Second Quarter Report August 5, 2015

2015 Second Quarter Report

For the period ended June 30, 2015

HIGHLIGHTS

- Keyera continued to deliver strong results in the second quarter of 2015 and generated adjusted earnings before interest, taxes, depreciation and amortization[2, 3] ("Adjusted EBITDA") of $157 million, 10% higher than the $143 million reported in second quarter 2014. Year to date, Adjusted EBITDA was 36% higher than the same period in 2014.
- The Gathering and Processing Business Unit reported solid operating margin of $56 million (Q2 2014 - $64 million) despite completing three major gas plant turnarounds. The NGL Infrastructure segment delivered operating margin[4] of $55 million (Q2 2014 - $49 million) as demand for its essential services continues to grow and the Marketing segment's operating margin[4] was $53 million (Q2 2014 - $53 million), reflecting another strong contribution from Alberta EnviroFuels ("AEF") and Keyera's effective risk management strategy.
- Distributable cash flow[2, 3] increased to $92 million ($0.54 per share[1]) in the second quarter of 2015 compared to $84 million ($0.52 per share[1]) recorded in the same period last year. Keyera's payout ratio was 63% for the quarter and 49% year to date.
- Net earnings were $16 million or $0.09 per share[1] in the second quarter compared to $63 million or $0.39 per share in the same period last year due to a non-cash loss related to changes in the fair value of currency swaps, higher depreciation associated with Keyera's growing asset base and an increase in current income tax expense.
- With the continued growth in cash flow as a result of the completion of various capital projects, Keyera is increasing its dividend by 9%, from $0.115 per share per month to $0.125 per share per month, or $1.50 per share annually. The dividend increase is effective with the August dividend payable on September 15, 2015 to shareholders of record on August 24, 2015. The ex-dividend date is August 20, 2015.
- Several capital projects have been completed and are beginning to add incremental cash flow, including the 400 million cubic feet per day turbo expander at the Rimbey gas plant, the 110 million cubic feet per day Alder Flats gas plant and the Josephburg rail terminal.
- Progress was made on a number of other projects in Keyera's business units to support the infrastructure needs of the industry, including the 54 million cubic feet per day Zeta Creek gas plant and the 35,000 barrel per day fractionation expansion at Keyera's Fort Saskatchewan ("KFS") complex, which is backed by long-term contracts.
- During the quarter, three planned maintenance turnarounds were successfully completed on time and on budget at the Rimbey, Brazeau River and Bigoray gas plants. The last turnaround of 2015, at the Minnehik Buck Lake gas plant, is scheduled for the third quarter.
- Total growth capital investment was $182 million in the second quarter of 2015, including $14 million of acquisitions. In 2015, growth capital investment, excluding acquisitions, is expected to be between $700 million and $800 million[5].

1 Keyera completed a two-for-one split of its outstanding common shares payable to shareholders of record on April 1, 2015.
2 See "Non-GAAP Financial Measures" on page 37 of the MD&A.
3 See pages 34 and 35 of the MD&A for a reconciliation of distributable cash flow to cash flow from operating activities and Adjusted EBITDA to net earnings.
4 See note 13 to the accompanying financial statements.
5 See "Capital Expenditures and Acquisitions" on page 31 of the MD&A for further discussion of Keyera's capital investment program.

Summary of Key Measures (Thousands of Canadian dollars, except where noted)	**Three months ended June 30,** **2015**	 2014	**Six months ended June 30,** **2015**	 2014
Net earnings	**15,587**	62,930	**72,167**	118,163
Per share ($/share) – basic[1]	**0.09**	0.39	**0.43**	0.74
Cash flow from operating activities	**126,434**	106,675	**403,997**	226,168
Distributable cash flow[2]	**92,305**	84,015	**232,099**	162,235
Per share ($/share)[1]	**0.54**	0.52	**1.37**	1.01
Dividends declared	**58,479**	51,044	**114,248**	98,649
Per share ($/share)[1]	**0.35**	0.32	**0.68**	0.62
Payout ratio %[2]	**63%**	61%	**49%**	61%
Adjusted EBITDA[3]	**156,923**	143,043	**341,430**	250,790
Gathering and Processing:				
Gross processing throughput (MMcf/d)	**1,436**	1,358	**1,486**	1,349
Net processing throughput (MMcf/d)	**1,098**	1,113	**1,162**	1,107
NGL Infrastructure:				
Gross processing throughput (Mbbl/d)	**116**	118	**122**	120
Net processing throughput (Mbbl/d)	**32**	29	**34**	33
Marketing:				
Inventory value	**97,456**	193,806	**97,456**	193,806
Sales volumes (Bbl/d)	**101,300**	83,000	**110,300**	91,200
Acquisitions	**13,592**	114,159	**16,407**	119,942
Growth capital expenditures	**168,605**	157,021	**378,534**	355,619
Maintenance capital expenditures	**38,754**	39,604	**43,059**	42,883
Total capital expenditures	**220,951**	310,784	**438,000**	518,444

	As at June 30, **2015**	 2014
Long-term debt	**1,097,950**	1,154,172
Credit facilities	**230,000**	—
Working capital deficit (surplus)[4]	**155,299**	(319,846)
Net debt	**1,483,249**	834,326
Common shares outstanding – end of period[1]	**169,747**	167,870
Weighted average number of shares outstanding – basic[1]	**169,164**	160,392
Weighted average number of shares outstanding – diluted[1]	**169,164**	160,392

Notes:

1 On April 1, 2015, Keyera's outstanding common shares were split on a two-for-one basis. All per share information has been presented on a post-share split basis.

2 Payout ratio is defined as dividends declared to shareholders divided by distributable cash flow. Payout ratio and distributable cash flow are not standard measures under GAAP. See page 35 for a reconciliation of distributable cash flow to its most closely related GAAP measure.

3 Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization, accretion, impairment expenses, unrealized gains/losses and any other non-cash items such as gains/losses on the disposal of property, plant and equipment. EBITDA and Adjusted EBITDA are not standard measures under GAAP. See section of the MD&A titled "EBITDA" for a reconciliation of Adjusted EBITDA to its most closely related GAAP measure.

4 Working capital is defined as current assets less current liabilities.

Message to Shareholders

Keyera's strategically located and integrated portfolio of midstream assets once again demonstrated its value, delivering strong results for the second quarter in 2015. Adjusted EBITDA was $157 million in the second quarter of 2015, 10% higher than the same period last year. We continue to grow, with year-to-date Adjusted EBITDA up 36% over the prior year as our capital investments, supported by customer demand, generated incremental cash flows.

Our network of interconnected gas plants, pipelines and facilities as well as our diverse service offering position us for continued success. Within the Western Canada Sedimentary Basin, our assets are located above some of the most economic geological zones where producers continue to focus on development of liquids-rich horizons. Our industry-leading condensate network provides producers with access to the most receipt and delivery points and storage options, and demand continues to increase with growing oil sands production. Across our business, from 2013 through the end of 2015, we expect to have invested over $2 billion of growth capital, supported primarily by fee-for-service contracts.

Gathering and Processing Business Unit

The Gathering and Processing Business Unit successfully completed three major plant turnarounds at the Rimbey, Brazeau River and Bigoray gas plants during the quarter. The turnarounds were completed on time and on budget, but with about seven weeks of total downtime. Further, a 12-day planned outage at the Simonette gas plant, as well as continued curtailments on TransCanada's sales gas pipeline system, also affected volumes. As a result, gross throughput declined approximately 6% from the previous quarter. In comparison to the same period last year, gross throughput increased approximately 6%. However, operating margin for the business unit decreased approximately 12% to $56 million as the second quarter of 2014 included non-recurring revenue items.

Several projects were completed or advanced across west central Alberta in the second quarter. At the Rimbey gas plant, the 400 million cubic feet per day turbo expander was completed and is now generating incremental cash flow as we are producing ethane on a fee-for-service basis. In July, we completed the debottlenecking of the fractionation plant at Rimbey, increasing the gas plant's nominal fractionation capacity from 21,000 barrels per day to 28,000 barrels per day. In addition, we expanded the NGL truck offload capacity at the Rimbey gas plant. I would like to congratulate the hundreds of employees and contractors who worked together to complete these projects at Rimbey safely and on schedule. We also began construction of the Wilson Creek inlet facilities and continued to advance the engineering and design of the 17-kilometre extension of our Wilson Creek pipeline, which is targeted to be on stream in early 2016.

We continue to work with customers to provide the infrastructure needed to help develop the Western Canada Sedimentary Basin. The south leg of the Twin Rivers pipeline came on line in April, which has allowed incremental volumes to flow to Keyera's interconnected Brazeau River and West Pembina gas plants. Phase One of the Alder Flats gas plant was completed and brought on stream by Bellatrix Exploration in late May. The Zeta Creek gas plant is nearing completion and is expected to be commissioned by Velvet Energy late in the third quarter, assuming construction schedules are met. Once construction is complete, Keyera will take over operation of the Zeta Creek gas plant.

Liquids Business Unit - NGL Infrastructure Segment

Keyera's NGL Infrastructure segment reported an operating margin of $55 million in the second quarter, an increase of 12% over the same period in 2014. Growing demand for our services continues to support the success of this business unit. During the quarter, we continued to enhance and expand Keyera's asset base in the Edmonton/Fort Saskatchewan area.

At our KFS complex, the new de-ethanizer performed well during the first quarter of operation, and we progressed construction of the fractionation expansion. This project will more than double the fractionation capacity at KFS when completed in the first half of 2016, assuming construction schedules are met. With growing demand for NGL storage solutions, we continue to expand our underground storage caverns at KFS. We completed the washing of the 13th cavern and expect it to be in service in the third quarter. We continue to wash the 14th cavern and expect to begin washing the 15th cavern in the third quarter of 2015.

Also in July, construction and commissioning was completed at the Josephburg Rail Terminal located east of KFS. The terminal is now operational and is providing a much needed outlet for Western Canadian propane. At our South Cheecham rail and truck terminal near Fort McMurray, we received regulatory approval to proceed with our previously announced solvent handling project. Detailed engineering is essentially complete and civil work is expected to begin in the third quarter. The solvent handling project is underpinned by an agreement with Suncor for the Fort Hills joint venture oil sands project.

In April, Keyera entered into a long-term lease-to-own arrangement for a 49-kilometre pipeline, which will complement our NGL pipeline infrastructure in the Edmonton/Fort Saskatchewan area. The northern segment of this pipeline, between Redwater and Fort Saskatchewan, is expected to be used to receive diluent from the North West Sturgeon Upgrader under terms of a long-term diluent handling agreement. The southern segment is expected to provide us with increased flexibility and capacity of up to 60,000 barrels per day to provide additional NGL transportation services in the Edmonton/Fort Saskatchewan area. These plans are conditional on completion of due diligence and receiving regulatory approvals.

Liquids Business Unit – Marketing Segment

Operating margin for the Marketing segment was $53 million in the second quarter, significantly higher than the $36 million reported in the first quarter of 2015 and slightly above the results reported in the same period of 2014. As the largest contributor to the segment's results, Keyera's iso-octane business performed well, with the AEF plant operating near capacity and margins continuing to strengthen during the quarter. In an environment of low commodity prices, our Marketing segment continues to manage risk effectively.

Outlook

Over the past several years, Keyera has focused on developing projects to meet the infrastructure needs of the industry, supported by long-term contracts. We are realizing the benefits of this strategy as these projects become operational and generate cash flow growth to enhance shareholder value. For 2015, we still expect to invest between $700 million and $800 million in growth capital projects and will continue to make decisions with a long-term view. Our strong balance sheet and access to capital enable us to fund our capital expenditures and also provide us with the flexibility to selectively pursue acquisitions.

We are pleased to announce a 9% dividend increase to $0.125 per share per month, beginning with our dividend payable on September 15, 2015. This latest increase reflects Keyera's continued growth in cash flow as a result of our successful completion of various capital projects.

We recognize this is a challenging and uncertain time for the oil and gas industry and our customers. With lower commodity prices and reduced cash flows, industry investment has been substantially curtailed. We will continue to build strong relationships with our customers during this period, providing them with efficient infrastructure solutions and positioning Keyera for long-term growth.

On behalf of Keyera's board of directors and management team, thank you for your ongoing support and we look forward to delivering continued growth in the second half of the year.

David G. Smith
President & Chief Executive Officer
Keyera Corp.

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") was prepared as of August 5, 2015, and is a review of the results of operations and the liquidity and capital resources of Keyera Corp. and its subsidiaries (collectively "Keyera"). The MD&A should be read in conjunction with the accompanying condensed interim unaudited consolidated financial statements ("accompanying financial statements") of Keyera Corp. for the three and six months ended June 30, 2015, and the notes thereto as well as the audited consolidated financial statements of Keyera Corp. for the year ended December 31, 2014, and the related MD&A. The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") also referred to as GAAP, and are stated in Canadian dollars. Additional information related to Keyera, including its Annual Information Form, is available on SEDAR at www.sedar.com or on Keyera's website at www.keyera.com.

This MD&A contains non-GAAP measures and forward looking statements and readers are cautioned that the MD&A should be read in conjunction with Keyera's disclosure under "NON-GAAP FINANCIAL MEASURES" and "FORWARD-LOOKING STATEMENTS" included at the end of this MD&A.

Keyera's Business

Keyera operates one of the largest natural gas midstream businesses in Canada. Midstream entities operate in the oil and gas industry 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 natural gas liquids ("NGLs"), before the sales gas is injected into long-distance pipeline systems for transportation to end-use markets.

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

   NGL Infrastructure – Keyera owns and operates a network of facilities for the processing, storage and transportation of the by-products of natural gas processing, including NGLs such as ethane, propane, butane and condensate. In addition, this segment includes Keyera's iso-octane facilities also referred to as Alberta EnviroFuels ("AEF") and facilities for handling crude oil.

   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.

CONSOLIDATED FINANCIAL RESULTS

The following table highlights some of the key consolidated financial results for the three and six months ended June 30, 2015 and 2014:

(Thousands of Canadian dollars, except per share data)	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Net earnings	**15,587**	62,930	**72,167**	118,163
Net earnings per share (basic) [1]	**0.09**	0.39	**0.43**	0.74
Total operating margin[2]	**171,190**	166,172	**325,241**	292,907
Adjusted EBITDA[3]	**156,923**	143,043	**341,430**	250,790
Cash flow from operating activities	**126,434**	106,675	**403,997**	226,168
Distributable cash flow[4]	**92,305**	84,015	**232,099**	162,235
Distributable cash flow per share[1,4] (basic)	**0.54**	0.52	**1.37**	1.01
Dividends declared	**58,479**	51,044	**114,248**	98,649
Dividends declared per share[1]	**0.35**	0.32	**0.68**	0.62

1 Effective April 1, 2015, Keyera's outstanding common shares were split on a two-for-one basis. All per share information has been presented on a post-share split basis.
2 Total operating margin refers to total operating revenues less total operating expenses and general and administrative expenses associated with the Marketing segment. See note 13 of the accompanying financial statements.
3 Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization, accretion, impairment expenses, unrealized gains/losses and any other non-cash items such as gains/losses on the disposal of property, plant and equipment. Adjusted EBITDA is not a standard measure under GAAP. See the section titled "EBITDA" for a reconciliation of Adjusted EBITDA to its most closely related GAAP measure.
4 Distributable cash flow is not a standard measure under GAAP. See the section titled, "Dividends: Distributable Cash Flow", for a reconciliation of distributable cash flow to its most closely related GAAP measure.

Keyera recorded another strong quarter of financial results for the three months ended June 30, 2015. Despite continued low commodity prices, key financial measures from operations were robust in the second quarter of 2015 driven by the strategic location of Keyera's assets, its strong iso-octane business and its effective and disciplined approach to risk management.

Net Earnings

For the three months ended June 30, 2015, net earnings were $15.6 million, $47.3 million lower than the same period in 2014 primarily due to:

- a net foreign currency non-cash loss of $43.3 million in 2015 compared to a loss of $13.7 million that primarily relates to the change in fair value of U.S. currency swaps since the end of the first quarter;
- current income tax expense of $17.5 million in 2015 compared to $6.8 million in the prior year; and
- higher depreciation charges resulting from the continued growth in Keyera's asset base, as well as an increase in depletion relating to oil and gas reserves acquired in mid-2014.

On a year-to-date basis, net earnings were $72.2 million in 2015, $46 million lower than the first six months of 2014. The effect of higher operating margin in 2015 was more than offset by the following non-cash items:

- a net foreign currency non-cash loss of $36.4 million in 2015 compared to a net non-cash loss of $0.5 million;
- an impairment charge of $19.9 million recorded in the first quarter of 2015, related to the expected shut-down of the Bonnie Glen Pipeline later this year; and
- higher depreciation charges.

The section of this MD&A titled, "Non-Operating Expenses and Other Income", provides more information related to these charges.

