First Quarter Report May 5, 2015

2015 First Quarter Report

For the period ended March 31, 2015

HIGHLIGHTS

- Keyera delivered strong first quarter financial results with net earnings of $57 million ($0.33 per share[1]) compared to $55 million ($0.35 per share[1]) in the first quarter 2014.
- Adjusted earnings before interest, taxes, depreciation and amortization[2, 3] ("EBITDA") were $185 million in first quarter 2015, 71% higher than the $108 million posted in first quarter 2014.
- All three business segments performed well and contributed to Keyera's strong financial results. The Gathering and Processing Business Unit generated operating margin[4] of $60 million (Q1 2014 - $48 million); the NGL Infrastructure segment's operating margin[4] was $54 million (Q1 2014 - $39 million); and operating margin[4] in the Marketing segment was $36 million (Q1 2014 - $37 million).
- Distributable cash flow[2, 3] was $140 million ($0.83 per share[1]) in first quarter 2015 compared to $78 million ($0.49 per share[1]) recorded in first quarter 2014, resulting in a payout ratio of 40%.
- Keyera completed the previously announced two-for-one split of its outstanding common shares effective April 1, 2015. In addition, during the quarter Keyera increased its monthly dividend by 7%, which was Keyera's thirteenth consecutive dividend increase since going public in 2003.
- Several capital projects have been completed and are now operational, including the 100 million cubic feet per day gas plant expansion and the 10,000 barrel per day condensate stabilizer at the Simonette gas plant; the 30,000 barrel per day de-ethanizer project at our Fort Saskatchewan facility; and the Twin Rivers pipeline system, which is now delivering incremental gas to our Brazeau River and West Pembina gas plants.
- Progress was made on a number of other projects that will enhance our natural gas liquids handling capabilities, including the turbo expander and debottlenecking project at the Rimbey gas plant and the new Josephburg rail terminal. All of these projects are expected to be completed in mid-2015.
- Keyera entered into a 50/50 joint venture with Kinder Morgan, Inc. ("Kinder Morgan") to build an above ground crude oil storage terminal near Edmonton with an initial scope of 12 tanks and 4.8 million barrels of capacity. The project is fully underpinned by several take-or-pay agreements ranging up to 10 years in length. Keyera's share of costs to construct the terminal is currently estimated to be $330 million.
- Total growth capital investment was $213 million in the first quarter of 2015, including $3 million of acquisitions. In 2015, growth capital investment, excluding acquisitions, is expected to be between $700 million and $800 million[5].
- Today, Keyera declared a May dividend of $0.115 per share, with an ex-dividend date of May 21, 2015 and payable on June 15, 2015 to shareholders of record as of May 25, 2015. The Premium DRIP™, previously suspended in April 2010, has been amended and will be reinstated effective with the May 2015 dividend.

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 36 of the MD&A.
3 See pages 31 and 32 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 30 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 March 31, 2015	2014
Net earnings	**56,580**	55,233
Per share ($/share) – basic[4]	**0.33**	0.35
Cash flow from operating activities	**277,563**	119,493
Distributable cash flow[2]	**139,794**	78,220
Per share ($/share)[4]	**0.83**	0.49
Dividends declared	**55,769**	47,605
Per share ($/share)[4]	**0.33**	0.30
Payout ratio %[1]	**40%**	61%
Adjusted EBITDA[2]	**184,507**	107,747
Gathering and Processing:		
Gross processing throughput (MMcf/d)	**1,528**	1,356
Net processing throughput (MMcf/d)	**1,230**	1,114
NGL Infrastructure:		
Gross processing throughput (Mbbl/d)	**128**	122
Net processing throughput (Mbbl/d)	**36**	38
Marketing:		
Inventory value	**81,929**	159,493
Sales volumes (bbl/d)	**119,300**	99,400
Acquisitions (including business combination)	**2,815**	5,783
Growth capital expenditures	**209,929**	198,598
Maintenance capital expenditures	**4,304**	3,279
Total capital expenditures	**217,048**	207,660

	As at March 31, 2015	2014
Long-term debt	**1,205,274**	1,098,347
Credit facilities	**30,000**	—
Working capital deficit (surplus)[3]	**124,375**	(158,832)
Net debt	**1,359,649**	939,515
Common shares outstanding – end of period[4]	**169,152**	158,834
Weighted average number of shares outstanding – basic[4]	**168,915**	158,602
Weighted average number of shares outstanding – diluted[4]	**168,915**	158,602

Notes:

1 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 Generally Accepted Accounting Principles ("GAAP"). See page 31 for a reconciliation of distributable cash flow to its most closely related GAAP measure.

2 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.

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

4 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.

Message to Shareholders

Keyera had a great start to the year and continued to deliver strong operating results in the first quarter. Operating margins were strong across all business segments and Adjusted EBITDA in the first quarter of 2015 was a record $185 million, 71% higher than the same period last year. Our success is a result of the stability and diversity of our revenue streams, the location of our facilities, the investments we have made in strategic infrastructure over the past several years and our focus on customer service. Our customers continue to see value in our integrated service offering, which provides them with access to the processing, transportation, storage and logistics facilities and expertise necessary to turn their production into cash flow. We take a long-term view of our business and remain committed to executing our business plan.

Gathering and Processing Business Unit

The Gathering and Processing Business Unit reported operating margin of $60 million in the first quarter, 25% higher than the same period in 2014, primarily due to increased plant throughput. As producers develop liquids-rich gas zones such as the Mannville, Glauconite and Montney horizons, the utilization of several of our gas plants continued to increase as compared to the first quarter of 2014. Overall, net throughput in the first quarter averaged 1.2 billion cubic feet per day, compared to 1.1 billion cubic feet per day in the same period last year. Many of our facilities are operating at or near operational capacity due to the drilling that has occurred over the past year. Throughput will be lower in the second quarter of this year due to planned maintenance turnarounds at three of our gas plants and the continuation of TransCanada pipeline curtailments.

During the quarter, we continued to make progress on a number of projects. At the Simonette gas plant, we completed and commissioned the 10,000 barrel per day condensate stabilizer. This facilitated the startup of the Wapiti liquids pipeline which was installed along with the Wapiti gas pipeline in 2014. We also completed the Simonette plant expansion, adding 100 million cubic feet per day of processing capacity, and commissioned that project in early April. With these two units operational, the Simonette gas plant is now processing additional Montney volumes from the Wapiti region. At the Rimbey gas plant, construction continued on the 400 million cubic feet per day turbo expander, which we expect to be operational by mid-2015.

We also continued to expand our gathering system in west central Alberta during the quarter. We completed construction of the north portion of the Twin Rivers pipeline system, which is now delivering incremental gas to our Brazeau River and West Pembina gas plants. In April, the south portion of the Twin Rivers pipeline system was completed, providing additional incremental gas to these gas plants. During the quarter, we also approved a 17-kilometre extension of our Wilson Creek pipeline which connects to our Rimbey gas plant. The project is underpinned by new producer gas in the area and we are targeting to be operational in early 2016.

We continue to work with producers to evaluate construction of a pipeline connecting our Ricinus gas plant, which we acquired in late 2014, to our Strachan gas plant, as well as possible enhancements to the gathering systems. A pipeline connection between these two plants would provide producers with access to incremental processing capacity for sweet gas volumes and would also add operational flexibility. In addition, work is continuing on the two new gas plants being constructed by the producers we partnered with in late 2014. Phase 1 of the Alder Flats gas plant is nearing completion and the Zeta Creek gas plant is expected to be completed later this year, assuming construction schedules are met. We are a 35% non-operating owner in the Alder Flats plant, and a 60% owner in the Zeta Creek plant, which we will operate once construction is complete.

Liquids Business Unit - NGL Infrastructure Segment

Our Liquids Business Unit reported an operating margin of $54 million in the first quarter, an increase of 37% over the same period in 2014. The growth in operating margin was due to an increased level of activity at our facilities and higher fractionation and storage revenues, driven by liquids-rich gas drilling as well as growing oil sands production and related services. In addition, several of the capital investments to enhance our NGL infrastructure are now operational and generating incremental operating margin.

With continued customer demand for fractionation and storage services, we remain committed to enhancing our NGL infrastructure in the Edmonton/Fort Saskatchewan area. During the quarter, we made progress on a number of capital projects. At our Fort Saskatchewan complex, we completed construction and began operating the 30,000 barrel per day de-ethanizer, where our share of the capacity is contracted under a long-term take-or-pay agreement. The de-ethanizer is operating as expected and volumes will continue to ramp up over the remainder of the year and into 2016. In addition, construction of the fractionation expansion, which will more than double our C3+ fractionation capability at Fort Saskatchewan, continues to progress well. During the quarter, we completed the site civil work, advanced the engineering design, and began fabricating modules offsite for the fractionation expansion.

