KEYERA

DELIVERING MIDSTREAM SOLUTIONS

May 8, 2018

2018 First Quarter Report

For the period ended March 31, 2018

HIGHLIGHTS

- Keyera delivered strong financial results in the first quarter of 2018 with adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA")[2] of $189 million, compared to $148 million reported in the first quarter of the previous year.
- Net earnings for the period was $88 million ($0.43 per share) compared to $96 million ($0.52 per share) last year, primarily due to increased depreciation and income taxes as a result of a growing business.
- The Gathering and Processing segment recorded operating margin of $71 million (Q1 2017 – $66 million) as gross processing throughput volumes reached a new record and increased 12% over the same period in 2017.
- The Liquids Infrastructure segment reported operating margin of $82 million (Q1 2017 – $65 million) as recent investments such as the Norlite Pipeline and the Base Line Terminal generated incremental margins.
- The Marketing segment's operating margin was $66 million (Q1 2017 – $68 million), while realized margin[1,2] was $57 million (Q1 2017 – $33 million). In the first quarter of 2017, Marketing's results were affected by a lower contribution from iso-octane sales due to the unscheduled outage at Alberta EnviroFuels ("AEF").
- Distributable cash flow[2] was $155 million or $0.75 per share (Q1 2017 – $121 million or $0.65 per share), resulting in a payout ratio[2] of 56% for the first quarter of 2018.
- During the quarter, the Base Line Terminal crude oil storage facility was commissioned and six of the twelve tanks are now in service. The remaining six tanks are expected to be completed in the third and fourth quarters of 2018.
- Keyera recently completed two pipeline projects. The Keylink NGL system connects eight Keyera gas plants into its Rimbey gas plant for fractionation and provides a cost effective transportation solution. The Hull Terminal pipeline system extends through Keyera's Hull Terminal and ends at Mont Belvieu, North America's largest NGL hub.
- In early April, Keyera entered into a 20-year infrastructure development and midstream service agreement with Encana to support their condensate focused Pipestone development. The project includes a liquids hub and a 200 million cubic feet per day gas plant with 24,000 barrels per day of condensate processing capacity.
- At the Simonette gas plant, Keyera recently completed the liquids handling expansion and announced today it is expanding the processing capacity of Simonette by 150 million cubic feet per day. This expansion supports additional liquids-rich Montney and Duvernay production in the area and is expected to be completed in the fourth quarter of 2019 for approximately $85 million.
- For 2018, Keyera is expecting to invest between $900 million and $1 billion, primarily for approved growth projects currently underway plus the acquisition of 50% of the South Grand Rapids diluent pipeline. Keyera is well positioned to fund this program.

[1] Realized margin is a "Non-GAAP Measure" and excludes the effect of non-cash gains and losses from risk management contracts.
[2] Keyera uses certain "Non-GAAP Measures" such as Adjusted EBITDA, Distributable Cash Flow, Distributable Cash Flow per Share and Payout Ratio. See section titled "Non-GAAP Financial Measures", "Dividends: Distributable Cash Flow" and "EBITDA" of the MD&A for further details.

Summary of Key Measures (Thousands of Canadian dollars, except where noted)	**Three months ended March 31,** **2018**	 2017
Net earnings	**87,715**	96,342
Per share ($/share) – basic	**0.43**	0.52
Cash flow from operating activities	**205,106**	218,621
Distributable cash flow[1]	**154,902**	120,682
Per share ($/share)[1]	**0.75**	0.65
Dividends declared	**86,305**	74,125
Per share ($/share)	**0.42**	0.40
Payout ratio %[1]	**56%**	61%
Adjusted EBITDA[2]	**189,363**	148,220
Gathering and Processing:		
Gross processing throughput (MMcf/d)	**1,586**	1,411
Net processing throughput (MMcf/d)	**1,237**	1,110
Liquids Infrastructure:		
Gross processing throughput[3] (Mbbl/d)	**187**	161
Net processing throughput[3] (Mbbl/d)	**81**	55
AEF iso-octane production volumes (Mbbl/d)	**13**	8
Marketing:		
Inventory value	**120,212**	88,045
Sales volumes (Bbl/d)	**161,000**	140,600
Acquisitions	**10,000**	55,087
Growth capital expenditures	**238,793**	174,725
Maintenance capital expenditures	**6,012**	6,722
Total capital expenditures	**254,805**	236,534

	As at March 31, **2018**	 2017
Long-term debt	**1,742,763**	1,432,192
Credit facility	**—**	180,000
Working capital (surplus) deficit[4]	**(108,227)**	105,070
Net debt	**1,634,536**	1,717,262

	Three months ended March 31, **2018**	 2017
Weighted average number of shares outstanding – basic	**205,267**	186,286
Weighted average number of shares outstanding – diluted	**205,267**	186,286
Common shares outstanding – end of period	**205,982**	186,884

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 the section titled, "Dividends: Distributable Cash Flow", 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 Fractionation throughput in the Liquids Infrastructure segment is the aggregation of volumes processed through the fractionators and the de-ethanizers at the Keyera and Dow Fort Saskatchewan facilities.

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

Message to Shareholders

Keyera recorded strong financial results in the first quarter of 2018 as all operating segments performed well. Adjusted EBITDA was $189 million, an increase of 28% compared to $148 million reported in the first quarter of 2017. Distributable cash flow was $155 million and $0.75 per share, which represents a 15% increase on a per share basis over the same period last year. Our quarterly net earnings were $88 million, compared to $96 million in the first quarter of 2017. Our strong quarterly performance was driven by record processing throughput volumes, contributions from new growth projects and another solid quarter from Marketing. We continue to position Keyera for the future and plan to invest between $900 million and $1 billion this year in our growth capital program, which we are well positioned to fund.

Gathering and Processing Business Unit

The Gathering and Processing segment delivered operating margin of $71 million in the first three months of 2018 as gross processing throughput reached a new record, averaging 1,586 million cubic feet per day. This represented a 12% increase over the same period in 2017 and was 4% higher than the fourth quarter of 2017. For the fifth consecutive quarter, our processing throughput increased as new well tie-ins at the Strachan and Simonette facilities contributed to the volume growth.

As prices for crude oil and natural gas liquids have strengthened over the past year, producers remain focused on liquids-rich areas of the Western Canada Sedimentary Basin, most notably in the Montney and Duvernay geological zones. To meet the growing needs of producers, we are expanding the processing capacity of our Simonette plant by 150 million cubic feet per day to 450 million cubic feet per day. The expansion is expected to be completed late in 2019 for approximately $85 million.

In the Wapiti area, northwest of the Simonette plant, we continue to progress Phase 1 of our Wapiti plant and the North Wapiti Pipeline System, both of which are expected to be completed in 2019. The contracted volumes for the plant and pipeline system provide the foundation for Keyera to sanction the second phase of our Wapiti plant in the future. The second phase would add an additional 150 million cubic feet per day of processing capacity and we continue to have discussions with producers in the area to understand the timing of their development plans.

To further strengthen our presence in this area, we recently announced a significant infrastructure development with Encana to support its condensate focused Montney development in the Pipestone area. In a joint effort, Keyera and Encana will develop a liquids hub and a natural gas processing and liquids stabilization plant. Keyera will own the infrastructure and provide processing services to Encana under a long-term fee-for-service arrangement. The liquids hub is expected to start up in the fourth quarter of 2018 while the Pipestone plant is scheduled for completion in 2021. We are pleased to add the Pipestone project to our portfolio given the strong geology and the number of producers in the area, along with Encana's area dedication and modest revenue guarantee backing the project.

Liquids Business Unit - Liquids Infrastructure Segment

The Liquids Infrastructure segment continued to generate strong results, reporting operating margin of $82 million in the first quarter of 2018, which represents a 27% increase over the same period in the prior year. These results were driven by the startup of the Norlite pipeline in mid-2017, as well as the Base Line Terminal where four of the twelve tanks were placed into service in mid-January. These projects are backed by long-term, take-or-pay contracts providing Keyera with stable fee-for-service cash flows.

In late April, we completed two significant pipeline projects. The Keylink NGL gathering system enhances our integrated service offering and provides producers with a safe, reliable and economically improved alternative to trucking NGL volumes. Keylink connects eight Keyera gas plants to our Rimbey gas plant for onsite fractionation. The project was completed on time and under budget. We are currently advancing work on an additional pipeline segment that will connect a producer-owned gas plant to Keylink and we continue to pursue other opportunities to attract more NGL volumes to the pipeline.

The Hull Terminal pipeline system extends through Keyera's Hull Terminal and ends at Mont Belvieu, Texas, North America's largest NGL hub. This pipeline allows Keyera to transport NGLs in and out of the Mont Belvieu area and provides commercial opportunities for our Marketing business.

Liquids Business Unit - Marketing Segment

The Marketing segment continued to contribute to Keyera's integrated value chain in the first quarter, generating a realized margin of $57 million compared to $33 million in the same period last year. Even though intermittent rail service caused production curtailments, our AEF facility operated near its capacity, resulting in another good quarter for iso-octane sales and margins. As anticipated, propane generated strong margins in the first quarter, which was consistent with our strategy of utilizing our storage and transportation assets to take advantage of seasonal demand and pricing. For the 2018 contract season that began April 1, 2018, we expect to use a similar strategy resulting in high utilization of our fractionators and continued seasonality of propane margins between the summer and winter months.

Outlook

We take a long-term view of our business, we continue to enhance our integrated network of assets, and we look for opportunities to expand our value chain. I am pleased with the performance of our base business, the contributions from our new capital projects and how we continue to execute on our growth strategy. Our recently announced projects at Simonette, Wapiti and Pipestone continue to build our footprint in the liquids-rich Montney and Duvernay development areas and provide a platform for future growth. By maintaining a conservative financial strategy with a low payout ratio and strong balance sheet, we have the liquidity to take advantage of these opportunities and position the company for future growth.

On behalf of Keyera's board of directors and management team, I would like to thank our employees, customers, shareholders and other stakeholders for their continued support.

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 8, 2018, 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 unaudited condensed interim consolidated financial statements ("accompanying financial statements") of Keyera Corp. for the three months ended March 31, 2018, and the notes thereto as well as the audited consolidated financial statements of Keyera Corp. for the year ended December 31, 2017, 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 an integrated Canadian-based midstream business with extensive interconnected assets and depth of expertise in delivering midstream energy solutions. Midstream entities operate in the oil and gas industry between the upstream sector, which includes oil and gas exploration and production, and the downstream sector, which includes the refining and marketing of finished products. Keyera is organized into two integrated business units:

1. Gathering and Processing Business Unit – Keyera owns and operates raw gas gathering pipelines and processing plants, which collect and process raw natural gas, remove waste products and separate the economic components, primarily natural gas liquids ("NGLs"), before the sales gas is delivered into long-distance pipeline systems for transportation to end-use markets.

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

   Liquids Infrastructure – Keyera owns and operates a network of facilities for the processing, storage and transportation of the by-products of natural gas processing, including NGLs such as ethane, propane, butane and condensate. In addition, this segment includes Keyera's iso-octane facilities at Alberta EnviroFuels ("AEF") and its 50% ownership interest in the Base Line Terminal, a crude oil storage facility.

   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 liquids blending (previously referred to as 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, 2018 and 2017:

	Three months ended March 31,	
(Thousands of Canadian dollars, except per share data)	**2018**	2017
Net earnings	**87,715**	96,342
Earnings per share (basic)	**0.43**	0.52
Operating margin	**222,413**	204,422
Realized margin[1]	**213,870**	169,451
Adjusted EBITDA[2]	**189,363**	148,220
Cash flow from operating activities	**205,106**	218,621
Distributable cash flow[3]	**154,902**	120,682
Distributable cash flow per share[3] (basic)	**0.75**	0.65
Dividends declared	**86,305**	74,125
Dividends declared per share	**0.42**	0.40
Payout ratio[4]	**56%**	61%

Notes:

1 Realized margin is defined as operating margin excluding unrealized gains and losses from risk management contracts from the Marketing segment. Realized margin is not a standard measure under GAAP. See the section titled, “Results of Operations: Marketing”, for a reconciliation of Operating Margin to Realized Margin as it relates to the Marketing segment only.

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 the section titled “EBITDA” for a reconciliation of Adjusted EBITDA to its most closely related GAAP measure.

3 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.

4 Payout ratio is defined as dividends declared to shareholders divided by distributable cash flow and is not a standard measure under GAAP.

Keyera recorded strong overall financial results in the first quarter of 2018 as all operating segments performed well in the quarter.

Net Earnings

For the three months ended March 31, 2018, net earnings were $88 million, $9 million lower than the same period in 2017 primarily due to the following:

- $7 million in higher depreciation charges due to the increase in Keyera’s asset base, including the Norlite pipeline and Base Line Terminal;
- an $8 million net foreign currency loss on U.S. debt resulting from a weaker Canadian dollar relative to the U.S. dollar at March 31, 2018 compared to the end of 2017; and
- $7 million in higher current income tax expense. See the section of this MD&A titled, Corporate and Other”, for more information related to income tax expense.

These factors were partly offset by $18 million in higher operating margin as discussed in further detail below.

Operating Margin and Realized Margin

For the quarter ended March 31, 2018, operating margin was $222 million, $18 million higher than the same period in 2017 due to the higher financial results from all operating segments as described below. For the first quarter of 2018, operating margin included an unrealized non-cash gain of $9 million associated with risk management contracts from the Marketing segment. This is compared to a non-cash gain of $35 million in the same period in 2017.

Realized margin (excluding the effect of unrealized gains and losses from risk management contracts in the Marketing business) was $214 million, $44 million higher than the first quarter of 2017 primarily due to the following factors:

- *Liquids Infrastructure*: approximately $15 million in incremental revenue from the four new crude oil storage tanks at the Base Line Terminal that became operational in mid-January 2018, and the Norlite pipeline that commenced operation in mid-2017. This incremental revenue includes fees charged on Keyera's Fort Saskatchewan Condensate System that serves as the pipeline connection for the Norlite shippers between Edmonton and Fort Saskatchewan.