Operating Margin

Keyera posted strong operating results in the second quarter of 2015 despite completing three major turnarounds in the Gathering and Processing segment and the continued low commodity price environment. Operating margin in the second quarter of 2015 was $171.2 million, $5.0 million higher than the same period in 2014. These strong operating results in the second quarter of 2015 are a result of:

- continued demand for NGL fractionation, storage and transportation services in the Edmonton/Fort Saskatchewan area;
- incremental margin from Keyera's investment in strategic assets, including the Alberta Crude Terminal, the de-ethanizer at Fort Saskatchewan, and several new gathering systems that are delivering gas to core Keyera facilities such as the Rimbey and Simonette gas plants;
- strong iso-octane margins resulting from robust gasoline and iso-octane prices relative to crude oil and to butane as the primary feedstock, steady sales volumes, and attractive foreign currency rates; and
- Keyera's effective and disciplined approach to risk management in its Marketing business that has mitigated the negative impact of low propane prices.

For the six months ended June 30, 2015, operating margin was $325.2 million, $32 million higher than the same period in 2014 primarily due to the same factors that contributed to the strong operating results in the second quarter.

The section titled, "Segmented Results of Operations", provides more information on operating results by segment.

Cash Flow Metrics

Cash flow metrics were also strong in the second quarter of 2015. For the three months ended June 30, 2015, cash flow from operating activities was $126.4 million, $19.8 million higher than the same period last year primarily due to:

- solid operating results from all business segments; and
- a reduction in cash required to fund inventory purchases as a result of significantly lower NGL prices compared to the prior year.

For the six months ended June 30, 2015, cash flow from operating activities was $404.0 million, $177.8 million higher than the same period in 2014 due to the same factors listed above combined with the inclusion of approximately $40 million of realized cash gains and physical margin in the first quarter relating to the settlement of risk management contracts associated with Keyera's year-end 2014 inventory. Refer to Keyera's first quarter 2015 MD&A for more information related to the settlement of risk management contracts associated with the write-down of inventory as at December 31, 2014.

Distributable cash flow for the three and six months ended June 30, 2015 was $92.3 million and $232.1 million respectively, $8.3 million and $69.9 million higher than the same periods last year. The higher distributable cash flow was achieved despite recording higher cash taxes in 2015 compared to the prior year.

SEGMENTED RESULTS OF OPERATIONS

Keyera is organized into two integrated businesses: the Gathering and Processing Business Unit and the Liquids Business Unit. The Liquids Business Unit consists of the NGL Infrastructure and Marketing segments. A complete description of Keyera's businesses by segment can be found in Keyera's Annual Information Form, which is available at www.sedar.com.

The discussion of the results of operations for each of the operating segments focuses on operating margin. Operating margin refers to operating revenues less operating expenses and does not include the elimination of inter-segment transactions. Management believes operating margin provides an accurate portrayal of operating profitability by segment. Keyera's Gathering and Processing and NGL Infrastructure segments charge Keyera's Marketing segment for the use of facilities at market rates. These segment measures of profitability for the three and six months ended June 30, 2015 and 2014 are reported in note 13, Segment Information, of the accompanying financial statements.

Gathering and Processing

Keyera has interests in 19 gas plants in western Canada, of which one is currently under construction, making it one of the largest gas processors in Alberta. Keyera is operator of 16 of the existing plants and will operate the new plant when it becomes operational. The Gathering and Processing segment includes raw gas gathering systems and processing plants strategically located in the natural gas production areas on the western side of the Western Canada Sedimentary Basin ("WCSB"). Several of the gas plants are interconnected by raw gas gathering pipelines, allowing raw gas to be directed to the gas plant best suited to process the gas. Keyera's facilities and gathering systems collectively constitute a network that is well positioned to serve drilling and production activity in the WCSB.

Operating margin for the Gathering and Processing segment was as follows:

Operating Margin and Throughput Information (Thousands of Canadian dollars)	**Three months ended June 30,** **2015**	2014	**Six months ended June 30,** **2015**	2014
Revenue including inter-segment transactions	**107,169**	113,524	**213,907**	205,969
Operating expenses	**(51,134)**	(49,543)	**(97,696)**	(93,734)
Unrealized gain on electricity financial contracts	**112**	—	**82**	—
Total operating expenses	**(51,022)**	(49,543)	**(97,614)**	(93,734)
Operating margin	**56,147**	63,981	**116,293**	112,235
Gross processing throughput – (MMcf/d)	**1,436**	1,358	**1,486**	1,349
Net processing throughput[1] – (MMcf/d)	**1,098**	1,113	**1,162**	1,107

Note:
[1] Net processing throughput refers to Keyera's share of raw gas processed at its processing facilities.

Operating Margin and Revenues

The Gathering and Processing segment recorded solid operating results in the second quarter of 2015 despite completing three major turnarounds during this period. Operating margin for the three months ended June 30, 2015 was $7.8 million lower than the same period last year partly due to lower throughput at the Rimbey gas plant stemming from the completion of a major turnaround as well as work to expand fractionation capacity at the facility.

In addition, operating margin in the second quarter of 2014 was unusually high due to the following non-recurring items:

- approximately $5 million of incremental revenue was recorded for the recovery of the full estimated amount of the turnaround at the Cynthia gas plant. The offsetting expense was recorded in Keyera's Corporate and Other operating segment; and

- approximately $3 million of additional revenue was recorded in connection with the use of Keyera's road at Simonette that related to prior periods.

Operating margin for the six months ended June 30, 2015 was $4.1 million higher than the same period last year largely due to incremental revenue from Keyera's investment in several new gathering systems including:

- the Wapiti pipeline system which became operational in the fourth quarter of 2014, delivering volumes to the Simonette gas plant;

- the Twin Rivers system which became operational in April 2015 and is delivering volumes to the West Pembina and Brazeau River gas plants; and

- the Carlos Pipeline extension and the Wilson Creek gathering systems which became operational in April 2014 and deliver volumes to the Rimbey gas plant.

The impact of these higher revenues was partly offset by lower revenue at the Rimbey gas plant resulting from the planned maintenance turnaround and completion of the fractionation de-bottleneck project in the second quarter of 2015, as well as reduced volumes and revenue resulting from the TransCanada sales gas pipeline curtailments described in the section below.

Gathering and Processing revenues for the three and six months ended June 30, 2015 was $6.4 million lower and $7.9 million higher respectively compared to the same periods in 2014. The variance in revenues was largely due to the same factors that contributed to the variance in operating margin in the respective periods.

Gathering and Processing Activity

The Gathering and Processing segment experienced a significant amount of activity in the second quarter of 2015, particularly at the Rimbey gas plant. During the second quarter, major turnarounds were completed on time and on budget at the Rimbey, Brazeau River and Bigoray gas plants. At the time of completing the turnaround at Rimbey, the fractionation de-bottleneck project as well as the NGL truck offload expansion were completed. In addition, the Rimbey Turbo Expander began commissioning in June and became operational in July and is now extracting ethane that is being sold to a large consumer in Alberta under a long-term sales agreement. Refer to the table, "Capital Projects Status Update – Gathering and Processing", for more information related to these capital projects.

Overall, gross processing throughput for the three and six months ended June 30, 2015 was 1,436 million cubic feet per day and 1,486 million cubic feet per day respectively, an increase of 6% and 10% over the same periods in 2014. The increase was largely due to incremental volumes from the new Alder Flats gas plant that became operational in late May as well as volumes from the Cynthia gas plant acquired on May 1, 2014. Compared to the first quarter of 2015, throughput decreased by approximately 92 million cubic feet per day or 6% due to:

- the completion of three major turnarounds in the second quarter;

- a 12-day planned outage at the Simonette gas plant to complete maintenance work on the sulphur plant; and

- continued curtailments on the TransCanada sales gas pipelines, resulting in lower volumes at the Brazeau River and Minnehik Buck Lake facilities in the second quarter.

Although drilling activity continued around several of Keyera's core facilities, throughput volumes have been lower in the first half of 2015 due to curtailments imposed by TransCanada Pipelines Limited ("TransCanada") on its sales gas pipelines related to their ongoing maintenance and integrity work. The curtailment at Strachan was lifted in the second quarter of 2015, but reinstated effective mid-July. These curtailments continue to affect Keyera's Strachan, Brazeau River and Minnehik Buck Lake gas plants.

While the current low commodity price environment has reduced overall activity in western Canada, some producers are continuing to develop resource plays around several core Keyera gas plants. In the first quarter of 2015, Keyera signed a take-or-pay agreement with a producer to underpin an extension of the Wilson Creek gathering system which currently delivers raw gas and condensate to the Rimbey gas plant. The extension will consist of two 17-kilometre pipelines (a 12-inch raw gas pipeline and a 6-inch condensate pipeline) and a jointly owned compressor station. The project is currently estimated to cost approximately $24 million and is expected to be operational in the first quarter of 2016. Construction of the pipeline extension is expected to commence in the second half of this year.

In July, Keyera was advised by its customer that they would be exercising its right to cancel the sulphur handling agreement underpinning the sulphur forming project at the Strachan gas plant, as the capital costs identified during detailed engineering exceeded expectations. This project involved the replacement of the existing sulphur forming facility with a new sulphur forming and degassing unit. As a result, work on the project has been suspended and the cost of the pre-engineering work completed to date will be divided between Keyera and the customer. Keyera will continue to work with its customer to evaluate other options.

The following is a status update of previously announced major projects in the Gathering and Processing segment:

Capital Projects Status Update – Gathering and Processing		
Facility/Area	**Project Description**	**Project Status Update**
Rimbey	***Rimbey turbo expander:*** addition of a 400 million cubic feet per day turbo expander designed to extract up to 20,000 barrels per day of ethane.	The project was completed and became operational in July 2015. *Estimated total cost to complete:* • Approximately $255 million *Total net costs incurred by Keyera to June 30, 2015:* • $238 million
Rimbey	***Rimbey fractionation and NGL truck offload expansion:*** *i)* de-bottleneck to expand fractionation capacity from 21,000 barrels per day to 28,000 barrels per day of capacity. The fractionation expansion has increased the total liquids handling capacity for the facility from 31,500 barrels per day to 38,500 barrels per day, including 10,500 barrels per day of condensate stabilizer capacity. ii) modify the NGL truck rack to increase offload capacity from 6,300 barrels per day to 9,400 barrels per day.	The project was completed and became operational in the second quarter of 2015. *Estimated total cost to complete:* • Approximately $30 million *Total net costs incurred by Keyera to June 30, 2015:* • $28 million

Facility/Area	Project Description	Project Status Update
Strachan Vitasul Project	A 50/50 joint venture with Sulvaris that involves the construction of a sulphur handling fertilizer production facility at the Strachan gas plant site.	Keyera and Sulvaris are currently adjusting the project execution plan based on an enhanced scope definition. The additional capital cost reflects engineering completed to date. Keyera and Sulvaris are currently assessing the implications of the cost increase and reviewing the business plan. *Estimated total cost to complete:* • Gross costs of approximately $180 million for the fertilizer production facility. • Net cost to Keyera of approximately $120 million, including 100% owned common facilities. *Total net costs incurred by Keyera to June 30, 2015:* • $35 million
Alder Flats Gas Plant Phase One: Licensed capacity of 110 million cubic feet per day Phase Two: additional inlet capacity of 110 million cubic feet per day	• Keyera is participating as a 35% owner in a new deep-cut gas plant and related pipelines (a 16-inch raw gas gathering line, a 4-inch condensate pipeline and a fuel gas line) • The gas plant was constructed by Bellatrix Exploration Ltd. (“Bellatrix”). Bellatrix is also the operator of the gas plant.	Construction of the new gas plant (phase one) was completed and the plant became operational at the end of May 2015. Bellatrix has indicated that phase two will be delayed to the first half of 2017. *Estimated total cost to complete:* • Bellatrix anticipates that the total cost of the gas plant and associated pipelines will be approximately $230 million for phases one and two. • Net cost to Keyera of approximately $80 million for phases one and two. *Total net costs incurred by Keyera to June 30, 2015:* • $45 million

Facility/Area	Project Description	Project Status Update
Zeta Creek Gas Plant (Licensed capacity of 54 million cubic feet per day)	• Keyera is participating as a 60% owner in the gas plant and as a 75% owner in the proposed sales gas lateral pipeline to be constructed from the Zeta Creek gas plant to the TransCanada mainline. • The gas plant is currently being constructed by Velvet Energy ("Velvet") and Keyera will be operator of the plant once it is operational.	Construction continued in the first quarter and the plant is expected to be on stream by the fourth quarter of 2015. *Estimated total cost to complete:* • Net cost to Keyera of approximately $41 million, including its proportionate share associated with the gas plant and the sales gas lateral pipeline. *Total net costs incurred by Keyera to June 30, 2015:* • $28 million

Estimated costs and completion times for the projects currently under development that are discussed above assume that construction proceeds as planned, that the actual costs are in line with estimates and, where required, that regulatory approvals are received on a timely basis. The section of this MD&A titled, "Forward Looking Information", provides more information on factors that could affect the development of these projects. For more detailed information relating to these projects, readers are referred to Keyera's 2014 year end MD&A available on SEDAR at www.sedar.com.

Maintenance turnarounds were completed at the Rimbey, Brazeau River and Bigoray gas plants in the second quarter of 2015 and details of the costs are below:

Facility/Area	Duration of Turnaround	Approximate Cost of Turnaround (Keyera's Share)	Period Over Which Costs Are Recovered
Rimbey	Three weeks	$19 million	Costs are expected to be recovered through higher operating fee revenue over a period of 4 years.
Brazeau River	Two weeks	$6 million	Costs are expected to be recovered through higher operating fee revenue over a period of 4 years.
Bigoray	Two weeks for plant and oil battery	$6 million	The majority of the costs will be recovered through higher operating fee revenue over a period of 4 years.
Minnehik Buck Lake	To be completed in the third quarter of 2015. Duration is estimated to be two weeks.	Estimated cost of $9 million to be incurred in the third quarter of 2015.	These costs will not be recovered through higher operating fee revenue as the Minnehik Buck Lake gas plant is primarily a fixed fee facility.

Turnaround costs as at June 30, 2015 were substantially based on estimates. Actual costs may differ from what has been estimated when actual invoices are received. In the second quarter of 2014, turnarounds were completed at the Strachan, West Pembina, Caribou and Cynthia gas plants at a combined cost of approximately $35 million. Refer to Keyera's second quarter of 2014 MD&A for more details relating to turnarounds completed during that period.

The costs associated with maintenance turnarounds are capitalized for accounting purposes and do not have an effect on operating expenses in the Gathering and Processing segment. However, as many of Keyera's facilities follow a flow-through operating cost structure, the cost of turnarounds will be recovered through higher operating fee revenue. Keyera expects to recover the majority of turnaround costs over varying periods depending on the fee arrangement at each plant. Distributable cash flow is reduced by Keyera's share of the cost of the turnarounds, as these costs are included in its financial results as maintenance capital expenditures.

NGL Infrastructure

The NGL Infrastructure segment provides 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:

- NGL and crude oil pipelines;
- underground NGL storage caverns;
- above ground storage tanks;
- NGL fractionation facilities;
- pipeline, rail and truck terminals; 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 business, 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 of 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's underground storage caverns at Fort Saskatchewan are used to store NGL mix and specification products. For example, propane can be stored in the summer months 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 blending and iso-octane feedstock requirements. These assets also support Keyera's Marketing segment, providing the ability to source, transport, process, store and deliver products across North America. A portion of the revenues earned by this segment relates to services provided to Keyera's Marketing segment. All of the revenues in this segment that are associated with the AEF facility relate to processing services provided to the Marketing segment for the production of iso-octane.

Operating margin for the NGL Infrastructure segment was as follows:

Operating Margin	**Three months ended June 30,**		**Six months ended June 30,**	
(Thousands of Canadian dollars)	**2015**	2014	**2015**	2014
Revenue including inter-segment transactions	**85,095**	75,034	**168,923**	144,214
Operating expenses	**(33,059)**	(26,403)	**(62,829)**	(56,575)
Unrealized gain on electricity financial contracts	**2,833**	324	**2,347**	366
Total operating expenses	**(30,226)**	(26,079)	**(60,482)**	(56,209)
Operating margin	**54,869**	48,955	**108,441**	88,005

Operating Margin and Revenues
For the three months ended June 30, 2015, the NGL Infrastructure segment posted another strong quarter of financial results. Operating margin increased by $5.9 million in the second quarter of 2015 compared to the same period in 2014 primarily due to the following factors:

- higher volumes and operating margin on Keyera's Fort Saskatchewan Condensate System resulting from long-term, take-or-pay arrangements with several oil sands producers;
- incremental margins from the de-ethanizer facility that became operational in April 2015;
- incremental margins from the Alberta Crude Terminal, which commenced operation in October 2014; and
- the inclusion of an unrealized gain relating to electricity financial contracts of $2.8 million compared to a non-cash gain of $0.3 million in the same period last year.

