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

Information Technology Systems and Security

Keyera utilizes a number of information technology systems for the management of its business and the operation of its facilities. The reliability and security of these systems is critical. If the functionality of these systems is interrupted or fails and cannot be restored quickly, or if the technologies are no longer supported, Keyera’s ability to operate its facilities and conduct its business could be compromised. Further, although the technology systems Keyera utilizes are intended to be secure, there is a risk that an unauthorized third party could access the systems. Such a security breach could lead to a number of adverse consequences, including but not limited to, the unavailability, disruption or loss of key functionalities within Keyera’s control systems and the unauthorized

disclosure, corruption or loss of sensitive company, customer or personal information. Keyera attempts to prevent such breaches through the implementation of various technology security measures, segregation of control systems from its general business network, engaging skilled consultants and employees to manage Keyera's technology applications, conducting periodic audits and adopting policies and procedures as appropriate. There is no guarantee that these measures will be effective.

Environmental and Public Safety Considerations

Keyera's activities are regulated by federal, provincial, and municipal environmental legislation. This legislation imposes, among other things, restrictions, liabilities and obligations in connection with the handling, use, storage, transportation, treatment and disposal of hazardous substances and waste, and in connection with spills, releases and emissions of various substances into the environment. Environmental risks from Keyera's operating facilities typically include: air emissions, such as sulphur dioxide, nitrogen oxides, particulate matter and greenhouse gases; potential impacts on land, including land reclamation or restoration following construction; the use, storage or release of chemicals or hydrocarbons; the generation, handling and disposal of wastes and hazardous wastes; and water impacts. 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 comply with changing regulations and standards to the satisfaction of applicable regulatory authorities. Many of Keyera's facilities are subject to licensing requirements imposed by the AEP and/or AER. These licenses must be renewed from time to time and there is no guarantee that the license will be renewed on the same or similar conditions. In addition, certain types of activities may require the submission and approval of environmental impact assessments or permit applications.

Provincial and federal governments may also take steps to impose stricter regulations and emission limits on greenhouse gas or other emissions in the near term. (See "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 public safety and environmental risks are inherent in the handling and gas sweetening processes at Keyera's facilities. As well, some of Keyera's pipelines and facilities run through or are immediately adjacent to heavily populated areas, including the City of Edmonton. Major equipment failure, a release of toxic substances or a pipeline rupture (including as a result of third party contact or impact to the pipeline) could result in damage to the environment and Keyera's 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 policy with limits and coverage that are customary for similar business operations to mitigate against the losses and damages associated with infrastructure failure, pollution, and pipeline failure. However, there can be no assurance that the types of insurance and the amounts for which Keyera is insured, or the proceeds of such insurance, will compensate Keyera fully for its losses. Further, if, at any time, appropriate regulatory authorities deem any one of the pipelines or facilities unsafe, they may order it to be shut down.

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

Transportation of Dangerous Goods

Keyera's operations include rail/truck loading, offloading and terminalling facilities used to transport various petroleum products. These petroleum products are considered dangerous goods under TDG laws. The volume of product shipped and the number of rail cars and trucks loaded at Keyera facilities has continued to increase over the years. Keyera has expanded the number of rail cars that it leases and has also expanded the number of types of products that it ships. When Keyera loads petroleum products, it may be considered the consignor, in which case it has specific responsibilities under the TDG laws, including the responsibility to ensure that the product is properly classified, the shipment is properly labelled and the product is loaded in an appropriate tank. Keyera also owns and operates rail infrastructure and must comply with applicable laws (including TDG laws) relating to the maintenance and inspection of these facilities. Keyera may face liability for personal injuries, damage to property, environmental damage, lost product in the event of an incident involving rail cars or trucks loaded by Keyera, where Keyera is the consignor or importer of the product, where Keyera owns the product that is involved in an incident, or where an incident occurs on Keyera's proprietary rail infrastructure. In addition, Keyera may be exposed to regulatory action in the event that it fails to comply with TDG laws.