- *Marketing*: $24 million in higher realized margin that largely resulted from:

  i) $15 million in higher iso-octane margins, in part due to the receipt of an initial insurance payment for $5 million in the first quarter of 2018. The insurance proceeds related to the recovery of repair costs associated with the unplanned maintenance outage at AEF in the first half of 2017. By comparison, iso-octane margins in the first quarter of 2017 included a $7 million charge for this unplanned repair work; and

  ii) higher propane margins due to seasonally higher demand and pricing resulting from cold winter weather combined with North American inventory levels being below the five-year average. See the section of this MD&A titled "Segmented Results of Operations: Marketing" for more information related to Keyera's propane strategy that was effective April 1, 2017.

- *Gathering and Processing*: robust financial results from the Gathering and Processing segment as overall gross average throughput reached a new record which was 12% higher in the quarter compared to the first quarter of 2017, with the majority of the increase attributable to the Simonette and Strachan gas plants. The effect of higher average throughput was partly offset by lower operating margin at the Rimbey gas plant.

See the section titled "Segmented Results of Operations" for more information on operating results by segment.

Cash Flow Metrics

Cash flow from operating activities for the three months ended March 31, 2018 was $205 million, $14 million lower than the same period in 2017 largely due to a cash pre-payment of $39 million for the acquisition of the Pipestone project from Encana Corporation ("Encana") that closed on April 2nd. Distributable cash flow for the three months ended March 31, 2018 was $155 million, $34 million higher compared to the same period in 2017. The strong cash flow metrics in the first three months of 2018 were a direct result of the robust financial results achieved by all operating segments.

Refer to the section of this MD&A titled, "Dividends: Distributable Cash Flow", for a reconciliation of cash flow from operating activities to distributable cash flow.

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 Liquids 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 Liquids 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, 2018 and 2017 are reported in note 13, Segment Information, of the accompanying financial statements.

Gathering and Processing

Keyera currently has interests in 18 active gas plants in western Canada and is operator of 16 of these facilities, making it one of the largest natural gas processors in Alberta. 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,** **2018**	 2017
Revenue[1]	**107,354**	112,727
Operating expenses[1]	**(36,541)**	(46,328)
Unrealized loss on electricity and other financial contracts	**(266)**	(62)
Total operating expenses	**(36,807)**	(46,390)
Operating margin	**70,547**	66,337
Gross processing throughput – (MMcf/d)	**1,586**	1,411
Net processing throughput[2] – (MMcf/d)	**1,237**	1,110

Notes:

[1] Includes inter-segment transactions.

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

Operating Margin and Revenues

The Gathering and Processing segment recorded solid financial results for the three months ended March 31, 2018 with operating margin of $71 million, $4 million higher than the same period in 2017 primarily due to the following factors:

- $6 million in higher operating margin at the Simonette gas plant resulting from significantly higher gross processing throughput in the first quarter of 2018 as volumes remained virtually unchanged from the record levels achieved at the facility during the fourth quarter of 2017; and

- $3 million in higher operating margin at the Strachan gas plant as new wells were tied into the facility in late 2017 and the first quarter of 2018.

These positive variances were partly offset by $5 million in lower operating margin from the Rimbey gas plant largely due to lower throughput volumes and reduced ethane sales volumes. The petrochemical company that purchases ethane under a long-term commercial arrangement continued to curtail the receipt of sales volumes citing operational issues at their facility.

Gathering and Processing revenues for the three months ended March 31, 2018 were $107 million, $5 million lower than the same period in 2017. The lower revenues were primarily due to the reduced ethane sales at the Rimbey facility. Ethane sales are generally based on index pricing and can significantly influence revenues;

however, the impact to operating margin is reduced as ethane purchases from producers are also based on index pricing.

Gathering and Processing Activity

Gross processing throughput for the Gathering and Processing segment reached a new record in the first quarter of 2018, averaging 1,586 million cubic feet per day, 12% higher than the same period in 2017 and 4% higher than the fourth quarter of 2017. This was the fifth consecutive quarter of increased processing throughput, as new well tie-ins at the Strachan gas plant along with near-record processing throughput at the Simonette facility contributed to the volume growth.

As producer activity levels remain high in the liquids-rich Montney geological zone, Keyera continued to strengthen its presence in the area with the signing of a 20-year infrastructure development and midstream service agreement with Encana in April. This project will support Encana's condensate focused Montney development in the Pipestone area near Grande Prairie, Alberta. In a joint effort, Keyera and Encana will develop a liquids hub and a natural gas processing and condensate stabilization plant. Under the terms of the agreement, Keyera will own the Pipestone project and provide future processing services to Encana under a long-term fee-for-service arrangement with a modest revenue guarantee. The agreement also includes an area dedication that allows Encana to use its existing processing facilities in the area up to a defined limit.

In consultation with Keyera, Encana will be responsible for the design and construction of the project and will initially operate the facilities. Keyera will be responsible for all commercial development and has the option to assume operatorship of the project five years after the start-up of the gas plant.

The Pipestone liquids hub is currently under construction and will include a total of 14,000 barrels per day of condensate processing capacity. Based on the proposed construction schedule, operations and associated cash flows are expected to start up in the fourth quarter of 2018. The liquids hub is estimated to cost $105 million.

The Pipestone plant will include a total of 200 million cubic feet per day of sour gas processing capacity with acid gas injection capabilities, 24,000 barrels per day of condensate processing capacity and associated water disposal facilities. Based on the project development schedule, and subject to timely receipt of regulatory approvals, operations of the plant are anticipated to begin in 2021. The preliminary capital estimate for the Pipestone plant is between $500 million and $600 million, with a significant amount of the investment expected to occur in 2019 and 2020.

The Pipestone plant will be designed to accommodate a future capacity expansion of up to an additional 200 million cubic feet per day of sour gas processing and associated condensate stabilization. This second phase would allow Keyera to process gas from other producers in the area and support future growth from Encana. Keyera has begun discussions with producers in the area for additional volume commitments that would fill third party capacity available in the first phase and support a future second phase.

On May 8, 2018, Keyera sanctioned an expansion to the Simonette gas plant which is expected to create an additional 150 million cubic feet per day of gas processing capacity, bringing the total licensed capacity of the plant to 450 million cubic feet per day. By enhancing the facility's processing capabilities, Keyera will be able to accommodate volume commitment requests from existing producers which currently exceed the plant's capacity. The expansion is estimated to cost $85 million and is anticipated to be complete by the fourth quarter of 2019, assuming the current regulatory and construction schedule is maintained.

During the first quarter of 2018, Keyera acquired the Willesden Green gas plant which is geographically positioned in the heart of the South Duvernay development region. This small gas processing facility was acquired for proceeds of $10 million with the intention to convert it into a compressor site and redirect volumes to Keyera's Gilby gas plant. To support Duvernay production growth, the Willesden Green site may also be suitable as a development area for a new natural gas liquids hub.

In an effort to increase efficiencies and reduce costs at the Strachan gas plant, work commenced in April to shut down the facility's sour gas processing equipment as the volume of sour gas throughput has significantly declined in recent years. These activities and additional plant modifications are scheduled to be completed in the second quarter of 2018 leading up to the facility's maintenance turnaround that is planned for June.

In addition to the Strachan gas plant, maintenance turnarounds are also scheduled to occur at the Nevis and Brazeau North gas plants in the second quarter. The combined cost of all three maintenance turnarounds is estimated to be $24 million.

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

The table below provides more detail related to major projects in the Gathering and Processing segment:

Gathering and Processing – Capital Projects Status Update		
Facility/Area	**Project Description**	**Project Status Update**
Alder Flats	***Alder Flats Phase Two Expansion Project:*** The expansion project increases the licensed capacity of the facility by 120 million cubic feet per day. Bellatrix is an owner and the operator of the facility and was responsible for the construction of the project. Keyera's ownership interest in the Alder Flats facility is 70%.	The expansion project became operational in mid-March 2018. *Estimated cost to complete:* • Total gross cost of $105 million, approximately $7 million lower than originally forecast. Keyera's net share of the project was $73 million. *Total net costs to March 31, 2018:* • $3 million in the first quarter of 2018 • $72 million since inception

Gathering and Processing – Capital Projects Status Update		
Facility/Area	**Project Description**	**Project Status Update**
Simonette	***Simonette Liquids Handling Expansion Project:*** The project consists of construction of NGL mix and condensate above ground storage facilities, addition of a truck loading facility, redesign of the existing condensate stabilization facilities and the addition of new facilities to handle growing volumes of condensate and improve overall liquids recoveries. Upon completion of this project, the condensate operational capacity at Simonette is expected to be approximately 27,000 barrels per day. The project also includes a new pipeline connection from Keyera's Simonette gas plant to the Peace pipeline system's custody transfer point. This connection provides Keyera's customers with the flexibility to transport greater volumes of NGL mix and condensate by pipeline.	The connection to the Peace pipeline system's custody transfer point was completed in the third quarter of 2017. Commissioning and startup of the storage, truck loading and stabilization facilities commenced in early May. *Estimated total cost to complete:* • Approximately $100 million including associated processing equipment, pumps and pipeline connections. *Total net costs to March 31, 2018:* • $21 million in the first quarter of 2018 • $83 million since inception
Simonette	***Simonette Acid Gas Injection and Inlet Liquids Separation Facilities:*** The following major assets will be constructed with this project: i) Acid gas injection facilities including surface facilities at the plant and well site, and a pipeline connecting the facilities to a disposal well. ii) Inlet liquids separation facilities consisting of multiple pressure vessels to accommodate the high volumes of liquids rich gas coming into the Simonette gas plant. iii) Flare system to accommodate the various growth projects at the Simonette gas plant.	Work performed on the acid gas injection facilities in the first quarter of 2018 included pre-engineering work and the commencement of procuring long-lead equipment and materials. Detailed engineering work also began on the inlet liquids separation facilities and the procurement of long-lead items. The project is expected to be complete in the third quarter of 2019. *Estimated total cost to complete:* • Approximately $100 million. *Total net costs to March 31, 2018:* • $3 million in the first quarter of 2018 • $6 million since inception

Gathering and Processing – Capital Projects Status Update		
Facility/Area	**Project Description**	**Project Status Update**
Wapiti	***Wapiti Gas Plant (Phase One):*** The first phase of the project is the construction of a 150 million cubic feet per day sour gas processing plant with acid gas injection capabilities and 25,000 barrels per day of condensate processing facilities, as well as a gathering pipeline system and field compressor stations.	Foundation work was completed in the first quarter of 2018. Fabrication of major equipment continues to progress. The Wapiti gas plant (phase one) is expected to be complete by mid-2019. *Estimated total cost to complete:* • Cost of phase one of the project is approximately $470 million. *Total net costs to March 31, 2018:* • $98 million in the first quarter of 2018 • $273 million since inception (including $19 million in 2016 to acquire the project and acid gas injection well)
Wapiti	***North Wapiti Pipeline System:*** The pipeline system extends the capture area of Keyera's Wapiti Gas Plant and includes a 12-inch sour gas gathering pipeline, an 8-inch condensate and water pipeline, and a compressor station.	Feed studies for the compressor station and route selection work to support regulatory submissions commenced in the first quarter of 2018. The pipeline system is expected to be in service in the second half of 2019. *Estimated total cost to complete:* • Approximately $120 million. *Total net costs to March 31, 2018:* • $1 million in the first quarter of 2018 • $1 million since inception

Estimated costs and completion times for the projects currently under development that are discussed above assume that construction proceeds as planned, that actual costs are in line with estimates and, where required, that regulatory approvals and any other third-party approvals or consents are received on a timely basis. A portion of the costs incurred for completed and ongoing projects are based on estimates. Final costs may differ when actual invoices are received or contracts are settled. Costs for the projects described above exclude carrying charges (i.e. capitalized interest). The section of this MD&A titled, "Forward-Looking Statements", provides more information on factors that could affect the development of these projects.

Liquids Infrastructure

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

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

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

Most of Keyera's Liquids Infrastructure assets are located in, or connected to, the Edmonton/Fort Saskatchewan area of Alberta, one of four key NGL 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.

Keyera's Liquids Infrastructure assets are closely integrated with its 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 Liquids Infrastructure segment was as follows:

Operating Margin (Thousands of Canadian dollars)	**Three months ended March 31,** **2018**	 2017
Revenue[1]	**109,476**	101,027
Operating expenses[1]	**(28,289)**	(36,452)
Unrealized gain on electricity financial contracts	**616**	—
Total operating expenses	**(27,673)**	(36,452)
Operating margin	**81,803**	64,575

Note:
[1] Includes inter-segment transactions.

Operating Margin and Revenues

For the first quarter of 2018, the Liquids Infrastructure segment posted strong financial results once again. For the three months ended March 31, 2018, operating margin was $82 million, an increase of $17 million or 27% over the same period in 2017. The higher financial results in 2018 were primarily due to $15 million in incremental operating margin associated with:

- the Norlite pipeline that commenced operation in mid-2017, along with fees charged on Keyera's proprietary condensate system that serves as the pipeline connection for the Norlite shippers between Edmonton and Fort Saskatchewan; and

- the Base Line Terminal that commenced operation in mid-January with the first four tanks being put into service.

Operating expenses were lower in the first quarter of 2018 compared to the same period in 2017 primarily because Keyera received an initial insurance payment of $5 million to recover a portion of the repair costs associated with the unplanned outage at AEF in 2017. By comparison, operating expenses in the first quarter of 2017 included $7 million of repair costs related to this outage. As operating costs associated with the production of iso-octane are charged to the Marketing segment on a flow-through basis, the insurance proceeds had no impact on operating margin for the Liquids Infrastructure segment but had a positive impact on the Marketing financial results.

Liquids Infrastructure revenues for the three months ended March 31, 2018 were $8 million higher than the same period in 2017 due to the same factors that contributed to higher operating margin, partly offset by lower flow-through operating revenue charged to the Marketing segment resulting from the receipt of the insurance proceeds as described above.