Partly offsetting the higher operating margin in the second quarter of 2015 were approximately $2.0 million in expenses for maintenance work.

For the six months ended June 30, 2015, operating margin was $20.4 million higher than the same period last year largely due to the same factors that contributed to the higher second quarter financial results as well as higher fees for NGL fractionation and storage services that commenced April 1, 2014.

NGL Infrastructure revenues for the three and six months ended June 30, 2015, were $10.1 million and $24.7 million higher compared to the same periods last year, primarily due to the same factors that contributed to higher operating margin.

NGL Infrastructure Activity
Keyera has developed significant infrastructure in the Edmonton/Fort Saskatchewan energy hub to enable it to provide a range of services needed by oil sands producers. The demand for diluent services has been increasing in the first half of 2015 with the expansion phase of Imperial Oil's Kearl project commencing production in June and the first phase of Husky Energy's Sunrise project producing oil in March. Keyera has long-term agreements in place with both companies, as well as others, to provide diluent transportation, storage and rail offload services in the Edmonton/Fort Saskatchewan area.

In April, Keyera entered into a long-term lease-to-own arrangement to use an 8-inch pipeline that is 49 kilometres in length and is expected to complement its NGL pipeline infrastructure in the Edmonton/Fort Saskatchewan region. Subject to completion of final due diligence and receipt of regulatory approvals, Keyera plans to use the northern segment of this pipeline between Redwater and Fort Saskatchewan to receive diluent from the North West Sturgeon Upgrader under terms of a long-term diluent handling agreement, while the southern segment could provide Keyera with increased flexibility and capacity (up to 60,000 bbls per day) to provide transportation services in the Edmonton/Fort Saskatchewan area. Based on preliminary estimates, Keyera expects to incur approximately $50 million of capital for connections and conversion work required to put the pipeline into NGL service. This capital spending is expected to be incurred between 2015 and 2018.

Over the past several years, Keyera has continued to focus on developing liquids related projects that provide long-term, take-or-pay and fee-for-service revenues in order to enhance shareholder value. Examples of such projects include the addition of the de-ethanizer and the fractionation expansion in Fort Saskatchewan, the Alberta Crude Terminal, the South Cheecham Terminal and the Norlite Pipeline. To add to this, in the first quarter of 2015, Keyera announced a second 50/50 joint venture with Kinder Morgan Inc. ("Kinder Morgan") to build the Base Line Terminal, an above ground crude oil storage terminal near Edmonton, Alberta. The project is fully underpinned by several take-or-pay agreements ranging up to 10 years in length. The terminal will be connected via pipeline to Kinder Morgan's existing Edmonton storage terminals and will provide customers with access to various crude oil streams handled by Kinder Morgan. From the terminal, customers will be able to deliver products to end markets using multiple delivery options, including major pipelines and nearby rail terminals operated by Keyera and Kinder Morgan. Refer to the table below, "Capital Projects Status Update – NGL Infrastructure", for more information relating to this project and for an estimate of the cost and expected timing of completion for this project.

Demand for fractionation, storage and transportation services remained strong in the first half of 2015 and is expected to remain strong for the remainder of the year. Storage capacity is expected to increase, as the 13^{th} underground storage cavern is scheduled to be put into service later this year, assuming regulatory approvals are received in a timely manner.

Keyera continues to focus on creating solutions and enhancing its infrastructure to meet the needs of its customers. Increasing production volumes from the ongoing development of liquids-rich resource plays and increasing bitumen production from the oil sands have given rise to the need for significant infrastructure development in Alberta. The table below provides a list of projects under development in the NGL Infrastructure segment and their current status. These projects are examples of Keyera's commitment to fulfill its customers' needs for infrastructure development in Alberta.

The following is a status update of previously announced major projects in the NGL Infrastructure segment:

Capital Projects Status Update – NGL Infrastructure		
Facility/Area	**Project Description**	**Project Status Update**
Keyera Fort Saskatchewan	***NGL Fractionation Expansion:*** construction of a 35,000 barrel per day C3+ mix fractionation facility, more than doubling the facility's existing capacity to 65,000 barrels per day. The project includes the construction of new receipt facilities, operational storage and pipeline connections.	Fabrication of major pieces of equipment is currently underway. This project is estimated to be complete at the end of the first half of 2016. *Estimated total cost to complete:* • Gross cost is approximately $230 million (Keyera's share is approximately $176 million) *Total net costs incurred by Keyera to June 30, 2015:* • $68 million
Keyera Fort Saskatchewan	***Underground Storage Development:*** development of the 13th, 14th and 15th underground storage caverns.	Washing of the 13th cavern was completed in the second quarter and the cavern is expected to be in service in the third quarter of 2015. Washing of the 14th cavern continued and is anticipated to be in service in the third quarter of 2017. Drilling of the well bore for the 15th cavern was completed in the first quarter of 2015 and washing is expected to begin in the third quarter of this year.
Norlite Pipeline 30/70 joint venture with Enbridge Pipelines (Athabasca) Inc. ("Enbridge")	***Norlite Pipeline:*** Keyera has committed to participate as a 30% non-operating owner in the Norlite Pipeline. Enbridge will construct and operate the pipeline which is expected to be in service in 2017. The scope includes a 24-inch pipeline, providing an initial capacity of approximately 224,000 barrels per day of diluent and the potential to be further expanded to 400,000 barrels per day of capacity with the addition of pump stations. Keyera's diluent transportation system in the Fort Saskatchewan area will deliver product into the Norlite Pipeline, providing the Norlite shippers with access to multiple sources of diluent supply.	*Estimated total cost to complete:* • Gross cost as estimated by Enbridge is approximately $1.3 billion (Keyera's net share is approximately $390 million) *Total net costs incurred by Keyera to June 30, 2015:* • $17 million

Facility/Area	Project Description	Project Status Update
Josephburg	***Josephburg Rail Terminal (JRT):*** construction of a rail loading terminal at Josephburg, located near Keyera's Fort Saskatchewan fractionation and storage facility. The terminal facilitates propane movements out of western Canada by rail. This facility is also able to handle butane.	Construction of the terminal and related pipeline is complete and the terminal became operational in July 2015. The original scope for the project included a single pipeline between Keyera's Fort Saskatchewan facility and JRT. The scope was subsequently changed to include an additional 3 pipelines that provide long-term flexibility and security for incremental product movements in and out of the Fort Saskatchewan area. *Estimated total cost to complete original scope:* • approximately $85 million *Estimated total cost for additional pipelines:* • approximately $30 million *Total net costs incurred by Keyera to June 30, 2015:* • $100 million
Edmonton	***Condensate Tanks:*** construction of four condensate storage tanks, each having a working capacity of approximately 60,000 barrels that provide Keyera with operational reliability and flexibility.	Engineering work progressed in the second quarter and the tanks are expected to be operational in 2017. *Estimated total cost to complete:* • Cost to Keyera of approximately $90 million.
Edmonton (50/50 joint venture with Kinder Morgan)	***Base Line Terminal:*** construction of 12 above ground crude oil storage tanks with the ability to provide customers with 4.8 million barrels of storage capacity. Kinder Morgan will oversee construction of the project and operate the terminal once it is in service. The project is expected to be commissioned in phases, with the first tanks scheduled to be commissioned in the second half of 2017, based on the most recent construction schedule.	Engineering work progressed in the second quarter and civil work is expected to commence in the fourth quarter of 2015. *Estimated total cost to complete:* • Keyera's net share is approximately $330 million.

Marketing

The Marketing segment is focused on the distribution and sale of products associated with Keyera's facilities, including NGLs, crude oil, iso-octane and sulphur. Keyera markets products acquired through processing arrangements, term supply agreements and other purchase transactions. Most NGL volumes are purchased under one-year supply contracts typically with terms beginning in April of each year. In addition, Keyera has long-term supply arrangements with major producers that provide a portion of its NGL supply. Keyera may also source additional condensate or butane, including from the U.S., when market conditions and associated sales contracts are favourable. When this occurs, these products may be delivered in current or future periods and may be held in storage until sold or consumed.

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

Keyera manages its NGL supply and sales portfolio by monitoring its inventory position and 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 different geographic markets. These risks are managed by purchasing and selling product at prices based on the same or similar indices or benchmarks, and through physical and financial contracts that include energy-related forward contracts, price swaps, forward currency contracts and other hedging instruments. A more detailed description of the risks associated with the Marketing segment is available in Keyera's Annual Information Form, which is available at www.sedar.com.

Keyera's primary markets for iso-octane are in the Gulf Coast, British Columbia and Alberta (prior to 2015, Keyera's primary markets included California). Demand for iso-octane is seasonal, with higher demand in the summer months resulting in higher sales prices. There can be significant variability in iso-octane margins. As with Keyera's other marketing activities, there are strategies available to mitigate the risks associated with the commodity exposure, including the use of financial contracts. The section of this MD&A titled "Risk Management" provides more information on the risks associated with the sale of iso-octane and Keyera's related hedging strategy.

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.

Operating margin for the Marketing segment was as follows:

Operating Margin and Sales Volumes Information (Thousands of Canadian dollars)	**Three months ended June 30,** **2015**	2014	**Six months ended June 30,** **2015**	2014
Revenue	**480,590**	735,513	**997,661**	1,576,818
Operating expenses including inter-segment transactions	**(427,107)**	(682,722)	**(907,918)**	(1,487,079)
Operating margin	**53,483**	52,791	**89,743**	89,739
Sales volumes (Bbl/d)	**101,300**	83,000	**110,300**	91,200

Composition of Marketing Revenue (Thousands of Canadian dollars)	**Three months ended June 30,** **2015**	2014	**Six months ended June 30,** **2015**	2014
Physical sales	**494,588**	741,494	**1,026,252**	1,594,659
Realized cash (loss) gain on financial contracts[1]	**(7,793)**	(7,518)	**30,913**	(21,312)
Unrealized gain (loss) due to reversal of financial contracts existing at end of prior period	**1,832**	3,739	**(42,528)**	4,161
Unrealized loss due to fair value of financial contracts existing at end of current period	**(10,374)**	(3,110)	**(10,374)**	(3,110)
Unrealized gain (loss) due to reversal of fixed price physical contracts existing at end of prior period	**94**	65	**(8,845)**	1,577
Unrealized gain due to fair value of fixed price physical contracts existing at end of current period[2]	**2,243**	843	**2,243**	843
Total unrealized (loss) gain on risk management contracts	**(6,205)**	1,537	**(59,504)**	3,471
Total loss on risk management contracts	**(13,998)**	(5,981)	**(28,591)**	(17,841)
Total Marketing revenue	**480,590**	735,513	**997,661**	1,576,818

Notes:
1 Realized cash gains and losses represent actual cash settlements or receipts under the respective contracts.
2 Unrealized gains and losses represent the change in fair value of fixed price physical contracts that meet the GAAP definition of a derivative instrument.

Revenue and Operating Margin

For the three and six months ended June 30, 2015, revenue from physical sales was $246.9 million and $568.4 million lower than the same periods in 2014. The effect of higher sales volumes in the first half of 2015 compared to the same period in 2014 was more than offset by significantly lower average prices for NGLs and iso-octane.

In spite of low commodity prices in the second quarter of 2015, the Marketing segment posted another quarter of outstanding financial results largely due to the strength of its iso-octane business and its effective and disciplined approach to risk management. Operating margin for the three and six months ended June 30, 2015 was virtually unchanged from the same periods last year. Excluding the effect of non-cash unrealized gains and losses from risk management contracts in both periods, operating margin was $8.4 million higher in the second quarter of 2015 and $63.0 million higher in the first six months of the year compared to the same periods in 2014. The factors that contributed to the strong operating results for the three months ended June 30, 2015 included:

- higher margins from the sale of iso-octane resulting from steady sales volumes, continued strong premiums for gasoline and iso-octane relative to crude oil, favourable butane feedstock costs and attractive foreign currency rates; and

- lower inventory costs for all NGL products.

For the six months ended June 30, 2015, operating margin was strong due to the same reasons as discussed above as well as the inclusion of approximately $40 million of realized cash gains and physical margins associated with the settlement of risk management contracts in the first quarter of 2015 that related to inventory existing at the end of 2014.

Inventory costs were lower in 2015 as a result of the approximately $59 million inventory write-down recorded in the fourth quarter of 2014 that primarily related to propane and to a lesser extent butane. Substantially all of the loss in value of inventory was offset by realized cash gains associated with the settlement of financial risk management contracts as well as cash margins generated from the settlement of fixed price physical forward contracts in the fourth quarter of 2014 and the first quarter of 2015. Cash margins associated with the settlement of fixed price physical forward contracts are included in physical sales in the Composition of Revenue table above.

Crude oil midstream activities performed well in the first half of 2015, also making a solid contribution to operating margin in the Marketing segment.

Market Overview

Margins for iso-octane were strong in the first half of 2015 due to steady sales volumes, favourable butane feedstock costs, and attractive foreign currency rates. Demand for iso-octane typically increases in the summer months as driving activity and gasoline demand increase. This seasonal demand has been particularly robust in 2015 resulting in strong prices for iso-octane relative to crude oil, and to butane as the primary feedstock, which also contributed to the strong margins in the second quarter. As a result of these factors, iso-octane margins have been stronger than the same period last year.

The Marketing segment continued to utilize its capacity at the Kinder Morgan Galena Park rail and storage facility on the Gulf Coast to meet iso-octane demand in this market. Access to this facility provides marine delivery options for customers who are otherwise unable to receive iso-octane by rail. Keyera's AEF facility continues to operate at close to capacity. In early 2015, Keyera completed the construction of a truck loading facility at the AEF site that provides further flexibility and improves access to local markets for iso-octane.

As expected, butane prices followed the seasonal pattern and softened in the second quarter. Although prices were low, margins from the sale of butane were solid in the second quarter of 2015 due to maintaining a balanced sales strategy, low inventory costs and an effective risk management program. As butane prices have continued to decline, Keyera has been importing butane in the spring and summer months in order to effectively manage supply requirements, including the feedstock necessary for the production of iso-octane. Keyera used its transportation and storage capabilities to successfully employ a similar strategy in 2014. Current indications suggest that butane prices will remain weak throughout 2015 due to the surplus of inventory in North America. As butane is the primary feedstock used in the production of iso-octane, lower butane prices benefit Keyera's iso-octane business.

Condensate demand was balanced in the first half of 2015, resulting in stable margins during this period. Diluent demand has been lower than initially anticipated as several oil sands projects are operating at lower than expected production levels. Rail deliveries have also been affected by higher diluent supply being delivered into Alberta on the Cochin pipeline. Keyera imports condensate into Alberta when demand fundamentals support positive operating margins. Bitumen production is expected to increase in the second half of the year as certain oil sands projects come on stream. Accordingly, demand for condensate for use as a diluent is expected to rise. Keyera is continuing its investments in the infrastructure necessary to transport and handle incremental condensate supply to meet this growing demand.

Propane prices continued to decline in the second quarter of 2015 as North American inventory levels have reached record levels. Despite the significant decrease in prices, inventory values were protected using Keyera's effective risk management strategy. The sale of propane has become a small contributor to Keyera's overall Marketing margin.

With the Josephburg Terminal now operational, Keyera will increase the amount of propane it rails out of western Canada in the second half of the year. Among other locations, propane will be transported to Keyera's Hull Terminal in Texas which is currently the only rail offloading facility for propane in the Mont Belvieu area. Propane demand in the Mont Belvieu area benefits from access to export terminals and petrochemical producers.

Risk Management

When possible, Keyera uses hedging strategies to mitigate risk in its Marketing business. 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 primarily based on the price of Reformulated Blendstock for Oxygen Blending ("RBOB"). RBOB is the highest volume refined product sold in the United States and 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.

To protect the value of its NGL inventory from fluctuations in commodity prices, Keyera typically uses physical and financial forward contracts. For propane in particular, contracts are generally put in place as inventory builds and are settled when products are expected to be withdrawn from inventory and sold. In general, the increase or decrease in the fair value of the contracts is intended to mitigate fluctuations in the value of the inventories and protect operating margin. For the past few years, Keyera has used propane physical and financial forward contracts to hedge its propane inventory.

Keyera may also hold butane inventory to meet the feedstock requirements of the AEF facility. For condensate, most of the product purchased is sold within one month. The sales contracts for both butane and condensate are typically priced based on West Texas Intermediate ("WTI") crude oil and the supply cost in certain cases may be based on a hub posted or index price. To align the pricing terms of physical supply with the terms of contracted sales and to protect the value of butane and condensate inventory, the following hedging strategies may be utilized:

- Keyera may enter into financial contracts to lock in the supply price at a specified percentage of WTI, as the sales contracts are also generally priced against WTI. When butane or condensate is physically purchased, the financial contract is settled and a realized gain or loss is recorded in income.

- Once the product is in inventory, WTI financial forward contracts are generally used to protect the value of the inventory.

