KEYERA

DELIVERING MIDSTREAM SOLUTIONS

keyera.com

November 7, 2017

2017 Third Quarter Report

For the period ended September 30, 2017

HIGHLIGHTS

- In the third quarter of 2017, Keyera delivered net earnings of $38 million ($0.20 per share) compared to $52 million ($0.28 per share) reported in the third quarter of 2016.
- The Gathering and Processing segment recorded steady operating margin of $69 million (Q3 2016 – $72 million) in the third quarter. Quarterly gross processing throughput volumes were strong at 1,477 million cubic feet per day, higher than both the same period last year and the second quarter of 2017.
- The Liquids Infrastructure segment reported record operating margin of $72 million (Q3 2016 – $63 million) for the quarter as demand for our condensate services continued to increase, the remaining Norlite take-or-pay contracts came into effect and incremental fractionation volumes were processed.
- The Marketing segment's operating margin was a loss of $15 million while realized margin[1,2] was $10 million (Q3 2016 – $33 million). Marketing's results were affected by the seasonality of propane and by the timing of settling risk management contracts associated primarily with propane inventory at September 30, 2017. A significantly higher operating margin is expected over the next two quarters as the inventory is sold.
- Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA")[2] was $138 million, compared to $148 million reported in the third quarter of the previous year.
- Distributable cash flow[2] was $108 million or $0.57 per share (Q3 2016 – $101 million or $0.55 per share), resulting in a payout ratio of 73%[2] for the third quarter of 2017 and 69%[2] year to date.
- Keyera continues to advance several growth initiatives to support Montney and Duvernay production. During the quarter, Keyera entered into a 20-year midstream agreement with Chevron Canada Limited to fractionate and handle natural gas liquids from their Kaybob Duvernay operations. Keyera also continues to work with producers on a range of business development opportunities at its Simonette and Wapiti gas plants.
- In September, Keyera closed a private placement of 10-year senior unsecured notes totaling $400 million with a group of institutional investors. The notes bear interest at 3.68% and mature on September 20, 2027.
- Recently, DBRS Limited assigned Keyera an Issuer Rating of "BBB" with a "Stable" trend and S&P Global assigned Keyera a Long-term Corporate Credit Rating of "BBB/Stable".
- For 2017, Keyera expects to invest between $700 million and $750 million of growth capital, updated to exclude the acquisition cost of Keyera's 50% interest in the South Grand Rapids diluent pipeline, which is now expected to be completed by mid-2018.
- In 2018, Keyera expects to invest between $700 million and $800 million primarily based on growth projects currently underway, including the acquisition of the South Grand Rapids diluent pipeline.

[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 sections 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 September 30,**		**Nine months ended September 30,**	
	2017	2016	**2017**	2016
Net earnings	**38,464**	52,420	**201,868**	182,230
Per share ($/share) – basic	**0.20**	0.28	**1.08**	1.02
Cash flow from operating activities	**80,698**	137,145	**301,088**	372,703
Distributable cash flow[1]	**108,293**	101,451	**336,544**	355,577
Per share ($/share)[1]	**0.57**	0.55	**1.80**	2.00
Dividends declared	**79,317**	71,819	**230,842**	203,921
Per share ($/share)	**0.42**	0.39	**1.23**	1.14
Payout ratio %[1]	**73%**	71%	**69%**	57%
Adjusted EBITDA[2]	**138,177**	148,424	**419,616**	451,592
Gathering and Processing:				
Gross processing throughput (MMcf/d)	**1,477**	1,367	**1,444**	1,454
Net processing throughput (MMcf/d)	**1,147**	1,073	**1,130**	1,125
Liquids Infrastructure:				
Gross processing throughput[3] (Mbbl/d)	**186**	150	**175**	144
Net processing throughput[3] (Mbbl/d)	**72**	56	**63**	53
AEF iso-octane production volumes (Mbbl/d)	**15**	10	**12**	11
Marketing:				
Inventory value	**170,419**	120,918	**170,419**	120,918
Sales volumes (Bbl/d)	**138,500**	117,000	**135,700**	127,500
Acquisitions	**3,265**	130,300	**61,122**	182,342
Growth capital expenditures	**142,202**	130,429	**468,238**	382,485
Maintenance capital expenditures	**16,891**	28,188	**33,929**	36,234
Total capital expenditures	**162,358**	288,917	**563,289**	601,061

	Three months ended September 30,		**As at September 30,**	
	2017	2016	**2017**	2016
Long-term debt	**—**	—	**1,795,708**	1,185,568
Credit facility	**—**	—	**95,000**	365,000
Working capital surplus[4]	**—**	—	**(21,193)**	(7,734)
Net debt			**1,869,515**	1,542,834
Weighted average number of shares outstanding – basic	**188,650**	183,962	**187,469**	177,865
Weighted average number of shares outstanding – diluted	**188,650**	183,962	**187,469**	177,865
Common shares outstanding – end of period			**189,263**	184,520

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 steady financial results in the third quarter of 2017 despite challenging industry conditions. Overall, our Adjusted EBITDA was $138 million, Distributable Cash Flow was $108 million and Net Earnings was $38 million for the three months ended September 30, 2017. Our Gathering and Processing Business Unit and Liquids Infrastructure segment both generated increased cash flow over the previous quarter. The Gathering and Processing segment results were supported by higher throughput volumes while the Liquids Infrastructure segment reported record results for the fifth consecutive quarter as we continue to grow our asset base and service offerings. As expected, Marketing's results were affected by the seasonality of our propane sales. However, significantly higher margins are expected over the next two quarters as the inventory is sold into the North American market.

With a long-term view of the business, we continue to strengthen our foundation and pursue the right opportunities to increase shareholder value. We entered into a long-term midstream agreement with Chevron Canada Limited to fractionate and handle natural gas liquids from its Kaybob Duvernay operations. Overall, our team is looking forward to a strong finish to 2017 and we are optimistic about Keyera's future prospects. In 2018, we are planning to invest between $700 million and $800 million of growth capital, primarily focused on projects currently underway such as the Base Line Tank Terminal, the South Grand Rapids diluent pipeline, the Keylink NGL pipeline system, the Wapiti gas plant and the Simonette gas plant liquids handling expansion.

As an indication of Keyera's financial strength, recently DBRS Limited assigned Keyera an Issuer Rating of “BBB” with a “Stable” trend and S&P Global assigned Keyera a Long-term Corporate Credit Rating of “BBB/Stable”, both of which are investment grade credit ratings.