To meet the growing demand for diluent storage and logistics, we continued the expansion of our underground storage cavern capacity at our Fort Saskatchewan complex. We are currently washing the 13th and 14th caverns and in January completed drilling the well bore for our 15th underground storage cavern. By the third quarter of 2015, we expect to have the 13th cavern in service and begin washing the 15th cavern, increasing our gross storage capacity to approximately 12.2 million barrels.

During the quarter, construction continued at our Josephburg rail terminal, located east of the Keyera Fort Saskatchewan facility. The terminal is expected to be completed mid-2015 and will allow for essential rail deliveries of propane from Western Canada. Also, Keyera acquired additional land near the Josephburg rail terminal for future development.

At the end of the quarter, we announced a 50/50 joint venture with Kinder Morgan to build a 12 tank, 4.8 million barrel above ground crude oil storage terminal. This project addresses demand for merchant storage of crude oil in the Edmonton area and is underpinned by several take-or-pay agreements ranging up to 10 years in length. We will contribute undeveloped land at our Alberta EnviroFuels (“AEF”) site, while Kinder Morgan will provide connectivity to numerous sources of crude oil at their Edmonton area terminal. Based on current capital estimates, our share of the costs to construct the terminal is estimated to be approximately $330 million and the first tanks are scheduled to be in service in the second half of 2017.

In April, we entered into a long-term lease-to-own arrangement to utilize an 8-inch pipeline that is approximately 49 kilometres in length and will complement Keyera’s pipeline system in the Fort Saskatchewan area. This pipeline will provide increased flexibility and capacity to provide NGL transportation services in the region.

Liquids Business Unit - Marketing Segment

Our Marketing segment also reported strong results in the first quarter of 2015, with an operating margin of $36 million compared to $37 million in the same period last year. Our iso-octane business continued to perform well with the plant operating near capacity for the quarter. Demand remains strong for our iso-octane and we continue to develop new markets for this product.

Outlook

The significantly lower commodity price environment has created a challenging time for our industry. Most oil and gas producers have curtailed their 2015 capital budgets, which has slowed the pace of drilling and development activities across western Canada. To date, there has not been a material effect on our operations and we believe that our business model provides insulation from short-term changes in activity levels. Our assets are strategically located in the Western Canada Sedimentary Basin, where prospective geology and proximity to infrastructure could enable liquids-rich gas wells to remain economic in the current environment. Both of our business units are expected to continue to generate additional revenue as we bring new infrastructure projects on line. Demand for our oil sands service offering is also expected to increase as new major bitumen production projects come on stream this year.

As a service provider to the energy sector, we will continue to work with our customers during this challenging time. We will also continue to focus on the next phase of infrastructure investments that the industry will need. In 2015, we continue to expect to invest between $700 million and $800 million, excluding acquisitions. As we look ahead, we remain focused on our strategy of pursuing infrastructure projects and acquisitions that are supported by customer demand and support our goal to deliver long-term value for investors. Our strong balance sheet and access to capital allow us to fund these expenditures prudently, and also provide the flexibility to selectively pursue acquisitions.

On behalf of Keyera's directors and management team, I thank you for your continued support and look forward to continued success in 2015.

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 May 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 months ended March 31, 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 sector between the upstream sector, which includes oil and gas exploration and production businesses, and the downstream sector, which includes the refining, distribution and retail marketing of finished products. Keyera is organized into two integrated business units:

1. Gathering and Processing Business Unit – Keyera owns and operates raw gas gathering pipelines and processing plants, which collect and process raw natural gas, remove waste products and separate the economic components before the sales gas is injected into 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 natural gas liquids ("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 storing and 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 months ended March 31, 2015 and 2014:

	Three months ended March 31,	
(Thousands of Canadian dollars, except per share data)	**2015**	2014
Net earnings	**56,580**	55,233
Net earnings per share (basic)[1]	**0.33**	0.35
Total operating margin[2]	**154,051**	126,735
Adjusted EBITDA[3]	**184,507**	107,747
Cash flow from operating activities	**277,563**	119,493
Distributable cash flow[4]	**139,794**	78,220
Distributable cash flow per share[1,4] (basic)	**0.83**	0.49
Dividends declared	**55,769**	47,605
Dividends declared per share[1]	**0.33**	0.30

Notes:

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 strong financial results for the three months ended March 31, 2015. All key financial measures were higher in the first quarter of 2015 compared to the same period last year.

Net Earnings

For the three months ended March 31, 2015, net earnings were $56.6 million, $1.3 million higher than the same period in 2014. The effect of higher operating margin and a lower income tax expense (current and deferred taxes) in the first quarter of 2015 was partly offset by the following significant items:

- an impairment charge of $19.9 million recorded in the first quarter of 2015, relating to the expected shut-down of the Bonnie Glen Pipeline later this year;
- 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;
- higher general and administrative costs due to increased staffing levels necessary to support the growth in Keyera's business; and
- a lower non-cash foreign currency gain compared to the first quarter of 2014.

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

Operating Margin

Operating margin in the first quarter of 2015 was $154.1 million, $27.3 million higher than the same period in 2014. These strong operating results were largely due to the following factors:

- significant increases in throughput compared to a year ago at several Keyera facilities, including the Rimbey, Strachan, Simonette, Brazeau River and Minnehik Buck Lake gas plants;
- the growth in demand for NGL fractionation and storage services at Keyera's Fort Saskatchewan facility as well as the growth in demand for transportation and diluent handling services to meet oil sands development needs; and
- strong margins from the sale of iso-octane resulting from low North American butane feedstock prices, higher sales volumes and an effective risk management program.

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

Cash Flow Metrics

For the three months ended March 31, 2015, cash flow from operating activities was $277.6 million, $158.1 million higher than the same period last year primarily due to the following:

- higher operating results from all business segments;
- a reduction in cash required to fund inventory purchases as a result of significantly lower NGL prices compared to the same period last year; and
- approximately $40 million of realized cash gains and physical margin in the first quarter relating to the settlement of financial and physical risk management contracts associated with Keyera's year-end 2014 inventory.

In the fourth quarter of 2014, Keyera recorded a write-down in inventory of approximately $59 million due to lower market prices at year-end. Financial and physical risk management contracts put in place in 2014 to protect the value of Keyera's inventory were effective. Substantially all of the loss in value of inventory was offset by realized cash gains associated with the settlement of financial 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.

Distributable cash flow was $139.8 million for the first three months of 2015, $61.6 million higher than the same period in 2014. This strong distributable cash flow was recorded despite cash taxes of $20.1 million in 2015, compared to cash taxes of $9.2 million in the same period of 2014.

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 months ended March 31, 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 two are under construction, making it one of the largest gas processors in Alberta. Keyera is operator of 16 of the existing plants and will operate one of the two new plants when they become 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 March 31,** **2015**	2014
Revenue including inter-segment transactions	**106,738**	92,445
Operating expenses	**(46,592)**	(44,191)
Operating margin	**60,146**	48,254
Gross processing throughput – (MMcf/d)	**1,528**	1,356
Net processing throughput[1] – (MMcf/d)	**1,230**	1,114

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

Operating Margin and Revenues

Operating margin for the three months ended March 31, 2015 was $60.1 million, $11.9 million higher than the same period last year. The higher operating margin in 2015 compared to the same period last year was largely due to:

- incremental revenue from the Carlos Pipeline extension and the Wilson Creek gathering systems which became operational in April 2014, delivering volumes to the Rimbey gas plant;
- incremental revenue from the Wapiti pipeline system which became operational in the fourth quarter of 2014, delivering volumes to the Simonette gas plant;
- higher revenue at the Brazeau River gas plant resulting from steady take-or-pay fee arrangements; and
- approximately $3 million in one-time upward adjustments to revenue at the Simonette gas plant related to prior period adjustments.

Gathering and Processing revenues for the three months ended March 31, 2015 were $14.3 million higher than the same period in 2014. The higher revenues were largely due to the same factors that contributed to higher operating margin in the period.

Gathering and Processing Activity

The Gathering and Processing segment experienced a significant amount of activity in the first quarter of 2015 as several projects were completed, including phase one of the Twin Rivers gathering system and the Simonette plant expansion and condensate stabilizer. Phase two of the Twin Rivers gathering system was completed in April and the Rimbey Turbo Expander is nearing completion. Refer to the table, "Capital Projects Status Update – Gathering and Processing", for more information related to these capital projects.

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.