Within these hedging strategies, there may be differences in timing between when the financial contracts are settled and when the products are sold from inventory. There may also be basis risk between the prices of crude oil and the NGL products and therefore the financial contracts may not fully offset future butane and condensate price movements.

For the three and six months ended June 30, 2015, the total unrealized loss on risk management contracts was $6.2 million and $59.5 million respectively. For the year-to-date period, the unrealized loss of $59.5 million was largely due to the reversal of the accrued fair value of financial and physical contracts existing at December 31, 2014. Further details are provided in the "Composition of Marketing Revenue" table above.
The fair value of outstanding financial contracts as at June 30, 2015 resulted in an unrealized (non-cash) loss of $10.4 million that includes the following significant items:

- a $1.4 million non-cash loss relating to butane and condensate supply and inventory risk management contracts;
- a $0.6 million non-cash gain relating to propane risk management contracts;
- a $8.5 million non-cash loss relating to iso-octane risk management contracts; and
- a $1.1 million non-cash loss relating to foreign currency and other financial contracts.

Fixed price physical contracts are also marked-to-market at the end of each period. The fair value of outstanding fixed price physical contracts as at June 30, 2015, resulted in an unrealized gain of $2.2 million.

The fair value of financial and fixed price physical contracts will vary as these contracts are marked-to-market at the end of each period. A summary of the financial contracts existing at June 30, 2015, and the sensitivity to earnings resulting from changes in commodity prices, can be found in note 9, Financial Instruments and Risk Management, of the accompanying financial statements.

NON-OPERATING EXPENSES AND OTHER INCOME

Non-Operating Expenses and Other Income	**Three months ended June 30,**		**Six months ended June 30,**	
(Thousands of Canadian dollars)	**2015**	2014	**2015**	2014
Other income (operating margin)	**6,691**	445	**10,764**	2,928
General and administrative (net of overhead recoveries on operated facilities)	**(10,417)**	(9,224)	**(24,330)**	(19,245)
Finance costs	**(12,915)**	(13,651)	**(24,753)**	(28,035)
Depreciation, depletion and amortization expenses	**(41,745)**	(32,371)	**(79,998)**	(59,642)
Net foreign currency loss on U.S. debt	**(43,257)**	(13,722)	**(36,407)**	(510)
Long-term incentive plan expense	**(7,108)**	(12,044)	**(17,871)**	(19,035)
Impairment expense	**—**	—	**(19,908)**	—
Tax expense	**(40,161)**	(22,230)	**(49,807)**	(48,277)

Other Income

Keyera has acquired oil and gas reserves as part of the acquisition of ownership interests in the Minnehik Buck Lake, West Pembina, Bigoray and Cynthia facilities. Keyera reports earnings (net of royalties and operating expenses) from the production associated with all of its reserves as other income as it has no plans to drill additional wells.

Other income for the three and six months ended June 30, 2015 was $6.7 million and $10.8 million respectively. Production for the three and six months ended June 30, 2015 averaged 7,122 and 6,997 barrels of oil equivalent per day compared to 3,184 and 2,164 barrels of oil equivalent per day for the same periods in 2014, largely due to the Cynthia acquisition in May 2014.

In the second quarter of 2014, other income was unusually low due to a $5 million expense associated with the turnaround completed at the Cynthia gas plant that was charged by the Gathering and Processing segment in accordance with the plant's operating cost flow through model.

The reserves and production are not material to Keyera's business and do not have a material effect on its financial results.

General and Administrative Expenses

General and administrative ("G&A") expenses for the three and six months ended June 30, 2015 were $1.2 million and $5.1 million higher than the same periods last year primarily due to higher staffing and related costs required to support the growth in Keyera's business.

Finance Costs (including accretion)

Finance costs were $12.9 million and $24.8 million for the three and six months ended June 30, 2015, $0.7 million and $3.3 million lower than the same periods in 2014, largely due to higher interest capitalized on certain capital projects in 2015. Interest capitalized for the three and six months ended June 30, 2015 was $3.1 million and $8.6 million higher than the same periods last year. The effect of higher capitalized interest was partly offset by an increase in short-term borrowings in 2015 and higher interest expenses associated with the $75 million of long-term debt issued on April 8, 2014. More information related to the long-term debt financings that were completed in 2014 is provided in Keyera's 2014 annual MD&A available on SEDAR at www.sedar.com.

Depreciation and Amortization

Depreciation and amortization expenses were $9.4 million and $20.4 million higher for the three and six months ended June 30, 2015 compared to the same periods in 2014. The increase in depreciation expense was largely due to: i) an increase in Keyera's asset base resulting from significant growth capital expenditures in 2014 and 2015; and ii) higher depletion expense associated with the acquisition of the Cynthia reserves in the second quarter of 2015.

Net Foreign Currency Gain (Loss) on U.S. Debt

The net foreign currency gain (loss) associated with the U.S. debt were as follows:

Net Foreign Currency Gain (Loss) on U.S. Debt	**Three months ended June 30,**		**Six months ended June 30,**	
(Thousands of Canadian dollars)	**2015**	2014	**2015**	2014
Translation of US$504 million long-term debt and interest payable	**10,744**	19,160	**(44,190)**	(1,934)
Change in fair value of cross currency swap – principal and interest portion	**(54,514)**	(32,074)	**7,167**	2,578
Gain (loss) on cross currency swap – interest portion[1]	**513**	(808)	**616**	(1,154)
Net foreign currency loss on U.S. debt	**(43,257)**	(13,722)	**(36,407)**	(510)

Notes:
[1] A foreign currency gain (loss) results from the exchange of currencies relating to the interest payments.

In order to manage the foreign currency exposure on U.S. dollar denominated debt, Keyera has entered into cross currency agreements with a syndicate of Canadian banks to swap the U.S. dollar principal and future interest payments into Canadian dollars. The cross currency agreements are accounted for as derivative instruments and are marked-to-market at the end of each period. The fair value of the cross currency swap agreements will fluctuate between periods due to changes in the forward curve for foreign exchange rates, as well as an adjustment to reflect credit risk. Note 9, "Financial Instruments and Risk Management", to the accompanying financial statements contains more information on the swap agreements.

A net foreign currency loss of $43.3 million was recorded for the quarter ended June 30, 2015. The translation of U.S. dollar denominated debt into Canadian dollars resulted in a $10.7 million non-cash gain as the Canadian dollar strengthened in relation to the U.S. dollar at the end of June 2015 relative to the end of March 2015. This unrealized gain was more than offset by a $54.5 million non-cash loss resulting from the change in fair value of cross currency swap agreements as at June 30, 2015.

For the six months ended June 30, 2015, a net foreign currency loss of $36.4 million was recorded primarily due to the translation of U.S. dollar denominated debt into Canadian dollars that resulted in a non-cash loss of $44.2 million stemming from the weaker Canadian dollar at the end of June 2015 relative to the end of 2014.

Long-Term Incentive Plan Expense

For the second quarter of 2015, the Long-Term Incentive Plan ("LTIP") expense was $4.9 million lower than the same period last year. The lower LTIP expense was largely due to an approximately 1% decrease in

Keyera's share price as at June 30, 2015, relative to the end of the first quarter. This is compared to an approximately 12% increase in Keyera's share price in the second quarter of 2014.

On a year to date basis, the LTIP expense was $1.2 million lower in 2015 compared to the first six months of 2014. The effect of a lower percentage increase in Keyera's share price in 2015 relative to the prior year was partly offset by a higher payout multiplier associated with performance awards. The payout multiplier is based on Keyera's: i) average annual pre-tax distributable cash flow per share over a three-year vesting period and ii) total shareholder return relative to its peers over a three year vesting period. Note 20 of the December 31, 2014 annual audited financial statements provides more information on Keyera's LTIP.

Impairment Expense

Keyera reviews its assets for impairment on a quarterly basis and in the first quarter of 2015 an impairment expense of $19.9 million was recorded. This impairment expense related to a reduction in the carrying value of the Bonnie Glen pipeline (including line-fill), a crude oil transportation pipeline owned 50% by Keyera. The operator of the pipeline has determined there is currently not sufficient business to warrant keeping the pipeline in active service. The Bonnie Glen pipeline system is considered to be non-core to Keyera. There were no impairments recorded in the second quarter of 2015.

Taxes

In general, as earnings before taxes increase, total tax expense (current and deferred taxes) will also be higher. If sufficient tax pools exist, current taxes will be reduced and deferred income taxes will increase as these tax pools are utilized or drawn down. Other factors that affect the calculation of deferred income taxes include future income tax rate changes and permanent differences (i.e., accounting income or expenses that will never be taxed or deductible for income tax purposes).

Deferred Income Taxes

For the three months ended June 30, 2015, a deferred income tax expense of $22.7 million was recorded, compared to an expense of $15.5 million in the same period last year. The higher deferred income tax expense in the second quarter of 2015 primarily resulted from the increase in the provincial corporate tax rate from 10% to 12% that was substantively enacted on July 1, 2015.

On a year-to-date basis, deferred income taxes were $12.2 million in 2015, $20.1 million lower than the prior year largely due to: i) lower earnings before taxes in 2015; and ii) a reduction in the valuation allowance associated with non-capital losses residing in Keyera's U.S. subsidiary that resulted in a deferred tax recovery in the first quarter. The valuation was reduced in the first quarter due to certain corporate tax filing adjustments between Keyera's Canadian and U.S. subsidiary.

Current Income Taxes

Current income tax expense for the three and six months ended June 30, 2015 was $17.5 million and $37.6 million, $10.7 million and $21.6 million higher than the same periods in 2014. For 2015, current income tax expense is expected to range between $85 and $95 million. This estimate reflects the increase in the provincial corporate tax rate. The 2015 current tax estimate is largely based on 2014 taxable income from the Partnership that is allocated to Keyera Corp. in 2015. This income deferral is available to Keyera as its corporate structure includes a deferral partnership. The current tax estimate for 2015 reflects the increase in the Alberta corporate tax rate that was effective July 1, 2015. Keyera expects the current tax expense for 2016 will be reduced as a result of increased capital cost allowance deductions related to several major capital expenditures that become available for use in 2015.

Keyera estimates its tax pools at June 30, 2015 were approximately $1.5 billion consisting primarily of class 41 undepreciated capital costs ("UCC"), which are generally depreciated at a rate of 25%.

CRITICAL ACCOUNTING ESTIMATES

In preparing Keyera's accompanying financial statements in accordance with GAAP, management has made appropriate decisions with respect to the formulation of estimates and assumptions that affect the recorded amounts of certain assets, liabilities, revenues and expenses. Keyera has hired qualified individuals who have the skills required to make such estimates. These estimates and assumptions are reviewed and compared to actual results as well as to budgets in order to make more informed decisions on future estimates. The methodologies and assumptions used in developing these estimates have not significantly changed since December 31, 2014. A description of the accounting estimates and the methodologies and assumptions underlying the estimates are described in the 2014 year end MD&A available at www.sedar.com. The most significant estimates include the following:

- the key economic assumptions used to determine the present value of future cash flows used in testing long-lived assets and goodwill for impairment;
- the estimated useful lives of assets and the resulting estimates for depreciation expense and the fair value of the decommissioning liabilities, also known as provisions;
- the decommissioning liabilities and associated accretion expense;
- the discount rate used to determine the present value of future cash flows used for testing the impairment of long-lived assets and goodwill;
- the discount rate used to calculate the present value of decommissioning liabilities;
- the amount and composition of deferred income tax assets and income tax liabilities, including the amount of unrecognized tax benefits;
- the allowance for doubtful accounts;
- the fair values of certain fixed price physical derivative instruments and financial contracts;
- the volumes for one month of purchases and sales for the Marketing segment;
- the volumes for one month of operating expenses and fees earned for the Gathering and Processing and NGL Infrastructure segments; and
- equalization adjustments under flow-through revenue arrangements.

Operating Revenues

Gathering and Processing and NGL Infrastructure:

At June 30, 2015, operating revenues and accounts receivable for the Gathering and Processing and NGL Infrastructure segments contained an estimate of $45 million primarily for June 2015 operations.

Marketing:

At June 30, 2015, the Marketing sales and accounts receivable contained an estimate for June 2015 revenues of $78 million.

Operating Expenses and Product Purchases

Gathering and Processing and NGL Infrastructure:

At June 30, 2015, operating expenses and accounts payable for the Gathering and Processing and NGL Infrastructure segments contained an estimate of $36 million primarily for June 2015 operations.

Marketing:

Marketing cost of goods sold, inventory and accounts payable contained an estimate of NGL product purchases of $51 million at June 30, 2015.

Equalization Adjustments

For the Gathering and Processing segment, an equalization adjustment of $8 million was included in revenue and accounts receivable at June 30, 2015. Operating expenses and accounts payable contained an equalization adjustment of $22 million.

Decommissioning Liability

Keyera will be 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 determination of the estimate by management is based on Keyera's net ownership in facilities, estimated costs to abandon and reclaim the facilities and the estimated timing of the costs to be incurred in future periods.

Keyera has estimated the net present value of its total decommissioning liability to be approximately $436 million at June 30, 2015, compared to $434 million at December 31, 2014. In determining the net present value of the liability, a risk free interest rate of 2.33% was used at June 30, 2015 (December 31, 2014 – 2.33%). The provisions are estimated to be settled between 2015 and 2040 with the majority of expenditures being settled closer to 2040.

For more information on the critical accounting estimates see note 4 of the December 31, 2014 annual audited financial statements.

Derivative Financial Instruments

Keyera utilizes derivative financial instruments to manage its exposure to market risks relating to commodity prices and foreign currency exchange rates. Fair values of derivative contracts fluctuate depending on the underlying estimates of future commodity prices or foreign currency exchange rates. The estimated fair value of all derivative financial instruments are based on observable market data, including commodity price curves, foreign currency curves and credit spreads. Note 9, "Financial Instruments and Risk Management", of the accompanying financial statements provides a summary of the fair value of derivative financial instruments existing at June 30, 2015.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is reviewed on a monthly basis. An assessment is made whether an account is deemed impaired based on the number of days outstanding and the likelihood of collection from the counter-party. The allowance for doubtful accounts was $2.6 million as at June 30, 2015.

LIQUIDITY AND CAPITAL RESOURCES

The following is a comparison of cash inflows (outflows) from operating, investing and financing activities for the three months ended June 30, 2015 and 2014:

Cash inflows (outflows)
(Thousands of Canadian dollars)

	Three months ended June 30, 2015	2014	**Increase (decrease)**	**Explanation**
Operating	**126,434**	106,675	19,759	Increase in cash was primarily due to a lower cash requirement to fund inventory stemming from the continued decline in NGL prices in the second quarter of 2015. Also contributing to the strong cash flow from operating activities in 2015 were the solid operating results from all business segments.
Investing	**(291,411)**	(312,656)	21,245	Capital spending in 2015 primarily related to several internal growth projects, including the Rimbey turbo expander project and the fractionation de-bottleneck and NGL truck off-load expansion at Rimbey. Capital spending in 2014 included the acquisition of the Cynthia gas plant and associated reserves for a purchase price of approximately $113 million.
Financing	**165,834**	345,542	(179,708)	In 2015, Keyera drew approximately $200 million from its credit facilities to fund capital spending in the period. In 2014, cash generated from financing activities included the issuance of 4,312,500 common shares for gross proceeds of approximately $318 million. In addition, $75 million of proceeds were received from the second closing of the private long-term debt placement entered into in 2013. Refer to Keyera's 2014 year-end MD&A for more information on the public offering and long-term debt issuance.

The following is a comparison of cash inflows (outflows) from operating, investing and financing activities for the six months ended June 30, 2015 and 2014:

Cash inflows (outflows)
(Thousands of Canadian dollars)

	Six months ended June 30, 2015	2014	Increase (decrease)	Explanation
Operating	**403,997**	226,168	177,829	The increase in cash in 2015 was largely due to: i) strong operating results from all business segments; ii) the inclusion of approximately $40 million of realized cash gains from the settlement of risk management contracts in the first quarter that related to inventory existing at the end of 2014; and iii) a reduction in cash required to fund inventory resulting from significantly lower prices for NGLs compared to the same time last year.
Investing	**(480,775)**	(472,013)	(8,762)	Capital spending was significant in the first half of 2015 as several internal growth projects were completed, including the de-ethanizer project at Fort Saskatchewan, the Simonette plant expansion, the Rimbey turbo expander project and completion of the fractionation de-bottleneck and NGL truck offload expansion at Rimbey. Capital spending in 2014 included the acquisition of the Cynthia gas plant and associated reserves for a purchase price of approximately $113 million.
Financing	**69,663**	312,669	(243,006)	In 2015, Keyera drew approximately $140 million from its credit facilities to fund capital spending in the period. In 2014, Keyera issued 4,312,500 common shares for gross proceeds of approximately $318 million. In addition, $75 million of proceeds were received from the second closing of the private long-term debt placement entered into in 2013. A portion of these funds were used to fund Keyera's capital expenditures.