Liquids Infrastructure Activity

The demand for condensate, which is used as a diluent by bitumen producers, has continued to grow in Alberta as new oil sands projects and phased expansions of existing projects commence operation. Keyera operates an industry-leading condensate hub in Western Canada, with multiple receipt points including the Cochin pipeline and Enbridge's Southern Lights pipeline and CRW pool. In early 2018, Keyera completed construction of a pipeline connection to Pembina Pipeline's Canadian Diluent Hub which adds another receipt point into Keyera's Fort Saskatchewan Condensate System. Accordingly, demand for Keyera's diluent handling services has been strong and continues to grow. Keyera has long-term, take-or-pay arrangements in place with several major oil sands producers, including Imperial Oil, Husky, Suncor, Cenovus and Canadian Natural Resources Limited. Under these agreements, Keyera provides a variety of services including diluent transportation, storage and rail offload services in the Edmonton/Fort Saskatchewan area. In the fourth quarter of 2017, Keyera executed new agreements with two oil sands customers to provide condensate storage services under long-term, take-or-pay arrangements that came into effect January 1, 2018. The volume of condensate delivered through Keyera's condensate system to the oil sands grew by 26% in the first quarter of 2018 compared to the same period last year.

The Base Line Terminal, an above-ground crude oil storage terminal, commenced operation with the first four tanks being placed into service in mid-January followed by the next two tanks that became available in mid-March. The remaining six tanks are expected to be completed in the third and fourth quarters of 2018. The Base Line Terminal is a 50/50 joint venture in affiliation with Kinder Morgan. The start-up of this terminal provides Keyera with fee-for-service cash flows that are underpinned by several take-or-pay agreements up to ten years in length.

Early in the second quarter, two pipeline projects were completed. The Keylink pipeline that transports NGL mix from eight Keyera gas plants to the Rimbey gas plant for fractionation into specification products, with the option to transport NGL mix to Keyera's Fort Saskatchewan fractionation complex. This new pipeline system provides producers with an integrated service offering and an economically improved alternative to trucking NGL volumes. Keyera is advancing work on an additional pipeline segment that will connect a producer-owned gas plant to Keylink.

The second pipeline project that was completed early in the second quarter was the Hull Terminal pipeline system. This pipeline system is a 6-inch pipeline that originates at ExxonMobil's petrochemical facility in Beaumont, extends through Keyera's Hull Terminal and ends at Mont Belvieu, Texas, North America's largest NGL hub. The pipeline allows Keyera to transport NGLs (NGL mix and specification products) in and out of the Mont Belvieu area, and will provide commercial opportunities for Keyera's Marketing segment in the U.S. Refer to the table below, "Liquids Infrastructure – Capital Projects Status Update", for more information related to the Keylink pipeline and the Hull Terminal pipeline system.

Utilization of the two fractionation units at Keyera's Fort Saskatchewan complex averaged slightly above its nameplate capacity in the first quarter of 2018. This is compared to utilization of approximately 76% in the first quarter of 2017. Consequently, overall fractionation revenue in the first quarter of 2018 was higher relative to the prior year, albeit at lower fractionation fees. Keyera expects overall fractionation volumes for the 2018 contract year (April 1, 2018 to March 31, 2019) to be similar to the prior year, assuming customers deliver volumes in line with their forecasts. Fractionation rates, on average, continue to be under pressure for the current contract year due to the ongoing competitive market given the excess fractionation capacity existing in Alberta.

The AEF facility is operated by the Liquids Infrastructure segment and provides iso-octane processing services to the Marketing segment on a fee-for-service basis. Iso-octane production averaged approximately 97% of AEF's capacity in the first quarter of 2018. Comparatively, AEF operated at an average of 57% of its capacity during the first quarter of 2017 due to a nine-week unplanned outage that commenced in February.

Keyera continues to focus on enhancing its infrastructure to meet the needs of its customers. The table below is a status update of previously announced or recently completed major projects in the Liquids Infrastructure segment:

Liquids Infrastructure – Capital Projects Status Update		
Facility/Area	**Project Description**	**Project Status Update**
Hull Terminal	***Hull Terminal Pipeline System:*** In 2016 Keyera acquired the Hull Terminal Pipeline System and subsequently entered into an agreement with a major U.S. midstream energy company to construct pipeline connections to its infrastructure in Mont Belvieu, North America's largest NGL hub. This project consists of third party pipeline connections and work undertaken to prepare the Hull Terminal Pipeline System for operation (including the connection facilities at the Hull Terminal, installation of pumps and metering systems and completion of pipeline repairs and integrity work).	The Hull Terminal Pipeline System was completed in April 2018. *Estimated total cost to complete:* • Approximately $26 million. *Total net costs to March 31, 2018:* • $8 million in the first quarter of 2018 • $20 million since inception
West Central Alberta	***Keylink Pipeline:*** The project consists of over 240 kilometres of newly constructed and repurposed existing pipelines that transport NGL mix from eight Keyera gas plants to the Rimbey gas plant for fractionation into specification products.	The pipeline became operational in April 2018. *Estimated total cost to complete:* • Approximately $130 million, $20 million lower than forecast and includes the pipeline connection to a third party gas plant *Total net costs to March 31, 2018:* • $49 million in the first quarter of 2018 • $103 million since inception

Liquids Infrastructure – Capital Projects Status Update		
Facility/Area	**Project Description**	**Project Status Update**
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 is constructing the project and is the operator.	The first four storage tanks were put into service in mid-January, followed by the next two tanks in mid-March. The remaining six tanks are expected to be completed in the third and fourth quarters of 2018. *Estimated total cost to complete:* • Gross cost is approximately $660 million. • Keyera's net share of costs is approximately $330 million. *Total net costs to March 31, 2018:* • $25 million in the first quarter of 2018 • $272 million since inception
Keyera Fort Saskatchewan	***Underground Storage Development:*** Development of three additional underground storage caverns, including ancillary infrastructure such as pumps, wells, piping and brine pond capacity.	The 15th cavern was put into service in early May 2018. Washing of the 16th and 17th caverns was limited in the first quarter of 2018 due to facility issues that have since been resolved. The 16th and 17th caverns are expected to be in service in the first half of 2020 and first half of 2021, respectively. *Estimated total cost to complete:* • Gross cost is approximately $115 million including costs to expand existing brine ponds and other ancillary equipment. • Keyera's net share is approximately $88 million. *Total net costs to March 31, 2018:* • $8 million in the first quarter of 2018 • $65 million since inception

Liquids Infrastructure – Capital Projects Status Update		
Facility/Area	**Project Description**	**Project Status Update**
Edmonton (50/50 joint venture with Grand Rapids Pipeline Limited Partnership)	***South Grand Rapids Pipeline:*** Keyera has committed to acquire a 50% interest in the southern portion of the 20-inch, 45-kilometre diluent Grand Rapids Pipeline when it is completed. The pipeline is being constructed by Grand Rapids Pipeline Limited Partnership ("GRPLP"), an affiliate of TransCanada and PetroChina Canada. The pipeline will extend from Keyera's Edmonton Terminal to TransCanada's Heartland Terminal near Fort Saskatchewan. Keyera will be the operator of the pipeline. As part of this project, Keyera constructed a pump station at its Edmonton Terminal where the pipeline will connect. Keyera will sell a 50% ownership interest in the pump station to GRPLP once they initiate diluent movements on the pipeline.	Construction of the pump station was completed in the third quarter of 2017. Based on the schedule provided by GRPLP, the pipeline is expected to be in service mid-2018. *Estimated total cost to complete:* • Gross cost is approximately $240 million for the pipeline and $40 million for construction of the pump station. • Keyera's 50% share is $120 million for acquisition of the pipeline and $20 million for the pump station for a total combined net cost of approximately $140 million. The costs below represent 100% of the cost of construction incurred to date for the pumps. *Total costs to March 31, 2018:* • $nil in the first quarter of 2018 • $38 million since inception

Estimated costs and completion times for the projects currently under development that are discussed above assume that construction proceeds as planned, that actual costs are in line with estimates and, where required, that regulatory approvals and any other third-party approvals or consents are received on a timely basis. A portion of the costs incurred for completed and ongoing projects are based on estimates. Final costs may differ when actual invoices are received or contracts are settled. Costs for the projects described above exclude carrying charges (i.e. capitalized interest). The section of this MD&A titled, "Forward-Looking Statements", provides more information on factors that could affect the development of these projects.

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 several producers for 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.

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 railcar or truck. Keyera is well positioned to serve these markets due to its extensive infrastructure and rail logistics expertise. Further, because demand for propane is typically higher in the winter, Keyera can utilize its NGL storage facilities to build an inventory of propane during the summer months when prices are typically lower to fulfill winter term-sales commitments.

Keyera manages its NGL supply and sales portfolio by monitoring its inventory position and purchase and sale commitments. Nevertheless, the Marketing business is exposed to commodity price fluctuations arising between the time contracted volumes are purchased and the time they are sold, as well as pricing differentials between different geographic markets. These risks are managed by purchasing and selling product at prices based on the same or similar indices or benchmarks, and through physical and financial contracts that include energy-related forward contracts, price swaps, forward currency contracts and other hedging instruments. A more detailed description of the risks associated with the Marketing segment is available in Keyera's Annual Information Form, which is available at www.sedar.com.

Keyera's primary markets for iso-octane are in the Gulf Coast, and Midwestern United States and Western Canada. Demand for iso-octane is seasonal, with higher demand in the spring and summer, typically resulting in higher sales prices during these months. There can be significant variability in iso-octane margins. As with Keyera's other marketing activities, various strategies are utilized to mitigate the risks associated with the commodity price 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.

Keyera also engages in liquids blending (previously referred to as crude oil midstream activities), where it operates facilities at various locations that allow it to transport, process and blend various product streams. Margins are earned by blending products of lower value into higher value products. As a result, these transactions are exposed to variability in price and quality differentials between various product streams. Keyera manages this risk by balancing its purchases and sales and locking in margins through its risk management strategies.

Overall, the integration of Keyera's business lines means that its Marketing segment can draw on the resources available to it through its two facilities based operating segments (Liquids Infrastructure and Gathering and Processing), including access to NGL supply and key fractionation, storage and transportation infrastructure and logistics expertise.

Operating and realized margin for the Marketing segment was as follows:

Operating and Realized Margin (Thousands of Canadian dollars, except for sales volume information)	**Three months ended March 31,** **2018**	 2017
Revenue[1]	**931,094**	699,043
Operating expenses[1]	**(865,242)**	(630,608)
Operating margin	**65,852**	68,435
Unrealized gain on risk management contracts	**(8,543)**	(34,971)
Realized margin	**57,309**	33,464
Sales volumes (Bbl/d)	**161,000**	140,600

Note:
[1] Includes inter-segment transactions.

Realized margin is not a standard measure under GAAP. Management believes that this supplemental measure facilitates the understanding of the Marketing segment's financial results in the period without the effect of mark-to-market changes from risk management contracts related to future periods.

Composition of Marketing Revenue (Thousands of Canadian dollars)	**Three months ended March 31,** **2018**	 2017
Physical sales	**934,045**	673,200
Realized cash loss on financial contracts[1]	**(11,494)**	(9,128)
Unrealized gain due to reversal of financial contracts existing at end of prior period	**27,599**	27,902
Unrealized (loss) gain due to fair value of financial contracts existing at end of current period	**(19,194)**	7,030
Unrealized gain from fixed price physical contracts[2]	**138**	39
Total unrealized gain on risk management contracts	**8,543**	34,971
Total (loss) gain on risk management contracts	**(2,951)**	25,843
Total Marketing revenue	**931,094**	699,043

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, Operating and Realized Margin

For the quarter ended March 31, 2018, the Marketing segment recorded strong financial results as operating margin was $66 million for the quarter or $3 million lower than the same period in 2017. Realized margin (excluding the effect of non-cash unrealized gains and losses from risk management contracts) was $57 million in the first quarter of 2018, $24 million higher than the same period in 2017 primarily due to:

- Approximately $15 million in higher iso-octane margins that resulted from:

  i) higher production and sales volumes at AEF as the facility operated on average at 97% of its capacity in the first quarter of 2018. This is compared to operating at 57% of capacity in the same period of 2017 due to a nine-week unscheduled outage that commenced in mid-February; and

  ii) the receipt of insurance proceeds for $5 million in 2018 related to the recovery of a portion of the unplanned repair costs in 2017. The first quarter 2017 financial results included a $7 million charge related to this repair work which was flowed through from the Liquids Infrastructure segment to the Marketing segment.

  These factors were partly offset by higher butane feedstock costs in the first quarter of 2018 relative to the same period in 2017.

- Higher propane margins due to higher sales volumes and seasonally strong winter demand and pricing for propane. Refer to the Market Overview section below for more information related to the change in Keyera's propane strategy that was effective with the April 1, 2017 contract year.

Realized margin in the first quarter of 2018 from all other products, including Keyera's condensate and liquids blending business, was comparable to that generated in the same period of 2017.

In general, gross revenue in the Marketing segment is influenced by NGL and iso-octane sales volumes as well as commodity prices. For the three months ended March 31, 2018, revenue from physical sales was $261 million higher than the same period in 2017 due to higher average sales prices and higher sales volumes for substantially all products.

Market Overview

Iso-octane margins for the first quarter of 2018 were strong despite rail service disruptions that resulted in AEF operating on average at 80% of its capacity in February. As Keyera relies on rail transportation to deliver iso-octane to its primary markets outside of Alberta, rail service levels are an important factor in managing inventories and sales deliveries. Rail service has returned to more normal levels and AEF has returned to full operation. Keyera is continuing to work closely with the railways to minimize future service disruptions and the impact on its operations at AEF.

Demand for iso-octane typically increases in the summer months as driving activity and gasoline demand increase, which generally translates into premium pricing for gasoline and iso-octane. Because butane is the primary feedstock for the production of iso-octane, butane costs directly affect iso-octane margins. As butane prices usually decline in the spring and summer months, Keyera will look for opportunities to import butane from the U.S. during these low demand periods in order to effectively manage its feedstock costs.