Overall, gross processing throughput for the three months ended March 31, 2015 was 1,528 million cubic feet per day, an increase of 13% over the same period in 2014. The increase was largely due to higher throughput at several facilities plus incremental volumes from the Cynthia gas plant acquired on May 1, 2014, partly offset by the suspension of operations at the Paddle River gas plant in February 2015.

Although drilling activity continued around several of Keyera's core facilities, throughput volumes were lower in the first quarter of 2015 at the Strachan and Brazeau River gas plants due to curtailments imposed by TransCanada Pipelines Limited ("TransCanada") on its sales gas pipelines related to their ongoing maintenance and integrity work. TransCanada has recently advised that the curtailment at the Strachan gas plant has been lifted; however, the curtailments continue to affect other parts of the TransCanada system, including the meter station at Keyera's Brazeau River gas plant.

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**
Simonette	***Simonette gas plant expansion:*** i) addition of a refrigeration process to increase the plant's raw gas handling capacity by 100 million cubic feet per day; and ii) construction of a 10,000 bbl/day condensate stabilization facility to handle the expected growth in condensate volumes being delivered to the plant.	The refrigeration process began operation in April 2015 and the condensate stabilization facility became operational in March 2015. *Estimated total cost to complete:* • approximately $95 million. *Total net costs incurred by Keyera to March 31, 2015:* • $86 million
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.	Construction continued in the first quarter of 2015. Commissioning is expected to begin in June. *Estimated total cost to complete:* • approximately $230 million *Total net costs incurred by Keyera to March 31, 2015:* • $210 million
Rimbey	***Rimbey fractionation and NGL truck offload expansion:*** de-bottleneck to expand fractionation capacity by approximately 6,900 barrels per day and to modify the NGL truck rack to increase offload capacity from 6,300 barrels per day to 9,400 barrels per day.	Long-lead equipment has been ordered and the majority of the work associated with these expansions is expected to occur at the time of the Rimbey turnaround, scheduled for the second quarter of 2015. *Estimated total cost to complete:* • approximately $20 million *Total net costs incurred by Keyera to March 31, 2015:* • $10 million

Facility/Area	Project Description	Project Status Update
Strachan	***Sulphur projects*****:** i) A 50/50 joint venture with Sulvaris that involves the construction of a sulphur handling fertilizer production facility at the Strachan gas plant site. ii) A long-term, take-or-pay fee-for-service agreement with Suncor to provide sulphur handling and forming services at the Strachan gas plant. This project involves the replacement of the existing sulphur forming facility with a new 1,700 tonne per day sulphur forming and degassing unit, expanding the molten sulphur rail off-loading capability and adding additional storage capacity at the site.	i) Keyera and Sulvaris are currently adjusting the project execution plan. *Estimated total cost to complete:* • Gross costs of approximately $138 million for the fertilizer production facility. • Net cost to Keyera of approximately $79 million, including 100% owned common facilities. *Total net costs incurred by Keyera to March 31, 2015:* • $32 million ii) Keyera and Suncor have executed an agreement for the sulphur handling and forming project, subject to detailed cost estimates for the project being within an agreed limit. Detailed engineering work is proceeding and the project is currently estimated to cost $60 million.
Twin Rivers pipeline	The project was developed in two phases: • *Phase One* consisted of a 20-kilometre, 12-inch gathering system that delivers raw gas to Keyera's Brazeau River gas plant. • *Phase Two* involved extending the Twin Rivers pipeline an additional 25 kilometres further southeast of the Brazeau River gas plant. • The scope of the project included: upgrades to TransCanada meter stations at the West Pembina and Brazeau River gas plants, and modifications to existing gathering systems so that raw gas from the capture area can also be delivered to the West Pembina gas plant for processing.	Phase One was completed in February and Phase Two became operational in April. *Estimated total cost to complete:* • $75 million for Phases One and Two combined *Total net costs incurred by Keyera to March 31, 2015:* • $59 million

Facility/Area	Project Description	Project Status Update
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 is currently being constructed, and upon completion will be operated by Bellatrix Exploration Ltd. ("Bellatrix").	Construction continued in the first quarter and the plant (phase one) is expected to be on stream by mid-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 March 31, 2015:* • $28 million
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 March 31, 2015:* • $17 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 have been scheduled for the second and third quarters of 2015 at the following gas plants:

Facility/Area	Estimated Duration of Turnaround	Estimated Cost of Turnaround (Keyera's share)	Period Over Which Costs Are Recovered
Rimbey (second quarter of 2015)	20 days	$20 million	Costs are expected to be recovered through higher operating fee revenue over a period of 4 years.
Brazeau River (second quarter of 2015)	16 days	$7 million	Costs are expected to be recovered through higher operating fee revenue over a period of 4 years.
Bigoray (second quarter of 2015)	16 days 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 (third quarter of 2015)	12 days	$9 million	These costs will not be recovered through higher operating fee revenue as the Minnehik Buck Lake gas plant is primarily a fixed fee facility.

The duration of the turnarounds and estimated costs indicated above are approximations only and are subject to change. The costs associated with maintenance turnarounds are capitalized for accounting purposes and do not have an effect on operating expenses. However, as many of Keyera's facilities follow a flow-through operating cost structure, the cost of turnarounds at those facilities 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 the cost of the turnarounds, as these costs are included in Keyera's 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:

- underground NGL storage caverns;
- above ground storage tanks;
- NGL fractionation facilities;
- NGL and crude oil pipelines;
- 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 (Thousands of Canadian dollars)	**Three months ended March 31,** **2015**	 2014
Revenue including inter-segment transactions	**83,828**	69,180
Operating expenses	**(29,770)**	(30,172)
Unrealized (loss) gain on electricity and natural gas contracts	**(486)**	42
Total operating expenses	**(30,256)**	(30,130)
Operating margin	**53,572**	39,050

Operating Margin and Revenues

For the three months ended March 31, 2015, the NGL Infrastructure segment recorded strong financial results. Operating margin increased by $14.5 million for the first three months of 2015 compared to the same period in 2014. This increase was 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;
- higher fees for NGL fractionation and storage services that commenced April 1, 2014, resulting from the continued strong demand for these services; and
- incremental margins from the Alberta Crude Terminal, which commenced operation in October 2014.

Operating margin in the first quarter of 2014 was lower due to approximately $1.6 million of expenses incurred for work on a storage tank at ADT and higher utility costs at AEF.

NGL Infrastructure revenues for the three months ended March 31, 2015, were $14.6 million higher than the same period last year, largely due to the same factors that contributed to higher operating margin.

NGL Infrastructure Activity

Over the past several years, Keyera has continued to focus on developing 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 Alberta Crude Terminal, the South Cheecham Terminal, and the Norlite Pipeline.

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 built on undeveloped land at Keyera's AEF site. Initially, 12 tanks are expected to be constructed to provide customers with 4.8 million barrels of storage capacity. There is additional land at the site that could accommodate up to 1.8 million barrels of incremental storage capacity, subject to future demand. The terminal will be connected via pipeline to Kinder Morgan's existing Edmonton storage terminals and will provide customers with access to all 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, “Capital Projects Status Update – NGL Infrastructure”, 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 quarter of 2015 and is expected to remain strong for the remainder of the year. Storage volumes are expected to increase, as the 13th underground storage cavern is scheduled to be put into service later this year, assuming regulatory approvals are received in a timely manner.

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 was strong in the first quarter of 2015 and is expected to increase later this year as Imperial Oil begins producing from the expansion phase of its Kearl project and Husky’s Sunrise project commences operation. Keyera has long-term agreements in place with both companies to provide diluent transportation, storage and rail offload services in the Edmonton/Fort Saskatchewan area for both projects.

In April, Keyera entered into a long-term lease-to-own arrangement to use an 8-inch pipeline in the Edmonton/Fort Saskatchewan area that is approximately 49 kilometres in length and will complement its pipeline infrastructure in the region. The lease of this pipeline, which includes conditions with respect to completion of final due diligence and regulatory approvals, will provide Keyera with increased flexibility and capacity to provide NGL transportation services in the Edmonton/Fort Saskatchewan area. Based on current estimates, Keyera expects to incur approximately $50 million of additional capital for connections and other conversion work required for the pipeline to be put into service. This additional capital spending is expected to be incurred between 2015 and 2018.

Keyera is proceeding with the previously announced solvent handling project at its South Cheecham Rail and Truck Terminal. Keyera will undertake enhancements to its rail infrastructure and construct additional storage tanks at the terminal as part of a fee-for-service arrangement with a major oil sands producer. Based on the current construction schedule, and assuming timely receipt of regulatory approvals, start-up is anticipated in 2017. The expected gross cost for the project is approximately $33 million and Keyera’s share of the expected cost is approximately $16.5 million.