Working capital requirements are strongly influenced by the amounts of inventory held in storage and their related commodity prices. Product inventories are required to meet seasonal demand patterns and will vary depending on the time of year. Typically, Keyera's inventory levels for propane are at their lowest after the winter season and reach their peak by the second quarter in order to meet the demand for propane in the winter season.

For the production of iso-octane, higher levels of butane inventory are maintained, as butane is the primary feedstock used in the production of this product. When market conditions enable Keyera to source additional butane at favourable prices, butane may be held in storage for use in future periods. Inventory levels for iso-octane may fluctuate depending on market conditions. Demand for iso-octane is typically stronger in the second and third quarters, associated with the typically higher gasoline demand in the summer months.

A working capital deficit (current assets less current liabilities) of $155.3 million existed at June 30, 2015 largely due to higher accrued growth capital expenditures as well as $146 million of long-term debt that is due in September 2015 and May 2016. This is compared to a surplus of $80.7 million at December 31, 2014. Keyera has access to a credit facility in the amount of $1 billion, of which only $230 million was drawn as at June 30, 2015, in order to meet its current obligations and growth capital program. Refer to the section below of this MD&A, "Long-term Debt", for more information related to Keyera's Credit Facility.

Equity Financing

In the second quarter of 2014, Keyera issued 4,312,500 common shares, including 562,500 common shares associated with an over-allotment option exercised by underwriters (pre-share split). The common shares were issued at a price of $73.75 per common share (pre-share split) for gross total proceeds of approximately $318 million. Financing costs associated with the issuance of shares were approximately $12.8 million. Net proceeds from the equity financing were used to partially fund Keyera's growth capital program, repay its short-term indebtedness under its credit facilities and for general corporate purposes.

Dividend Reinvestment Plan

Keyera's dividend reinvestment plan (the "Plan"), which was amended effective May 5, 2015, consists of two components: a Premium Dividend™ ("Premium DRIP™") reinvestment component and a regular dividend reinvestment component ("DRIP"). The DRIP component allows eligible shareholders of Keyera to direct their cash dividends to be reinvested in additional shares issued from treasury at a 3% discount to the Average Market Price (as defined in the Plan) on the applicable dividend date.

Effective with the May 2015 dividend, Keyera reinstated the Premium DRIP™ component of the Plan. The Premium DRIP™ component permits eligible shareholders to elect to have the additional shares issued at the 3% discount delivered to the designated Plan Broker 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 of Keyera's website at www.keyera.com and on SEDAR at www.sedar.com. Further details are also available in the separate news release issued on May 5, 2015.

The DRIP and Premium DRIP™ generated cash of $24.2 million and $42.6 million, respectively, for the three and six months ended June 30, 2015. For the same periods in 2014, the plan generated cash of $14.5 million and $29.2 million.

Long-term Debt (including Credit Facilities)
Below is a summary of Keyera's long-term debt obligations as at June 30, 2015:

As at June 30, 2015 (Thousands of Canadian dollars)	**Total**	**2015**	**2016**	**2017**	**2018**	**2019**	**After 2019**
Credit Facilities							
Bank credit facilities	230,000	—	—	—	—	230,000	—
	230,000	—	—	—	—	230,000	—
Canadian dollar denominated debt							
4.66% due September 8, 2015	30,000	30,000	—	—	—	—	—
7.87% due May 1, 2016	35,000	—	35,000	—	—	—	—
5.89% due December 3, 2017	60,000	—	—	60,000	—	—	—
5.01% due January 4, 2019	70,000	—	—	—	—	70,000	—
4.35% due June 19, 2019	52,000	—	—	—	—	52,000	—
5.68% due September 8, 2020	2,000	—	—	—	—	—	2,000
6.14% due December 3, 2022	60,000	—	—	—	—	—	60,000
4.91% due June 19, 2024	17,000	—	—	—	—	—	17,000
4.92% due October 10, 2025	100,000	—	—	—	—	—	100,000
5.05% due November 20, 2025	20,000	—	—	—	—	—	20,000
5.09% due October 10, 2028	100,000	—	—	—	—	—	100,000
5.34% due April 8, 2029	75,000	—	—	—	—	—	75,000
	621,000	30,000	35,000	60,000	—	122,000	374,000
US dollar denominated debt							
3.91% due September 8, 2015 (US$15,000)	18,711	18,711	—	—	—	—	—
8.40% due May 1, 2016 (US$50,000)	62,370	—	62,370	—	—	—	—
3.42% due June 19, 2019 (US$3,000)	3,742	—	—	—	—	3,742	—
5.14% due September 8, 2020 (US$103,000)	128,482	—	—	—	—	—	128,482
4.19% due June 19, 2024 (US$128,000)	159,667	—	—	—	—	—	159,667
4.75% due November 20, 2025 (US$140,000)	174,636	—	—	—	—	—	174,636
4.95% due November 20, 2028 (US$65,000)	81,081	—	—	—	—	—	81,081
	628,689	18,711	62,370	—	—	3,742	543,866
Less: current portion of long-term debt	(146,081)	(48,711)	(97,370)	—	—	—	—
Total long-term debt	**1,103,608**	**—**	**—**	**60,000**	—	**125,742**	**917,866**

As at June 30, 2015, Keyera had $621 million and US$504 million of unsecured senior notes including amounts drawn under the uncommitted Pru-shelf facility. In order to manage the foreign currency exposure on the U.S. dollar denominated debt existing at June 30, 2015, Keyera had entered into cross-currency agreements with a syndicate of Canadian banks to swap the U.S. dollar principal and future interest payments into Canadian dollars at foreign exchange rates of $1.2425, $1.0425, $0.9838 and $1.029 per U.S. dollar. The cross-currency agreements are accounted for as derivative instruments and are measured at fair value at the end of each quarter. The section of this MD&A titled "Net Foreign Currency Gain (Loss) on U.S. Debt" provides more information.

Keyera has an unsecured revolving credit facility (the "Credit Facility") with a syndicate of eight lenders pursuant to which it can borrow up to $1 billion, with the potential to increase that limit to $1.35 billion subject to certain conditions. As at June 30, 2015, $230 million was drawn under these facilities (December 31, 2014 - $90 million). The term of the Credit Facility is through December 6, 2019. Management expects that upon maturity of the Credit Facility, an adequate replacement will be established.

The Credit Facility and senior note agreements contain a number of covenants, all of which were met as at June 30, 2015. The agreements are available at www.sedar.com. Failure to adhere to the covenants may impair Keyera's ability to pay dividends and such a circumstance could affect its ability to execute future growth plans. The primary covenant for all of Keyera's long-term debt, including its Credit Facility, is the Debt to EBITDA ratio. In the calculation of debt, Keyera is required to deduct working capital surpluses or add working capital deficits. As at June 30, 2015, Keyera's Debt to EBITDA ratio was 2.45 for covenant test purposes.

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.

Capital Expenditures and Acquisitions

The following table is a breakdown of capital expenditures and acquisitions for the three and six months ended June 30, 2015 and 2014:

Capital Expenditures and Acquisitions	**Three months ended June 30,**		**Six months ended June 30,**	
(Thousands of Canadian dollars)	**2015**	2014	**2015**	2014
Acquisitions	**13,592**	114,159	**16,407**	119,942
Growth capital expenditures	**168,605**	157,021	**378,534**	355,619
Maintenance capital expenditures	**38,754**	39,604	**43,059**	42,883
Total capital expenditures	**220,951**	310,784	**438,000**	518,444

Growth capital expenditures for the three and six months ended June 30, 2015 amounted to $168.6 million and $378.5 million that included the following significant items:

Facility/Area	Expenditures: Three months ended June 30, 2015	Expenditures: Six months ended June 30, 2015	Description of Expenditures
Rimbey	$45 million	$73 million	Construction of the Rimbey turbo project that was operational in July 2015; and work to complete the expansion of the facility's fractionation capacity and NGL truck off-load capacity.
Simonette	$2 million	$20 million	Construction of the condensate stabilizer and refrigeration process to increase capacity at the facility. The plant expansion was completed in the first quarter of 2015.
Fort Saskatchewan	$17 million	$63 million	Second quarter expenditures relate to fabrication of major equipment related to the fractionation expansion. On a year-to-date basis, expenditures also include work to complete the de-ethanizer project.
Fort Saskatchewan – Josephburg Terminal	$34 million	$64 million	Construction of the Josephburg rail terminal and associated pipelines that connect to Keyera's Fort Saskatchewan facility. The terminal became operational in July 2015.
Brazeau River – Twin Rivers Pipeline	$6 million	$39 million	Completion of Phase One of the Twin Rivers Pipeline and construction of Phase Two that became operational in April 2015.
Alder Flats	$16 million	$21 million	Keyera's share of costs associated with its 35% ownership in a new deep-cut gas plant and related pipelines. The gas plant was completed and operational in May 2015.
Zeta Creek	$10 million	$23 million	Keyera's share of costs associated with its 60% ownership interest in the Zeta Creek gas plant, currently being constructed by Velvet in the West Pembina area of Alberta.

Keyera has committed to construct and operate several facility additions. The section of this MD&A titled, "Results of Operations: Gathering and Processing and NGL Infrastructure", provides information relating to these projects, including estimated costs to complete, costs incurred to date and estimated completion timeframes.

For the second quarter of 2015, acquisitions included the purchase of land in the Edmonton/Fort Saskatchewan area that may be used for future development as well as an additional 0.8% working interest in the Rimbey gas plant. In the second quarter of 2014, acquisitions included the purchase of the Cynthia gas plant and associated oil and gas reserves for a total purchase price of approximately $113 million. Refer to Keyera's 2014 year-end MD&A for more information relating to this acquisition.

Major turnarounds were completed in the second quarter of 2015 at the Rimbey, Brazeau River and Bigoray gas plants. Keyera's share of the costs associated with these turnarounds was approximately $31 million and are included in maintenance capital. This is compared to approximately $35 million in costs associated with turnarounds completed in the second quarter of 2014.

Keyera has comprehensive inspection, monitoring and maintenance programs in place. The objectives of these programs are to keep Keyera's facilities in good working order, and to maintain their ability to operate reliably for many years. In addition to the maintenance capital expenditures, Keyera incurred maintenance and repair expenses of $18.9 million and $24.9 million for the three and six months ended June 30, 2015, and $17.5 million and $24.6 million for the same periods in 2014. The majority of these expenditures will be recovered over varying periods of time, depending upon the fee structure at each facility.

Keyera's ongoing operations are not heavily dependent on capital expenditures in order to maintain current levels of cash flow. However, to grow future cash flow, Keyera is investing growth capital in order to expand its current asset base and capture new opportunities. Keyera continues to anticipate that its growth capital investment, excluding acquisitions, for 2015 will be between $700 million and $800 million. Maintenance capital for 2015 is expected to be $65 million. This capital is expected to be funded by cash flow from operating activities, the DRIP and Premium DRIP™ program and existing credit facilities, augmented if necessary by incremental debt and equity financing. Access to debt and equity financing is dependent on Keyera's ongoing financial performance and general market conditions. Readers are referred to the section of the MD&A titled, "Forward Looking Information" for a further discussion of the assumptions and risks that could affect future performance and plans.

Dividends

Distributable Cash Flow

Distributable cash flow is not a standard measure under GAAP, and therefore may not be comparable to similar measures reported by other entities. Distributable cash flow is used to assess the level of cash flow generated from ongoing operations and to evaluate the adequacy of internally generated cash flow to fund dividends.

The following is a reconciliation of distributable cash flow to its most closely related GAAP measure, cash flow from operating activities.

Distributable Cash Flow	**Three months ended June 30,**		**Six months ended June 30,**	
(Thousands of Canadian dollars)	**2015**	2014	**2015**	2014
Cash flow from operating activities	**126,434**	106,675	**403,997**	226,168
Add (deduct):				
Changes in non-cash working capital	**14,259**	28,988	**(108,443)**	(482)
Long-term incentive plan expense	**(7,108)**	(12,044)	**(17,871)**	(19,035)
Maintenance capital	**(38,755)**	(39,604)	**(43,059)**	(42,883)
Inventory write-down	**(2,525)**	—	**(2,525)**	(1,533)
Distributable cash flow	**92,305**	84,015	**232,099**	162,235
Dividends declared to shareholders	**58,479**	51,044	**114,248**	98,649

Dividends declared were $58.5 million and $114.2 million, or 63% and 49% of distributable cash flow, for the three and six months ended June 30, 2015. This is compared to dividends declared of $51.0 million and $98.6 million, or 61% of distributable cash flow, in the same periods of 2014.

Keyera recorded distributable cash flow for the three and six months ended June 30, 2015 of $92.3 million and $232.1 million respectively, $8.3 million and $69.9 million higher than the same periods last year. The higher distributable cash flow in 2015 stems primarily from the steady throughput being delivered to Keyera's core gas plants, the ongoing demand for storage, fractionation and transportation services, and strong margins from the sale of iso-octane. Keyera posted strong distributable cash flow despite recording current taxes of $17.5 million and $37.6 million for the three and six months ended June 30, 2015. This is compared to current taxes of $6.8 and $16.0 million recorded in the same periods in 2014.

Also contributing to the higher distributable cash flow for the first half of 2015 was the inclusion of approximately $40 million of realized cash gains and physical margin in the first quarter relating to the settlement of risk management contracts associated with Keyera's year-end 2014 inventory. The section of this MD&A, "Results of Operations: Marketing", provides more information related to these cash gains from financial and physical risk management contracts.

Changes in non-cash working capital are excluded from the determination of distributable cash flow because they are primarily the result of seasonal fluctuations in product inventories or other temporary changes and are generally funded with short-term debt. Also deducted from distributable cash flow are maintenance capital expenditures and the long-term incentive plan expense, which are funded from current operating cash flow.

Dividend Policy

Effective April 1, 2015, Keyera's outstanding common shares were split on a two-for-one basis. In addition, Keyera has increased its dividend twice in 2015. Most recently, Keyera increased its dividend by 9% from $0.115 per share per month to $0.125 per share per month on a post-split basis, or $1.50 per share annually, beginning with its August dividend payable on September 15, 2015. In determining the level of cash dividends to shareholders, Keyera's Board of Directors considers current and expected future levels of distributable cash flow, capital expenditures, borrowings and debt repayments, changes in working capital requirements and other factors.

Keyera expects to pay dividends from 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, along with proceeds from additional debt or equity, as required. Although Keyera intends to continue to make regular, monthly cash dividends to its shareholders, these dividends are not guaranteed. For a more detailed discussion of the risks that could affect the level of cash dividends, refer to Keyera's Annual Information Form available at www.sedar.com.

EBITDA

EBITDA and Adjusted EBITDA are not standard measures under GAAP and, therefore, may not be comparable to similar measures reported by other entities. EBITDA is a measure showing earnings before finance costs, taxes, depreciation, and amortization. Adjusted EBITDA is calculated as EBITDA before costs associated with non-cash items, including unrealized gains/losses, impairment expenses and any other non-cash items such as gains/losses on the disposal of property, plant and equipment.

The following is a reconciliation of EBITDA and Adjusted EBITDA to their most closely related GAAP measure, net earnings.

EBITDA	**Three months ended June 30,**		**Six months ended June 30,**	
(Thousands of Canadian dollars)	**2015**	2014	**2015**	2014
Net earnings	**15,587**	62,930	**72,167**	118,163
Add (deduct):				
Finance costs	**12,915**	13,651	**24,753**	28,035
Depreciation and amortization	**41,745**	32,371	**79,998**	59,642
Tax expense	**40,161**	22,230	**49,807**	48,277
EBITDA	**110,408**	131,182	**226,725**	254,117
Unrealized loss (gain) on commodity contracts	**3,258**	(1,861)	**58,390**	(3,837)
Net foreign currency loss on U.S. debt	**43,257**	13,722	**36,407**	510
Impairment expense	**—**	—	**19,908**	—
Adjusted EBITDA	**156,923**	143,043	**341,430**	250,790

CONTRACTUAL OBLIGATIONS

Keyera has assumed various contractual obligations in the normal course of its operations. There were no material changes in contractual obligations since the December 31, 2014 year end.

RELATED PARTY TRANSACTIONS

Keyera has provided compensation to key management personnel who are comprised of its directors and executive officers. There have been no other material related party transactions or significant changes to the annual compensation amounts disclosed in the December 31, 2014, annual audited financial statements.

RISK FACTORS

For a detailed discussion of the risks and trends that could affect the financial performance of Keyera and the steps that Keyera takes to mitigate these risks, see the December 31, 2014, MD&A and to Keyera's Annual Information Form, which are available on SEDAR at www.sedar.com.