Gathering and Processing Business Unit

The Gathering and Processing segment recorded solid financial results for the three months ended September 30, 2017 with operating margin of $69 million, up slightly from the previous quarter. Total gross processing throughput continued to steadily increase in the third quarter averaging 1,477 million cubic feet per day, 2% higher than the second quarter of 2017 and 8% higher than the same period in 2016. A large portion of the increase was attributable to the Simonette gas plant that achieved record average throughput volumes in the third quarter even though the facility was off-line for a 17-day maintenance turnaround in August. The continued growth in volumes at Simonette is a result of strong producer activity in the Montney and Duvernay geological zones, and we continue to work with current and potential new customers at the Simonette and Wapiti gas plants to provide midstream solutions.

Keyera remains committed to working with customers at our gathering and processing facilities to deliver cost-effective and value-added services that enhance their economics. For example, we have decided to modify our Strachan gas plant to increase efficiencies and reduce operating costs of the plant by shutting down our sour gas processing equipment. This project will coincide with Strachan's planned maintenance turnaround scheduled in mid-2018. Other maintenance turnarounds are planned for our Nevis and Brazeau North gas plants in 2018.

Liquids Business Unit – Liquids Infrastructure Segment

For the third quarter of 2017, the Liquids Infrastructure segment posted record financial results once again. Operating margin was $72 million, an increase of $5 million over the previous quarter and $9 million over the same period in 2016. This was primarily due to the growth in demand for Keyera's condensate network, incremental revenue from the startup of the Norlite diluent pipeline and higher fractionation volumes. Utilization at Keyera's Fort Saskatchewan fractionation facility increased 21% since the beginning of the year and our facility operated near capacity in the third quarter of 2017.

The Norlite pipeline became operational in June, further enhancing our industry-leading condensate network. The pipeline is a joint venture with Enbridge and is backed by the owners of the Fort Hills oil sands project. A portion of the take-or-pay fees associated with the Norlite pipeline and Keyera's condensate system commenced May 1st, with the remainder coming into effect on August 1st. As there is still available capacity on the pipeline, discussions are ongoing with additional oil sands producers to increase our long-term volume commitments and provide additional services.

During the quarter, construction advanced on a number of our capital projects. At our Edmonton Terminal, four 60,000 barrel condensate storage tanks were completed and placed into service. These storage tanks provide additional working storage and enhance Keyera's ability to deliver diluent to the oil sands in a reliable and cost effective manner. Construction continued on the Base Line Tank Terminal project, a 50-50 joint venture with Kinder Morgan, and we expect the first set of tanks to be ready for commercial use in early 2018. We also received all regulatory approvals for our Keylink NGL pipeline system that is expected to be operational in mid-2018.

We continue to look for the right opportunities to expand our Liquids Infrastructure assets and service offerings. During the quarter, we entered into a 20-year midstream agreement with Chevron Canada Limited to fractionate and handle up to 50% of their natural gas liquids from their Kaybob Duvernay operations near Fox Creek, Alberta. With Chevron being one of the largest leaseholders in the Duvernay resource, we look forward to working with them in a long-term, mutually beneficial relationship.

Liquids Business Unit – Marketing

For the quarter ended September 30, 2017, the Marketing segment recorded a realized margin of $10 million, excluding the effect of $25 million in unrealized non-cash losses from risk management contracts. While iso-octane contributed a similar margin compared to the same period in 2016, Marketing's results were affected by the seasonality of propane and by the timing of settling risk management contracts associated primarily with physical propane inventory at September 30, 2017. As this inventory is sold, we expect to realize a significantly higher margin over the next two quarters.

Iso-octane production averaged slightly above nameplate capacity for the third quarter. Since completing the necessary repair work earlier this year, our Alberta EnviroFuels facility has been running very well and iso-octane continues to be the largest contributor to our Marketing segment's results.

Outlook

We are pleased with the performance of Keyera's base business and the contribution from the capital projects that we have brought on line over the last couple of years, and we are well positioned for continued growth. We will continue to focus on maximizing utilization at our current facilities, increasing our presence in the liquids-rich gas resource development regions such as the Montney and Duvernay, enhancing our condensate network and services, and expanding our storage facilities. We remain focused on building shareholder value while balancing risk and return expectations.

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 November 7, 2017, 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 and nine months ended September 30, 2017, and the notes thereto as well as the audited consolidated financial statements of Keyera Corp. for the year ended December 31, 2016, and the related MD&A. The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") also referred to as GAAP, and are stated in Canadian dollars. Additional information related to Keyera, including its Annual Information Form, is available on SEDAR at www.sedar.com or on Keyera's website at www.keyera.com.

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

Keyera's Business

Keyera operates one of the largest midstream businesses in Canada. Midstream entities operate in the oil and gas industry between the upstream sector, which includes oil and gas exploration and production, and the downstream sector, which includes the refining, distribution 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 facilities for handling crude oil.

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

CONSOLIDATED FINANCIAL RESULTS

The following table highlights some of the key consolidated financial results for the three and nine months ended September 30, 2017 and 2016:

(Thousands of Canadian dollars, except per share data)	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
Net earnings	**38,464**	52,420	**201,868**	182,230
Net earnings per share (basic)	**0.20**	0.28	**1.08**	1.02
Operating margin	**128,234**	160,958	**492,452**	490,734
Realized margin[1]	**153,678**	170,414	**484,527**	514,621
Adjusted EBITDA[2]	**138,177**	148,424	**419,616**	451,592
Cash flow from operating activities	**80,698**	137,145	**301,088**	372,703
Distributable cash flow[3]	**108,293**	101,451	**336,544**	355,577
Distributable cash flow per share[3] (basic)	**0.57**	0.55	**1.80**	2.00
Dividends declared	**79,317**	71,819	**230,842**	203,921
Dividends declared per share	**0.42**	0.39	**1.23**	1.14
Payout ratio[4]	**73%**	71%	**69%**	57%

[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. Adjusted EBITDA is not a standard measure under GAAP. See the section titled "EBITDA" for a reconciliation of Adjusted EBITDA to its most closely related GAAP measure.

[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 steady overall financial results in the third quarter of 2017 as the Liquids Infrastructure segment continued to deliver record operating margin. These financial results were achieved despite lower contribution from the Marketing segment as described in more detail throughout this MD&A.