Volumes at the Alberta Crude Terminal were lower than expected in the first quarter of 2015, as Keyera’s primary customer at that facility had difficulty accessing rail cars due to extreme winter conditions on the east coast. Although volumes handled were lower, the financial impact to Keyera was mitigated by take-or-pay fee arrangements. For the remainder of the year, throughput at the Alberta Crude Terminal is expected to increase, assuming availability of rail cars.

Keyera continues to focus on creating solutions and enhancing its infrastructure in order 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 and their current status. These projects are examples of Keyera’s commitment to respond to the significant demand 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	***De-ethanizer Project:*** construction of a 30,000 barrel per day C2+ mix fractionation facility in Fort Saskatchewan.	The de-ethanizer project was operational at the end of March 2015. Most of Keyera's share of the capacity is contracted under a long-term, take-or-pay agreement. The de-ethanizer is operating as expected and volumes will continue to ramp up over the remainder of the year and into 2016. *Estimated total cost to complete:* • Gross cost is approximately $233 million (Keyera's share is approximately $177 million) *Total net costs incurred by Keyera to March 31, 2015:* • $159 million Further costs are expected to be incurred for work associated with C2+ connectivity as well as other clean-up work that was included in the original scope of the project.
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.	Site preparation was completed and detailed engineering progressed in the first quarter of 2015. Fabrication of major pieces of equipment is currently underway. This project is estimated to be complete at the end of the first quarter 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 March 31, 2015:* • $52 million

Facility/Area	Project Description	Project Status Update
Keyera Fort Saskatchewan	***Underground Storage Development:*** development of the 13th, 14th and 15th underground storage caverns.	Washing of the 13th cavern is approaching completion and the cavern is currently expected to be in service by the third quarter of 2015. Washing of the 14th cavern continued and is anticipated to be in service by 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 once the 13th cavern is completed.
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 March 31, 2015:* • $11 million
Josephburg	***Josephburg Rail Terminal:*** construction of a rail loading terminal at Josephburg, located near Keyera's Fort Saskatchewan fractionation and storage facility. The terminal will facilitate propane movements out of western Canada by rail. This facility will also be able to handle butane.	Construction of the terminal and related pipelines continued in the first quarter. The terminal is expected to be operational by July 2015. *Estimated total cost to complete:* • approximately $95 million. *Total net costs incurred by Keyera to March 31, 2015:* • $48 million

Facility/Area	Project Description	Project Status Update
Edmonton	***Condensate Tanks:*** construction of four condensate storage tanks, each capable of holding approximately 60,000 barrels of product.	Engineering work progressed in the first 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. *Estimated total cost to complete:* • Keyera's net share of costs 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 significantly 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, and pricing differentials between different geographic locations. These risks are managed by purchasing and selling product at prices based on 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). Plant production volumes can be managed to correspond with contracted and spot sales opportunities. For this and other reasons, iso-octane inventory may fluctuate depending on market conditions. Demand for iso-octane is seasonal, with higher demand in the summer months. 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 through its two facilities 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 March 31,** **2015**	 2014
Revenue	**517,071**	841,305
Operating expenses including inter-segment transactions	**(480,811)**	(804,357)
Operating margin	**36,260**	36,948
Sales volumes (Bbl/d)	**119,300**	99,400

Composition of Marketing Revenue (Thousands of Canadian dollars)	**Three months ended March 31,** **2015**	 2014
Physical sales	**531,664**	853,164
Realized cash gain (loss) on financial contracts[1]	**38,706**	(13,793)
Unrealized (loss) gain due to reversal of financial contracts existing at end of prior period	**(42,528)**	4,161
Unrealized loss due to fair value of financial contracts existing at end of current period	**(1,832)**	(3,739)
Unrealized (loss) gain due to reversal of fixed price physical contracts existing at end of prior period	**(8,845)**	1,577
Unrealized loss due to fair value of fixed price physical contracts existing at end of current period[2]	**(94)**	(65)
Total unrealized (loss) gain on risk management contracts	**(53,299)**	1,934
Total loss on risk management contracts	**(14,593)**	(11,859)
Total Marketing revenue	**517,071**	841,305

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 months ended March 31, 2015, revenue from physical sales was $321.5 million lower than the same period in 2014. The effect of higher sales volumes in the first quarter of 2015 compared to the same period in 2014 was more than offset by significantly lower average prices for NGLs and iso-octane compared to the same period last year.

Despite lower average sales prices, the Marketing segment recorded strong financial results for the three months ended March 31, 2015. Operating margin was $36.2 million in the first quarter of 2015, virtually unchanged from the same period in 2014. The factors that contributed to the solid operating results for the first three months of 2015 included:

- higher margins from the sale of iso-octane resulting from higher sales volumes, favourable butane feedstock costs and an effective risk management strategy;
- lower inventory costs for all NGL products; and
- 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 that related to inventory existing at the end of 2014.

Inventory costs were lower in the first quarter of 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 quarter 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 three months of 2015 due to low feedstock costs, higher sales volumes and an effective risk management strategy. Keyera expects to continue its disciplined approach to risk management for iso-octane for the remainder of 2015. The section below titled, “Risk Management”, provides more information related to Keyera’s hedging strategy.

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. As a result, sales of iso-octane have grown since the beginning of 2014 and Keyera’s AEF facility continues to operate at close to capacity. When Keyera acquired AEF in 2012, the Kinder Morgan Trans Mountain Pipeline was the primary logistics option available to help reach iso-octane customers on the west coast. Beginning in 2015, the Trans Mountain Pipeline is no longer used as a transportation option and Keyera is instead utilizing its rail delivery capability to serve the British Columbia market. 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.

Margins from the sale of butane were solid in the first quarter of 2015, due to seasonal demand for winter gasoline blending and supported by an effective risk management program. As butane prices typically soften after this demand period, Keyera will look for opportunities to import 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 North American butane prices will remain weak throughout 2015 due to a surplus of butane inventory in North America.

Condensate demand was balanced in the first three months of 2015, resulting in stable margins. 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 as certain oil sands projects currently under development, 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.

Sales volumes for propane in the first quarter of 2015 were stable largely due to the extreme winter conditions experienced on the east side of the continent. Keyera utilized its rail capability and infrastructure to transport product to markets where demand was strong. This partly mitigated the effect of losing the Cochin Pipeline as a propane transportation outlet. Looking ahead, the completion of Keyera's Josephburg Terminal, which is expected by mid-2015, will further enhance Keyera's ability to move propane out of Western Canada.

In general, the sale of propane to market has become a relatively small contributor to Keyera's overall Marketing margin as its strategy for purchasing supply involves passing a significant amount of the commodity price risk to the producer. These pricing terms continued in the 2015/2016 contract year. Propane margins, however, will continue to be stronger in the winter periods, as cold weather demand typically results in higher sales volumes.

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 two years, Keyera has used propane physical and financial forward contracts to hedge its propane inventory. However, its ability to enter into propane contracts may not be as liquid as other contracts, such as crude oil, and the risk management contracts may have a geographical basis risk, depending on contract terms. As propane markets evolve, Keyera will continue to monitor and adjust its hedging strategy to protect the value of its inventory.

Keyera may also hold butane inventory in order to meet the feedstock requirements of the AEF facility. For condensate, most of the product that is 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 quarter ended March 31, 2015, the total unrealized loss on risk management contracts was $53.3 million, largely due to the accrual reversal relating to financial 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 March 31, 2015 resulted in an unrealized (non-cash) loss of $1.8 million that includes the following significant items:

- a $0.5 million non-cash gain relating to butane and condensate supply and inventory risk management contracts;
- a $1.3 million non-cash gain relating to propane risk management contracts;
- a $3.2 million non-cash loss relating to iso-octane risk management contracts; and
- a $0.4 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 March 31, 2015, resulted in an unrealized gain of $0.1 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 March 31, 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 March 31,**	
(Thousands of Canadian dollars)	**2015**	2014
Other income (operating margin)	**4,073**	2,483
General and administrative (net of overhead recoveries on operated facilities)	**(13,913)**	(10,021)
Finance costs	**(11,838)**	(14,384)
Depreciation, depletion and amortization expenses	**(38,253)**	(27,271)
Net foreign currency gain on U.S. debt	**6,850**	13,212
Long-term incentive plan expense	**(10,763)**	(6,991)
Impairment expense	**(19,908)**	-
Income tax expense	**(9,646)**	(26,047)

Other Income

Beginning in 2010, Keyera 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 months ended March 31, 2015 was $4.1 million and included a $1.3 million unrealized loss relating to risk management contracts put in place to protect the value of a portion of the production. Production for the three months ended March 31, 2015 averaged 6,870 barrels of oil equivalent per day compared to 1,133 barrels of oil equivalent per day for the same period in 2014, largely due to the Cynthia acquisition in May 2014.