ENVIRONMENTAL REGULATION AND CLIMATE CHANGE

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

Greenhouse gases, mainly carbon dioxide and methane, are components of the raw natural gas processed and handled at Keyera's facilities. Operations at Keyera's facilities, including the combustion of fossil fuels in engines, heaters and boilers, release carbon dioxide, methane and other minor greenhouse gases. As such, Keyera is subject to various greenhouse gas reporting and reduction programs. Keyera uses an engineering consulting firm to compile inventories of greenhouse gas emissions and reports these inventories in accordance with federal and provincial programs. Second party audits or verifications of inventories are conducted for facilities that are required to meet regulatory targets.

Keyera closely monitors political and legislative developments as they relate to climate change as well as other environmental and regulatory matters. For a detailed discussion of environmental regulations that affect Keyera and the risks associated therewith, see Keyera's Annual Information Form which is available at www.sedar.com.

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial information for Keyera:

	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013
Revenue before inter-segment eliminations [2]								
Gathering and Processing	**107,169**	106,738	115,131	105,355	113,524	92,445	87,186	87,678
NGL Infrastructure	**85,095**	83,828	84,784	77,067	75,034	69,180	62,088	57,195
Marketing	**480,590**	517,071	800,126	746,591	735,513	841,305	827,786	679,351
Other	**10,723**	9,724	16,463	17,525	9,117	3,758	2,810	2,951
Operating Margin								
Gathering and Processing	**56,147**	60,146	52,079	53,982	63,981	48,254	37,983	40,654
NGL Infrastructure	**54,869**	53,572	54,976	45,775	48,955	39,050	33,781	31,380
Marketing	**53,483**	36,260	67,769	79,931	52,791	36,948	29,044	33,160
Other	**6,691**	4,073	12,829	10,947	445	2,483	1,551	1,681
Net earnings [1]	**15,587**	56,580	29,387	82,439	62,930	55,233	34,396	40,822
Net earnings per share[3] **($/share)**								
Basic	**0.09**	0.33	0.17	0.49	0.39	0.35	0.22	0.26
Diluted	**0.09**	0.33	0.17	0.49	0.39	0.35	0.22	0.26
Weighted average[3] common shares (basic)	**169,411**	168,915	168,470	168,080	162,162	158,602	157,558	156,900
Weighted average[3] common shares (diluted)	**169,411**	168,915	168,470	168,080	162,162	158,602	158,146	157,670
Dividends declared to shareholders	**58,479**	55,769	54,353	54,226	51,044	47,605	47,297	45,529

[1] Keyera has no transactions that require the use of other comprehensive income and therefore comprehensive income equals net earnings.
[2] Keyera's Gathering and Processing and NGL Infrastructure segments charge Keyera's Marketing segment for the use of facilities at market rates. Revenue before inter-segment eliminations reflects these transactions. Inter-segment transactions are eliminated on consolidation in order to arrive at Operating Revenues in accordance with GAAP.
[3] Effective April 1, 2015, Keyera's outstanding common shares were split on a two-for-one basis. All common share and per share information has been presented on a post-share split basis for the current and prior quarters.

The Gathering and Processing segment has continued to grow as a result of acquiring ownership interests in new or existing facilities and strong producer activity related to the development of liquids-rich natural gas in areas around several of Keyera's gas plants. In the NGL Infrastructure segment, continued demand for storage, fractionation, transportation and rail services, as well as the operation of AEF, have contributed to the growth in operating margin.

Operating margin from the Marketing segment can be affected by seasonal factors. The demand for iso-octane is typically highest in the second and third quarters as the demand for gasoline tends to be higher in the summer months. By comparison, propane sales are typically higher in the first and fourth quarters when propane demand and margins are higher. Unrealized non-cash gains and losses resulting from the change in value of risk management contracts can also have a material effect on operating margin for this segment.

Compared to the 2014 year-end results, all business segments are continuing to perform well. In the Gathering and Processing segment, throughput and revenue may be lower in 2015 at certain facilities, including the Strachan, Brazeau River and Minnehik Buck Lake gas plants, due to curtailments imposed by

TransCanada on its sales gas pipelines. The TransCanada restrictions relate to their ongoing maintenance and integrity work.

In the NGL Infrastructure segment, demand for fractionation, storage and transportation services is expected to remain strong for the remainder of 2015. The demand for diluent services was strong in the first half of 2015 and is expected to increase later this year as Imperial Oil begins producing from the next phase of its Kearl project and Husky's Sunrise project commences production. Keyera has long-term agreements in place to provide diluent transportation, storage and rail offload services in the Edmonton/Fort Saskatchewan area for the Sunrise and Kearl oil sands projects.

In the Marketing segment, Keyera is utilizing its rail car logistics capability and infrastructure to import butane in the spring and summer months when prices are lower in order to optimize margins in its iso-octane business. Keyera will continue to maintain its disciplined approach to risk management for its NGL and iso-octane products in 2015.

See the section of this MD&A, "Segmented Results of Operations", for more information on the financial results of Keyera's operating segments for the three and six months ended June 30, 2015.

CONTROL ENVIRONMENT

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer are satisfied that, as of June 30, 2015, Keyera's disclosure controls and procedures have provided reasonable assurance that material information relating to Keyera and its consolidated subsidiaries has been brought to their attention and that information required to be disclosed pursuant to applicable securities legislation has been recorded, processed, summarized and reported in an appropriate and timely manner.

Internal Controls Over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer are satisfied that Keyera's internal controls over financial reporting provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

No changes were made for the period beginning January 1, 2015 and ending June 30, 2015 that have materially affected, or are reasonably likely to materially affect Keyera's internal controls over financial reporting.

COMMON SHARES

For the three months ended June 30, 2015, there were 1,069,631 common shares issued under the DRIP and the Premium DRIP™ for consideration of $42.6 million, bringing the total common shares outstanding at June 30, 2015 to 169,747,099.

Subsequent to June 30, 2015, 286,139 common shares were issued to shareholders enrolled in the DRIP and the Premium DRIP™ for consideration of $11.6 million, bringing the total common shares outstanding at August 5, 2015 to 170,033,238.

NON-GAAP FINANCIAL MEASURES

This discussion and analysis refers to certain financial measures that are not determined in accordance with GAAP. Measures such as distributable cash flow (cash flow from operating activities adjusted for changes in non-cash working capital, long-term incentive plan costs, inventory write-down and maintenance capital expenditures); EBITDA (earnings before finance costs, taxes, depreciation, and amortization); and Adjusted EBITDA (calculated as EBITDA before costs associated with non-cash items, including unrealized gains/losses, impairment expenses and any other non-cash items such as gains/losses on the disposal of property, plant and equipment) are not standard measures under GAAP and, therefore, may not be comparable to similar measures reported by other entities. Management believes that these supplemental measures facilitate the understanding of Keyera's results of operations, leverage, liquidity and financial position. Distributable cash flow is used to assess the level of cash flow generated from ongoing operations and to evaluate the adequacy of internally generated cash flow to fund dividends. EBITDA and Adjusted EBITDA are measures used as an indication of earnings generated from operations after consideration of administrative and overhead costs. Investors are cautioned, however, that these measures should not be construed as an alternative to net earnings determined in accordance with GAAP as an indication of Keyera's performance.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A and accompanying documents contain forward-looking statements. These statements relate to future events or Keyera's future performance. Such statements are predictions only and actual events or results may differ materially. The use of words such as "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "plan", "intend", "believe", and similar expressions, including the negatives thereof, is intended to identify forward-looking statements. All statements other than statements of historical fact contained in this document are forward-looking statements.

The forward-looking statements reflect management's current 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 MD&A and accompanying documents may also contain forward-looking statements attributed to third party sources. Management believes that its assumptions and analysis in this MD&A are reasonable and that the expectations reflected in the forward looking statements contained herein are also reasonable. However, Keyera cannot assure readers that these expectations will prove to be correct.

All forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events, levels of activity and achievements to differ materially from those anticipated in the forward looking statements. Such factors include but are not limited to: general economic, market and business conditions; access to capital and debt markets; operational matters, including potential hazards inherent in our operations; risks arising from co-ownership of facilities; activities of other facility owners; access to third party facilities, competitive action by other companies; activities of producers and other customers and overall industry activity levels; changes in gas composition; fluctuations in commodity prices and supply/demand trends; processing and marketing margins; effects of weather conditions; availability of construction crews and materials; fluctuations in interest rates and foreign currency exchange rates; changes in operating and capital costs, including fluctuations in input costs; actions by governmental authorities; decisions or approvals of administrative tribunals; changes in environmental and other regulations; reliance on key personnel; competition for, among other things, capital, acquisition opportunities and skilled personnel; changes in tax laws, including the effects that such changes may have on shareholders, and in particular any differential effects relating to shareholder's country of residence; and other factors, many of which are beyond the control of Keyera, some of which are discussed in this MD&A and in Keyera's Annual Information Form dated February 11, 2015, filed on SEDAR and available on the Keyera website at *www.keyera.com*.

Proposed construction and completion schedules and budgets for capital projects are subject to many variables, including weather; availability and prices of materials; labour; customer project schedules and expected in service dates; contractor productivity; contractor disputes; quality of cost estimating; decision processes and approvals by joint venture partners; changes in project scope at the time of project sanctioning; regulatory approvals; and macro socio-economic trends. Pipeline projects are also subject to Keyera's ability to secure the necessary rights of way; and underground cavern development is dependent on sufficient water supply. As a result, expected timing, costs and benefits associated with these projects may differ materially from the descriptions in this MD&A. Further, some of the projects discussed in this MD&A are subject to securing sufficient producer/customer interest and may not proceed if sufficient commitments are not obtained. Typically, the earlier in the engineering process that projects are sanctioned, the greater the likelihood that the schedule and budget may change. Alberta's move toward a single regulator has affected approval processing times for projects that are subject to regulatory approval. The new regulatory requirements implemented with the transition to the AER, and possible future changes as integration of the regulatory bodies continues, create uncertainty for project timing, requirements and compliance. Regulatory applications are also subject to intervention by interested parties which could result in delays.

Readers are cautioned that they should not unduly rely on the forward-looking statements in this MD&A and accompanying documents. Further, readers are cautioned that the forward-looking statements in this document speak only as of the date of this MD&A.

Any statements relating to "reserves" are deemed to be forward looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

All forward-looking statements contained in this MD&A and accompanying documents 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, which can be viewed on SEDAR at www.sedar.com.

Investor Information

DIVIDENDS TO SHAREHOLDERS

Dividends declared to shareholders were $0.345 per share in the second quarter 2015. On April 1, 2015, Keyera completed a two-for-one split of its outstanding common shares. During 2015, Keyera has increased its dividend twice. Most recently, Keyera increased its dividend by 9% from $0.115 per share per month to $0.125 per share per month on a post-split basis, or $1.50 per share annually, beginning with its August dividend payable on September 15, 2015. Keyera is focused on providing stable long-term dividends per share that grow over time.

TAXABILITY OF DIVIDENDS

Keyera's dividends are considered to be eligible dividends for the purpose of the Income Tax Act (Canada). For non-resident shareholders, Keyera's dividends are subject to Canadian withholding tax.

SUPPLEMENTARY INFORMATION

A breakdown of Keyera's operational and financial results, including volumetric and operating margin information by major business unit, is available on our website at www.keyera.com/ir/reports.

SECOND QUARTER 2015 RESULTS CONFERENCE CALL AND WEBCAST

Keyera will be conducting a conference call and webcast for investors, analysts, brokers and media representatives to discuss the second quarter 2015 results at 8:00 am mountain time (10:00 am eastern) on August 6, 2015. Callers may participate by dialing either 1-888-231-8191 or 647-427-7450. An audio recording of the call will be available for replay until midnight, August 20, 2015, by dialing 1-855-859-2056 or 1-416-849-0833 and entering pass code 80682196.

Internet users can listen to the call live on Keyera's website at www.keyera.com/news/events. Shortly after the call, an audio archive will be posted on the website for 90 days.

QUESTIONS

We welcome questions from interested parties. Calls should be directed to Keyera's Investor Relations Department at 403-205-7670, toll free at 1-888-699-4853 or via email at ir@keyera.com. Information about Keyera can also be found on our website at www.keyera.com.

Keyera Corp.
Condensed Interim Consolidated Statements of Financial Position
(Thousands of Canadian dollars)
(Unaudited)

As at	Note	**June 30, 2015 $**	December 31, 2014 $
ASSETS			
Cash		**5,681**	11,309
Trade and other receivables		**310,284**	402,965
Derivative financial instruments	9	**17,595**	77,810
Inventory	3	**97,456**	124,292
Other assets		**29,259**	5,334
Total current assets		**460,275**	621,710
Derivative financial instruments	9	**79,422**	75,303
Property, plant and equipment	4	**3,437,052**	3,099,129
Intangible assets		**811**	1,060
Goodwill		**53,624**	53,624
Total assets		**4,031,184**	3,850,826
LIABILITIES AND EQUITY			
Trade and other payables		**419,530**	446,122
Derivative financial instruments	9	**18,500**	19,770
Dividends payable		**19,521**	18,133
Current portion of long-term debt		**146,081**	47,402
Current portion of decommissioning liability		**11,942**	9,557
Total current liabilities		**615,574**	540,984
Derivative financial instruments	9	—	3,602
Credit facilities		**230,000**	90,000
Long-term debt		**1,097,950**	1,152,133
Long-term incentive plan	8	**27,203**	16,653
Decommissioning liability		**424,496**	424,212
Deferred tax liabilities		**317,280**	305,061
Total liabilities		**2,712,503**	2,532,645
Equity			
Share capital	6	**1,407,103**	1,364,522
Accumulated deficit		**(88,422)**	(46,341)
Total equity		**1,318,681**	1,318,181
Total liabilities and equity		**4,031,184**	3,850,826

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

These condensed interim unaudited consolidated financial statements were approved by the Board of Directors of Keyera Corp. on August 5, 2015.

(Signed) Michael Norris
Director

(Signed) David G. Smith
Director

Keyera Corp.

Condensed Interim Consolidated Statements of Net Earnings and Comprehensive Income

(Thousands of Canadian dollars, except share information)
(Unaudited)

		Three months ended June 30,		Six months ended June 30,	
		2015	2014	**2015**	2014
	Note	**$**	$	**$**	$
Operating revenues	13	**610,023**	866,544	**1,255,015**	1,818,023
Operating expenses	13	**(438,833)**	(700,372)	**(929,774)**	(1,525,116)
		171,190	166,172	**325,241**	292,907
General and administrative expenses		**(10,417)**	(9,224)	**(24,330)**	(19,245)
Finance costs	11	**(12,915)**	(13,651)	**(24,753)**	(28,035)
Depreciation, depletion and amortization expenses		**(41,745)**	(32,371)	**(79,998)**	(59,642)
Net foreign currency loss on U.S. debt	10	**(43,257)**	(13,722)	**(36,407)**	(510)
Long-term incentive plan expense	8	**(7,108)**	(12,044)	**(17,871)**	(19,035)
Impairment expense		**—**	—	**(19,908)**	—
Earnings before income tax		**55,748**	85,160	**121,974**	166,440
Income tax expense	5	**(40,161)**	(22,230)	**(49,807)**	(48,277)
Net earnings		**15,587**	62,930	**72,167**	118,163
Other comprehensive income		**—**	—	**—**	—
Total comprehensive income		**15,587**	62,930	**72,167**	118,163

Earnings per share					
Basic earnings per share	7	**0.09**	**0.39**	**0.43**	**0.74**
Diluted earnings per share	7	**0.09**	**0.39**	**0.43**	**0.74**

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

Keyera Corp.
Condensed Interim Consolidated Statements of Cash Flows
(Thousands of Canadian dollars)
(Unaudited)

		Three months ended June 30,		Six months ended June 30,	
		2015	2014	**2015**	2014
	Note	**$**	$	**$**	$
Cash provided by (used in):					
OPERATING ACTIVITIES					
Net earnings:		**15,587**	62,930	**72,167**	118,163
Adjustments for items not affecting cash:					
Finance costs	11	**2,790**	2,744	**5,606**	5,443
Depreciation, depletion and amortization		**41,745**	32,371	**79,998**	59,642
Long-term incentive plan expense	8	**7,108**	12,044	**17,871**	19,035
Unrealized loss (gain) on derivative financial instruments	9	**57,772**	30,213	**51,223**	(6,415)
Unrealized (gain) loss on foreign exchange		**(9,072)**	(18,940)	**36,422**	(1,083)
Deferred income tax expense	5	**22,704**	15,475	**12,219**	32,280
Inventory write-down	3	**2,525**	—	**2,525**	1,533
Impairment expense		**—**	—	**19,908**	—
Decommissioning liability expenditures		**(466)**	(1,174)	**(2,385)**	(2,912)
Changes in non-cash working capital	12	**(14,259)**	(28,988)	**108,443**	482
Net cash provided by operating activities		**126,434**	106,675	**403,997**	226,168
INVESTING ACTIVITIES					
Acquisitions		**(13,592)**	(114,159)	**(16,407)**	(119,942)
Capital expenditures		**(207,359)**	(196,625)	**(421,593)**	(398,502)
Proceeds on sale of assets		**359**	—	**419**	—
Changes in non-cash working capital	12	**(70,819)**	(1,872)	**(43,194)**	46,431
Net cash used in investing activities		**(291,411)**	(312,656)	**(480,775)**	(472,013)
FINANCING ACTIVITIES					
Borrowings under credit facilities		**420,000**	80,000	**500,000**	80,000
Repayments under credit facilities		**(220,000)**	(80,000)	**(360,000)**	(80,000)
Proceeds from issuance of long-term debt		**—**	75,000	**—**	75,000
Financing costs related to long-term debt		**—**	(378)	**(58)**	(390)
Proceeds from equity offering		**—**	318,047	**—**	318,047
Issuance costs related to equity offering		**—**	(12,772)	**—**	(12,772)
Proceeds from issuance of shares related to DRIP	6	**24,244**	14,526	**42,581**	29,191
Dividends paid to shareholders		**(58,410)**	(48,881)	**(112,860)**	(96,407)
Net cash provided by in financing activities		**165,834**	345,542	**69,663**	312,669
Effect of exchange rate fluctuations on foreign cash held		**(305)**	(836)	**1,487**	1,781
Net increase (decrease) in cash		**552**	138,725	**(5,628)**	68,605
Cash at the start of the period		**5,129**	116,531	**11,309**	186,651
Cash at the end of the period		**5,681**	255,256	**5,681**	255,256

The following amounts are included in Cash Flows from Operating Activities:

Income taxes paid in cash	**8,461**	544	**45,298**	1,054
Interest paid in cash	**28,107**	9,754	**35,480**	12,818

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

Keyera Corp.