In response to more competitive dynamics, effective with the contract year that began on April 1, 2017, most of Keyera's contracted propane supply cost was based on market index prices. This strategy allowed Keyera to attract incremental volumes through its fractionation and storage facilities in the Liquids Infrastructure segment, but it resulted in lower propane margins during the spring and summer months when demand is seasonally low and costs such as storage and rail car lease charges continue to be expensed. For the 2018 contract season that began on April 1, 2018, a similar approach is expected to result in continued seasonal variation of propane margins between the summer and winter months. On an annual basis, propane margins are expected to remain a relatively small contributor to Keyera's overall Marketing operating margin.

Propane margins were strong in the first quarter of 2018 due to North American propane inventory levels remaining below the five-year average combined with cold winter weather. These factors contributed to strong demand and prices for propane in the fourth quarter of 2017 and the first quarter of 2018. Keyera utilized its Josephburg Terminal, which was converted from a 12-hour to a 24-hour operation in the fourth quarter of 2017, to export significantly higher volumes of propane by rail to meet the winter heating demand in markets across North America. However, sales volumes were curtailed in February as a result of significant rail service disruptions as discussed above for iso-octane.

As oil sands projects have come on stream over the past few years, bitumen production has increased along with demand for condensate that is used as a diluent. This demand for condensate is being met primarily by increased condensate production from the Western Canada Sedimentary Basin and pipeline deliveries from the United States. Keyera imports condensate into Alberta when demand fundamentals support positive operating margins. Contribution from the sale of condensate in the first quarter of 2018 was similar to that earned in the same period of 2017.

Risk Management

When possible, Keyera uses hedging strategies to mitigate risk in its Marketing business, including foreign currency exchange risk associated with the purchase and sale of NGLs and iso-octane. Keyera's hedging objective for iso-octane is to secure attractive margins and mitigate the effect of iso-octane price fluctuations on its future operating margins. Iso-octane is generally priced at a premium to the price of Reformulated Blendstock for Oxygen Blending ("RBOB"). RBOB is the highest volume refined product sold in the U.S. and has the most liquid forward financial contracts. Accordingly, Keyera expects to continue to utilize RBOB-based 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 inventory, contracts are generally put in place as inventory builds and may either: i) settle when products are expected to be withdrawn from inventory and

sold; or ii) settle and reset on a month-to-month basis. Within these strategies, there may be differences in timing between when the contracts are settled and when the product is 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. Keyera typically uses propane physical and financial forward contracts to hedge its propane inventory.

Keyera may hold butane inventory to meet the feedstock requirements of the AEF facility. For condensate, most of the product purchased is sold within one month. The sales contracts for both butane and condensate are typically priced as a percentage of 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 for butane and condensate are also generally priced in relation to 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 purchased and sold. 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, 2018, the total unrealized gain on risk management contracts was $9 million. Further details are provided in the “Composition of Marketing Revenue” table above.

The fair value of outstanding risk management contracts as at March 31, 2018 resulted in an unrealized (non-cash) loss of $19 million that includes the following significant items:

- a $15 million non-cash loss relating to iso-octane risk management contracts;
- a $2 million non-cash loss relating to propane, butane and condensate risk management contracts; and
- a $2 million non-cash loss relating to foreign currency and other financial contracts.

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, 2018, 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.

CORPORATE AND OTHER

Non-Operating Expenses and Other Income (Thousands of Canadian dollars)	**Three months ended March 31,**	
	2018	2017
Other income (operating margin)	**4,211**	5,075
General and administrative (net of overhead recoveries on operated facilities)	**(18,873)**	(17,320)
Finance costs	**(18,062)**	(17,740)
Depreciation, depletion and amortization expenses	**(46,143)**	(39,580)
Net foreign currency (loss) gain on U.S. debt	**(7,867)**	479
Long-term incentive plan expense	**(5,236)**	(2,747)
Income tax expense	**(38,517)**	(31,172)

Other Income

Keyera has acquired oil and gas reserves as part of the acquisition of ownership interests in the Minnehik Buck Lake, West Pembina, Bigoray and Cynthia facilities. Keyera reports operating margin (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 to offset natural production declines.

Other income for the three months ended March 31, 2018 was $4 million, $1 million lower than the same period in 2017. Production for the three months ended March 31, 2018 averaged 4,007 barrels of oil equivalent per day compared to 4,430 barrels of oil equivalent per day for the same period in 2017.

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

General and Administrative Expenses

General and administrative ("G&A") expenses for the three months ended March 31, 2018 were $19 million, $2 million higher than the same period in 2017 primarily due to higher salary and employee related costs.

Finance Costs (including accretion)

Finance costs for the three months ended March 31, 2018 were $18 million, virtually unchanged from the prior year and interest capitalized on qualifying projects was comparable between periods.

Depreciation, Depletion and Amortization Expenses

Depreciation, depletion and amortization ("DD&A") expenses for the three months ended March 31, 2018 were $46 million, $7 million higher than the same period in 2017 due to an increase in Keyera's overall asset base, including the Norlite pipeline and the Base Line Terminal.

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

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

Net Foreign Currency (Loss) Gain on U.S. Debt	**Three months ended March 31,**	
(Thousands of Canadian dollars)	**2018**	2017
Translation of long-term debt and interest payable	**(17,041)**	4,553
Change in fair value of cross-currency swaps – principal and interest portion	**8,958**	(4,434)
Gain on cross-currency swaps – interest portion[1]	**216**	360
Net foreign currency (loss) gain on U.S. debt	**(7,867)**	479

Note:
[1] Foreign currency (losses) gains resulted from the exchange of currencies related to the settlement of interest payments on the long-term cross-currency swaps.

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 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. Additional information on the swap agreements can be found in note 9, Financial Instruments and Risk Management, of the accompanying financial statements.

A net foreign currency loss of $8 million was recorded for the three months ended March 31, 2018 that largely related to the translation of U.S. dollar denominated debt into Canadian dollars. This translation resulted in a $17 million non-cash loss for the respective period as the Canadian dollar weakened in relation to the U.S. dollar as at March 31, 2018 compared to December 31, 2017. This unrealized loss was partly offset by a $9 million non-cash gain resulting from the change in fair value of cross currency swap agreements since the end of 2017.

Long-Term Incentive Plan Expense

The Long-Term Incentive Plan ("LTIP") expense was $5 million for the three months ended March 31, 2018, $2 million higher than the same period in 2017. The higher LTIP expense in 2018 was primarily due to an increase in the estimated payout multipliers associated with the 2015 and 2016 LTIP grants since the end of 2017.

Net Impairment Expense

Keyera reviews its assets for indicators of impairment on a quarterly basis. As well, if an asset has been impaired and subsequently recovers in value, GAAP requires the asset to be written-up (i.e. reversal of previous impairments). In the first quarters of 2018 and 2017, no impairment charges were recorded.

Impairment expenses are non-cash charges and do not affect operating margin, distributable cash flow, EBITDA, or Adjusted EBITDA.

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. 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).

Current Income Taxes

Current income tax expense for the three months ended March 31, 2018 was $8 million, compared to an expense of $1 million in the same period of 2017. For 2018, current income tax expense is expected to range between $40 million and $45 million, which is primarily based on the 2017 taxable income from Keyera Partnership.

Deferred Income Taxes

For the three months ended March 31, 2018, deferred income tax expense was $31 million, virtually unchanged from the same period in 2017.

Keyera estimates its total tax pools at March 31, 2018 were approximately $2.4 billion.

CRITICAL ACCOUNTING ESTIMATES

In preparing Keyera's accompanying financial statements in accordance with GAAP, management is required to make estimates and assumptions that are not readily apparent from other sources, and are subject to change based on revised circumstances and the availability of new information. Actual results may differ from the estimates, which could materially affect the company's consolidated financial statements. 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, 2017. A description of the accounting estimates and the methodologies and assumptions underlying the estimates are described in the 2017 annual MD&A and note 4 of the audited consolidated financial statements for the year ended December 31, 2017, which are available at www.sedar.com.

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, 2018 and 2017:

Cash inflows (outflows)
(Thousands of Canadian dollars)

	Three months ended March 31, 2018	2017	Increase (decrease)	Explanation
Operating	**205,106**	218,621	(13,515)	Lower cash from operating activities in 2018 was primarily due to the pre-payment of $39 million to acquire the Pipestone project from Encana that closed in early April. This cash outflow was partly offset by higher realized margin from all operating segments, in particular the Liquids Infrastructure and Marketing segments.
Investing	**(205,726)**	(133,264)	(72,462)	Higher capital spending in the first quarter of 2018 was primarily associated with the Keylink pipeline system, Simonette liquids handling expansion and Wapiti gas plant projects.
Financing	**(39,343)**	(84,622)	45,279	Financing activities in the first quarter of 2018 were limited to the payment of dividends and proceeds received from issuing shares under the DRIP program. Comparatively, Keyera repaid $55 million under its credit facility in the first quarter of 2017. Keyera did not have any outstanding borrowings under its credit facility at March 31, 2018 due to sufficient cash available from the equity offering completed in 2017 to fund capital projects.

Refer to the consolidated statements of cash flows of the accompanying financial statements for more detailed information.

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 in the third quarter to meet the demand for propane in the winter season. Butane inventory is maintained for the production of iso-octane. 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 higher gasoline demand in the summer months.

A working capital surplus (current assets less current liabilities) of $108 million existed at March 31, 2018. This is compared to a surplus of $337 million at December 31, 2017. Keyera has access to a credit facility in the amount of $1.5 billion, of which no amounts were drawn as at March 31, 2018, 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 fourth quarter of 2017, Keyera issued 12,200,000 common shares, as well as an additional 1,830,000 common shares pursuant to an over-allotment option exercised by underwriters in connection with the equity offering. The common shares were issued at a price of $35.20 per common share for gross total proceeds of approximately $494 million. Financing costs associated with the issuance of shares were approximately $20 million. A portion of the net proceeds from the equity financing were used to repay short term debt, with the balance being used to support Keyera's ongoing growth capital program and for general corporate purposes.

Dividend Reinvestment Plan

Keyera's dividend reinvestment plan (the "Plan") 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. A copy of the Plan is available on Keyera's website at www.keyera.com and on SEDAR at www.sedar.com.

The DRIP and Premium DRIP generated cash of $47 million for the three months ended March 31, 2018. In the same period in 2017, the plan generated cash of $46 million.

Corporate Credit Ratings

In the fourth quarter of 2017, DBRS Limited ("DBRS") assigned Keyera an Issuer Rating of "BBB" with a "Stable" trend and S&P Global ("S&P") assigned Keyera a Long-term Corporate Credit Rating of "BBB/Stable". These ratings further enhance Keyera's ability to efficiently and cost-effectively access various forms of capital, including public debt and preferred shares, as it continues to grow its business and execute its capital growth program.

Long-term Debt (including Credit Facilities)

Below is a summary of Keyera's long-term debt obligations as at March 31, 2018:

As at March 31, 2018 (Thousands of Canadian dollars)	**Total**	**2018**	**2019**	**2020**	**2021**	**2022**	**After 2022**
Credit facilities	—	—	—	—	—	—	—
Canadian dollar denominated debt	1,256,000	—	122,000	2,000	—	60,000	1,072,000
U.S. dollar denominated debt	566,354	—	3,870	132,880	—	—	429,604
Total debt	**1,822,354**	**—**	**125,870**	**134,880**	**—**	**60,000**	**1,501,604**
Less: current portion of long-term debt	(70,000)	—	(70,000)	—	—	—	—
Total long-term debt	**1,752,354**	**—**	**55,870**	**134,880**	**—**	**60,000**	**1,501,604**

Credit Facilities

Keyera's Credit Facility is with a syndicate of nine lenders under which it can borrow up to $1.5 billion, with the potential to increase that limit to $1.85 billion subject to certain conditions. As at March 31, 2018, no amounts were drawn under this facility (December 31, 2017 – nil).

In 2017, Keyera amended its senior note agreements (discussed below) and the Credit Facility to provide more flexibility with respect to the funding of growth capital projects by introducing two changes in the covenant calculations. The first change allows Keyera to increase its Net Debt to EBITDA ratio from 4.0 to

4.5 for periods of up to four consecutive fiscal quarters. The second change allows Keyera to utilize the cross-currency swap rates in the calculation of debt rather than the spot rate as at each balance sheet date.

In December 2017, the Credit Facility was further amended to extend the term from December 6, 2021 to December 6, 2022. The amendments also incorporated certain changes to the basis of Keyera's commitment fee rates are now based on its public issuer rating by DBRS and S&P. Management expects that upon maturity of the Credit Facility, an adequate replacement will be established.

Keyera also has two unsecured revolving demand facilities, one with the Toronto Dominion Bank in the amount of $25 million and the other with the Royal Bank of Canada in the amount of $50 million. These facilities bear interest based on the lenders' rates for Canadian prime commercial loans, U.S. base rate loans, LIBOR loans or bankers' acceptances.

Long-term Debt

Keyera's long-term debt structure consists of a number of long-term senior unsecured notes. As at March 31, 2018, Keyera had $1,256 million and US$439 million of unsecured senior notes including amounts drawn under the Prudential uncommitted notes facility. To manage the foreign currency exposure on the U.S. dollar denominated debt existing at March 31, 2018, 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 at foreign exchange rates of $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 (Loss) Gain on U.S. Debt" provides more information.

The Credit Facility and senior note agreements contain a number of covenants, all of which were met as at March 31, 2018. 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 Net Debt to EBITDA ratio. In the calculation of debt for the purpose of calculating this covenant, Keyera is required to deduct working capital surpluses or add working capital deficits. As at March 31, 2018, Keyera's Net Debt to EBITDA ratio was 2.3 for covenant test purposes (December 31, 2017 – 2.3 based on the amended covenant calculation).