General and Administrative Expenses

General and administrative ("G&A") expenses for the three months ended March 31, 2015 were $3.9 million higher than the same period 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 $11.8 million for the three months ended March 31, 2015, $2.5 million lower than the same period in 2014, largely due to higher interest capitalized on certain capital projects in 2015. Interest capitalized for the three months ended March 31, 2015 was $8.5 million, $5.5 million higher than the same period last year. The effect of higher capitalized interest was partly offset by 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, Depletion and Amortization

Depreciation, depletion and amortization expenses were $11.0 million higher for the three months ended March 31, 2015 compared to the same period 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 ii) higher depletion expense associated with the acquisition of the Cynthia reserves in the second quarter of 2014.

Net Foreign Currency Gain on U.S. Debt

The net foreign currency gain associated with the U.S. debt was as follows:

Net Foreign Currency Gain on U.S. Debt	**Three months ended March 31,**	
(Thousands of Canadian dollars)	**2015**	2014
Translation of US$504 million long-term debt	**(54,533)**	(21,017)
Translation of accrued interest payable	**(401)**	(77)
Change in fair value of the cross currency swap – principal and interest portion	**61,681**	34,652
Gain (loss) on cross currency swap – interest portion[1]	**103**	(346)
Net foreign currency gain on U.S. debt	**6,850**	13,212

Notes:
[1] A foreign currency loss resulted 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 banks to swap the U.S. dollar principal and future interest payments into Canadian dollars. The cross currency swap 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", of the accompanying financial statements contains more information on the swap agreements.

A net foreign currency gain of $6.9 million was recorded for the quarter ended March 31, 2015. The translation of U.S. dollar denominated debt into Canadian dollars resulted in a $54.5 million non-cash loss as the Canadian dollar weakened in relation to the U.S. dollar at the end of March 2015 relative to the end of December 2014. This unrealized loss was more than offset by a $61.7 million non-cash gain resulting from the change in fair value of cross currency swap agreements as at March 31, 2015.

Long-Term Incentive Plan Expense

The Long-Term Incentive Plan ("LTIP") expense was $3.8 million higher for the three months ended March 31, 2015 compared to the same period last year. The higher LTIP expense was primarily due to 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 Keyera's December 31, 2014 annual audited financial statements provides more information on the 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 relates 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.

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 March 31, 2015, a deferred income tax recovery of $10.5 million was recorded, compared to an expense of $16.8 million in the same period last year. The deferred income tax recovery in the first quarter of 2015 largely related to the reduction in the valuation allowance associated with non-capital losses residing in Keyera's U.S. subsidiary. The valuation allowance was reduced as a result of certain corporate tax filing adjustments between Keyera's Canadian and U.S. subsidiary.

Current Income Taxes

Current income tax expense for the three months ended March 31, 2015 was $20.1 million, $10.9 million higher than the same period in 2014. For 2015, cash taxes are currently expected to range between $75 and $85 million and represent approximately 18% to 20% of Keyera's 2014 pre-tax distributable cash flow. 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. Keyera expects cash taxes 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 March 31, 2015 were approximately $1.4 billion consisting primarily of class 41 undepreciated capital costs ("UCC").

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 March 31, 2015, operating revenues and accounts receivable for the Gathering and Processing and NGL Infrastructure segments contained an estimate of $50 million primarily for March 2015 operations.

Marketing:
At March 31, 2015, the Marketing sales and accounts receivable contained an estimate for March 2015 revenues of $94 million.

Operating Expenses and Product Purchases
Gathering and Processing and NGL Infrastructure:
At March 31, 2015, operating expenses and accounts payable for the Gathering and Processing and NGL Infrastructure segments contained an estimate of $22 million primarily for March 2015 operations.

Marketing:
Marketing cost of goods sold, inventory and accounts payable contained an estimate of NGL product purchases of $77 million at March 31, 2015.

Equalization Adjustments
For the Gathering and Processing segment, an equalization adjustment of $13 million was included in revenue and accounts receivable at March 31, 2015. Operating expenses and accounts payable contained an equalization adjustment of $31 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 $434.4 million at March 31, 2015, compared to $433.8 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 March 31, 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 March 31, 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 March 31, 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 March 31, 2015 and 2014:

Cash inflows (outflows)
(Thousands of Canadian dollars)

	Three months ended March 31, 2015	2014	Increase (decrease)	Explanation
Operating	**277,563**	119,493	158,070	Increase in cash was largely due to strong operating results from all segments and 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. Cash flow from operating activities was also higher due to a reduction in cash required to fund inventory resulting from significantly lower prices for NGLs compared to the same time last year.
Investing	**(189,364)**	(159,357)	(30,007)	Capital spending was higher in 2015 as several internal growth projects were completed in the quarter, including the de-ethanizer project at Fort Saskatchewan and the Simonette plant expansion. Other major projects have ramped up construction, including the Rimbey turbo expander project and the fractionation expansion at Fort Saskatchewan.
Financing	**(96,171)**	(32,873)	(63,298)	In the first quarter of 2015, cash generated from operating activities was used to repay $60 million on Keyera's credit facilities. As at March 31, 2014, no amounts were drawn on Keyera's credit facilities and cash at the end of the period was $116.5 million.

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 towards year-end 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 $124.4 million existed at March 31, 2015 largely due to the timing of invoices received for NGL purchases, higher accrued growth capital expenditures, as well as $49 million of long-term debt that is due in September. 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 $30 million was drawn as at March 31, 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 (pre-share split), including 562,500 common shares (pre-share split) associated with an over-allotment option exercised by underwriters. 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 has been 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.

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. The Premium DRIP™ component of the Plan has been suspended since April 2010. However, Keyera announced on May 5, 2015 that it is reinstating the Premium DRIP™ effective with the May dividend. 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 raised cash of $18.3 million, respectively, for the three months ended March 31, 2015. For the same periods in 2014, the plan raised cash of $14.7 million.

Long-term Debt (including Credit Facilities)

Below is a summary of Keyera's long-term debt obligations as at March 31, 2015:

As at March 31, 2015 (Thousands of Canadian dollars)	**Total**	**2015**	**2016**	**2017**	**2018**	**2019**	**After 2019**
Credit Facilities							
Bank credit facilities	30,000	—	—	—	—	30,000	—
	30,000	—	—	—	—	30,000	—
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)	19,025	19,025	—	—	—	—	—
8.40% due May 1, 2016 (US$50,000)	63,415	—	63,415	—	—	—	—
3.42% due June 19, 2019 (US$3,000)	3,805	—	—	—	—	3,805	—
5.14% due September 8, 2020 (US$103,000)	130,635	—	—	—	—	—	130,635
4.19% due June 19, 2024 (US$128,000)	162,342	—	—	—	—	—	162,342
4.75% due November 20, 2025 (US$140,000)	177,562	—	—	—	—	—	177,562
4.95% due November 20, 2028 (US$65,000)	82,440	—	—	—	—	—	82,440
	639,224	19,025	63,415	—	—	3,805	552,979
Less: current portion of long-term debt	(49,025)	(49,025)	—	—	—	—	—
Total long-term debt	**1,241,199**	**—**	**98,415**	**60,000**	—	**155,805**	**926,979**

As at March 31, 2015, Keyera had $621 million and US$504 million of unsecured senior notes including amounts drawn under the uncommitted shelf facility. In order to manage the foreign currency exposure on the U.S. dollar denominated debt existing at March 31, 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.

These senior note agreements contain a number of covenants, all of which were met as at March 31, 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 March 31, 2015, Keyera’s Debt to EBITDA ratio was 2.29 for covenant test purposes.

In the third quarter of 2013, Keyera entered into a private placement of 12-year and 15-year senior unsecured notes with a group of institutional investors in Canada and the U.S., in the principal amount of approximately $306 million. Approximately $231 million was placed on November 20, 2013. The remaining $75 million was placed on April 8, 2014 and bears interest at 5.34% with a maturity date of April 8, 2029. Refer to the December 31, 2014 year end MD&A for further details relating to long-term debt issued in 2013 and 2014 as well as available capacity remaining under the Prudential private shelf agreement. There have been no other material changes since the end of 2014.

In December 2014, Keyera amended its existing unsecured revolving credit facility (the "Credit Facility") with a syndicate of eight lenders to increase the Credit Facility from $750 million to $1 billion, with the potential to increase to $1.35 billion subject to certain conditions. In addition, the term of the Credit Facility has been extended from December 6, 2017 to December 6, 2019. The primary financial covenant with respect to the Credit Facility is to maintain a Debt to EBITDA ratio of less than 4 times. The calculation of debt includes a deduction for working capital surplus or addition of working capital deficit.