Net Earnings

For the three months ended September 30, 2017, net earnings were $38 million, $14 million lower than the same period in 2016 primarily due to $33 million in lower operating margin that was partly offset by:

- a $6 million net foreign currency gain on U.S. debt resulting from the Canadian dollar strengthening in value relative to the U.S. dollar at September 30, 2017. This is compared to a loss of $6 million in the same period last year; and

- a $7 million decrease in the long-term incentive plan expense due to lower expected payout multipliers and a lower share price at September 30, 2017.

On a year-to-date basis, net earnings were $202 million, $20 million higher than the same period in 2016 primarily due to lower depreciation and amortization expenses in 2017. Included in net earnings for 2017 was a $22 million gain associated with the disposition of non-core assets, including the previously shut down Paddle

River gas plant. This gain was partially offset by an impairment charge of $18 million to reduce the carrying value of the Caribou gas plant that ceased operation effective December 2015. See the section of this MD&A titled, “Corporate and Other”, for more information related to these charges.

Operating Margin and Realized Margin

For the quarter ended September 30, 2017, operating margin was $128 million, $33 million lower than the same period in 2016 due to:

- the inclusion of an unrealized non-cash loss of $25 million associated with risk management contracts from the Marketing segment compared to a non-cash loss of $9 million in the same period in 2016; and
- lower realized margin from the Marketing segment as described in more detail below.

Realized margin (excluding the effect of unrealized gains and losses from risk management contracts in the Marketing business) was $154 million, $17 million lower than the third quarter of 2016. Realized margin was lower in the third quarter of 2017 primarily due to $23 million in lower Marketing results that resulted from the following factors:

- approximately $23 million in realized cash losses related to the timing of the settlement of risk management contracts that were put in place to protect the value of propane inventory and to a lesser extent butane inventory existing at September 30, 2017. Assuming the inventory is sold according to plan over the next two quarters, significantly higher operating margin from the physical sales is expected to be realized over that time; and
- lower propane margins due to the combination of seasonally low summer propane sales prices and higher average supply costs for the 2017 contract year which started April 1st. Refer to the section of this MD&A titled, “Results of Operations: Marketing” for more information related to Keyera’s hedging and propane marketing strategy in 2017.

The lower Marketing results were partly offset by $9 million in higher contribution from the Liquids Infrastructure segment that posted another record quarter of financial results. These record financial results stemmed from continued demand for Keyera’s diluent handling services, including storage and transportation services, and incremental take-or-pay revenue associated with the newly operational Norlite pipeline. The volume of condensate delivered through Keyera’s condensate system to the oil sands grew by 23% in the third quarter of 2017 compared to the same period last year. Also contributing to the strong results from the Liquids Infrastructure segment was a 27% increase in utilization at Keyera’s fractionation facility in Fort Saskatchewan compared to the third quarter of 2016, albeit at lower average fees.

The Gathering and Processing segment delivered strong financial results in the third quarter. Overall gross average throughput was 8% higher in the quarter compared to the third quarter of 2016 with the majority of the increase attributable to the Simonette gas plant. Simonette achieved record average throughput in the quarter despite completing its scheduled maintenance turnaround in August.

For the first nine months of 2017, operating margin was $492 million, slightly higher than the same period in 2016 largely due to the inclusion of an $8 million unrealized gain from risk management contracts in the Marketing segment compared to an unrealized loss of $24 million in the same period last year. However, realized margin (excluding the effect of unrealized gains and losses from the Marketing segment) was $485 million, $30 million lower than the same period in 2016. The lower realized margin was primarily due to the same factors as described for the third quarter results as well as lower iso-octane margins. Iso-octane margins were lower in 2017 due to the nine-week unplanned outage at AEF combined with higher butane feedstock costs relative to the second and third quarters of 2016.

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 and nine months ended September 30, 2017 was $81 million and $301 million, $56 million and $72 million lower than the same periods in 2016. Distributable cash flow for the three and nine months ended September 30, 2017 was $108 million and $337 million, $7 million higher in the third quarter and $19 million lower on a year-to-date basis compared to the same periods in 2016. The lower cash flow metrics in the first nine months of 2017 were largely due to the lower contribution from the Marketing segment that was partly offset by the strong financial results posted by the Liquids Infrastructure segment. Refer to the section of this MD&A titled, “Results of Operation: Marketing and Liquids Infrastructure” for more detail.

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 and nine months ended September 30, 2017 and 2016 are reported in note 14, Segment Information, of the accompanying financial statements.

Gathering and Processing

Keyera currently has interests in 17 active gas plants in western Canada and is operator of 15 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	**Three months ended September 30,**		**Nine months ended September 30,**	
(Thousands of Canadian dollars)	**2017**	2016[1]	**2017**	2016[1]
Revenue including inter-segment transactions	**116,635**	117,542	**346,051**	335,447
Operating expenses	**(47,240)**	(45,839)	**(143,511)**	(125,089)
Unrealized loss on electricity financial contracts	**(14)**	(14)	**—**	(14)
Total operating expenses	**(47,254)**	(45,853)	**(143,511)**	(125,103)
Operating margin	**69,381**	71,689	**202,540**	210,344
Gross processing throughput – (MMcf/d)	**1,477**	1,367	**1,444**	1,454
Net processing throughput[2] – (MMcf/d)	**1,147**	1,073	**1,130**	1,125

Notes:
1 Certain information provided for prior years has been reclassified to conform to the presentation adopted in 2017.
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 steady financial results for the three and nine months ended September 30, 2017 as processing throughput steadily increased in some areas. Producers continued to drill in areas that are rich in natural gas liquids despite the low natural gas prices experienced in the third quarter.

Operating margin for the third quarter of 2017 was $69 million, $2 million lower than the same period in 2016, primarily due to:

- lower operating margin from the Rimbey gas plant largely due to reduced ethane sales volumes. The Gathering and Processing segment purchases ethane that is extracted from the turbo expander from producers at the Rimbey facility and sells the product to a petro-chemical company under a long-term commercial arrangement. This petro-chemical company experienced operational problems at its facility during the third quarter and sales volumes were curtailed.

These factors were partly offset by incremental cash flows from:

- the acquisition of an additional 35% ownership interest in the Alder Flats gas plant and gathering pipeline in August 2016; and

- record processing throughput and operating margin at the Simonette gas plant despite a 17 day turnaround at the plant in the third quarter of 2017.