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

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 U.S. by: (a) the incorporation of its American subsidiary, KEI, with its office located in Houston, Texas, (b) the addition of contracted NGL terminalling and storage capacity at Mont Belvieu, Texas, Hutchinson, Kansas (which is near Conway), and Marysville, Michigan; and (c) the acquisition and development of the Hull Rail and Truck Terminal. While the growth of Keyera's operations in the U.S. enhances its ability to access large U.S. markets, it also presents a number of risks, including increased regulatory and compliance obligations and costs, risks associated with potential non-compliance and civil liability exposure. The U.S. tends to be a litigious environment with larger damages awards compared to Canada. In some instances, Keyera may be subject to the exclusive jurisdiction of the U.S. courts. In addition, 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 Hull Rail and Truck Terminal, portions of Keyera's U.S. operations are managed by Canadian personnel with limited expertise in U.S. regulation. To mitigate this risk, Keyera engages: (a) U.S. counsel and other consultants from time to time to assist with identifying and complying with applicable state and federal laws; and (b) customs brokers to assist with the import/export compliance requirements. Keyera monitors developments and trends that may affect NGL and iso-octane transportation, terminalling and sales in the U.S. and its risk management committee considers the risk profile of the U.S. operations when evaluating Keyera's risk mitigation strategies. Keyera has also attempted to implement strategies to reduce the exposure of its Canadian assets to civil claims in the U.S. There is no guarantee that any of these activities will have the effect of reducing the risks associated with its permanent operations in the U.S. or with Keyera's access to U.S. markets, particularly for propane and iso-octane sales and condensate and butane purchases.

Construction Project Timing and Cost

Many of Keyera's major projects are currently under development and the successful completion of several projects is dependent on a number of factors that are outside Keyera's control. The timing of completion and capital

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

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

Keyera tries to mitigate some of these risks through its implementation of a project delivery system, increasing its focus on validating cost estimating, evaluating its contracting strategies and contractor selection processes, project controls and developing enhancements to its procurement processes. In addition, Keyera tries to build in reasonable time frames and contingencies into its agreements and project economics.

Weather Conditions

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

While Keyera does not speculate on weather in its marketing business, it tries to time its inventory builds with the seasonality of supply and demand. For example, Keyera will typically build inventories of propane in the warmer months, 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 - Financial Risks – Market Risk and Marketing Activities").

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

Employees and Contractors

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

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

Dependence on Key Personnel

The success of Keyera has been largely dependent on the skills and expertise of its key personnel to manage the overall business and achieve positive margins. The continued success of Keyera will be dependent on its ability to retain such personnel. Costs associated with retaining key personnel could adversely affect Keyera's business operations and financial results. Keyera tries to mitigate the risk of losing key personnel for economic reasons by obtaining expert advice with respect to compensation matters (including salary as well as long and short term incentive plans). Keyera also participates in industry compensation surveys in order to measure its compensation package against prevailing market rates. Keyera also places significant emphasis on employee engagement, leadership training, succession planning, and maintaining a positive corporate culture.

Labour Relations

Keyera has unions at four of its gas plants. Unionized labour disruptions could restrict the ability of the gas plants to process natural gas and therefore affect Keyera's financial results. (See "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, 2019. The current collective agreement for employees at the Minnehik Buck Lake gas plant expires on April 30, 2016. Overall, Keyera maintains a relatively good relationship with its unions and unionized employees and to date has never experienced a strike or work stoppage at its unionized plants.

Reputational Risk

Keyera believes its reputation as a reliable and responsible midstream energy services provider with a track record of creating shareholder value, is one of its most valuable assets. Maintaining a positive reputation in the eyes of its customers, regulators, communities and the general public is an important aspect of the implementation of Keyera's business strategy. Keyera's reputation may be adversely impacted by the actions and activities it undertakes, as well as the activities of its employees. In addition, Keyera's reputation could be affected by the actions and activities of other companies operating in the energy industry and by general public perceptions of the energy industry, over which Keyera has no control. For example, negative publicity related to pipeline incidents, unpopular expansion plans or new projects, as well as opposition from organizations opposed to oil and gas, oil sands or pipeline development, all have the potential to affect the perception of Keyera by its stakeholders. If Keyera's reputation is diminished, it could result in: loss of customers; revenue loss; delays in obtaining regulatory approvals with respect to growth projects, increased operating, capital, financing or regulatory costs; lower shareholder confidence; or loss of its social license to operate.