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.

As at March 31, 2015, $30 million was drawn under these facilities (December 31, 2014 - $90 million) The Credit Facility agreement contains a number of covenants, all of which were met as at March 31, 2015. This agreement is available at www.sedar.com. Failure to adhere to the covenants may impair Keyera’s ability to pay dividends. Management expects that upon maturity of the facilities, adequate replacement facilities will be established.

Capital Expenditures and Acquisitions
The following table is a breakdown of capital expenditures and acquisitions for the three months ended March 31, 2015 and 2014:

Capital Expenditures and Acquisitions	**Three months ended March 31,**	
(Thousands of Canadian dollars)	**2015**	2014
Acquisitions	**2,815**	5,783
Growth capital expenditures	**209,929**	198,598
Maintenance capital expenditures	**4,304**	3,279
Total capital expenditures	**217,048**	207,660

Growth capital expenditures for the three months ended March 31, 2015 amounted to $209.9 million and included the following significant items:

Facility/Area	**Expenditures: Three months ended March 31, 2015**	**Description of Expenditures**
Rimbey	$28 million	Work done on the Rimbey turbo project including fabrication of major equipment; and work associated with expanding the facility's fractionation capacity.
Simonette	$17 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	$46 million	Work associated with completing the de-ethanizer project; and fabrication of major equipment related to the fractionation expansion.
Fort Saskatchewan – Josephburg Terminal	$31 million	Construction of the Josephburg rail terminal and associated pipelines that will connect to Keyera's Fort Saskatchewan facility.
Brazeau River – Twin Rivers Pipeline	$33 million	Completion of Phase One of the Twin Rivers Pipeline and construction of Phase Two that became operational in April 2015.
Strachan	$6 million	Construction of the sulphur handling fertilizer production facility.
Zeta Creek	$13 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.

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 $5.8 million for the three months ended March 31, 2015, and $7.0 million for the same period 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 must invest 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 approximately $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 March 31,**	
(Thousands of Canadian dollars)	**2015**	2014
Cash flow from operating activities	**277,563**	119,493
Add (deduct):		
Changes in non-cash working capital	**(122,702)**	(29,470)
Long-term incentive plan expense	**(10,763)**	(6,991)
Maintenance capital	**(4,304)**	(3,279)
Inventory write-down	**-**	(1,533)
Distributable cash flow	**139,794**	78,220
Dividends declared to shareholders	**55,769**	47,605

Dividends declared were $55.8 million, or 40% of distributable cash flow, for the three months ended March 31, 2015. This is compared to dividends declared of $47.6 million, or 61% of distributable cash flow, in the same period of 2014.

Keyera recorded distributable cash flow for the three months ended March 31, 2015 of $139.8 million, $61.6 million higher than the same period last year as a result of the strong performance by all operating segments. In particular, increased throughput related to the development of liquids-rich natural gas in areas around several of Keyera's gas plants, the ongoing demand for storage, fractionation and transportation services, and strong margins for iso-octane have contributed to the strong financial results. Keyera posted strong distributable cash flow despite recording cash taxes of $20.1 million in 2015 compared to cash taxes of $9.2 million in the same period of 2014.

Also contributing to the higher distributable cash flow in 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 increased its dividend by 7% from $0.215 per share per month to $0.23 per share per month on a pre-split basis, or $2.76 per share annually, beginning with its March dividend paid on April 15, 2015. On a post-split basis, the dividend per share per month is now $0.115 per share. 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.

Beginning in the second quarter of 2014, Keyera began providing the calculation of both EBITDA and Adjusted EBITDA. Management believes these measures are a meaningful indication of performance, as they are frequently used by securities analysts, investors, and other interested parties.

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

EBITDA	**Three months ended March 31,**	
(Thousands of Canadian dollars)	**2015**	2014
Net earnings	**56,580**	55,233
Add (deduct):		
Finance costs	**11,838**	14,384
Depreciation, depletion and amortization expenses	**38,253**	27,271
Income tax expense	**9,646**	26,047
EBITDA	**116,317**	122,935
Unrealized loss (gain) on commodity contracts	**55,132**	(1,976)
Impairment expense	**19,908**	—
Net foreign currency gain on U.S. debt	**(6,850)**	(13,212)
Adjusted EBITDA	**184,507**	107,747

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 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. First 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:

	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013
Revenue before inter-segment eliminations [2]								
Gathering and Processing	**106,738**	115,131	105,355	113,524	92,445	87,186	87,678	90,727
NGL Infrastructure	**83,828**	84,784	77,067	75,034	69,180	62,088	57,195	54,398
Marketing	**517,071**	800,126	746,591	735,513	841,305	827,786	679,351	682,700
Other	**9,724**	16,463	17,525	9,117	3,758	2,810	2,951	3,460
Operating Margin								
Gathering and Processing	**60,146**	52,079	53,982	63,981	48,254	37,983	40,654	38,936
NGL Infrastructure	**53,572**	54,976	45,775	48,955	39,050	33,781	31,380	29,126
Marketing	**36,260**	67,769	79,931	52,791	36,948	29,044	33,160	46,817
Other	**4,073**	12,829	10,947	445	2,483	1,551	1,681	2,192
Net earnings [1]	**56,580**	29,387	82,439	62,930	55,233	34,396	40,822	48,173
Net earnings per share[3] ($/share)								
Basic	**0.33**	0.17	0.49	0.39	0.35	0.22	0.26	0.31
Diluted	**0.33**	0.17	0.49	0.39	0.35	0.22	0.26	0.31
Weighted average[3] common shares (basic)	**168,915**	168,470	168,080	162,162	158,602	157,558	156,900	156,324
Weighted average[3] common shares (diluted)	**168,915**	168,470	168,080	162,162	158,602	158,146	157,670	157,224
Dividends declared to shareholders	**55,769**	54,353	54,226	51,044	47,605	47,297	45,529	42,232

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 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. TransCanada has recently advised that the curtailment at the Strachan gas plant has been lifted; however, the curtailments continue to affect other parts of the TransCanada system, including the meter station at Keyera's Brazeau River gas plant.

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 quarter 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 expects to continue to utilize its rail car logistics capability and infrastructure to import butane in the spring and summer months when prices are low in order to optimize margins in its iso-octane business. Keyera will also 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 months ended March 31, 2015.

CONTROL ENVIRONMENT

The Chief Executive Officer and the Chief Financial Officer are satisfied that, as of March 31, 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 ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, Keyera's internal controls over financial reporting.

COMMON SHARES

There were 474,574 common shares (post-split basis) issued under the DRIP during the first quarter for consideration of $18.3 million, bringing the total common shares outstanding at March 31, 2015 to 169,152,002 (post-split basis).

On April 15, 2015, 150,533 common shares (post-split basis) were issued to shareholders enrolled in the DRIP for consideration of $6.4 million, bringing the total common shares outstanding at May 5, 2015 to 169,302,535 (post-split basis).

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

Effective April 1, 2015, Keyera completed a two-for-one split of its outstanding common shares. Dividends declared to shareholders were $0.33 per share (post-split basis) in the first quarter 2015. Effective with the March 2015 dividend, paid to shareholders on April 15, 2015, Keyera's dividend increased by 7% to $0.115 per share per month (post-split basis), or $1.38 annually. Keyera is focused on providing stable long-term dividends per share that grow over time.

The Premium DRIP™, that was previously suspended since April 2010, has been amended and will be reinstated effective with the May 2015 dividend. The Premium DRIP™ will now permit 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.

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.

FIRST 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 first quarter 2015 results at 8:00 a.m. Mountain Time (10:00 a.m. Eastern) on May 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, May 20, 2015, by dialing 1-855-859-2056 or 1-416-849-0833 and entering pass code 17883234.

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	**March 31, 2015 $**	December 31, 2014 $
ASSETS			
Cash		**5,129**	11,309
Trade and other receivables		**353,167**	402,965
Derivative financial instruments	9	**23,237**	77,810
Inventory	3	**81,929**	124,292
Other assets		**3,458**	5,334
Total current assets		**466,920**	621,710
Derivative financial instruments	9	**128,930**	75,303
Property, plant and equipment	4	**3,258,092**	3,099,129
Intangible assets		**924**	1,060
Goodwill		**53,624**	53,624
Total assets		**3,908,490**	3,850,826
LIABILITIES AND EQUITY			
Trade and other payables		**499,407**	446,122
Derivative financial instruments	9	**15,773**	19,770
Dividends payable		**19,452**	18,133
Current portion of long-term debt		**49,025**	47,402
Current portion of decommissioning liability		**7,638**	9,557
Total current liabilities		**591,295**	540,984
Derivative financial instruments	9	**105**	3,602
Credit facilities		**30,000**	90,000
Long-term debt		**1,205,274**	1,152,133
Long-term incentive plan	8	**23,172**	16,653
Decommissioning liability		**426,739**	424,212
Deferred tax liabilities		**294,576**	305,061
Total liabilities		**2,571,161**	2,532,645
Equity			
Share capital	6	**1,382,859**	1,364,522
Accumulated deficit		**(45,530)**	(46,341)
Total equity		**1,337,329**	1,318,181
Total liabilities and equity		**3,908,490**	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 May 5, 2015.