Operating margin for the nine months ended September 30, 2017 was $203 million, $8 million lower than the same period in 2016 largely due to the same factors described above. In addition, reduced throughput volumes at the Strachan and Nevis facilities in the first half of the year has also contributed to the lower operating margin year to date.

Gathering and Processing revenues for the three months ended September 30, 2017 were $117 million, slightly lower than the same period in 2016 due to the same factors that affected operating margin. For the nine months ended September 30, 2017, Gathering and Processing revenues were $346 million, $11 million higher than the same period in 2016. The higher revenues in 2017 were largely the result of: i) incremental revenues from the acquisition of the 35% incremental ownership interest in the Alder Flats gas plant and gathering pipeline; and ii) equalization adjustments recorded in the second quarter of 2017 that had minimal impact on operating margin due to the cost recovery flow-through model followed by most of Keyera's gas processing facilities. Equalization adjustments are required from time to time to ensure revenue collected reflects the actual operating costs for the facility.

Gathering and Processing Activity

Total gross processing throughput continued to steadily increase in the third quarter, averaging 1,477 million cubic feet per day, 8% higher than the same period in 2016 and 2% higher than the second quarter of 2017. A large portion of the increase was attributable to the Simonette gas plant that achieved record average throughput volumes in the third quarter despite the facility being off-line for a 17 day maintenance turnaround during the month of August. Compared to the prior quarter, throughput at Simonette increased by 9% as new well tie-ins brought in incremental volumes utilizing Keyera's Wapiti gathering system and liquids handling infrastructure that was put into service in 2015. The continued growth in volumes at Simonette is a result of strong producer activity in the Montney and Duvernay geological zones that are rich in natural gas liquids and provide producers with higher net-backs despite weak natural gas prices.

To support the growth in drilling activity in the Montney geological zone, Keyera sanctioned the first phase of the Wapiti gas plant project in the second quarter of 2017. Phase one of the project includes 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. The primary customer for phase one is Paramount Resources Ltd. Keyera is actively working with other producers in the area to commit additional volumes and permit sanctioning of the second phase of the project. Phase two

would add an additional 150 million cubic feet per day of sour gas processing capacity and would extend the gathering system.

Keyera remains committed to working with its customers to deliver cost-effective and value-added services that enhance customer economics while, at the same time, maximizing throughput and efficiencies at its gathering and processing facilities. With this in mind, Keyera has decided to shut down certain sour gas processing equipment at its Strachan gas plant as the volume of sour gas throughput has significantly declined. Shutting down this equipment is expected to increase efficiencies and reduce operating costs at the facility. Keyera will be working with its customers at the plant to provide alternatives for any sour gas that the plant will no longer be able to handle. The modifications are expected to be completed in conjunction with the maintenance turnaround at the Strachan gas plant scheduled for mid-2018.

The scheduled maintenance turnaround at the Simonette gas plant was completed on time and on budget at a cost of $11 million during the third quarter of 2017. The majority of these costs are recovered through the processing fees over a four year period. For 2018, maintenance turnarounds are scheduled to occur at the Strachan, Nevis and Brazeau North gas plants at a combined cost of approximately $26 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:

Capital Projects – Gathering and Processing		
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 will provide Keyera's customers with the flexibility to transport greater volumes of NGL mix and condensate by pipeline compared to the higher cost alternative of transportation by truck.	The liquids handling expansion is expected to be complete by mid-2018. The connection to the Peace pipeline system's custody transfer point was completed at the end of the third quarter 2017. *Estimated total cost to complete:* • Approximately $100 million including associated processing equipment, pumps and pipeline connections. *Total net costs to September 30, 2017:* • $17 million and $42 million for the three and nine months ended September 30, 2017 • $44 million since inception
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.	At the end of the third quarter, site clearing and grading activities were completed and foundation work has now commenced. Fabrication of major equipment remains ongoing. *Estimated total cost to complete:* • Cost of phase one of the project is approximately $470 million. *Total net costs to September 30, 2017:* • $30 million and $74 million for the three and nine months ended September 30, 2017 • $109 million since inception (including $19 million in 2016 to acquire the project and acid gas injection well)

Facility/Area	Project Description	Project Status Update
Alder Flats	***Alder Flats Phase Two Expansion Project:*** The expansion project will increase the licensed capacity of the facility by 120 million cubic feet per day. Bellatrix is an owner and the operator of the facility and they are responsible for the construction of the project.	All major equipment is now onsite. Electrical construction is underway while mechanical construction continues to progress. Phase two is targeted to come on stream in the second quarter of 2018. With the acquisition of the additional 35% ownership interest in the Alder Flats gas plant last August, Keyera prepaid a portion of its share of future construction costs for phase two of the gas plant ($27 million). Accordingly, a portion of these costs are moved from Other Assets to Property, Plant & Equipment ("PP&E") as construction is completed. Keyera continues to pay construction costs associated with its original 35% ownership interest in the facility. Keyera's ownership interest in the Alder Flats facility is 70%. *Estimated total cost to complete:* • Bellatrix estimates the gross cost to be $112 million. Keyera's net share is approximately $80 million. *Total net costs to September 30, 2017:* • $6 million and $11 million for the three and nine months ended September 30, 2017 • $66 million since inception (including the $27 million prepaid amount)

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 Information", 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	**Three months ended September 30,**		**Nine months ended September 30,**	
(Thousands of Canadian dollars)	**2017**	2016	**2017**	2016
Revenue including inter-segment transactions	**103,872**	90,178	**304,297**	274,681
Operating expenses	**(32,258)**	(27,441)	**(102,091)**	(91,480)
Unrealized gain on electricity financial contracts	**104**	44	**1,160**	122
Total operating expenses	**(32,154)**	(27,397)	**(100,931)**	(91,358)
Operating margin	**71,718**	62,781	**203,366**	183,323

Operating Margin and Revenues

For the third quarter of 2017, the Liquids Infrastructure segment posted record financial results once again. For the three and nine months ended September 30, 2017, operating margin was $72 million and $203 million, an increase of $9 million and $20 million over the same periods in 2016. The higher financial results in 2017 were primarily due to the following:

- $11 million and $18 million in higher operating margin associated with: i) overall growth in demand for service through Keyera's condensate network, including transportation and storage revenue from long-term, fee-for-service arrangements with oil sands producers; and ii) incremental revenue associated with

the start-up of the Norlite Pipeline, including fees charged on Keyera's proprietary condensate system that serves as the pipeline connection for the Norlite shippers between Edmonton and Fort Saskatchewan; and

- $2 million and $7 million in higher operating margin associated with incremental fractionation volumes. The fractionation expansion at Keyera's Fort Saskatchewan facility came on stream in May 2016.