Change in Laws

The oil and natural gas industry, including the midstream industry, is subject to regulation and intervention by governments in such matters as environmental protection, exploration and development activities, the licensing, operation and expansion of wells and facilities, and the abandonment of facilities. There is no guarantee that laws and administrative policies relating to the oil and natural gas industry, including the midstream industry, will not be changed in a manner which could adversely affect Keyera or its Shareholders. In addition to being affected by changes aimed directly at midstream facilities, Keyera could also be adversely affected by changes in regulations or policies directed at upstream activities, such as land sales, exploration and development in the capture areas surrounding Keyera's facilities, as well as changes directed at downstream activities, including retail and consumer uses. In addition, Keyera could be adversely affected by the imposition of additional emission limits for greenhouse gases in Canada or the U.S. (See "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 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. 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) continues to change. In many circumstances in Alberta, 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. Additionally, some types of claims may affect or limit Keyera's ability to secure locations for capital projects.

To help mitigate these risks, Keyera monitors developments that may affect activities around its facilities and changes in government policy. Keyera has also adopted 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 and for construction or expansion projects. Keyera also monitors developments with the Aboriginal Consultation Office, including its expanding role and processes in relation to consultation and regulatory approvals.

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: (a) acquired non-material interests in certain reserves associated with its facility acquisitions at Bigoray, Cynthia, Minnehik Buck Lake and West Pembina gas plants, (b) entered into an agreement to participate as a joint venture partner in the Norlite Pipeline, a long-haul condensate pipeline to the oil sands, (c) executed an agreement to participate in a 50/50 joint venture with Kinder Morgan to build the Base Line Terminal, (d) agreed to acquire a 50% interest in the South Grand Rapids Pipeline; and (e) started transporting bitumen, synbit and crude oil by rail. Expansion of Keyera's business into new areas may present new risks or significantly increase the exposure to one or more of the existing risks, any of which may adversely affect Keyera's future operational and financial conditions. To help mitigate this risk, expansion opportunities, whether within Keyera's core activities or into new activities, are carefully evaluated. Keyera reviews the criteria it uses to evaluate expansion opportunities based on its assessment of the business environment and fit with Keyera's business strategy. As appropriate, Keyera evaluates the need for additional insurance that may be required to address the risk profile associated with any new businesses or expansion of operations.

Financial Risks

Market Risk and Marketing Activities

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

(a) Product Price - The prices of the products that are marketed by Keyera are subject to fluctuations resulting from seasonal demand changes, changes in crude oil, natural gas, NGL and iso-octane markets, and other factors. Further, Keyera normally has a long position in most of the NGL products that it markets, and may store NGLs in order to meet seasonal demand and take advantage of seasonal pricing differentials, resulting in inventory price risk. Iso-octane margins are driven by the price of butane (the primary

feedstock) and RBOB. 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. These exposures could result in variability in the operating income generated by the marketing business unit and Keyera's distributable cash flow.

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

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

(a) Butane and Condensate - Because butane and condensate prices are based on the price of crude oil, crude oil financial contracts are common hedging strategies that Keyera uses for these products. This hedging strategy is subject to basis risk between crude oil and the condensate or butane being hedged and therefore cannot be expected to perfectly offset future butane and condensate price movements.
(b) Propane – For several years, Keyera has used propane physical and financial contracts to hedge its propane inventory. Although propane contracts are expected to eliminate commodity basis risk, they may be exposed to geographic basis risk (depending on the contract terms), plus the ability to enter into propane contracts may not be as liquid as other financial contracts, such as crude oil.
(c) Iso-octane – Keyera's hedging objective for iso-octane is to mitigate the effect of iso-octane price fluctuations on its future operating margins. The sales price for iso-octane is largely based upon the price of motor gasoline or RBOB. RBOB is the highest volume refined product sold in the U.S. It also has the most liquid forward financial contracts. Accordingly, Keyera expects to continue to utilize RBOB financial contracts to hedge a portion of its iso-octane sales.

As the NGL and iso-octane markets evolve during the year, Keyera monitors and adjusts its hedging strategy to protect the value of its inventory and the future operating margins. There is no guarantee that hedging and other efforts to manage the marketing and inventory risks will generate profits or mitigate all the market and inventory risk associated with these activities. While hedging and other efforts to manage market and inventory risk are intended to mitigate Keyera's risk exposure, because of the inherent nature and risk of such transactions, those activities can result in losses. If Keyera hedges its commodity price exposure, it may forego the benefits that may otherwise be experienced if commodity prices were to increase and it is subject to credit risks associated with the counterparties with whom it contracts. (See "Risk Factors – Financial Risks – Credit Exposure"). For additional information on Keyera's hedging strategies, refer to the Management Discussion and Analysis accompanying the 2015 Annual Audited Financial Statements which is available on SEDAR at www.sedar.com.