(Signed) H. Neil Nichols
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)

	Note	Three months ended March 31, 2015 $	2014 $
Operating revenues	13	**644,992**	951,479
Operating expenses	13	**(490,941)**	(824,744)
		154,051	126,735
General and administrative expenses		**(13,913)**	(10,021)
Finance costs	11	**(11,838)**	(14,384)
Depreciation, depletion and amortization expenses		**(38,253)**	(27,271)
Net foreign currency gain on U.S. debt	10	**6,850**	13,212
Long-term incentive plan expense	8	**(10,763)**	(6,991)
Impairment expense	4	**(19,908)**	—
Earnings before income tax		**66,226**	81,280
Income tax expense	5	**(9,646)**	(26,047)
Net earnings		**56,580**	55,233
Other comprehensive income		**—**	—
Total comprehensive income		**56,580**	55,233
Earnings per share			
Basic earnings per share	7	**0.33**	**0.35**
Diluted earnings per share	7	**0.33**	**0.35**

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)

	Note	Three months ended March 31, 2015 $	2014 $
Cash provided by (used in):			
OPERATING ACTIVITIES			
Net earnings:		**56,580**	55,233
Adjustments for items not affecting cash:			
Finance costs	11	**2,816**	2,699
Depreciation, depletion and amortization expenses		**38,253**	27,271
Long-term incentive plan expense	8	**10,763**	6,991
Unrealized gain on derivative financial instruments	9	**(6,549)**	(36,628)
Unrealized loss on foreign exchange		**45,494**	17,857
Deferred income tax (recovery) expense	5	**(10,485)**	16,805
Inventory write-down	3	**—**	1,533
Impairment expense	4	**19,908**	—
Decommissioning liability expenditures		**(1,919)**	(1,738)
Changes in non-cash working capital	12	**122,702**	29,470
Net cash provided by operating activities		**277,563**	119,493
INVESTING ACTIVITIES			
Acquisitions		**(2,815)**	(5,783)
Capital expenditures		**(214,234)**	(201,877)
Proceeds on sale of assets		**60**	
Changes in non-cash working capital	12	**27,625**	48,303
Net cash used in investing activities		**(189,364)**	(159,357)
FINANCING ACTIVITIES			
Borrowings under credit facilities		**80,000**	—
Repayments under credit facilities		**(140,000)**	—
Financing costs related to long-term debt		**(58)**	(12)
Proceeds from issuance of shares related to DRIP	6	**18,337**	14,665
Dividends paid to shareholders		**(54,450)**	(47,526)
Net cash used in financing activities		**(96,171)**	(32,873)
Effect of exchange rate fluctuations on foreign cash held		**1,792**	2,617
Net decrease in cash		**(6,180)**	(70,120)
Cash at the start of the period		**11,309**	186,651
Cash at the end of the period		**5,129**	116,531

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

		2015	2014
Income taxes paid in cash		**36,837**	510
Interest paid in cash		**7,373**	3,064

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)

	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	14,665	—	14,665
Net earnings and total comprehensive income	—	55,233	55,233
Dividends declared to shareholders	—	(47,605)	(47,605)
Balance at March 31, 2014	**1,007,476**	**(61,474)**	**946,002**

	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	18,337	—	18,337
Net earnings and total comprehensive income	—	56,580	56,580
Dividends declared to shareholders	—	(55,769)	(55,769)
Balance at March 31, 2015	**1,382,859**	**(45,530)**	**1,337,329**

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 months ended March 31, 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 March 31, 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 months ended March 31, 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 May 5, 2015 by the Board of Directors.

New and amended IFRS standards adopted by Keyera

For the three months ended March 31, 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 months ended March 31, 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	**March 31, 2015 $**	December 31, 2014 $
NGLs and iso-octane	**76,752**	119,726
Other	**5,177**	4,566
Total inventory	**81,929**	124,292

For the period ended March 31, 2015, $81,929 of inventory was carried at cost (December 31, 2014 – $24,502) and $nil (December 31, 2014 - $99,790) was carried at net realizable value.

For the three months ended March 31, 2015, there were no charges to operating expenses to write down the cost of NGL inventory and iso-octane to net realizable value (three months ended March 31, 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. An impairment expense of $19,908 was recorded for the three months ended March 31, 2015 (three months ended March 31, 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 March 31, 2015 $	2014 $
Current	**20,131**	9,242
Deferred	**(10,485)**	16,805
Total income tax expense	**9,646**	26,047

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	474,574	18,337
Balance at March 31, 2015	**169,152,002**	**1,382,859**

Effective April 1, 2015, Keyera's outstanding common shares were split on a two-for-one basis (see note 14 – Subsequent Events).

7. EARNINGS PER SHARE

Basic earnings per share were calculated by dividing net earnings by the weighted average number of shares outstanding for the related period. All amounts shown, including per share values, are on a post share split basis (see note 14 – Subsequent Events).

	Three months ended March 31, 2015 $	2014 $
Basic earnings per share	**0.33**	0.35
Diluted earnings per share	**0.33**	0.35

	Three months ended March 31, 2015 $	2014 $
Net earnings – basic	**56,580**	55,233
Net earnings – diluted	**56,580**	55,233

(in thousands)	Three months ended March 31, **2015**	2014
Weighted average number of shares – basic	**168,915**	158,602
Weighted average number of shares – diluted	**168,915**	158,602

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 March 31, 2015 the fair value of shares granted was $42.13 per share (December 31, 2014 – $40.54 per share).

The compensation cost recorded for the LTIP was as follows:

	Three months ended March 31, **2015** **$**	2014 $
Performance awards	**9,971**	6,068
Restricted awards	**792**	923
Total long-term incentive plan expense	**10,763**	6,991

The table below shows the number of share awards granted on a post share split basis (see note 14 – Subsequent Events):

Share Award Series	Share awards granted as at **March 31, 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	**337,736**	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	**61,200**	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 third 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 March 31, 2015 was $1,397,455 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 March 31, 2015	Notional Volume[1]	Weighted 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)	2,040,592 Bbls	68.83/Bbl	Level 2	6,421	7,296	(875)
Buyer of fixed price WTI swaps (maturing by August 31, 2015)	27,100 Bbls	64.51/Bbl	Level 2	(67)	—	(67)
Seller of fixed price NGL swaps (maturing by March 31, 2016)	1,310,400 Bbls	27.04/Bbl	Level 2	1,161	1,936	(775)
Buyer of fixed price NGL swaps (maturing by March 31, 2016)	1,987,048 Bbls	44.35/Bbl	Level 2	(4,940)	379	(5,319)
Seller of fixed price RBOB basis spreads (maturing by December 31, 2015)	2,190,000 Bbls	22.60/Bbl	Level 2	(3,979)	2,598	(6,577)
Physical contracts:						
Seller of fixed price forward NGL contracts (maturing by September 30, 2015)	250,000 Bbls	30.86/Bbl	Level 2	(95)	98	(193)
Currency:						
Seller of forward contracts (maturing by September 1, 2015)	US$53,360,000	1.26/USD	Level 2	(428)	96	(524)
NGL Infrastructure						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2016)	184,704 MWhs	45.10/MWh	Level 2	(1,513)	35	(1,548)
Corporate and Other						
Natural Gas:						
Buyer of fixed price swaps (maturing by October 31, 2015)	1,865,000 Gjs	3.23/Gj	Level 2	1,295	1,295	—
Long-term Debt						
Buyer of cross-currency swaps - principal portion (maturing September 8, 2015 - November 20, 2028)	US$501,000,000	0.98/USD - 1.24/USD	Level 2	89,444	89,444	—
Buyer of cross-currency swaps – interest portion (maturing September 8, 2015 - November 20, 2028)	US$204,856,750	1.14/USD - 1.28/USD	Level 2	48,990	48,990	—
				136,289	**152,167**	**(15,878)**