For the three and nine months ended September 30, 2017, these positive variances were partly offset by $2 million and $6 million in lower operating margin associated with a fee reduction effective November 2016 for crude oil loading services at the Alberta Crude Terminal (50/50 joint venture with Kinder Morgan) as per the original agreement.

Liquids Infrastructure revenues for the three and nine months ended September 30, 2017 were $14 million and $30 million higher than the same periods in 2016 due to the same factors that contributed to higher operating margin, as well as higher flow-through operating revenue charged to the Marketing segment to recover the unscheduled repair costs at AEF earlier this year. As these repair costs were recovered from the Marketing segment on a flow-through basis, there was minimal impact on operating margin for the Liquids Infrastructure segment.

Liquids Infrastructure Activity

In October, Keyera announced that it had entered into a 20-year midstream agreement with Chevron Canada Limited ("Chevron") to fractionate and handle NGLs from Chevron's Kaybob Duvernay operations near Fox Creek, Alberta. The agreement with Chevron includes an area of dedication that is in excess of 230,000 gross operated acres and also includes take-or-pay commitments. Under the terms of the agreement, Chevron will deliver approximately 50% of its NGLs from the area of dedication to Keyera for fractionation, storage and terminalling services on a fee-for-service basis. Keyera expects to provide these services through its fractionation, storage and terminalling assets at its Fort Saskatchewan energy complex. Depending on the success and scale of Chevron's Duvernay program, Keyera may need to expand its facilities in the future.

Utilization at Keyera's fractionation facility in Fort Saskatchewan has steadily increased throughout 2017 and averaged approximately 97% in the third quarter of 2017, increasing by 27% compared to the same period in 2016 and 21% compared to the first quarter of this year. Consequently, overall fractionation revenue for the first nine months of 2017 was higher relative to the prior year due to an increase in contracted volumes, albeit at lower fractionation fees. Fractionation fees, on average, are lower in 2017 due to the competitive market for these services given the excess fractionation capacity existing in Alberta.

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 owns the most connected condensate hub in Western Canada, with multiple receipt points including the Cochin pipeline and Enbridge's Southern Lights pipeline and CRW pool. 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 CNRL. Under these agreements, Keyera provides a variety of services including diluent transportation, storage and rail offload services in the Edmonton/Fort Saskatchewan area. With condensate demand forecast to grow in Alberta over the next few years, Keyera continues to invest in its diluent handling network to provide its oil sands customers with comprehensive and reliable service solutions.

During the second quarter of 2017, construction and commissioning of the Norlite Pipeline was completed, allowing the pipeline to become operational at the end of June. The Norlite Pipeline is operated by Enbridge and Keyera has a 30% non-operating ownership interest. Keyera's Fort Saskatchewan condensate system expansion, a 24-inch pipeline and manifold that connects the Norlite Pipeline to its existing condensate transportation infrastructure in Fort Saskatchewan, was also put into service in the second quarter. Keyera's condensate network provides the Norlite shippers with the transportation required between Edmonton and Fort Saskatchewan, providing these customers with access to multiple sources of diluent supply.

The Norlite Pipeline's anchor tenants are the owners of the Fort Hills oil sands project. Long-term, take-or-pay arrangements are in place with these shippers for the Norlite Pipeline as well as Keyera's proprietary condensate transportation network in Fort Saskatchewan. A portion of the take-or-pay fees associated with the Norlite Pipeline and Keyera's condensate system commenced May 1st, and the remainder of fees were effective August 1st. The Norlite shippers have elected a fee structure under which the tariffs are highest in the first year and decline annually thereafter. Negotiations with other potential shippers are ongoing for capacity available on the pipeline.

Construction and commissioning of the four condensate storage tanks at Keyera's Edmonton Terminal, each with operating capacity of approximately 60,000 barrels, were completed in the third quarter. These storage tanks enhance Keyera's operational ability to deliver diluent to the oil sands in a reliable and cost effective manner. In addition, a pipeline segment that Keyera acquired in 2016, referred to as the North Condensate Connector, has been converted into condensate service in order to receive diluent from the North West Sturgeon Refinery under a long-term diluent handling agreement. Service on the North Condensate Connector pipeline will coincide with the startup of the refinery. Refer to the table below, "Capital Projects Status Update – Liquids Infrastructure", for more information related to these projects and other oil sands related projects.

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. AEF was off-line for approximately nine weeks beginning in mid-February to repair one of the process reactors. Since completing the necessary repair work, the facility has been performing well and iso-octane production averaged slightly above its name plate capacity in the third quarter of 2017. Comparatively, AEF operated at an average of 57% and 82% of its capacity during the first and second quarters of 2017 due to the outage. The total cost of the repair work was approximately $8 million and these costs were flowed through to the Marketing segment in the first half of the year as operating expenses and therefore did not have a significant impact on the financial results of the Liquids Infrastructure segment.

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:

Capital Projects Status Update – Liquids Infrastructure		
Facility/Area	**Project Description**	**Project Status Update**
Keyera Fort Saskatchewan	***Underground Storage Development:*** Development of four additional underground storage caverns, including ancillary infrastructure such as pumps, wells, piping and brine pond capacity.	***Completed Assets:*** The 14th cavern became operational in April 2017. ***Construction-In-Progress Assets:*** Washing of the 15th, 16th, and 17th caverns continued in the third quarter of 2017. The 15th cavern is expected to be in service in the first half of 2018. *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 September 30, 2017:* • $7 million and $11 million for the three and nine months ended September 30, 2017 • $49 million since inception
Edmonton	***Condensate Tanks:*** Construction of four condensate storage tanks, each with operating capacity of approximately 60,000 barrels.	Construction was completed and the tanks became operational in August. *Cost to complete:* • Total costs to complete the project are expected to be $56 million, approximately $34 million lower than originally forecasted. *Total net costs to September 30, 2017:* • $5 million and $27 million for the three and nine months ended September 30, 2017 • $54 million since inception

<table>
<tr><th>Facility/Area</th><th>Project Description</th><th>Project Status Update</th></tr>
<tr><td>Edmonton/Fort Saskatchewan</td><td>North Condensate Connector: Repurposing of the northern segment of a 49-kilometre, 8-inch pipeline acquired in 2016 for approximately $18 million to be used to receive diluent from the North West Sturgeon Refinery under a long-term diluent handling agreement.</td><td>Construction of connections, completion of conversion work and line-fill are now complete.