Operating, Capital and General and Administrative Costs

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

General and administrative costs may vary considerably from current and forecast values as a result of fluctuations in employment markets and the demand for trades which affect compensation that must be paid to attract and retain employees and contractors. As well, the cost of Keyera's long term incentive plan ("LTIP") can vary

considerably due to the fact that the value of the payments required to satisfy the grants are dependent on two main factors: i) market price of the Common Shares, and ii) the number of Common shares awarded for corporate performance based on a multiplier linked to Keyera's average annual pre-tax distributable cash flow per share over a three year performance period and Keyera's total shareholder return relative to its peers.

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

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

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

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

Adequacy of Insurance

Keyera currently maintains customary insurance of the types and amounts consistent with prudent industry practice which includes: (i) property and business interruption insurance; and (ii) comprehensive general liability insurance providing coverage for actions by third parties (including sudden and accidental pollution coverage which specifically insures against certain claims for damage from leaks or spills). Keyera may also purchase customary coverage to cover potential losses during the construction of new infrastructure. In addition, Keyera maintains director and officer liability coverage consistent with industry practice. Keyera is not obligated to maintain insurance if it is not available to Keyera on commercially reasonable terms. Further, there can be no assurance that such insurance coverage will be available in the future on commercially reasonable terms or at commercially reasonable rates. The insurance coverage obtained with respect to Keyera's business and facilities will be subject to limits and exclusions or limitations on coverage that are considered to be reasonable, given the cost of procuring insurance and current operating conditions. There can be no assurance that the insurance proceeds received by Keyera in respect of a claim will be sufficient in any particular situation to satisfy the indebtedness of Keyera or fully protect against catastrophic events or prolonged shutdowns. Losses beyond the scope of Keyera's insurance coverage could have a material adverse effect on its business, operations and financial performance.

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

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

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

Decommissioning, Abandonment and Reclamation Costs

Keyera is responsible for compliance with all applicable laws and regulations regarding the decommissioning, abandonment and reclamation of its facilities at the end of their economic life, the costs of which may be substantial. (See "Other Information Relating to Keyera's Business – Decommissioning, Abandonment and Reclamation Costs"). It is not possible to predict these costs with certainty since they are a function of regulatory requirements at the time of decommissioning, abandonment and reclamation and the actual costs may exceed current estimates which are the basis of the asset retirement obligation shown in Keyera's financial statements. A detailed discussion of the assumptions and basis for calculating the fair value of the asset retirement obligations are included in the 2015 Management Discussion and Analysis accompanying Keyera's 2015 Annual Audited Financial Statements which is available on SEDAR at www.sedar.com.

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

To help mitigate these risks, Keyera has developed a liability management system to estimate future liability, risks, priorities and the anticipated cost of the decommissioning, abandonment and reclamation of its facilities. 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 funds. Compliance obligations under applicable environmental laws can result in significant costs associated with installing and maintaining pollution controls, fines and penalties resulting from any failure to comply, and potential limitations on operations. Remediation obligations can also result in significant costs associated with the investigation and remediation of contaminated properties. Compliance with environmental legislation and incident response can require significant expenditures. Activities that do not meet regulatory standards or that breach such legislation may result in the imposition of fines, penalties and suspension of operations. It is also possible that increasingly strict environmental and safety requirements could be implemented, which could result in substantial increases in the cost of compliance, including increased capital expenditures and operating expenses. There is also the risk of civil liability for environmental matters.

Keyera also undertakes remediation projects that are identified through its liability management system as part of its ongoing efforts to manage its environmental risk. However, it is not possible for Keyera to estimate the amount and timing of all future expenditures related to environmental matters due to various factors, including: (i) uncertainties in estimating pollution control and clean-up costs, including at sites where only preliminary site investigation or agreements have been completed; (ii) the potential discovery of new sites or additional information at existing sites; (iii) the uncertainty in quantifying liability under environmental laws that impose joint and several

liability on all potentially responsible parties; (iv) the evolving nature of environmental laws and regulations, including the interpretation and enforcement thereof; and (v) the potential for litigation on existing or discontinued assets. Based on current operations and practices, the cost of complying with environmental regulations and Keyera's exposure to civil liability for environmental matters have not had and are not expected to have a material adverse effect on its financial results; however, no assurance can be given that such costs will not adversely affect financial results in the future.