Capital Expenditures and Acquisitions

The following table is a breakdown of capital expenditures and acquisitions for the three months ended March 31, 2018 and 2017:

Capital Expenditures and Acquisitions (Thousands of Canadian dollars)	**Three months ended March 31,** **2018**	2017
Acquisitions	**10,000**	55,087
Growth capital expenditures	**238,793**	174,725
Maintenance capital expenditures	**6,012**	6,722
Total capital expenditures	**254,805**	236,534

Growth capital expenditures for the three months ended March 31, 2018 amounted to $239 million. Refer to the section of this MD&A, "Segmented Results of Operations", for information related to the various growth capital projects in the Gathering and Processing and Liquids Infrastructure segments, including estimated costs to complete, costs incurred in 2018 and since inception of the project, and estimated completion timeframes.

Acquisitions in the first quarter of 2017 related to the purchase of 1,290 acres of undeveloped land in the Industrial Heartland area near Fort Saskatchewan for approximately $55 million.

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 $9 million for the three months ended March 31, 2018, compared to $14 million in the same period in 2017. The majority of these expenditures, including maintenance capital, 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 to maintain current levels of cash flow. However, to grow future cash flow, Keyera is investing growth capital to expand its current asset base and capture new opportunities. Based on current plans, Keyera anticipates that its growth capital investment in 2018 will be between $900 million and $1 billion, including the acquisition of a 50% interest in the South Grand Rapids diluent pipeline. Maintenance capital for 2018 is expected to be between $40 million and $50 million, including the scheduled turnarounds at the Strachan, Nevis and Brazeau North gas plants. The capital program is expected to be funded by cash flow from operating activities, the DRIP and Premium DRIP program, cash, and the existing Credit Facility, 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 Statements" 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)	**2018**	2017
Cash flow from operating activities	**205,106**	218,621
Add (deduct):		
Changes in non-cash working capital	**(38,393)**	(87,907)
Long-term incentive plan expense	**(5,236)**	(2,747)
Maintenance capital	**(6,012)**	(6,722)
Other	**(563)**	(563)
Distributable cash flow	**154,902**	120,682
Dividends declared to shareholders	**86,305**	74,125

For the quarter ended March 31, 2018, dividends declared were $86 million, or 56% of distributable cash flow, compared to dividends declared of $74 million, 61% of distributable cash flow in the same period of 2017.

Distributable cash flow in the first quarter of 2018 was $155 million, $34 million higher than the same period in 2017 primarily due to: i) incremental revenue from recent investments including the Norlite pipeline and the Base Line Terminal as well as continued demand for Keyera's diluent handling services in the Liquids Infrastructure segment; and ii) strong realized margin from the sale of iso-octane and propane in the Marketing segment. Distributable cash flow in the first quarter of 2017 was negatively affected by lower iso-octane margins in the Marketing segment stemming from a nine-week outage at AEF that commenced in February.

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

Keyera pays a dividend to shareholders equal to $0.14 per share per month, or $1.68 per share annually. 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 cash, retained operating cash flow, and 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 on commodity contracts, impairment expenses and any other non-cash items such as gains/losses on the disposal of property, plant and equipment. Management believes that these supplemental measures facilitate the understanding of Keyera's results from operations.

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)	**2018**	2017
Net earnings	**87,715**	96,342
Add (deduct):		
Finance costs	**18,062**	17,740
Depreciation, depletion and amortization expenses	**46,143**	39,580
Income tax expense	**38,517**	31,172
EBITDA	**190,437**	184,834
Unrealized gain on commodity contracts	**(8,941)**	(36,135)
Net foreign currency loss (gain) on U.S. debt	**7,867**	(479)
Adjusted EBITDA	**189,363**	148,220

CONTRACTUAL OBLIGATIONS

Keyera has assumed various contractual obligations in the normal course of its operations. Included in these obligations is a finance lease liability related to Keyera's use of a pipeline for its sole benefit. During the first quarter of 2018, the lessor exercised its put option under the arrangement, requiring Keyera to purchase the pipeline in its current condition by June 2018 for the approximate amount of $41 million. As a result, Keyera revalued its finance lease liability to the expected amount of the put option and has reclassified the entire finance lease liability to current liabilities. Additional information on the revaluation of the finance lease liability can be found in note 4, Other Liabilities, of the accompanying financial statements. There were no other material changes in contractual obligations since the December 31, 2017 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, 2017 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, 2017 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 numerous aspects of Keyera's activities, including but not limited to, the operation of wells, pipelines and facilities, construction activities, transportation of dangerous goods, emergency response, operational safety and environmental matters, Keyera does not believe that they impact its operations in a manner materially different from other comparable businesses operating in the same jurisdictions.

The midstream industry is subject to provincial and federal environmental legislation and regulations. Among other things, the environmental regulatory regime provides for restrictions and prohibitions on releases or emissions of various substances produced in association with certain oil and natural gas industry operations. Environmental regulation affects the operation of facilities and limits the extent to which facility expansion is permitted. In addition, legislation requires that facility sites and pipelines be abandoned and reclaimed to the satisfaction of provincial authorities and local landowners. A breach of such legislation may result in the imposition of fines, the issuance of clean-up orders or the shutting down of facilities and pipelines.

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

Keyera is closely monitoring the ongoing development and implementation of the regulatory framework through which the federal and provincial governments are implementing their climate change and emissions reduction policies. Recently the Alberta Energy Regulator ("AER") released draft methane regulations, and Environment and Climate Change Canada released final regulations. Keyera does not expect the cost to comply with these new regulations to be material. For a detailed discussion of environmental regulations that affect Keyera, political and legislative developments as they relate to climate change and the risks associated therewith, see Keyera's 2017 year-end MD&A and 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, 2018	Dec 31, 2017	Sep 30, 2017	June 30, 2017	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016	June 30, 2016
Revenue before inter-segment eliminations [1]								
Gathering and Processing[2]	**107,354**	120,422	116,635	116,689	112,727	127,103	117,542	104,182
Liquids Infrastructure	**109,476**	114,525	103,872	99,398	101,027	94,712	90,178	90,402
Marketing	**931,094**	864,730	612,526	627,651	699,043	535,708	472,442	457,447
Other	**7,241**	5,303	5,065	7,918	8,381	7,512	5,643	3,044
Operating margin (loss)								
Gathering and Processing	**70,547**	72,744	69,381	66,822	66,337	79,881	71,689	70,457
Liquids Infrastructure	**81,803**	81,905	71,718	67,073	64,575	62,781	62,781	59,018
Marketing	**65,852**	54,032	(15,130)	21,033	68,435	8,581	23,825	24,582
Other	**4,211**	2,408	2,265	4,868	5,075	4,196	2,663	(67)
Net earnings	**87,715**	88,052	38,464	67,062	96,342	34,621	52,420	59,679
Net earnings per share ($/share)								
Basic	**0.43**	0.45	0.20	0.36	0.52	0.19	0.28	0.34
Diluted	**0.43**	0.45	0.20	0.36	0.52	0.19	0.28	0.34
Weighted average common shares (basic)	**205,267**	193,552	188,650	187,445	186,286	185,116	183,962	177,309
Weighted average common shares (diluted)	**205,267**	193,552	188,650	187,445	186,286	185,116	183,962	177,309
Dividends declared to shareholders	**86,305**	81,801	79,317	77,400	74,125	73,657	71,819	67,440

Notes:

1. Keyera's Gathering and Processing and Liquids 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.
2. Certain information provided for prior years has been reclassified to conform to the presentation adopted in 2017.

In the Gathering and Processing segment, Keyera has continued to focus on delivering cost-effective and value-added services intended to enhance its customers' economics, while at the same time maximizing throughput and efficiencies at its facilities. Average throughput has continued to steadily increase over the past five quarters with a particular increase in drilling activity in the Montney and Duvernay geological zones. This has resulted in throughput and operating margin growth at Keyera's Simonette gas plant over the past year. Operating margin in the fourth quarter of 2016 was unusually high due to the inclusion of a non-recurring upward adjustment to revenue of approximately $9 million, $6 million of which was associated with prior quarters in 2016. Refer to the 2016 year-end MD&A for more information related to this adjustment.

In the Liquids Infrastructure segment, incremental cash flow from recent investments, including the Norlite pipeline and the first four crude oil storage tanks at the Base Line Terminal that became operational in mid-January, have contributed to the growth in operating margin. In addition, Keyera has long-term agreements in place to provide diluent transportation, storage and rail offload services in the Edmonton/Fort Saskatchewan area for several oil sands producers and the demand for these services steadily increased over the past eight quarters.

Operating margin from the Marketing segment is 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. In contrast, propane sales are typically higher in the first and fourth quarters when propane demand is higher. In 2017, Keyera saw more pronounced seasonal variability in its propane results due to the pricing strategy it used to purchase volumes. Unrealized non-cash gains and losses resulting from the change in fair value of risk management contracts and the timing of settling these contracts can also have a

material effect on quarterly operating margin for this segment. Keyera continues to maintain its disciplined approach to risk management for its NGL and iso-octane products.

Compared to the 2017 year-end results, the facilities segments (Gathering and Processing and Liquids Infrastructure) are performing well. In the Gathering and Processing segment, producers continue to drill in liquids rich areas, including areas close to the Simonette and Strachan gas plants that have more than offset volume declines at other facilities including the Rimbey gas plant. In the Liquids Infrastructure segment, operating margin is expected to grow in 2018 compared to the prior year due to: i) a full year of take-or-pay fees associated with the Norlite pipeline being in effect; ii) continued demand for Keyera's diluent handling services; and iii) incremental cash flow associated with the Base Line Terminal as all crude oil tanks are expected to be operational throughout 2018.

In the Marketing segment, the seasonality associated with the sale of iso-octane and propane are expected to continue in 2018. On an annual basis, propane margins are estimated to remain a small part of Keyera's overall Marketing margin. Iso-octane sales volumes and margins are anticipated to be higher in 2018 compared to the prior year as AEF was off-line for nine weeks in 2017 due to an unscheduled outage. The expectation of higher iso-octane margins in 2018 compared to the prior year assumes butane supply costs remain comparable to the 2017 contract year, AEF continues to operate well, and there are no material rail service curtailments that would require production to be reduced.

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 quarter ended March 31, 2018.

ADOPTION OF NEW STANDARDS

Keyera has applied the following new IFRS standards in 2018:

IFRS 9, Financial Instruments

IFRS 9 is the new standard which sets out the recognition and measurement requirements for financial instruments and some contracts to buy or sell non-financial items. IFRS 9 replaces IAS 39, Financial Instruments: Recognition and Measurement, and provides a single model of classifying and measuring financial assets and liabilities. IFRS 9 only allows for two classification categories: amortized cost and fair value. As a result, the previous financial asset categories of loans and receivables, available for sale and held to maturity have been eliminated. This change in classification categories did not affect how Keyera recognizes and measures its financial instruments.

The requirements for accounting for financial liabilities have remained relatively unchanged from IAS 39. However, for financial liabilities measured at fair value, fair value changes arising from changes in an entity's own credit risk status are now required to be presented in other comprehensive income, as opposed to profit or loss. Keyera's financial liabilities measured at fair value include certain derivative instruments. Due to the short-term nature of these instruments, the change in Keyera's credit risk does not have a material impact on the fair value of its financial liabilities.

IFRS 9 introduces a new expected credit loss model for assessing and calculating financial asset impairments, which replaces the incurred loss model utilized under IAS 39. Instead of determining financial asset impairments as a result of incurred loss events, an entity is now required to consider historical, current and forward-looking expected credit loss information.

The hedge accounting requirements have also been updated in the new standard and are now more aligned with the risk management activities of an entity. Keyera currently does not follow hedge accounting to reflect its risk management activities.

Keyera adopted IFRS 9 on January 1, 2018 using retrospective application. There was no effect on Keyera's consolidated financial statements upon adoption of the standard.

IFRS 15, Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers, addresses revenue arising from an entity's contracts with customers, and supersedes:

a) IAS 11 Construction Contracts;
b) IAS 18 Revenue;
c) IFRIC 13 Customer Loyalty Programmes;
d) IFRIC 15 Agreements for the Construction of Real Estate;
e) IFRIC 18 Transfers of Assets from Customers; and
f) SIC-31 Revenue – Barter Transactions Involving Advertising Services.

IFRS 15 outlines the recognition and measurement requirements for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It requires an entity to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled. Keyera adopted IFRS 15 on January 1, 2018 in accordance with the transitional provisions of the standard and IFRS 15 has been applied retrospectively to each prior period presented in the consolidated financial statements.

As a result of applying the transitional requirements of IFRS 15, including the practical expedients noted below, no changes to Keyera's comparative consolidated financial statements were required and an opening balance sheet adjustment was not recognized as at January 1, 2017. In addition, Keyera's cash flows did not change as a result of adopting the new standard. IFRS 15 did not have a material impact on Keyera's consolidated statement of net earnings and comprehensive income for the period ended March 31, 2018 or its consolidated statement of financial position as at March 31, 2018.

Keyera has applied IFRS 15 using the following practical expedients:

- Where the consideration received from Keyera's revenue contracts corresponds directly with the value provided to the customer, Keyera recognizes revenue in the amount to which it has a "right to invoice" the customer. Any variable consideration associated with such contracts is recognized in the period Keyera becomes entitled to such consideration;
- Where the "right to invoice" method of revenue recognition has been applied, Keyera has utilized the associated practical expedient that does not require disclosure of certain information related to its remaining performance obligations. "Right to invoice" contracts do not have any remaining performance obligations associated with the distinct services that have already been provided under the contracts. Therefore, disclosure of: (1) the transaction price allocated to the remaining performance obligations, and (2) an explanation of when Keyera expects to recognize such amounts as revenue is unnecessary for these contracts;
- For completed contracts, Keyera has not assessed contracts that began and ended within the same annual reporting period; or that were completed at the beginning of the earliest period presented (January 1, 2017); and
- For contract modifications before January 1, 2017, Keyera did not assess contracts for such individual modifications, and instead considered the aggregate effect of all of the modifications for each contact that occurred prior to this date.

Keyera's accounting policies related to the recognition of revenue have not been substantially affected as a result of adopting IFRS 15. Revenues are recognized when Keyera satisfies its performance obligations by transferring control of the promised goods or services to its customers, in an amount that reflects the consideration Keyera expects to be entitled to in exchange for those goods or services.