Condensed Interim Consolidated Statement of Changes in Equity

(Thousands of Canadian dollars)
(Unaudited)

As at	Stated Share Capital $	Accumulated (Deficit) $	Total $
Balance at December 31, 2013	**992,811**	**(69,102)**	**923,709**
Common shares issued pursuant to dividend reinvestment plans	29,191	—	29,191
Common shares issued pursuant to equity offering[1]	308,468	—	308,468
Net earnings and total comprehensive income	—	118,163	118,163
Dividends declared to shareholders	—	(98,649)	(98,649)
Balance at June 30, 2014	**1,330,470**	**(49,588)**	**1,280,882**

As at	Stated Share Capital $	Accumulated (Deficit) $	Total $
Balance at December 31, 2014	**1,364,522**	**(46,341)**	**1,318,181**
Common shares issued pursuant to dividend reinvestment plans	42,581	—	42,581
Net earnings and total comprehensive income	—	72,167	72,167
Dividends declared to shareholders	—	(114,248)	(114,248)
Balance at June 30, 2015	**1,407,103**	**(88,422)**	**1,318,681**

Note:
[1] Net of issuance costs and related deferred income tax asset recorded.

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

Keyera Corp.
Notes to Condensed Interim Consolidated Financial Statements
As at and for the three and six months ended June 30, 2015 and 2014
(All amounts expressed in thousands of Canadian dollars, except as otherwise noted)
(Unaudited)

1. GENERAL BUSINESS DESCRIPTION

The operating subsidiaries of Keyera Corp. include Keyera Partnership (the “Partnership”), Keyera Midstream Ltd. (“KML”), Keyera Energy Ltd. (“KEL”), Keyera Energy Inc. (“KEI”), Keyera Rimbey Ltd. (“KRL”), Keyera RP Ltd. (“KRPL”), Rimbey Pipeline Limited Partnership (“RPLP”), Alberta Diluent Terminal Ltd. (“ADT”) and Alberta EnviroFuels Inc. (“AEF”). Keyera Corp. and its subsidiaries are involved in the business of natural gas gathering and processing, as well as natural gas liquids (“NGLs”), iso-octane and crude oil processing, transportation, storage and marketing in Canada and the U.S. Keyera Corp. and its subsidiaries are collectively referred to herein as “Keyera”. The address of Keyera’s registered office and principal place of business is Suite 600, Sun Life Plaza West Tower, 144 – 4th Avenue S.W., Calgary, AB, Canada.

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

In 2013, shareholders of Keyera approved a special resolution to amend the articles of Keyera (the “Articles of Amendment”) to create two new classes of preferred shares (one class referred to as the “First Preferred Shares”, a second class referred to as the “Second Preferred Shares”, and collectively both classes being referred to as the “Preferred Shares”). Each are issuable in one or more series without par value and each with such rights, restrictions, designations and provisions as the Board of Directors may at any time and from time to time determine, subject to an aggregate maximum number of authorized Preferred Shares. No preferred shares had been issued as at June 30, 2015.

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements are in compliance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board. The accounting policies applied are in compliance with International Financial Reporting Standards (“IFRS”) and are consistent with Keyera Corp.’s consolidated financial statements as at and for the year ended December 31, 2014, except for the adoption of new IFRS standards, amendments and interpretations effective January 1, 2015 as noted below.

These condensed interim consolidated financial statements as at and for the three and six months ended June 30, 2015 and 2014 do not include all disclosures required for the preparation of annual consolidated financial statements and should be read in conjunction with Keyera Corp.’s consolidated financial statements as at and for the year ended December 31, 2014.

The condensed interim consolidated financial statements were authorized for issuance on August 5, 2015 by the Board of Directors.

New and amended IFRS standards adopted by Keyera

For the three and six months ended June 30, 2015, Keyera did not adopt any new IFRS standards.

Future accounting pronouncements

There have been no significant amendments or introduction of new standards issued by the International Accounting Standards Board ("IASB") for the three and six months ended June 30, 2015. Refer to Keyera Corp.'s consolidated financial statements as at, and for the year ended December 31, 2014 for details of IFRS standards that are in the process of being finalized by the IASB.

3. INVENTORY

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

As at	**June 30, 2015 $**	December 31, 2014 $
NGLs and iso-octane	**92,527**	119,726
Other	**4,929**	4,566
Total inventory	**97,456**	124,292

For the period ended June 30, 2015, $84,659 of inventory was carried at cost (December 31, 2014 – $24,502) and $12,797 (December 31, 2014 – $99,790) was carried at net realizable value.

For the three and six months ended June 30, 2015, there was a $2,525 charge to operating expenses to write down the cost of NGL inventory to net realizable value (three months ended June 30, 2014 – $nil; six months ended June 30, 2014 - $1,533).

4. PROPERTY, PLANT, AND EQUIPMENT

Impairment loss recognized

In the first quarter of 2015, Keyera received a request from the operator of the Bonnie Glenn pipeline to remove it from service later this year. The operator of the pipeline has determined there is currently not sufficient business to warrant keeping the pipeline in active service. This non-core pipeline, including the related linefill, are assets within the Keyera Fort Saskatchewan cash generating unit which is part of the NGL Infrastructure operating segment. As a result, the carrying value of the pipeline was written down to its recoverable amount which was $nil and the related linefill was written down to a recoverable amount of $4,211. For the three months ended June 30, 2015 there was no impairment recorded. For the six months ended June 30, 2015 an impairment expense of $19,908 was recorded (three and six months ended June 30, 2014 - $nil).

The recoverable amount of the pipeline was determined to be its fair value less costs of disposal. A Level 3 input within the fair value hierarchy was used to measure the fair value of the pipeline. In determining the price that Keyera would have received to sell the asset in an orderly transaction between market participants under current market conditions, management considered the age of the pipeline, the market activity in the capture area surrounding the pipeline and the residual value of the pipeline. Based on this assessment, Keyera determined that the fair value of the pipeline was $nil.

The recoverable amount of the linefill was determined to be its fair value less costs of disposal. The March 31, 2015 spot price of crude oil (a Level 1 input within the fair value hierarchy) was used to measure the fair value of the linefill.

5. INCOME TAXES

The components of the income tax expense were as follows:

	Three months ended June 30,		**Six months ended June 30,**	
	2015	2014	**2015**	2014
	$	$	**$**	$
Current	**17,457**	6,755	**37,588**	15,997
Deferred	**22,704**	15,475	**12,219**	32,280
Income tax expense	**40,161**	22,230	**49,807**	48,277

6. CAPITAL

	Share Capital	
	Number of Common Shares	**Share Capital $**
Balance at December 31, 2014	**168,677,428**	**1,364,522**
Common shares issued pursuant to dividend reinvestment plans	1,069,671	42,581
Balance at June 30, 2015	**169,747,099**	**1,407,103**

Effective April 1, 2015, Keyera's outstanding common shares were split on a two-for-one basis. All common share and per share amounts have been shown on a post-split basis.

On May 5, 2015, Keyera amended and reinstated the Premium DRIP™, that was previously suspended since April 2010. Effective with the May 2015 dividend, the Premium DRIP™ now permits eligible shareholders to elect to have additional shares issued from treasury at a 3% discount to the Average Market Price (as defined in the Plan) delivered to the designated Plan Broker in exchange for a premium cash payment equal to 101% of the regular, declared cash dividend.

7. EARNINGS PER SHARE

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

	Three months ended June 30,		**Six months ended June 30,**	
	2015	2014	**2015**	2014
	$	$	**$**	$
Basic earnings per share	**0.09**	0.39	**0.43**	0.74
Diluted earnings per share	**0.09**	0.39	**0.43**	0.74

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
	$	$	**$**	$
Net earnings – basic	**15,587**	62,930	**72,167**	118,163
Net earnings – diluted	**15,587**	62,930	**72,167**	118,163

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	**2015**	2014	**2015**	2014
Weighted average number of shares – basic	**169,411**	162,162	**169,164**	160,392
Weighted average number of shares – diluted	**169,411**	162,162	**169,164**	160,392

8. SHARE-BASED COMPENSATION AND PENSION PLANS

Long-term incentive plan

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

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

The LTIP is accounted for using the liability method and is measured at fair value at each statement of financial position date until the award is settled. The fair value of the liability is measured by applying a fair value pricing model. At June 30, 2015 the fair value of shares granted was $41.70 per share (December 31, 2014 – $40.54 per share).

The compensation cost recorded for the LTIP was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
	$	$	**$**	$
Performance awards	**6,488**	11,131	**16,459**	17,199
Restricted awards	**620**	913	**1,412**	1,836
Total long-term incentive plan expense	**7,108**	12,044	**17,871**	19,035

The table below shows the number of share awards granted:

	Share awards granted as at	
Share Award Series	**June 30, 2015**	December 31, 2014
Issued July 1, 2012 – Performance Awards	**316,292**	320,754
Issued July 1, 2013 – Performance Awards	**308,460**	311,580
Issued July 1, 2014 – Performance Awards	**340,352**	338,532
Issued July 1, 2012 – Restricted Awards	**22,728**	23,224
Issued July 1, 2013 – Restricted Awards	**37,736**	38,430
Issued July 1, 2014 – Restricted Awards	**61,272**	59,430

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments include cash, trade and other receivables, derivative financial instruments (including puttable instruments), trade and other payables, dividends payable, credit facilities, current and long-term debt. Derivative financial instruments include foreign exchange contracts, cross-currency swaps, NGLs, crude oil, motor gasoline and natural gas price contracts, electricity price contracts and physical fixed price commodity contracts. Derivative instruments are classified as fair value through the statement of net earnings and are measured at fair value. All other financial instruments are measured at amortized cost.

Financial Instruments

(a) Fair value

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

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

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

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

Financial instruments with fair value equal to carrying value

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

Fair value of senior fixed rate debt

The fair value of long-term debt is based on second party estimates for similar issues or current rates offered to Keyera for debt of the same maturity. The fair value of Keyera's unsecured senior notes at

June 30, 2015 was $1,543,031 and this was determined by reference to inputs other than quoted market prices in active markets for identical liabilities under Level 2 of the fair value hierarchy.

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

As at June 30, 2015	Notional Volume[1]	Average Price $	Fair Value Hierarchy Level [2]	Net Fair Value $	Carrying Value Asset $	Carrying Value Liability $
Marketing: NGLs and Iso-octane						
Financial contracts:						
Seller of fixed price WTI swaps (maturing by March 31, 2016)	2,953,344 Bbls	74.65/Bbl	Level 2	(2,775)	2,134	(4,909)
Buyer of fixed price WTI swaps (maturing by January 31, 2016)	80,846 Bbls	72.20/Bbl	Level 2	178	209	(31)
Seller of fixed price NGL swaps (maturing by March 31, 2016)	1,274,424 Bbls	27.06/Bbl	Level 2	1,846	2,158	(312)
Buyer of fixed price NGL swaps (maturing by March 31, 2016)	1,854,048 Bbls	42.01/Bbl	Level 2	(1,889)	1,740	(3,629)
Seller of fixed price NGL basis spreads (maturing by August 31, 2015)	73,826 Bbls	35.41/Bbl	Level 2	551	551	—
Seller of fixed price RBOB basis spreads (maturing by March 31, 2016)	1,575,000 Bbls	17.78/Bbl	Level 2	(7,359)	640	(7,999)
Physical contracts:						
Seller of fixed price forward NGL contracts (maturing by March 31, 2016)	755,000 Bbls	24.96/Bbl	Level 2	2,243	2,641	(398)
Currency:						
Seller of forward contracts (maturing by March 1, 2016)	US$82,520,000	1.24/USD	Level 2	(926)	30	(956)
NGL Infrastructure						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2016)	177,792 MWhs	42.33/MWh	Level 2	1,907	2,153	(246)
Corporate and Other						
Natural Gas:						
Buyer of fixed price swaps (maturing by March 31, 2016)	1,107,000 Gjs	3.21/Gj	Level 2	690	690	—
Financial Contracts:						
Seller of fixed price WTI & NGL swaps (maturing by March 31, 2016)	190,200 Bbls	45.52/Bbl	Level 2	132	143	(11)
Long-term Debt						
Buyer of cross-currency swaps (maturing September 8, 2015 – November 20, 2028)	US$696,141,400	0.98/USD - 1.28/USD	Level 2	83,919	83,928	(9)
				78,517	**97,017**	**(18,500)**

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

As at December 31, 2014	Notional Volume[1]	Average Price $	Fair Value Hierarchy Level [2]	Net Fair Value $	Carrying Value Asset $	Carrying Value Liability $
Marketing: NGLs and Iso-octane						
Financial contracts:						
Seller of fixed price WTI swaps (maturing by March 31, 2015)	1,929,475 Bbls	78.41/Bbl	Level 2	31,724	31,728	(4)
Buyer of fixed price WTI swaps (maturing by February 28, 2015)	37,750 Bbls	78.32/Bbl	Level 2	(617)	—	(617)
Seller of fixed price NGL swaps (maturing by July 31, 2015)	1,262,400 Bbls	36.32/Bbl	Level 2	18,115	18,147	(32)
Buyer of fixed price NGL swaps (maturing by March 31, 2015)	425,606 Bbls	71.75/Bbl	Level 2	(14,812)	—	(14,812)
Buyer of fixed price NGL basis spreads (maturing by March 31, 2015)	261,606 Bbls	11.22/Bbl	Level 2	(935)	148	(1,083)
Seller of fixed price RBOB basis spreads (maturing by September 30, 2015)	2,040,000 Bbls	21.94/Bbl	Level 2	9,967	10,775	(808)
Physical contracts:						
Seller of fixed price forward NGL contracts (maturing by March 31, 2015)	520,900 Bbls	38.67/Bbl	Level 2	8,845	8,845	—
Currency:						
Seller of forward contracts (maturing by February 1, 2015)	USD 115,000,000	1.15/USD	Level 2	(908)	146	(1,054)
Buyer of forward contracts (maturing by January 1, 2015)	USD 10,000,000	1.16/USD	Level 2	(7)	1	(8)
NGL Infrastructure						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2015)	179,064 MWhs	47.49/MWh	Level 2	(941)	118	(1,059)
Corporate and Other						
Natural Gas:						
Buyer of fixed price swaps (maturing by October 31, 2015)	2,945,000 Gjs	3.44/Gj	Level 2	2,557	2,557	—
Long-term Debt						
Buyer of cross-currency swaps (maturing September 8, 2015 – November 20, 2028)	US$708,797,100	0.98/USD - 1.28/USD	Level 2	76,753	80,648	(3,895)
				129,741	**153,113**	**(23,372)**

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

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

For the Marketing, NGL Infrastructure and Corporate and Other segments, unrealized gains (losses), representing the change in fair value of derivative contracts, are recorded in Marketing operating revenue, NGL Infrastructure operating expense, Gathering and Processing expenses and Production revenue (for derivative contracts related to natural gas, crude oil and NGLs) and expenses (for derivative contracts related to electricity). Unrealized gains (losses) relating to the cross-currency swaps are recorded in foreign currency gain (loss).