Debt Matters

Keyera relies on debt financing for some of its business activities, including capital and operating expenditures. The credit facilities and long term senior unsecured notes have defined terms and there are no assurances that Keyera will be able to refinance any or all of the borrowings at their maturity. In addition, there are no assurances that Keyera will be able to comply at all times with the covenants applicable under its current borrowings; nor are there assurances that Keyera will be able to secure new financing that may be necessary to finance its operations and capital growth program. Any failure of Keyera to secure refinancing, to obtain new financing or to comply with applicable covenants under its borrowings could have a material adverse effect on Keyera's financial results, including its ability to maintain dividends to Shareholders. Further, any inability of Keyera to obtain new financing may limit its ability to support future growth. (See "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 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 2020 and the long term senior unsecured notes mature on various dates between 2016 and 2029. ("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 long-term senior unsecured notes on commercially reasonable terms. However, continued uncertainty in the global economic situation means Keyera, along with other oil and gas companies, may have restricted access to capital and increased borrowing costs. Keyera's ability to raise debt is dependent upon, among other factors, the overall state of the capital markets and investor appetite for investments in the energy industry and Keyera's securities in particular. The ability to make scheduled payments on or to refinance debt obligations depends on the financial condition and operating performance of Keyera, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond its control. As a result, Keyera may be unable to maintain a level of cash flow from operations sufficient to permit it to pay the principal, premium, if any, and interest on its indebtedness. These conditions could have an adverse effect on the industry in which Keyera operates and its business, including future operating and financial results. There can be no assurance that Keyera's cash flow will be adequate for future financial obligations or that additional funds will be able to be obtained.

Credit Risk

Keyera takes on credit risk with respect to its fee for service business, the purchase and sale of commodities in its marketing business, hedging of commodity price changes, as well as other financial contracts into which it enters. In particular, Keyera is exposed to credit-related losses in the event that counterparties to contracts become insolvent or otherwise fail to fulfill their present or future financial obligations to Keyera. The majority of Keyera's accounts receivable are due from entities in the oil and gas business and are subject to normal industry credit risks. Concentration of credit risk is mitigated to some degree by having a broad base of domestic and international customers. With respect to counterparties for financial instruments used for economic hedging purposes, Keyera attempts to limit its credit risk by dealing with recognized futures exchanges, or investment grade financial institutions, or by adherence to credit policies that significantly reduce overall counterparty credit risk. Management

believes these measures reduce Keyera's overall credit risk; however, there can be no assurance that these processes will protect against all losses from non-performance.

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

Interest Rates

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

Currency Risk

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

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

Keyera is also exposed to foreign currency risk related to its U.S. dollar denominated long term debt. To manage this currency exposure, Keyera entered into cross currency swap contracts relating to principal and future interest payments for substantially all of the U.S. dollar denominated debt. These cross currency swap contracts are discussed further in the Liquidity and Capital Resources section of the 2015 Annual Management Discussion and Analysis available on SEDAR at www.sedar.com. Management monitors the exposure to foreign currency risk and regularly reviews its risk management strategies and all outstanding positions. Even though Keyera has taken these steps, fluctuations in foreign exchange may still have an adverse effect on its financial results.

Market Price

The market price of the Common Shares may fluctuate due to a variety of factors relating to Keyera's business, including announcements of new developments, fluctuations in Keyera's operating results, sales of the Common Shares or the issuance of Preferred Shares in the marketplace, failure to meet analysts' expectations, general market conditions or the worldwide economy. In the last two years, the Common Shares and stock markets in Canada and the U.S. have experienced significant price fluctuations resulting from a weakened global economic situation and low commodity prices and largely 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 prohibit Keyera from paying dividends at any time at which a default or event of default would exist under such debt, or if a default or event of default would exist as a result of paying the dividend. (See "Risk Factors – Financial Risks – Debt Matters").