Generally, as Keyera performs the distinct services stipulated under the contract, it does not have any remaining performance obligations to its customers for those services. As a result, the majority of Keyera's revenue contracts allow for revenue recognition at the amount to which it has a "right to invoice" the customer. The exception is Keyera's take-or-pay arrangements that include customer make-up rights. Under these arrangements, the customer may not have exercised all of their contractual rights under the contract

even though Keyera would have received non-refundable consideration, thereby possibly requiring the performance of future services to the customer. Make-up rights are subject to conditions, including expiry and availability of asset capacity. If material, the revenue associated with the make-up rights is deferred and a corresponding contract liability is separately disclosed in the consolidated statements of financial position. The amount of revenue attributed to the make-up right is the amount of the non-refundable consideration received for the minimum committed volumes not utilized in the current reporting period. Revenue associated with make-up rights are recognized at the earlier of: (i) when the make-up volume is utilized; (ii) the make-up right expires; or (iii) when it is determined the likelihood that the customer will exercise its make-up right is remote. Keyera currently does not have any unperformed obligations related to customer make-up rights that are material.

Customer credit worthiness is assessed prior to the signing of any contract, as well as throughout the contract duration. Inter-segment and intra-segment revenues are recorded at current market prices and are eliminated upon consolidation in order to arrive at net earnings in accordance with IFRS.

FUTURE ACCOUNTING PRONOUNCEMENTS UPDATE

Keyera is progressing its assessment of the following significant new accounting standard that has been issued, but is not yet effective.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16, Leases, which provides a single lease accounting model for lessees, requiring the recognition of most leases as finance leases on the consolidated statement of financial position.

This will result in the recognition of a lease liability and the corresponding recognition of a leased asset called a right-of-use asset. On the consolidated statement of net earnings and comprehensive income, lease expense will be recognized and will consist of two components, depreciation expense of the right-of-use asset and interest expense related to the lease liability. Finance lease exemptions exist for short-term leases where the term is 12 months or less and for leases of low value items.

For lessors, the accounting treatment remains the same which provides a lessor the choice of classifying a lease as either a finance or operating lease. IFRS 16 comes into effect on January 1, 2019. Early adoption is permitted as long as an entity has adopted IFRS 15 on or before the initial application of IFRS 16.

Expected impact

Keyera has developed a detailed implementation plan and has commenced its assessment of existing contracts to identify arrangements that would qualify as a lease under the new standard. For contracts that have been identified as being within the scope of the new standard, Keyera has initiated its detailed assessments of such contracts to determine the potential effects on Keyera's consolidated financial statements upon adoption. Furthermore, Keyera is currently evaluating information technology system and process changes that may be necessary to meet the requirements of the new guidance. Once all contracts within the scope of IFRS 16 have been identified and analyzed, Keyera will address any necessary changes to its policies, processes, internal controls, information technology systems, key operating metrics, financial covenants, and significant judgments and estimations required. Keyera will adopt IFRS 16 on January 1, 2019.

CONTROL ENVIRONMENT

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer are satisfied that, as of March 31, 2018, Keyera's disclosure controls and procedures are designed to provide 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 are designed to 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, 2018 and ending March 31, 2018 that have materially affected, or are reasonably likely to materially affect Keyera's internal controls over financial reporting.

COMMON SHARES

During the three months ended March 31, 2018, there were 1,434,504 common shares issued under the DRIP and the Premium DRIP for consideration of $47 million, bringing the total common shares outstanding at March 31, 2018 to 205,981,646.

Subsequent to March 31, 2018, 397,533 common shares were issued to shareholders enrolled in the DRIP and Premium DRIP for consideration of $13 million, bringing the total common shares outstanding at May 8, 2018 to 206,379,179.

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-downs, maintenance capital expenditures and finance lease liabilities); distributable cash flow per share (distributable cash flow divided by weighted average number of shares – basic); 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 on commodity contracts, impairment expenses and any other non-cash items such as gains/losses on the disposal of property, plant and equipment); and realized margin (used in the Marketing segment) 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. Realized margin reflects the exclusion of unrealized gains and losses from risk management contracts in the Marketing segment. This measure is used to assess the financial performance of the Marketing segment in the period. 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, ability to maintain current credit ratings and foreign currency exchange rates; changes in operating and capital costs, including fluctuations in input costs; actions by governmental authorities; compliance with regulatory requirements; 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 15, 2018, filed on SEDAR at www.sedar.com 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, conditions or delays (including possible intervention by third parties); 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. Expected closing of acquisitions and financings are subject to satisfaction of closing conditions which may vary depending on the nature of the transactions. Acquisitions may be subject to rights of first refusal and other third party consents.

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. Such statements speak only as of the date hereof. Further information about the factors affecting forward-looking statements and management's assumptions and analysis thereof, is available in filings made by Keyera with Canadian provincial securities commissions, which can be viewed on SEDAR at www.sedar.com.

Investor Information

DIVIDENDS TO SHAREHOLDERS
Dividends declared to shareholders of Keyera were $0.42 per share in the first quarter of 2018. Keyera is focused on providing stable long-term dividends per share that grow over time.

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

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

FIRST QUARTER 2018 RESULTS CONFERENCE CALL AND WEBCAST
Keyera will be conducting a conference call and webcast for investors, analysts, brokers and media representatives to discuss the financial results for the first quarter of 2018 at 8:00 am Mountain Daylight Time (10:00 am Eastern Daylight Time) on May 9, 2018. Callers may participate by dialing either 888-231-8191 or 647-427-7450. An audio recording of the call will be available for replay until 11:59 pm Mountain Standard Time on May 23, 2018 by dialing 855-859-2056 or 416-849-0833 and entering passcode 3586798.

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, 2018 $**	December 31, 2017 $
ASSETS			
Cash		**288,207**	326,381
Trade and other receivables		**459,789**	435,620
Derivative financial instruments	9	**9,266**	11,561
Inventory	3	**120,212**	147,831
Other assets	14	**45,302**	16,604
Total current assets		**922,776**	937,997
Derivative financial instruments	9	**98,389**	90,109
Property, plant and equipment		**4,993,720**	4,792,398
Goodwill		**53,624**	53,624
Total assets		**6,068,509**	5,874,128
LIABILITIES AND EQUITY			
Trade and other payables, and provisions		**641,915**	526,395
Derivative financial instruments	9	**23,704**	35,398
Dividends payable		**28,837**	28,637
Current portion of finance lease liability	4	**41,928**	1,474
Current portion of long-term debt		**70,000**	—
Current portion of decommissioning liability		**8,165**	9,584
Total current liabilities		**814,549**	601,488
Derivative financial instruments	9	**—**	220
Long-term debt		**1,742,763**	1,795,530
Decommissioning liability		**460,186**	456,455
Other long-term liabilities	4	**9,958**	58,922
Deferred tax liabilities		**513,038**	482,233
Total liabilities		**3,540,494**	3,394,848
Equity			
Share capital	5	**2,697,818**	2,647,836
Accumulated deficit		**(169,803)**	(168,556)
Total equity		**2,528,015**	2,479,280
Total liabilities and equity		**6,068,509**	5,874,128

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

These unaudited condensed interim consolidated financial statements were approved by the board of directors of Keyera Corp. on May 8, 2018.

(Signed) Michael Norris
Director

(Signed) David G. Smith
Director

Keyera Corp.

Condensed Interim Consolidated Statements of Net Earnings and Comprehensive Income

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

	Note	Three months ended March 31, 2018 $	2017 $
Revenues	13	**1,084,011**	843,620
Expenses	13	**(861,598)**	(639,198)
Operating margin		**222,413**	204,422
General and administrative expenses		**(18,873)**	(17,320)
Finance costs	11	**(18,062)**	(17,740)
Depreciation, depletion and amortization expenses		**(46,143)**	(39,580)
Net foreign currency (loss) gain on U.S. debt	10	**(7,867)**	479
Long-term incentive plan expense	7	**(5,236)**	(2,747)
Earnings before income tax		**126,232**	127,514
Income tax expense	8	**(38,517)**	(31,172)
Net earnings		**87,715**	96,342
Other comprehensive income		**—**	—
Net earnings and comprehensive income		**87,715**	96,342
Earnings per share			
Basic earnings per share	6	**0.43**	0.52
Diluted earnings per share	6	**0.43**	0.52

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

Keyera Corp.

Condensed Interim Consolidated Statements of Cash Flows

(Thousands of Canadian dollars)
(Unaudited)

	Note	Three months ended March 31, 2018 $	2017 $
Cash provided by (used in):			
OPERATING ACTIVITIES			
Net earnings:		**87,715**	96,342
Adjustments for items not affecting cash:			
Finance costs	11	**3,563**	3,614
Depreciation, depletion and amortization expenses		**46,143**	39,580
Long-term incentive plan expense	7	**5,236**	2,747
Unrealized gain on derivative financial instruments	9	**(17,899)**	(31,701)
Unrealized loss (gain) on foreign exchange		**12,969**	(4,447)
Deferred income tax expense	8	**30,805**	30,037
Other		**—**	(15)
Decommissioning liability expenditures		**(1,819)**	(5,443)
Changes in non-cash working capital	12	**38,393**	87,907
Net cash provided by operating activities		**205,106**	218,621
INVESTING ACTIVITIES			
Acquisitions		**(10,000)**	(55,087)
Capital expenditures		**(244,805)**	(181,447)
Proceeds on disposal of property, plant and equipment		**4,444**	—
Changes in non-cash working capital	12	**44,635**	103,270
Net cash used in investing activities		**(205,726)**	(133,264)
FINANCING ACTIVITIES			
Borrowings under credit facility		**—**	265,000
Repayments under credit facility		**—**	(320,000)
Financing costs related to credit facilities/long-term debt		**—**	(961)
Issuance costs and adjustments related to equity offerings	5	**(75)**	250
Proceeds from issuance of shares related to DRIP	5	**47,400**	45,618
Repayment of finance lease liabilities		**(563)**	(563)
Dividends paid to shareholders		**(86,105)**	(73,966)
Net cash used in financing activities		**(39,343)**	(84,622)
Effect of exchange rate fluctuations on foreign cash held		**1,789**	(249)
Net (decrease) increase in cash		**(38,174)**	486
Cash at the start of the period		**326,381**	16,477
Cash at the end of the period		**288,207**	16,963
Income taxes paid in cash		**346**	638
Interest paid in cash		**13,079**	8,580

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

Keyera Corp.

Condensed Interim Consolidated Statement of Changes in Equity

(Thousands of Canadian dollars)
(Unaudited)

	Share Capital $	Accumulated Deficit $	Total $
Balance at December 31, 2016	**1,987,341**	**(145,833)**	**1,841,508**
Common shares issued pursuant to dividend reinvestment plans	45,618	—	45,618
Issuance costs adjustment related to 2016 equity offering	250	—	250
Net earnings and total comprehensive income	—	96,342	96,342
Dividends declared to shareholders	—	(74,125)	(74,125)
Balance at March 31, 2017	**2,033,209**	**(123,616)**	**1,909,593**

	Share Capital $	Accumulated Deficit $	Total $
Balance at December 31, 2017	**2,647,836**	**(168,556)**	**2,479,280**
Common shares issued pursuant to dividend reinvestment plans	47,400	—	47,400
Issuance costs related to 2017 equity offering	(75)	—	(75)
Net earnings and total comprehensive income	—	87,715	87,715
Dividends declared to shareholders	—	(86,305)	(86,305)
Other adjustments	2,657	(2,657)	—
Balance at March 31, 2018	**2,697,818**	**(169,803)**	**2,528,015**

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

Keyera Corp.
Notes to Condensed Interim Consolidated Financial Statements
As at and for the three months ended March 31, 2018 and 2017
(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 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; transportation, storage and marketing of natural gas liquids ("NGLs") and iso-octane in Canada and the United States ("U.S."); the production of iso-octane; and liquids blending in Canada.

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 200, 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".

Keyera is approved to issue two 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, 2018.

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements are in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board. The accounting policies applied are in accordance 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, 2017, except for the adoption of new IFRS standards, amendments and interpretations effective January 1, 2018 as noted below.

These condensed interim consolidated financial statements as at and for the three months ended March 31, 2018 and 2017 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, 2017.

The condensed interim consolidated financial statements were authorized for issuance on May 8, 2018 by the board of directors.

Adoption of new standards

Keyera has applied the following new IFRS standards in 2018:

IFRS 9, Financial Instruments

IFRS 9 is the new standard which sets out the recognition and measurement requirements for financial instruments and some contracts to buy or sell non-financial items. IFRS 9 replaces IAS 39, Financial Instruments: Recognition and Measurement, and provides a single model of classifying and measuring financial assets and liabilities. IFRS 9 only allows for two classification categories: amortized cost and fair value. As a result, the previous financial asset categories of loans and receivables, available for sale and held to maturity have been eliminated. This change in classification categories did not affect how Keyera recognizes and measures its financial instruments.

The requirements for accounting for financial liabilities have remained relatively unchanged from IAS 39. However, for financial liabilities measured at fair value, fair value changes arising from changes in an entity's own credit risk status are now required to be presented in other comprehensive income, as opposed to profit or loss. Keyera's financial liabilities measured at fair value include certain derivative instruments. Due to the short-term nature of these instruments, the change in Keyera's credit risk does not have a material impact on the fair value of its financial liabilities.

IFRS 9 introduces a new expected credit loss model for assessing and calculating financial asset impairments, which replaces the incurred loss model utilized under IAS 39. Instead of determining financial asset impairments as a result of incurred loss events, an entity is now required to consider historical, current and forward-looking expected credit loss information.

The hedge accounting requirements have also been updated in the new standard and are now more aligned with the risk management activities of an entity. Keyera currently does not follow hedge accounting to reflect its risk management activities.

Keyera adopted IFRS 9 on January 1, 2018 using retrospective application. There was no effect on Keyera's consolidated financial statements upon adoption of the standard.