The in-service date of the North Condensate Connector will coincide with the startup of the North West Sturgeon Refinery.

Estimated total cost to complete:
• Approximately $19 million for connections and other conversion work required for the pipeline to be put in service.

Total net costs to September 30, 2017 for connections and conversion work:

• $nil and $1 million for the three and nine months ended September 30, 2017

• $18 million since inception</td></tr>
<tr><td>Edmonton/Fort Saskatchewan</td><td>South NGL Connector: The southern segment of a 49-kilometre, 8-inch pipeline between Edmonton and Fort Saskatchewan leased in December 2016 to provide Keyera with increased flexibility and capacity (up to 60,000 barrels per day) for NGL transportation services in the area.</td><td>The conversion work is expected to be complete in the fourth quarter of 2017, and the pipeline will be put into service once all approvals have been received.

Estimated total cost to complete:
• Approximately $28 million

Total net costs to September 30, 2017 for connections and conversion work:

• $1 million and $6 million for the three and nine months ended September 30, 2017

• $25 million since inception</td></tr>
</table>

Facility/Area	Project Description	Project Status Update
Norlite Pipeline (30/70 joint venture with Enbridge Pipelines (Athabasca) Inc. ("Enbridge"))	***Norlite Pipeline:*** Keyera is a 30% non-operating owner in the Norlite Pipeline, a 24-inch pipeline, which delivers diluent from the Fort Saskatchewan area to certain oil sands projects. Enbridge constructed the pipeline and is the operator. The capacity of the pipeline is approximately 218,000 barrels per day of diluent with the potential to be further expanded to 465,000 barrels per day with the addition of pump stations. Keyera's diluent transportation system in the Fort Saskatchewan area delivers product into the Norlite Pipeline, providing the Norlite shippers with access to multiple sources of diluent supply.	Construction of the pipeline and the required line-fill activities were completed in the second quarter, allowing the pipeline to become operational near the end of June. Costs will continue to be incurred until late 2018 for environmental monitoring, cleanup and project close out activities. *Estimated total cost to complete:* • Updated gross cost as estimated by Enbridge is approximately $1.2 billion (Keyera's net share is approximately $360 million). *Total net costs to September 30, 2017:* • $4 million and $80 million for the three and nine months ended September 30, 2017 • $311 million since inception
Edmonton	***Fort Saskatchewan Condensate System Expansion:*** Construction of a 24-inch pipeline and manifold that connects the Norlite Pipeline to Keyera's existing condensate transportation infrastructure. The pipeline and manifold will also connect the South Grand Rapids Pipeline when it becomes operational.	The pipeline and manifold were put into service at the end of June, coinciding with the startup of the Norlite Pipeline. *Cost to complete:* • Completed at a total cost of $29 million, approximately $16 million lower than the original estimate. *Total net costs to September 30, 2017:* • $nil and $3 million for the three and nine months ended September 30, 2017 • $29 million since inception

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 is constructing 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 upon its commissioning of moving diluent on the South Grand Rapids pipeline.	Construction of the pump station was completed in the third quarter of 2017. Based on the new schedule provided by GRPLP, the pipeline is now expected to be in service mid-2018. *Estimated total cost to complete:* • Keyera's 50% share is $120 million for acquisition of the pipeline and $20 million for construction of the pump station for a total combined cost of approximately $140 million. The costs below represent 100% of the cost of construction incurred to date for the pumps. *Total costs to September 30, 2017:* • $5 million and $25 million for the three and nine months ended September 30, 2017 • $38 million since inception
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 will be the operator once the terminal is in service.	Construction of the tanks and associated infrastructure continued to progress in the third quarter. The project is expected to be commissioned in phases, with the first tanks scheduled to be commissioned in early 2018, and the remaining tanks scheduled for commissioning throughout the remainder of 2018, based on the most recent construction schedule. *Estimated total cost to complete:* • Keyera's net share of costs is approximately $330 million. *Total net costs to September 30, 2017:* • $37 million and $121 million for the three and nine months ended September 30, 2017 • $211 million since inception

Facility/Area	Project Description	Project Status Update
West Central Alberta	***Keylink Pipeline:*** The project consists of over 240 kilometres of newly constructed and repurposed existing pipelines that will transport NGL mix to the Rimbey gas plant for fractionation into specification products. Keylink will connect several Keyera gas plants, including Brazeau River, West Pembina and Minnehik Buck Lake.	Regulatory approvals were received early in the fourth quarter and construction has commenced. The pipeline system is expected to be operational by spring 2018. *Estimated total cost to complete:* • Cost is expected to be approximately $147 million. *Total net costs to September 30, 2017:* • $18 million and $25 million for the three and nine months ended September 30, 2017 • $29 million since inception
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 is anticipated to be in service in the first half of 2018. *Estimated total cost to complete:* • Cost is expected to range between US$20 million and US$25 million. *Total net costs to September 30, 2017:* • $1 million and $4 million for the three and nine months ended September 30, 2017 • $8 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 Information", 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 months resulting in higher sales prices. 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 crude oil midstream activities, where it operates facilities at various locations in Alberta that allow it to transport, process and blend crude oil. A portion of these activities are undertaken as joint ventures, where Keyera obtains access to various crude oil streams. Crude oil midstream margins are earned by blending products of lower value into higher value product streams. As a result, these transactions are exposed to volatility 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 September 30,** **2017**	2016	**Nine months ended September 30,** **2017**	2016
Revenue	**612,526**	472,442	**1,939,220**	1,388,906
Operating expenses including inter-segment transactions	**(627,656)**	(448,617)	**(1,864,882)**	(1,296,378)
Operating (loss) margin	**(15,130)**	23,825	**74,338**	92,528
Unrealized loss/(gain) on risk management contracts	**25,444**	9,456	**(7,925)**	23,887
Realized margin	**10,314**	33,281	**66,413**	116,415
Sales volumes (Bbl/d)	**138,500**	117,000	**135,700**	127,500