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

Sales of Additional Common Shares or Preferred Shares

Keyera Corp. may issue additional Common Shares or Preferred Shares in the future. As of December 31, 2015, there are no Preferred Shares issued and outstanding. Such additional Common Shares and Preferred Shares may be issued without the approval of Shareholders. Shareholders do not have pre-emptive rights in connection with such additional issuances of Common Shares or Preferred Shares. It is not possible to predict the size of future issuances of Common Shares, Preferred Shares or the effect, if any, that future issuances of Common Shares or Preferred Shares will have on the market price of the Common Shares or Preferred Shares. Issuances of a substantial number of Common Shares or Preferred Shares, or the perception that such issuances could occur, may adversely affect prevailing market prices for the Common Shares or Preferred Shares. As well, with any additional issuance of Common Shares or Preferred Shares, Shareholders will experience dilution.

Keyera's dividend reinvestment plan (the "Plan"), which was amended effective May 5, 2015, consists of two components: a Premium Dividend™ reinvestment component and a regular Dividend Reinvestment component. Under the Dividend Reinvestment component of the Plan, Common Shares are issued from treasury at a 3% discount to the Average Market Price (as defined in the Plan) on the applicable dividend payment date. Effective with the May 2015 dividend, Keyera reinstated the Premium Dividend™ component of the Plan. The Premium Dividend™ component permits eligible shareholders to elect to have the additional shares issued from treasury at the 3% discount and delivered to the designated Plan Broker (as defined in the Plan) in exchange for a premium cash payment equal to 101% of the regular, declared cash dividend that was reinvested on their behalf under the Plan. A copy of the Plan (as amended) is available on Keyera's website at www.keyera.com and on SEDAR at www.sedar.com.

Changes in Tax Legislation

Tax laws may be amended (its interpretation may change), retroactively or prospectively, resulting in tax consequences that materially differ from those contemplated by Keyera across the jurisdictions in which Keyera has operations or sales which may create a risk of non-compliance and re-assessment. While Keyera believes that its tax filing positions are appropriate and supportable, it is possible that tax authorities may: (a) amend tax legislation (or its interpretation may change), or (b) successfully challenge Keyera's interpretation of tax legislation which may affect Keyera's estimate of current and future income taxes affecting the financial condition, prospects, and cash flow available to pay dividends to Keyera's Shareholders. For example, in June 2015, the Province of Alberta (where the majority of Keyera's assets are located) increased its general corporate tax rate by 2% effective July 1, 2015.

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

Litigation Risk

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

Dependence on Subsidiaries

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

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

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

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director, officer or principal shareholder of Keyera Corp., nor any associate or affiliate of any such person, has had any material interest, direct or indirect, in any transaction with Keyera Corp. since January 1, 2013 that has materially affected or is reasonably expected to materially affect Keyera Corp.

INTERESTS OF EXPERTS

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

TRANSFER AGENT AND REGISTRAR

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

MATERIAL CONTRACTS

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

1. Partnership Agreement dated January 1, 2011 (filed February 17, 2011), as amended by partnership amending agreements dated December 21, 2011 (filed February 16, 2012), December 23, 2011 (filed February 16, 2012) and January 2, 2016 (filed February 10, 2016);
2. Note Purchase Agreements dated September 4, 2007, April 30, 2009, September 8, 2010, and November 5, 2010 (including the first amending agreement dated January 4, 2011, the second amending agreement dated

June 8, 2011 and the third amending dated October 10, 2013), 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 third amending agreement dated October 10, 2013 which was filed on February 13, 2014), as well as the Note Purchase Agreement dated June 19, 2012 and filed February 14, 2013 and the Note Purchase Agreement dated November 20, 2013 and filed on February 13, 2014;

3. Shareholder Rights Plan dated January 1, 2011 and filed January 4, 2011; and

4. Amended and Restated Credit Agreement dated January 1, 2011 (including the first amending agreement dated November 2, 2011 and filed on November 28, 2011, the second amending agreement dated December 14, 2012 and filed on February 14, 2013, the third amending agreement dated December 6, 2013 and filed on February 13, 2014, the fourth amending agreement dated December 9, 2014 and filed on February 11, 2015, and the fifth amending agreement dated December 9, 2015 and filed on February 10, 2016).