The unrealized gains (losses) representing the change in fair value relating to derivative instruments were as follows:

	Three months ended June 30,		**Six months ended June 30,**	
	2015	2014	**2015**	2014
Unrealized gain (loss)	**$**	$	**$**	$
Marketing revenue	**(6,205)**	1,537	**(59,504)**	3,471
NGL Infrastructure operating expense	**2,833**	324	**2,347**	366
Production revenue and expense	**2**	—	**(1,315)**	—
Gathering and processing expense	**112**	—	**82**	—
Other:				
Foreign currency (loss) gain on U.S. debt	**(54,514)**	(32,074)	**7,167**	2,578
Total unrealized (loss) gain	**(57,772)**	(30,213)	**(51,223)**	6,415

Risk Management

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

(b) Commodity price risk

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

Significant amounts of electricity and natural gas are consumed by certain facilities. Due to the fixed fee nature of some service contracts in place with customers, these facilities are unable to flow increases in the cost of electricity and natural gas to customers in all situations. In order to mitigate this exposure to fluctuations in the prices of electricity and natural gas, price swap agreements may be used. These agreements are accounted for as derivative instruments.

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

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

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

U.S. dollar sales and purchases in the Marketing segment were as follows:

	Three months ended June 30,		**Six months ended June 30,**	
	2015	2014	**2015**	2014
U.S. dollar sales and purchases	**$**	$	**$**	$
Sales priced in U.S. dollars	**173,665**	297,434	**372,557**	644,015
Purchases priced in U.S. dollars	**(104,635)**	(220,441)	**(195,699)**	(426,152)

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

Keyera is also exposed to foreign currency risk related to its U.S. dollar denominated long-term debt. To manage this currency exposure, Keyera has entered into cross-currency swap contracts relating to the principal portion and future interest payments of the U.S. dollar denominated debt. These cross-currency contracts are accounted for as derivative instruments. Refer to note 10 for a summary of the foreign currency gains (losses) associated with the U.S. dollar denominated long-term debt.

(d) Interest rate risk
The majority of Keyera's interest rate risk is attributed to its fixed and floating rate debt, which is used to finance capital investments and operations. Keyera's remaining financial instruments are not significantly exposed to interest rate risk. The floating rate debt creates exposure to interest rate cash flow risk, whereas the fixed rate debt creates exposure to interest rate price risk. At June 30, 2015, fixed rate borrowings comprised 84% of total debt outstanding (December 31, 2014 – 93%). The fair value of future cash flows for fixed rate debt fluctuates with changes in market interest rates. It is Keyera's intention to not repay fixed rate debt until maturity and therefore future cash flows would not fluctuate.

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

Keyera's maximum exposure to credit risk, which is a worst case scenario and does not reflect results expected by Keyera, is $310,284 at June 30, 2015 (December 31, 2014 – $402,965). Keyera does not typically renegotiate the terms of trade receivables. There were no significant renegotiated balances outstanding at June 30, 2015. With respect to counterparties for derivative financial instruments, the credit risk is managed through dealing primarily with recognized futures exchanges or investment grade financial institutions and by maintaining credit policies which significantly reduce overall counterparty credit risk. In addition, Keyera incorporates the credit risk associated with counterparty default, as well as Keyera's own credit risk, into the estimates of fair value.

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

(f) Liquidity risk

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

Risk Management Sensitivities

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

	Impact on income before tax June 30, 2015		Impact on income before tax June 30, 2014	
Risk sensitivities	**Increase**	**Decrease**	Increase	Decrease
Commodity price changes				
+ 10% in natural gas price	**—**	**(287)**	—	—
- 10% in natural gas price	**287**	**—**	—	—
+ 10% in electricity price	**943**	**—**	264	—
- 10% in electricity price	**—**	**(943)**	—	(264)
+ 10% in NGL and iso-octane prices	**—**	**(23,117)**	—	(23,386)
- 10% in NGL and iso-octane prices	**23,117**	**—**	23,386	—
Foreign currency rate changes				
+ $0.01 in U.S./Canadian dollar exchange rate	**1,550**	**—**	850	—
- $0.01 in U.S./Canadian dollar exchange rate	**—**	**(1,550)**	—	(850)
Interest rate changes				
+ 1% in interest rate	**—**	**(576)**	—	(20)
- 1% in interest rate	**576**	**—**	20	—

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

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

	Three months ended June 30,		**Six months ended June 30,**	
	2015	2014	**2015**	2014
	$	$	**$**	$
Foreign currency gain (loss) resulting from:				
Translation of long-term debt and interest payable	**10,744**	19,160	**(44,190)**	(1,934)
Change in fair value of the cross currency swaps - principal and interest portion	**(54,514)**	(32,074)	**7,167**	2,578
Gain (loss) from cross currency swaps – interest portion[1]	**513**	(808)	**616**	(1,154)
Total foreign currency loss on U.S. debt	**(43,257)**	(13,722)	**(36,407)**	(510)

Note:
[1] A foreign currency gain (loss) resulted from the exchange of currencies relating to the interest payments.

11. FINANCE COSTS

The components of finance costs were as follows:

	Three months ended June 30,		**Six months ended June 30,**	
	2015	2014	**2015**	2014
	$	$	**$**	$
Interest on bank overdrafts and credit facilities	**1,811**	751	**3,024**	1,397
Interest on long-term debt	**16,027**	15,071	**32,307**	29,426
Interest capitalized	**(7,737)**	(4,599)	**(16,199)**	(7,587)
Other interest income	**24**	(316)	**15**	(644)
Total interest expense on current and long-term debt	**10,125**	10,907	**19,147**	22,592
Unwinding of discount on decommissioning liability	**2,527**	2,543	**5,054**	5,038
Unwinding of discount on long-term debt	**263**	201	**552**	405
Non-cash expenses in finance costs	**2,790**	2,744	**5,606**	5,443
Total finance costs	**12,915**	13,651	**24,753**	28,035

For the three and six months ended June 30, 2015, $7,737 and $16,199 of borrowing (interest) costs were capitalized (three and six months ended June 30, 2014 – $4,599 and $7,587) at a weighted average capitalization rate of 5.24% on funds borrowed (three and six months ended June 30, 2014 – 5.08%).

12. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended June 30,		**Six months ended June 30,**	
	2015	2014	**2015**	2014
	$	$	**$**	$
Inventories	**(18,052)**	(34,313)	**24,311**	(19,681)
Trade and other receivables	**42,883**	5,559	**92,681**	21,683
Other assets	**(25,494)**	(3,704)	**(25,407)**	(15,994)
Trade and other payables	**(13,596)**	3,470	**16,858**	14,474
Changes in non-cash working capital from operating activities	**(14,259)**	28,988	**108,443**	482

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

	Three months ended June 30,		**Six months ended June 30,**	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Trade and other payables	**(70,819)**	(1,872)	**(43,194)**	46,431
Changes in non-cash working capital from investing activities	**(70,819)**	(1,872)	**(43,194)**	46,431

13. SEGMENT INFORMATION

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

Marketing
The Marketing segment is involved in the marketing of NGLs, such as propane, butane, condensate, and iso-octane to customers in Canada and the United States, as well as various crude oil midstream activities.

Gathering and Processing
The Gathering and Processing segment includes raw gas gathering systems and processing plants located in the natural gas production areas primarily on the western side of the Western Canada Sedimentary Basin. The operations primarily involve providing natural gas gathering and processing services to customers.

NGL Infrastructure
The NGL Infrastructure segment provides fractionation, storage, transportation and terminalling services for NGLs and crude oil. As well, it provides manufacturing services of iso-octane to Keyera's Marketing business. These services are provided to customers through an extensive network of facilities that include underground NGL storage caverns, NGL fractionation facilities, NGL and crude oil pipelines as well as rail and truck terminals and the AEF facility.

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

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

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

Three months ended June 30, 2015	**Marketing $**	**Gathering & Processing $**	**NGL Infrastructure $**	**Corporate and Other $**	**Total $**
Revenue before inter-segment eliminations	480,590	107,169	85,095	10,723	683,577
Operating expenses before inter-segment eliminations	(427,107)	(51,022)	(30,226)	(4,032)	(512,387)
Operating margin	53,483	56,147	54,869	6,691	171,190
Inter-segment revenue eliminations	—	(6,714)	(54,447)	(12,393)	(73,554)
Inter-segment expense eliminations	69,890	—	—	3,664	73,554
	123,373	49,433	422	(2,038)	171,190
General and administrative expenses	—	—	—	(10,417)	(10,417)
Finance costs	—	—	—	(12,915)	(12,915)
Depreciation, depletion and amortization expenses	—	—	—	(41,745)	(41,745)
Net foreign currency loss on U.S. debt	—	—	—	(43,257)	(43,257)
Long-term incentive plan expense	—	—	—	(7,108)	(7,108)
Earnings (loss) before income tax	123,373	49,433	422	(117,480)	55,748
Income tax expense	—	—	—	(40,161)	(40,161)
Net earnings (loss)	**123,373**	**49,433**	**422**	**(157,641)**	**15,587**
Revenue from external customers	480,590	100,455	30,648	(1,670)	610,023

Three months ended June 30, 2014	**Marketing $**	**Gathering & Processing $**	**NGL Infrastructure $**	**Corporate and Other $**	**Total $**
Revenue before inter-segment eliminations	735,513	113,524	75,034	9,117	933,188
Operating expenses before inter-segment eliminations	(682,722)	(49,543)	(26,079)	(8,672)	(767,016)
Operating margin	52,791	63,981	48,955	445	166,172
Inter-segment revenue eliminations	—	(12,167)	(49,504)	(4,973)	(66,644)
Inter-segment expense eliminations	58,968	—	—	7,676	66,644
	111,759	51,814	(549)	3,148	166,172
General and administrative expenses	—	—	—	(9,224)	(9,224)
Finance costs	—	—	—	(13,651)	(13,651)
Depreciation, depletion and amortization expenses	—	—	—	(32,371)	(32,371)
Net foreign currency loss on U.S. debt	—	—	—	(13,722)	(13,722)
Long-term incentive plan expense	—	—	—	(12,044)	(12,044)
Earnings (loss) before income tax	111,759	51,814	(549)	(77,864)	85,160
Income tax expense	—	—	—	(22,230)	(22,230)
Net earnings (loss)	**111,759**	**51,814**	**(549)**	**(100,094)**	**62,930**
Revenue from external customers	735,513	101,357	25,530	4,144	866,544

Six months ended June 30, 2015	Marketing $	Gathering & Processing $	NGL Infrastructure $	Corporate and Other $	Total $
Revenue before inter-segment eliminations	997,661	213,907	168,923	20,447	1,400,938
Operating expenses before inter-segment eliminations	(907,918)	(97,614)	(60,482)	(9,683)	(1,075,697)
Operating margin	89,743	116,293	108,441	10,764	325,241
Inter-segment revenue eliminations	—	(14,463)	(107,605)	(23,855)	(145,923)
Inter-segment expense eliminations	138,497	—	—	7,426	145,923
	228,240	101,830	836	(5,665)	325,241
General and administrative expenses	—	—	—	(24,330)	(24,330)
Finance costs	—	—	—	(24,753)	(24,753)
Depreciation, depletion and amortization expenses	—	—	—	(79,998)	(79,998)
Net foreign currency loss on U.S. debt	—	—	—	(36,407)	(36,407)
Long-term incentive plan expense	—	—	—	(17,871)	(17,871)
Impairment expense	—	—	(19,908)	—	(19,908)
Earnings (loss) before income tax	228,240	101,830	(19,072)	(189,024)	121,974
Income tax expense	—	—	—	(49,807)	(49,807)
Net earnings (loss)	**228,240**	**101,830**	**(19,072)**	**(238,831)**	**72,167**
Revenue from external customers	997,661	199,444	61,318	(3,408)	1,255,015

Six months ended June 30, 2014	**Marketing $**	**Gathering & Processing $**	**NGL Infrastructure $**	**Corporate and Other $**	**Total $**
Revenue before inter-segment eliminations	1,576,818	205,969	144,214	12,875	1,939,876
Operating expenses before inter-segment eliminations	(1,487,079)	(93,734)	(56,209)	(9,947)	(1,646,969)
Operating margin	89,739	112,235	88,005	2,928	292,907
Inter-segment revenue eliminations	—	(17,225)	(94,593)	(10,035)	(121,853)
Inter-segment expense eliminations	113,365	—	—	8,488	121,853
	203,104	95,010	(6,588)	1,381	292,907
General and administrative expenses	—	—	—	(19,245)	(19,245)
Finance costs	—	—	—	(28,035)	(28,035)
Depreciation, depletion and amortization expenses	—	—	—	(59,642)	(59,642)
Net foreign currency loss on U.S. debt	—	—	—	(510)	(510)
Long-term incentive plan expense	—	—	—	(19,035)	(19,035)
Earnings (loss) before income tax	203,104	95,010	(6,588)	(125,086)	166,440
Income tax expense	—	—	—	(48,277)	(48,277)
Net earnings (loss)	**203,104**	**95,010**	**(6,588)**	**(173,363)**	**118,163**
Revenue from external customers	1,576,818	188,744	49,621	2,840	1,818,023

Geographical information

Keyera operates in two geographical areas, Canada and the United States (US). Keyera's revenue from external customers and information about its property, plant and equipment by geographical location are detailed below based on the country of origin.

Revenue from external customers located in	**Canada** **$**	**US** **$**
For the three months ended June 30, 2015	**476,884**	**133,139**
For the three months ended June 30, 2014	682,011	184,533
For the six months ended June 30, 2015	**962,491**	**292,524**
For the six months ended June 30, 2014	1,439,741	378,282

	Canada **$**	**US** **$**
Non-current assets[1] at June 30, 2015	**3,522,891**	**48,018**
Non-current assets[1] at December 31, 2014	3,182,951	46,165

Note:
[1] Non-current assets are comprised of non-current derivative financial instruments, property, plant and equipment, intangible assets, and goodwill.

Information about major customers

For the three months ended June 30, 2015, Keyera earned $123,826 of revenues from two external customers that each accounted for more than 10% of its total revenue for the quarter (three months ended June 30, 2014 - $188,969 from two external customers). Individually, these two customers accounted for $62,667 and $61,159 in revenues. The revenue was generated from customers in the Marketing and NGL Infrastructure segments.

Keyera did not earn revenues from a single external customer that accounted for more than 10% of its total revenue for the six months ended June 30, 2015 (for the six months ended June 30, 2014 - $182,691 was earned from one external customer that accounted for more than 10% of total revenue).

14. SUBSEQUENT EVENT

Dividends Declared

In July 2015, Keyera declared a dividend of $0.115 per share, payable on August 17, 2015, to shareholders of record as of July 22, 2015.

On August 5, 2015, Keyera declared a dividend of $0.125 per share, payable on September 15, 2015, to shareholders of record as of August 24, 2015.

Corporate Information

Board of Directors

Jim V. Bertram (1)
Corporate Director
Calgary, Alberta

Douglas Haughey (2)(4)
Corporate Director
Calgary, Alberta

Nancy M. Laird (3)(5)
Corporate Director
Calgary, Alberta

Donald J. Nelson (4)(5)
President
Fairway Resources Inc.
Calgary, Alberta

H. Neil Nichols (3)(4)
Corporate Director
Smiths Cove, Nova Scotia

Michael Norris (3)
Corporate Director
Calgary, Alberta

Thomas C. O'Connor(3)
Corporate Director
Evergreen, Colorado

David G. Smith
President and Chief Executive Officer
Keyera Corp.
Calgary, Alberta

William R. Stedman (4)(5)
Chairman and CEO
ENTx Capital Corporation
Calgary, Alberta

Janet Woodruff (5)
Corporate Director
Vancouver, British Columbia

(1) Executive Chair of the Board
(2) Independent Lead Director
(3) Member of the Audit Committee
(4) Member of the Compensation and Governance Committee
(5) Member of the Health, Safety and Environment Committee

Officers

Jim V. Bertram
Executive Chair of the Board of Directors

David G. Smith
President and Chief Executive Officer

Graham Balzun
Vice President, Corporate Responsibility

Michael Freeman
Vice President, Commercial

Suzanne Hathaway
Vice President, General Counsel and Corporate Secretary

Jim Hunter
Vice President, NGL Facilities

Rick Koshman
Vice President, Engineering

Dion O. Kostiuk
Vice President, Human Resources and Corporate Services

Steven B. Kroeker
Senior Vice President and Chief Financial Officer

Bradley W. Lock
Senior Vice President, Gathering and Processing Business Unit

Eileen Marikar
Vice President, Controller

Brian Martin
Vice President, Business Development, NGL Facilities

C. Dean Setoguchi
Senior Vice President, Liquids Business Unit

Stock Exchange Listing

The Toronto Stock Exchange
Trading Symbols KEY

Trading Summary Q2 2015 (post two-for-one share split):

TSX:KEY – Cdn $	
High	$45.43
Low	$40.10
Close June 30, 2015	$41.70
Volume	39,719,229
Average Daily Volume	630,464

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Chartered Accountants
Calgary, Canada

Investor Relations

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