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]	Weighted 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 - principal portion (maturing September 8, 2015 - November 20, 2028)	US$501,000,000	0.98/USD - 1.24/USD	Level 2	47,963	51,392	(3,429)
Buyer of cross-currency swaps – interest portion (maturing September 8, 2015 - November 20, 2028)	US$207,797,100	1.14/USD - 1.28/USD	Level 2	28,790	29,256	(466)
				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) 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 March 31,	
	2015	2014
Unrealized gain (loss)	**$**	$
Marketing revenue	**(53,299)**	1,934
NGL Infrastructure operating expense	**(486)**	42
Production (net expense)	**(1,316)**	—
Gathering and processing expense	**(31)**	—
Other:		
Foreign currency gain on U.S. debt	**61,681**	34,652
Total unrealized gain	**6,549**	36,628

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. The purchase and sale 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 March 31,	
	2015	2014
U.S. dollar sales and purchases	**$**	$
Sales priced in U.S. dollars	**198,892**	346,581
Purchases priced in U.S. dollars	**(91,238)**	(205,711)

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 March 31, 2015, fixed rate borrowings comprised 98% 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 $353,167 at March 31, 2015 (December 31, 2014 – $402,965). Keyera does not typically renegotiate the terms of trade receivables. There were no significant renegotiated balances outstanding at March 31, 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 March 31, 2015		Impact on income before tax March 31, 2014	
Risk sensitivities	**Increase $**	**Decrease $**	Increase $	Decrease $
Commodity price changes				
+ 10% in natural gas price	**—**	**(472)**	—	—
- 10% in natural gas price	**472**	**—**	—	—
+ 10% in electricity price	**682**	**—**	345	—
- 10% in electricity price	**—**	**(682)**	—	(345)
+ 10% in NGL and iso-octane prices	**—**	**(14,474)**	—	(15,179)
- 10% in NGL and iso-octane prices	**14,474**	**—**	15,179	—
Foreign currency rate changes				
+ $0.01 in U.S./Canadian dollar exchange rate	**2,000**	**—**	199	—
- $0.01 in U.S./Canadian dollar exchange rate	**—**	**(2,000)**	—	(199)
Interest rate changes				
+ 1% in interest rate	**—**	**(158)**	—	(1)
- 1% in interest rate	**158**	**—**	1	—

10. NET FOREIGN CURRENCY GAIN ON U.S. DEBT

The components of foreign currency gain were as follows:

	Three months ended March 31, 2015 $	2014 $
Foreign currency gain (loss) resulting from:		
Translation of US$504,000 long-term debt (2014 – US$504,000)	**(54,533)**	(21,017)
Translation of accrued interest payable	**(401)**	(77)
Change in fair value of the cross currency swaps - principal and interest portion	**61,681**	34,652
Gain (loss) from cross currency swaps – interest portion[1]	**103**	(346)
Total foreign currency gain on U.S. debt	**6,850**	13,212

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 March 31, 2015 $	2014 $
Interest on bank overdrafts and credit facilities	**1,213**	646
Interest on long-term debt	**16,280**	14,355
Interest capitalized	**(8,462)**	(2,988)
Other interest income	**(9)**	(328)
Total interest expense on current and long-term debt	**9,022**	11,685
Unwinding of discount on decommissioning liability	**2,527**	2,495
Unwinding of discount on long-term debt	**289**	204
Non-cash expenses in finance costs	**2,816**	2,699
Total finance costs	**11,838**	14,384

For the three months ended March 31, 2015, $8,462 of borrowing (interest) costs were capitalized (three months ended March 31, 2014 – $2,988) at a weighted average capitalization rate of 5.24% on funds borrowed (three months ended March 31, 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 March 31, 2015 $	2014 $
Inventories	**42,363**	14,632
Trade and other receivables	**49,798**	16,124
Other assets	**87**	(12,290)
Trade and other payables	**30,454**	11,004
Changes in non-cash working capital from operating activities	**122,702**	29,470

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

	Three months ended March 31, 2015 $	2014 $
Trade and other payables	**27,625**	48,303
Changes in non-cash working capital from investing activities	**27,625**	48,303

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 table shows 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 March 31, 2015	**Marketing $**	**Gathering & Processing $**	**NGL Infrastructure $**	**Corporate and Other $**	**Total $**
Revenue before inter-segment eliminations	517,071	106,738	83,828	9,724	717,361
Operating expenses before inter-segment eliminations	(480,811)	(46,592)	(30,256)	(5,651)	(563,310)
Operating margin	36,260	60,146	53,572	4,073	154,051
Inter-segment revenue eliminations	—	(7,749)	(53,158)	(11,462)	(72,369)
Inter-segment expense eliminations	68,607	—	—	3,762	72,369
	104,867	52,397	414	(3,627)	154,051
General and administrative expenses	—	—	—	(13,913)	(13,913)
Finance costs	—	—	—	(11,838)	(11,838)
Depreciation, depletion and amortization expenses	—	—	—	(38,253)	(38,253)
Net foreign currency gain on U.S. debt	—	—	—	6,850	6,850
Long-term incentive plan expense	—	—	—	(10,763)	(10,763)
Impairment expense	—	—	(19,908)	—	(19,908)
Earnings (loss) before income tax	104,867	52,397	(19,494)	(71,544)	66,226
Income tax expense	—	—	—	(9,646)	(9,646)
Net earnings (loss)	**104,867**	**52,397**	**(19,494)**	**(81,190)**	**56,580**
Revenue from external customers	517,071	98,989	30,670	(1,738)	644,992

Three months ended March 31, 2014	**Marketing** $	**Gathering & Processing** $	**NGL Infrastructure** $	**Corporate and Other** $	**Total** $
Revenue before inter-segment eliminations	841,305	92,445	69,180	3,758	1,006,688
Operating expenses before inter-segment eliminations	(804,357)	(44,191)	(30,130)	(1,275)	(879,953)
Operating margin	36,948	48,254	39,050	2,483	126,735
Inter-segment revenue eliminations	—	(5,058)	(45,089)	(5,062)	(55,209)
Inter-segment expense eliminations	54,397	—	—	812	55,209
	91,345	43,196	(6,039)	(1,767)	126,735
General and administrative expenses	—	—	—	(10,021)	(10,021)
Finance costs	—	—	—	(14,384)	(14,384)
Depreciation, depletion and amortization expenses	—	—	—	(27,271)	(27,271)
Net foreign currency gain on U.S. debt	—	—	—	13,212	13,212
Long-term incentive plan expense	—	—	—	(6,991)	(6,991)
Earnings (loss) before income tax	91,345	43,196	(6,039)	(47,222)	81,280
Income tax expense	—	—	—	(26,047)	(26,047)
Net earnings (loss)	**91,345**	**43,196**	**(6,039)**	**(73,269)**	**55,233**
Revenue from external customers	841,305	87,387	24,091	(1,304)	951,479

Geographical information

Keyera operates in two geographical areas, Canada and the United States (U.S.). 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 $**	**U.S. $**
For the three months ended March 31, 2015	**485,607**	**159,385**
For the three months ended March 31, 2014	757,730	193,749

	Canada $	**U.S. $**
Non-current assets[1] at March 31, 2015	**3,393,967**	**47,603**
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

Keyera did not earn revenues from a single external customer that accounted for more than 10% of its total revenue for the three months ended March 31, 2015 and 2014.

14. SUBSEQUENT EVENTS

Effective April 1, 2015, Keyera completed a two-for-one split of its outstanding common shares. As a result, all shares or per share amounts in the consolidated financial statements have been adjusted on a post share split basis.

In April 2015, Keyera declared a dividend of $0.115 per share, payable on May 15, 2015, to shareholders of record as of April 22, 2015.

The Premium DRIP™, that was previously suspended since April 2010, has been amended and will be reinstated effective with the May 2015 dividend. The Premium DRIP™ will now permit 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.

Corporate Information

Board of Directors

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

Robert B. Catell
Chairman of the Advanced Energy Research and Technology Center of Stoneybrook University
New York, New York

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

Nancy M. Laird (4)(5)
Corporate Director
Calgary, Alberta

Donald J. Nelson (3)(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

(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

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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

W. John Cobb
Vice President, Investor Relations & Information Technology

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

Dean Setoguchi
Senior Vice President, Liquids Business Unit

Stock Exchange Listing

The Toronto Stock Exchange
Trading Symbols KEY

Trading Summary Q1 2015 (post two-for-one share split)

TSX:KEY – Cdn $	TSX:KEY – Cdn $
High	$43.05
Low	$37.19
Close March 31, 2015	$42.13
Volume	53,862,032
Average Daily Volume	868,742

Auditors

Deloitte LLP
Chartered Accountants
Calgary, Canada

Investor Relations

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