IFRS 15, Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers, addresses revenue arising from an entity's contracts with customers, and supersedes:

a) IAS 11 Construction Contracts;
b) IAS 18 Revenue;
c) IFRIC 13 Customer Loyalty Programmes;
d) IFRIC 15 Agreements for the Construction of Real Estate;
e) IFRIC 18 Transfers of Assets from Customers; and
f) SIC-31 Revenue – Barter Transactions Involving Advertising Services.

IFRS 15 outlines the recognition and measurement requirements for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It requires an entity to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled. Keyera adopted IFRS 15 on January 1, 2018 in accordance with the transitional provisions of the standard and IFRS 15 has been applied retrospectively to each prior period presented in the consolidated financial statements.

As a result of applying the transitional requirements of IFRS 15, including the practical expedients noted below, no changes to Keyera's comparative consolidated financial statements were required and an opening balance sheet adjustment was not recognized as at January 1, 2017. In addition, Keyera's cash

flows did not change as a result of adopting the new standard. IFRS 15 did not have a material impact on Keyera's consolidated statement of net earnings and comprehensive income for the period ended March 31, 2018 or its consolidated statement of financial position as at March 31, 2018.

Keyera has applied IFRS 15 using the following practical expedients:

- Where the consideration received from Keyera's revenue contracts corresponds directly with the value provided to the customer, Keyera recognizes revenue in the amount to which it has a "right to invoice" the customer. Any variable consideration associated with such contracts is recognized in the period Keyera becomes entitled to such consideration;
- Where the "right to invoice" method of revenue recognition has been applied, Keyera has utilized the associated practical expedient that does not require disclosure of certain information related to its remaining performance obligations. "Right to invoice" contracts do not have any remaining performance obligations associated with the distinct services that have already been provided under the contracts. Therefore, disclosure of: (1) the transaction price allocated to the remaining performance obligations, and (2) an explanation of when Keyera expects to recognize such amounts as revenue is unnecessary for these contracts;
- For completed contracts, Keyera has not assessed contracts that began and ended within the same annual reporting period; or that were completed at the beginning of the earliest period presented (January 1, 2017); and
- For contract modifications before January 1, 2017, Keyera did not assess contracts for such individual modifications, and instead considered the aggregate effect of all of the modifications for each contact that occurred prior to this date.

Keyera's accounting policies related to the recognition of revenue have not been substantially affected as a result of adopting IFRS 15. Revenues are recognized when Keyera satisfies its performance obligations by transferring control of the promised goods or services to its customers, in an amount that reflects the consideration Keyera expects to be entitled to in exchange for those goods or services.

Generally, as Keyera performs the distinct services stipulated under the contract, it does not have any remaining performance obligations to its customers for those services. As a result, the majority of Keyera's revenue contracts allow for revenue recognition at the amount to which it has a "right to invoice" the customer. The exception is Keyera's take-or-pay arrangements that include customer make-up rights. Under these arrangements, the customer may not have exercised all of their contractual rights under the contract even though Keyera would have received non-refundable consideration, thereby possibly requiring the performance of future services to the customer. Make-up rights are subject to conditions, including expiry and availability of asset capacity. If material, the revenue associated with the make-up rights is deferred and a corresponding contract liability is separately disclosed in the consolidated statements of financial position. The amount of revenue attributed to the make-up right is the amount of the non-refundable consideration received for the minimum committed volumes not utilized in the current reporting period. Revenue associated with make-up rights are recognized at the earlier of: (i) when the make-up volume is utilized; (ii) the make-up right expires; or (iii) when it is determined the likelihood that the customer will exercise its make-up right is remote. Keyera currently does not have any unperformed obligations related to customer make-up rights that are material.

Customer credit worthiness is assessed prior to the signing of any contract, as well as throughout the contract duration. Inter-segment and intra-segment revenues are recorded at current market prices and are eliminated upon consolidation in order to arrive at net earnings in accordance with IFRS.

Future accounting pronouncements update

Keyera is progressing its assessment of the following significant new accounting standard that has been issued, but is not yet effective.

IFRS 16, Leases
In January 2016, the IASB issued IFRS 16, Leases, which provides a single lease accounting model for lessees, requiring the recognition of most leases as finance leases on the consolidated statement of financial position.

This will result in the recognition of a lease liability and the corresponding recognition of a leased asset called a right-of-use asset. On the consolidated statement of net earnings and comprehensive income, lease expense will be recognized and will consist of two components, depreciation expense of the right-of-use asset and interest expense related to the lease liability. Finance lease exemptions exist for short-term leases where the term is 12 months or less and for leases of low value items.

For lessors, the accounting treatment remains the same which provides a lessor the choice of classifying a lease as either a finance or operating lease. IFRS 16 comes into effect on January 1, 2019. Early adoption is permitted as long as an entity has adopted IFRS 15 on or before the initial application of IFRS 16.

Expected impact
Keyera has developed a detailed implementation plan and has commenced its assessment of existing contracts to identify arrangements that would qualify as a lease under the new standard. For contracts that have been identified as being within the scope of the new standard, Keyera has initiated its detailed assessments of such contracts to determine the potential effects on Keyera's consolidated financial statements upon adoption. Furthermore, Keyera is currently evaluating information technology system and process changes that may be necessary to meet the requirements of the new guidance. Once all contracts within the scope of IFRS 16 have been identified and analyzed, Keyera will address any necessary changes to its policies, processes, internal controls, information technology systems, key operating metrics, financial covenants, and significant judgments and estimations required. Keyera will adopt IFRS 16 on January 1, 2019.

3. INVENTORY

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

As at	**March 31, 2018 $**	December 31, 2017 $
NGLs and iso-octane	**114,779**	142,356
Other	**5,433**	5,475
Total inventory	**120,212**	147,831

For the period ended March 31, 2018, $120,212 of inventory was carried at cost (December 31, 2017 – $147,831) and $nil was carried at net realizable value (December 31, 2017 – $nil). The cost of inventory expensed for the three months ended March 31, 2018 was $764,573 (three months ended March 31, 2017 – $525,157).

4. OTHER LIABILITIES

As at	March 31, 2018 $	December 31, 2017 $
Finance lease liabilities	**41,928**	54,029
Less: current portion of finance lease liabilities	**(41,928)**	(1,474)
Long-term portion of finance lease liabilities	**—**	52,555
Long-term incentive plan liability	**9,958**	6,367
Total other liabilities	**9,958**	58,922

In 2015, Keyera entered into an arrangement for the use of a pipeline for transportation services in the Edmonton/Fort Saskatchewan area. Effective December 1, 2016, the arrangement was classified as a finance lease as this was the date Keyera was entitled to exercise its right to use the pipeline for its sole benefit and the risks and rewards incidental to ownership were transferred to Keyera.

The arrangement included a put option which provided the lessor with the right to require Keyera to purchase the pipeline within six months of the pipeline's in-service date for the approximate amount of $41,250. The pipeline became operational in January 2018. In March 2018, Keyera received notice that the lessor was exercising the put option and Keyera will be purchasing the pipeline in its current condition by June 2018. With the exercise of the put option, the remaining finance lease liability was re-measured to the expected amount of the put option and the total remaining finance lease liability has been reclassified to current liabilities.

5. CAPITAL

	Number of Common Shares	Share Capital $
Balance at December 31, 2017	**204,547,142**	**2,647,836**
Common shares issued pursuant to dividend reinvestment plans	**1,434,504**	**47,400**
Issuance costs related to 2017 equity offering	**—**	**(75)**
Other adjustments	**—**	**2,657**
Balance at March 31, 2018	**205,981,646**	**2,697,818**

6. EARNINGS PER SHARE

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

	Three months ended March 31,	
	2018	2017
	$	$
Basic and diluted earnings per share	**0.43**	0.52
Net earnings – basic and diluted	**87,715**	96,342

	Three months ended March 31,	
(in thousands)	**2018**	2017
Weighted average number of shares – basic and diluted	**205,267**	186,286

7. 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 whereby one of the valuation inputs was the March 31, 2018 share price of Keyera, which was $33.51 per share (December 31, 2017 – $35.42 per share).

The compensation cost recorded for the LTIP was as follows:

	Three months ended March 31,	
	2018	2017
	$	$
Performance Awards	**4,415**	2,261
Restricted Awards	**821**	486
Total long-term incentive plan expense	**5,236**	2,747

Employee Stock Purchase Plan

Keyera maintains an employee stock purchase plan ("ESPP") whereby eligible employees can purchase common shares of Keyera. Keyera will contribute an amount equal to 5% of the employee's contribution. To participate in the ESPP, eligible employees select an amount to be deducted from their semi-monthly remuneration. Employees may elect to withhold up to 25% of their base compensation for the stock purchases. The shares of Keyera are acquired on the Toronto Stock Exchange on a semi-monthly basis consistent with the timing of the semi-monthly remuneration. The cost of the shares purchased to match the employee's contribution is expensed as incurred and recorded in general and administrative expenses.

Defined Contribution Pension Plan

For the three months ended March 31, 2018, Keyera made pension contributions of $2,386 (three months ended March 31, 2017 – $2,247) on behalf of its employees. The contributions were recorded in general and administrative expenses.

Deferred Share Unit Plan

Effective January 1, 2016, Keyera implemented a deferred share unit ("DSU") plan, for non-employee directors. Each DSU vests on the date the grant is awarded but cannot be redeemed until a director ceases to be a member of the board of directors. The grant value is determined based on a 20 day weighted average trading share price. DSUs are settled in cash (on an after-tax basis) based on the 20 day weighted average Keyera share price up to the date of settlement. For the three months ended March 31, 2018, Keyera recorded $196 (three months ended March 31, 2017 – $177) in general and administrative expenses related to the DSU plan.

The following table shows the number of DSUs granted:

As at	**March 31, 2018**	December 31, 2017
Balance at beginning of period	**46,171**	19,827
Granted	**9,430**	26,344
Balance at end of period	**55,601**	46,171

8. INCOME TAXES

The components of the income tax expense were as follows:

	Three months ended March 31,	
	2018	2017
	$	$
Current	**7,712**	1,135
Deferred	**30,805**	30,037
Total income tax expense	**38,517**	31,172

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments include cash, trade and other receivables, derivative financial instruments, trade and other payables, dividends payable, credit facilities, finance lease liabilities and 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 profit or loss in the consolidated statement of net earnings and comprehensive income 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 either near maturity, have 5 to 30 days payment terms or have no fixed repayment terms. The carrying value of the credit facility 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 total fair value of Keyera's unsecured senior notes at March 31, 2018 was $1,843,623 (December 31, 2017 – $1,831,467) 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, 2018	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, 2019)	2,610,000 Bbls	77.76/Bbl	Level 2	(12,870)	174	(13,044)
Buyer of fixed price WTI swaps (maturing by March 31, 2019)	24,000 Bbls	76.15/Bbl	Level 2	113	113	—
Seller of fixed price NGL swaps (maturing by April 30, 2018)	660,000 Bbls	36.42/Bbl	Level 2	(281)	174	(455)
Buyer of fixed price NGL swaps (maturing by March 31, 2019)	1,108,000 Bbls	55.41/Bbl	Level 2	1,107	2,047	(940)
Seller of fixed price RBOB basis spreads (iso-octane) (maturing by December 31, 2019)	2,380,000 Bbls	20.71/Bbl	Level 2	(4,973)	942	(5,915)
Currency:						
Seller of forward contracts (maturing by November 30, 2018)	US$163,000,000	1.28/USD	Level 2	(2,291)	311	(2,602)
Liquids Infrastructure						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2019)	139,080 MWhs	41.33/MWh	Level 2	2,749	2,749	—
Gathering and Processing						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2018)	26,400 MWhs	44.65/MWh	Level 2	485	485	—
Emission Performance Credits:						
Seller of emission performance credits	282,597 credits	23.54/credit	Level 2	594	594	—
Corporate and Other						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2019)	28,560 MWhs	41.76/MWh	Level 2	562	562	—
Crude Oil & NGLs:						
Seller of fixed price swaps (maturing by December 31, 2018)	90,000 Bbls	73.47/Bbls	Level 2	(748)	—	(748)
Long-term Debt:						
Buyer of cross-currency swaps (maturing September 8, 2020 – November 20, 2028)	US$572,688,800	0.98/USD - 1.22/USD	Level 2	99,504	99,504	—
				83,951	**107,655**	**(23,704)**

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, 2017	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, 2019)	2,095,175 Bbls	69.81/Bbl	Level 2	(11,138)	—	(11,138)
Buyer of fixed price WTI swaps (maturing by March 31, 2018)	73,500 Bbls	71.63/Bbl	Level 2	293	293	—
Seller of fixed price NGL swaps (maturing by March 31, 2018)	1,337,154 Bbls	45.35/Bbl	Level 2	(7,719)	64	(7,783)
Buyer of fixed price NGL swaps (maturing by March 31, 2018)	404,000 Bbls	48.77/Bbl	Level 2	3,913	3,978	(65)
Seller of fixed price RBOB basis spreads (iso-octane) (maturing by December 31, 2019)	3,380,000 Bbls	19.69/Bbl	Level 2	(15,163)	479	(15,642)
Physical:						
Seller of fixed price NGL forward contracts (maturing by March 31, 2018)	26,188 Bbls	43.94/Bbl	Level 2	(138)	—	(138)
Currency:						
Seller of forward contracts (maturing by June 30, 2018)	US$103,500,000	1.27/USD	Level 2	2,214	2,287	(73)
Liquids Infrastructure						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2019)	157,680 MWhs	40.41/MWh	Level 2	2,134	2,194	(60)
Gathering and Processing						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2018)	35,040 MWhs	44.65/MWh	Level 2	335	377	(42)
Emission Performance Credits:						
Seller of emission performance credits	340,520 credits	22.53/credit	Level 2	1,010	1,010	—
Corporate and Other						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2019)	35,040 MWhs	41.95/MWh	Level 2	422	443	(21)
Crude Oil & NGLs:						
Seller of fixed price swaps (maturing by December 31, 2018)	135,000 Bbls	66.55/Bbl	Level 2	(656)	—	(656)
Long-term Debt:						
Buyer of cross-currency swaps (maturing September 8, 2020 – November 20, 2028)	US$575,335,900	0.98/USD - 1.22/USD	Level 2	90,545	90,545	—
				66,052	**101,670**	**(35,618)**

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 through profit or loss in the consolidated statement of net earnings and comprehensive income in the period in which they arise.