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 2015, is contained in the Keyera Corp. information circular dated March 19, 2015 filed on SEDAR at www.sedar.com. Information for 2015 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 10, 2016.

3. Additional financial information is provided in Keyera’s 2015 Audited Annual Consolidated Financial Statements and accompanying Management Discussion and Analysis filed on SEDAR at www.sedar.com.

SCHEDULE A
AUDIT COMMITTEE TERMS OF REFERENCE

A. Purpose

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

B. Mandate

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

1. Financial Reporting. The Committee has responsibility for monitoring and reviewing financial reporting by Keyera. The Committee shall:

   (a) review with management and the external auditors the financial reporting of Keyera in connection with the annual audit and the preparation of financial statements, including, without limitation, the judgment of the external auditors as to the quality and appropriateness of the accounting principles as applied in that financial reporting;

   (b) receive the report of the external auditors on the annual financial statements of Keyera;

   (c) review with the external auditors, (i) the annual financial statements of Keyera; (ii) the audit of those financial statements; and (iii) the report of the external auditors thereon; in order to confirm that the external auditors are satisfied with the disclosure to them of appropriate information and the content of the financial statements;

   (d) review with management and make recommendations to the Board of Directors relating to (i) the audited annual financial statements of Keyera, and (ii) Management’s Discussion and Analysis (“MD&A”) in respect of Keyera’s annual financial statements, and (iii) the accompanying report of the Chief Executive Officer and press release;

   (e) receive the report of the external auditors on Keyera’s interim financial statements;

   (f) review with management and the external auditors (i) Keyera’s interim financial statements, (ii) the review of those financial statements, and (iii) the auditor’s report on their review and review with management the MD&A in relation thereto (along with the accompanying report of the Chief Executive Officer and press release) and make recommendations to the Board relating to the interim financial statements, MD&A and related documents;

   (g) review and make recommendations to the Board with respect to Keyera’s Annual Information Form and Information Circular;

   (h) review and make recommendations to the Board of Directors relating to any prospectus required to be filed in connection with an offering of securities by Keyera;

(i) receive a report from the general counsel each quarter and review with management, and, if necessary, the external auditors and legal counsel, any litigation, claim or contingency, including tax assessments (collectively "Claims"), that could have a material effect upon the financial position of Keyera and the manner in which such Claims may be, or have been, disclosed in the financial statements;

(j) review with management accounting practices, policies, significant estimates and instances of management override of controls and the financial impact thereof; and

(k) review accounting, tax and financial aspects of the operations of Keyera as the Committee considers appropriate.

2. Relationship with the External Auditors. The Committee has responsibility for the relationship with the external auditors relating to audit, review and attest services. The Committee shall:

(a) subject to applicable law and the rights of shareholders and the Board, be directly responsible, for the appointment, compensation, and retention of the external auditors and oversight of their work relating to their audit (including resolution of disagreements between management and the external auditors regarding financial reporting), their preparation or issuance of an audit report, or their performance of other audit, review or attest services for Keyera;

(b) be responsible for requiring the external auditors to report directly to the Committee;

(c) review and approve the audit plans of the external auditors of Keyera;

(d) meet separately with the external auditors to discuss matters of mutual interest, and to consider any matter that the external auditors recommend that the Committee bring to the attention of the full Board;

(e) pre-approve significant non-audit engagements, including audit-related activities and other services, of the external auditors and review the fees paid and other terms for these engagements;

(f) review and discuss with the external auditors all significant relationships that the external auditors and their affiliates have with Keyera in order to determine the external auditors' independence, including, without limitation, (A) requesting, receiving and reviewing, on a periodic basis, a statement from the external auditors delineating all relationships that may reasonably be thought to bear on the independence of the external auditors with respect to Keyera, (B) discussing with the external auditors any disclosed relationships or services that the external auditors believe may affect the objectivity and independence of the external auditors, and (C) recommending that the Board take appropriate action in response to the external auditors' report to satisfy itself of the external auditors' independence;

(g) periodically consider whether external auditors should be precluded from providing non-audit services to Keyera; and

(h) determine whether restrictions should be placed on the recruitment by Keyera of employees and management from the external auditors.

3. Internal Audit and Controls. The Committee has an oversight responsibility for the design, maintenance and assessment of internal controls and the internal audit function by Keyera's'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.