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 September 30,** **2017**	2016	**Nine months ended September 30,** **2017**	2016
Physical sales	**665,819**	473,909	**1,956,741**	1,392,196
Realized cash (loss) gain on financial contracts[1]	**(27,849)**	7,989	**(25,446)**	20,597
Unrealized (loss) gain due to reversal of financial contracts existing at end of prior period	**(5,453)**	6,969	**27,902**	(6,178)
Unrealized loss due to fair value of financial contracts existing at end of current period	**(20,102)**	(16,298)	**(20,102)**	(16,298)
Unrealized gain (loss) from change in fair value of fixed price physical contract[2]	**111**	(127)	**125**	(1,411)
Total unrealized (loss) gain on risk management contracts	**(25,444)**	(9,456)	**7,925**	(23,887)
Total loss on risk management contracts	**(53,293)**	(1,467)	**(17,521)**	(3,290)
Total Marketing revenue	**612,526**	472,442	**1,939,220**	1,388,906

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 September 30, 2017, the Marketing segment recorded an operating loss of $15 million, $39 million lower than the same period in 2016 due to the inclusion of a $25 million unrealized non-cash loss from risk management contracts in 2017 compared to a non-cash loss of $9 million in the same period in 2016 as well as the factors that affected realized margin discussed below.

Realized margin (excluding the effect of non-cash gains and losses from risk management contracts) was $10 million, $23 million lower than the third quarter of 2016. The lower realized margin in the third quarter of 2017 was due to the following significant factors:

- approximately $23 million in realized cash losses related to the timing of the settlement of risk management contracts that were put in place to protect the value of propane inventory and to a lesser extent butane inventory at September 30, 2017. As these products are sold over the next two quarters, significantly higher operating margin is expected to be realized based on typical seasonally higher prices and demand over the winter. Refer to the “Risk Management” section below for more information related to Keyera’s hedging strategy; and

- lower propane margins due to the combination of seasonally low summer propane prices and higher average supply costs for contracted propane volumes starting April 1st. Refer to the “Market Overview” section below for more information related to Keyera’s propane strategy.

All other products including iso-octane and Keyera’s crude oil midstream business contributed similar margins in the third quarter of 2017 compared to the same period last year. The 2016 third quarter financial results included the effect of lower iso-octane sales volumes stemming from the scheduled turnaround at AEF that began in early September 2016.

For the nine months ended September 30, 2017, operating margin was $74 million, $18 million lower than the same period in 2016 due to the same factors that affected realized margin in the period, as discussed below, partly offset by the inclusion of an unrealized non-cash gain from risk management contracts of $8 million in 2017 compared to a non-cash loss of $24 million in 2016.

Realized margin for the nine months ended September 30, 2017 was $66 million, $50 million lower than the same period last year due to the same factors described above as well as lower iso-octane margins in 2017 caused by:

- reduced sales volumes and the inclusion of an $8 million expense associated with the nine-week unscheduled outage at AEF that extended into the third week in April. The cost of the repair work was flowed through from the Liquids Infrastructure segment; and

- higher butane costs relative to the second and third quarters of 2016.

Keyera expects a strong fourth quarter from the Marketing segment mainly due to seasonally higher demand and pricing for propane as described in more detail in the Market Overview section below. Overall, Keyera still expects a lower realized margin from the Marketing segment in 2017 compared to 2016.

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 and nine months ended September 30, 2017, revenue from physical sales was $192 million and $565 million higher than the same periods in 2016 due to higher average sales prices and higher sales volumes of propane and butane.

Market Overview

Overall iso-octane margins in the third quarter of 2017 were comparable to the same period last year. Iso-octane production at AEF averaged slightly above the facility’s name plate capacity in the third quarter of 2017, resulting in strong sales volumes. Comparatively, AEF operated on average at approximately 75% in the same period last year as the scheduled turnaround commenced in September 2016. The effect of higher sales volumes in the third quarter of 2017 was primarily offset by lower hedged prices and higher average butane feedstock costs relative to 2016. The short-term spike in gasoline prices in September resulting from refinery and transportation outages associated with Hurricane Harvey did not have a significant impact on Keyera’s iso-octane margins as the majority of sales in the quarter were already hedged.

Margins from the sale of butane have become a smaller portion of Keyera's overall Marketing strategy as most of the butane purchased is utilized for its internal requirements, including the feedstock necessary for the production of iso-octane. Because butane is the feedstock for AEF, butane costs directly affect iso-octane margins. As butane prices usually decline in the spring and summer months, Keyera utilizes its storage capabilities to build inventory to supply the needs of AEF during the winter months when butane prices are usually higher.

As expected, propane margins were lower in the second and third quarters of 2017 relative to the same periods last year. Effective with the contract year beginning April 1, 2017, most of Keyera's contracted propane supply cost is based on market index prices, in response to more competitive dynamics. This has allowed Keyera to attract incremental volumes through its fractionation and storage facilities in the Liquids Infrastructure segment, but it has 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 in these periods. On an annual basis, propane margins are expected to remain a small contributor to Keyera's overall Marketing operating margin, but there is greater seasonal variation between the summer and winter months compared to previous years.

Keyera continued to build its propane inventory throughout the third quarter and will utilize its Josephburg Rail Terminal to export significantly higher volumes of propane by rail to meet winter heating demand in markets across North America over the next two quarters. Propane prices strengthened in September and October as North American propane inventory levels remain below the five-year average largely due to increased exports in the U.S. Gulf Coast. Keyera takes a disciplined approach to protecting the value of its inventory and as of September 30, 2017, the majority of propane inventory was hedged through the use of propane financial forward contracts.

As oil sands projects have come on stream over the past two 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. As a result, demand for rail imports has been limited. Keyera imports condensate into Alberta when demand fundamentals support positive operating margins. Contribution from the sale of condensate in the first nine months of 2017 was similar to that earned in the same period of 2016.

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 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 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. The second strategy can result in 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 September 30, 2017, the total unrealized loss on risk management contracts was $25 million. Further details are provided in the "Composition of Marketing Revenue" table above.

The fair value of outstanding risk management contracts as at September 30, 2017 resulted in an unrealized (non-cash) loss of $20 million that includes the following significant items:

- a $16 million non-cash loss relating to butane, condensate and iso-octane risk management contracts;
- a $5 million non-cash loss relating to propane risk management contracts; and
- a $1 million non-cash gain 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 September 30, 2017, and the sensitivity to earnings resulting from changes in commodity prices, can be found in note 10, Financial Instruments and Risk Management, of the accompanying financial statements.