Unrealized gains (losses), representing the change in fair value of derivative contracts, are recorded in the following consolidated statement of net earnings and comprehensive income line items and the related reportable operating segments:

Derivative Contracts Related To	Reportable Operating Segments	Consolidated Net Earnings and Comprehensive Income Line Item
Natural gas, crude oil and NGLs, and iso-octane	Marketing; Corporate and Other	Marketing revenue; Corporate and Other revenue
Electricity	Liquids Infrastructure; Gathering and Processing; Corporate and Other	Liquids Infrastructure expenses; Gathering and Processing expenses; Corporate and Other revenues and expenses
Cross-currency swaps	Corporate and Other	Net foreign currency gain/(loss) on U.S. debt
Emission performance credits	Gathering and Processing	Gathering and Processing expenses

	Three months ended March 31,	
Unrealized gain (loss)	**2018 $**	2017 $
Marketing revenue	**8,543**	34,971
Liquids Infrastructure expenses	**616**	—
Gathering and Processing expenses	**(266)**	(62)
Corporate and Other:		
Corporate and Other revenues and expenses	**48**	1,226
Net foreign currency gain/(loss) on U.S. debt	**8,958**	(4,434)
Total unrealized gain	**17,899**	31,701

Risk Management

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

(b) Commodity price risk

Subsidiaries of Keyera enter into contracts to purchase and sell primarily NGLs and iso-octane, as well as natural gas and crude oil. These contracts are exposed to commodity price risk between the time when contracted volumes are purchased and sold, and foreign currency risk for those sales denominated in U.S. dollars. These risks are actively managed by utilizing physical and financial contracts which include commodity related forward contracts, price swaps 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. In order to mitigate the 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 Liquids Infrastructure segments have very little foreign currency risk as sales and purchases are primarily denominated in Canadian dollars.

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

	Three months ended March 31,	
	2018	2017
U.S. dollar sales and purchases	**$**	$
Sales priced in U.S. dollars	**387,390**	224,873
Purchases priced in U.S. dollars	**(107,819)**	(89,772)

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 and U.S. dollar denominated LIBOR loans drawn under Keyera's bank credit facility. To manage this currency exposure, Keyera has entered into long-term cross-currency swap contracts relating to the principal portion and future interest payments of the U.S. dollar denominated debt as well as short-term cross-currency swaps relating to the LIBOR loans drawn under the credit facility. 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. As at March 31, 2018, fixed rate borrowings comprised 100% of total debt outstanding (December 31, 2017 – 100%). 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 $459,789 at March 31, 2018 (December 31, 2017 – $435,620). Keyera does not typically renegotiate the terms of trade receivables. There were no significant renegotiated balances outstanding at March 31, 2018. 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 monthly basis. An assessment is made whether an account is deemed impaired based on expected credit losses, which includes 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, 2018		Impact on income before tax March 31, 2017	
Risk sensitivities	**Increase $**	**Decrease $**	Increase $	Decrease $
Commodity price changes				
+ 10% in electricity price	**1,192**	**—**	695	—
- 10% in electricity price	**—**	**(1,192)**	—	(695)
+ 10% in NGL, crude oil and iso-octane prices	**—**	**(23,734)**	—	(16,496)
- 10% in NGL, crude oil and iso-octane prices	**23,734**	**—**	16,496	—
Foreign currency rate changes				
+ $0.01 in U.S./Canadian dollar exchange rate	**—**	**(405)**	296	—
- $0.01 in U.S./Canadian dollar exchange rate	**405**	**—**	—	(296)
Interest rate changes				
+ 1% in interest rate	**—**	**—**	—	(582)
- 1% in interest rate	**—**	**—**	582	—

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

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

	Three months ended March 31,	
	2018	2017
	$	$
Foreign currency (loss) gain resulting from:		
Translation of long-term debt and interest payable	**(17,041)**	4,553
Change in fair value of the cross-currency swaps – principal and interest portion	**8,958**	(4,434)
Gain from cross-currency swaps – interest portion[1]	**216**	360
Total foreign currency (loss) gain on U.S. debt	**(7,867)**	479

Note:
[1] Foreign currency gains (losses) resulted from the exchange of currencies related to the settlement of interest payments on the long-term cross-currency swaps.

11. FINANCE COSTS

The components of finance costs were as follows:

	Three months ended March 31,	
	2018	2017
	$	$
Interest on bank overdrafts and credit facilities	**1,167**	2,563
Interest on long-term debt	**20,179**	17,626
Interest capitalized	**(5,639)**	(6,073)
Other interest (income) expense	**(695)**	525
Total interest expense on current and long-term debt	**15,012**	14,641
Unwinding of discount on decommissioning liability	**2,631**	2,749
Unwinding of discount on long-term debt	**419**	350
Non-cash expenses in finance costs	**3,050**	3,099
Total finance costs	**18,062**	17,740

For the three months ended March 31, 2018, $5,639 of borrowing (interest) costs were capitalized (three months ended March 31, 2017 – $6,073) at a weighted average capitalization rate of 4.87% on funds borrowed (three months ended March 31, 2017 – 4.34%).

12. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended March 31,	
	2018	2017
	$	$
Inventory	**27,619**	19,830
Trade and other receivables	**(24,169)**	51,800
Other assets	**(38,140)**	(9,877)
Trade and other payables, and provisions	**73,083**	26,154
Changes in non-cash working capital from operating activities	**38,393**	87,907

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

	Three months ended March 31,	
	2018	2017
	$	$
Trade and other payables, and provisions	**44,635**	48,216
Other assets	**—**	55,054
Changes in non-cash working capital from investing activities	**44,635**	103,270

13. SEGMENT INFORMATION

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

Marketing
The Marketing segment is primarily 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 liquids blending.

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, including liquids extraction and condensate stabilization services to customers. This segment also includes sales of ethane volumes extracted from the Rimbey facility and sold to a third party customer under a long-term commercial arrangement.

Liquids Infrastructure
The Liquids Infrastructure segment provides fractionation, storage, transportation and terminalling services for NGLs and crude oil. As well, it provides processing services to Keyera's Marketing business related to iso-octane. 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, the AEF facility, and a 50% interest in the Base Line Terminal, a crude oil storage facility.

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

Inter-segment and intra-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 IFRS.

Reclassification
Certain information provided for prior years has been reclassified to conform to a change in presentation adopted as a result of the transition to IFRS 15.

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, 2018	Marketing $	Gathering & Processing $	Liquids Infrastructure $	Corporate and Other $	Inter-segment Eliminations $	Total $
Segmented revenue	931,094	107,354	109,476	7,241	(71,154)	1,084,011
Segmented expenses	(865,242)	(36,807)	(27,673)	(3,030)	71,154	(861,598)
Operating margin	65,852	70,547	81,803	4,211	—	222,413
General and administrative expenses	—	—	—	(18,873)	—	(18,873)
Finance costs	—	—	—	(18,062)	—	(18,062)
Depreciation, depletion and amortization expenses	—	—	—	(46,143)	—	(46,143)
Net foreign currency loss on U.S. debt	—	—	—	(7,867)	—	(7,867)
Long-term incentive plan expense	—	—	—	(5,236)	—	(5,236)
Earnings (loss) before income tax	65,852	70,547	81,803	(91,970)	—	126,232
Income tax expense	—	—	—	(38,517)	—	(38,517)
Net earnings (loss)	**65,852**	**70,547**	**81,803**	**(130,487)**	**—**	**87,715**

Three months ended March 31, 2017	Marketing $	Gathering & Processing $	Liquids Infrastructure $	Corporate and Other $	Inter-segment Eliminations $	Total $
Segmented revenue	699,043	112,727	101,027	8,381	(77,558)	843,620
Segmented expenses	(630,608)	(46,390)	(36,452)	(3,306)	77,558	(639,198)
Operating margin	68,435	66,337	64,575	5,075	—	204,422
General and administrative expenses	—	—	—	(17,320)	—	(17,320)
Finance costs	—	—	—	(17,740)	—	(17,740)
Depreciation, depletion and amortization expenses	—	—	—	(39,580)	—	(39,580)
Net foreign currency gain on U.S. debt	—	—	—	479	—	479
Long-term incentive plan expense	—	—	—	(2,747)	—	(2,747)
Earnings (loss) before income tax	68,435	66,337	64,575	(71,833)	—	127,514
Income tax expense	—	—	—	(31,172)	—	(31,172)
Net earnings (loss)	**68,435**	**66,337**	**64,575**	**(103,005)**	**—**	**96,342**

DISAGGREGATION OF REVENUE

The following table shows revenue disaggregated by the major service lines offered by Keyera in its four reportable operating segments:

Three months ended March 31, 2018	Marketing $	Gathering & Processing $	Liquids Infrastructure $	Corporate and Other $	Total $
Marketing of NGLs and iso-octane	931,094	—	—	—	931,094
Gas handling and processing services[1]	—	91,206	16,321	—	107,527
Fractionation and storage services	—	1,875	44,983	—	46,858
Transportation and terminalling services	—	—	47,831	—	47,831
Other[2]	—	14,273	341	7,241	21,855
Revenue before inter-segment eliminations	**931,094**	**107,354**	**109,476**	**7,241**	**1,155,165**
Inter-segment revenue eliminations	(1,015)	(5,531)	(56,652)	(7,956)	(71,154)
Revenue from external customers	**930,079**	**101,823**	**52,824**	**(715)**	**1,084,011**

Three months ended March 31, 2017	Marketing $	Gathering & Processing $	Liquids Infrastructure $	Corporate and Other $	Total $
Marketing of NGLs and iso-octane	699,043	—	—	—	699,043
Gas handling and processing services[1]	—	89,037	25,919	—	114,956
Fractionation and storage services	—	2,781	40,430	—	43,211
Transportation and terminalling services	—	—	34,389	—	34,389
Other[2]	—	20,909	289	8,381	29,579
Revenue before inter-segment eliminations	**699,043**	**112,727**	**101,027**	**8,381**	**921,178**
Inter-segment revenue eliminations	—	(6,664)	(61,934)	(8,960)	(77,558)
Revenue from external customers	**699,043**	**106,063**	**39,093**	**(579)**	**843,620**

Notes:

[1] Processing services revenue recognized in Keyera's Liquids Infrastructure segment represents the processing fees charged to Keyera's Marketing segment for the production of iso-octane at the Keyera AEF facility.

[2] Other revenue in Keyera's Gathering and Processing segment includes sales of ethane volumes extracted from the Rimbey facility and sold to a third party customer, and other miscellaneous revenue. Other revenue recognized in Keyera's Corporate and Other segment relates to the production of oil and gas reserves.

Geographical information

Keyera operates in two geographical areas, Canada and the U.S. Keyera's revenue from external customers and information about its non-current assets by geographical location are detailed below based on the country of origin.

Revenue from external customers located in	Three months ended March 31, 2018 $	2017 $
Canada	**903,453**	699,766
U.S.	**180,558**	143,854
Total revenue	**1,084,011**	843,620

Non-current assets[1] as at	March 31, 2018 $	December 31, 2017 $
Canada	**4,945,392**	4,752,164
U.S.	**101,952**	93,858
Total non-current assets	**5,047,344**	4,846,022

Note:

[1] Non-current assets are comprised of property, plant and equipment, and goodwill.

Information about major customers

For the three months ended March 31, 2018 and March 31, 2017 Keyera did not earn revenues from a single external customer that accounted for more than 10% of its total revenue.

14. OTHER ASSETS

Other assets includes a prepayment of $38,758 to acquire a liquids hub that is currently under construction. The agreement to acquire the liquids hub project was not fully executed until April 2, 2018 and therefore the prepayment resides in other current assets.

15. ACQUISITION

On February 28, 2018, the Company completed the acquisition of a gas processing plant for cash consideration of $10 million. The transaction was accounted for using the acquisition method of accounting. The fair value assigned to the gas processing plant was $10 million with a negligible decommissioning liability. The operating results of this gas processing plant are reported in the Gathering and Processing segment.

16. SUBSEQUENT EVENTS

On April 11, 2018, Keyera declared a dividend of $0.14 per share, payable on May 15, 2018, to shareholders of record as of April 23, 2018.

On May 8, 2018, Keyera declared a dividend of $0.14 per share, payable on June 15, 2018, to shareholders of record as of May 23, 2018.

As referenced in note 14, on April 2, 2018, Keyera acquired a liquids hub that is currently under construction. The cost of the acquisition was $38,758.

Corporate Information

Board of Directors

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

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

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

Gianna Manes[(5)]
President and CEO
Enmax Corporation
Calgary, Alberta

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

Michael Norris [(3)]
Corporate Director
Toronto, Ontario

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

Charlene Ripley[(5)]
EVP & General Counsel
Goldcorp Inc.
Vancouver, British Columbia

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

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

Janet Woodruff [(3)]
Corporate Director
West Vancouver, British Columbia

(1) 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

David G. Smith
President and Chief Executive Officer

Graham Balzun
Vice President, Corporate Responsibility

Jarrod Beztilny
Vice President Operations, Liquids Business Unit

Michael Freeman
Vice President, Commercial

Suzanne Hathaway
Senior Vice President, General Counsel and Corporate Secretary

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, Liquids Business Unit

C. Dean Setoguchi
Senior Vice President, Liquids Business Unit

Jamie Urquhart
Vice President Operations, Gathering and Processing Business Unit

Stock Exchange Listing

The Toronto Stock Exchange
Trading Symbol KEY

Trading Summary for Q1 2018

TSX:KEY – Cdn $	
High	$37.25
Low	$31.20
Close: March 29, 2018	$33.51
Volume	57,628,316
Average Daily Volume	929,488

Auditors

Deloitte LLP
Chartered Professional Accountants
Calgary, Canada

Investor Relations

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