CORPORATE AND OTHER

Non-Operating Expenses and Other Income	**Three months ended September 30,**		**Nine months ended September 30,**	
(Thousands of Canadian dollars)	**2017**	2016	**2017**	2016
Other income (operating margin)	**2,265**	2,663	**12,208**	4,539
General and administrative (net of overhead recoveries on operated facilities)	**(14,737)**	(12,791)	**(48,605)**	(48,079)
Finance costs	**(20,087)**	(16,719)	**(54,760)**	(52,914)
Depreciation, depletion and amortization expenses	**(42,495)**	(45,204)	**(122,061)**	(134,569)
Net foreign currency gain (loss) on U.S. debt	**6,200**	(6,111)	**15,228**	9,760
Long-term incentive plan expense	**(1,020)**	(8,410)	**(13,938)**	(17,113)
Impairment expense	**—**	—	**(17,890)**	—
Gain (loss) on disposal of property, plant and equipment	**—**	86	**22,166**	(890)
Income tax expense	**(17,631)**	(19,389)	**(70,724)**	(64,699)

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 September 30, 2017 was $2 million, virtually unchanged compared to the same period in 2016. On a year-to-date basis, other income was $12 million, $8 million higher than the

same period last year due to higher commodity prices in the first half of 2017. Production for the three and nine months ended September 30, 2017 averaged 3,717 and 4,240 barrels of oil equivalent per day compared to 4,026 and 4,557 barrels of oil equivalent per day for the same periods in 2016.

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

General and Administrative Expenses
General and administrative ("G&A") expenses for the three and nine months ended September 30, 2017 were $15 million and $49 million, $2 million and $1 million higher than the same periods in 2016 primarily due to higher salary and employee related costs.

Finance Costs (including accretion)
Finance costs for the three and nine months ended September 30, 2017 were $20 million and $55 million, $3 million and $2 million higher than the same periods in 2016 primarily due to higher interest expense associated with long-term debt issued in the fourth quarter of 2016 and the third quarter of 2017. The effect of higher interest charges in 2017 was partly offset by an increase in interest capitalized on qualifying projects. Interest capitalized was $5 million and $18 million for the three and nine months ended September 30, 2017, $1 million and $7 million higher than the same periods in 2016.

Depreciation, Depletion and Amortization Expenses
Depreciation, depletion and amortization ("DD&A") expenses for the three and nine months ended September 30, 2017 were $42 million and $122 million, $3 million and $13 million lower than the same periods in 2016 despite adding the Norlite Pipeline in June 2017 and the fractionation expansion in May 2016. In the fourth quarter of 2016, Keyera conducted a review of the useful life of its assets. Based on this review, the useful life of several facilities was extended, including the Simonette and Rimbey gas plants as well as assets within Keyera's Liquids Infrastructure segment. This change in estimate was effective October 1, 2016 and was accounted for on a prospective basis.

Net Foreign Currency Gain (Loss) on U.S. Debt
The net foreign currency gain (loss) associated with the U.S. debt was as follows:

Net Foreign Currency Gain (Loss) on U.S. Debt	**Three months ended September 30,**		**Nine months ended September 30,**	
(Thousands of Canadian dollars)	**2017**	2016	**2017**	2016
Translation of long-term debt and interest payable	**20,912**	(4,705)	**40,423**	38,887
Change in fair value of cross-currency swaps – principal and interest portion	**(14,664)**	(1,561)	**(26,826)**	(31,360)
(Loss) gain on cross-currency swaps – principal and interest portion[1]	**(48)**	155	**1,631**	2,233
Net foreign currency gain (loss) on U.S. debt	**6,200**	(6,111)	**15,228**	9,760

Note:
[1] Foreign currency gains (losses) resulted from the exchange of currencies related to the settlement of interest and principal 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 10, Financial Instruments and Risk Management, of the accompanying financial statements.

A net foreign currency gain of $6 million and $15 million was recorded for the three and nine months ended September 30, 2017 that largely related to the translation of U.S. dollar denominated debt into Canadian dollars. This translation resulted in a $21 million and $40 million non-cash gain for the respective periods as the Canadian dollar strengthened relative to the U.S. dollar as at September 30, 2017 compared to June 30, 2017 and December 31, 2016.

Long-Term Incentive Plan Expense

The Long-Term Incentive Plan ("LTIP") expense was $1 million and $14 million for the three and nine months ended September 30, 2017, $7 million and $3 million lower than the same periods in 2016. The lower LTIP expense in 2017 was primarily due to lower payout multipliers associated with all outstanding LTIP grants and a lower share price. The closing share price as at September 30, 2017 was $38.14 per share compared to a closing share price of $42.42 per share as at September 30, 2016.

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 second quarter of 2017, an impairment expense of $18 million was recorded to reduce the carrying value of the Caribou gas plant that ceased operation effective December 2015. There were no impairment charges recorded in the first nine months of 2016.

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

Gain on Disposal of Property, Plant, and Equipment

In the second quarter of 2017, Keyera sold the Paddle River gas plant and Judy Creek pipeline for proceeds of approximately $6 million. The sale of these non-core assets resulted in a gain of $22 million in the second quarter of 2017. The Paddle River gas plant was shut down in early 2015.

Taxes

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

Current Income Taxes

Current income tax expense for the three and nine months ended September 30, 2017 was $1 million and $5 million, compared to an expense of $4 million and $14 million in the same periods of 2016. For 2017, current income tax expense is expected to range between $5 million and $10 million which is largely based on 2016 taxable income from the Partnership that is allocated to Keyera Corp. in 2017. This income deferral is available to Keyera as its corporate structure includes a deferral partnership.

For 2018, current income tax expense is expected to range between $45 million and $55 million which is primarily based on the estimate of 2017 taxable income from the Partnership. Keyera estimates its total tax pools at September 30, 2017 were approximately $2.2 billion.

Deferred Income Taxes

For the three and nine months ended September 30, 2017, deferred income tax expense was $17 million and $66 million, $1 million and $15 million higher than the same periods of 2016. The increase in deferred income tax expense on a year-to-date basis is primarily due to higher earnings before income taxes in 2017 relative to the prior year.

CRITICAL ACCOUNTING ESTIMATES

In preparing Keyera's accompanying financial statements in accordance with GAAP, management has made appropriate decisions with respect to the formulation of estimates and assumptions that affect the

recorded amounts of certain assets, liabilities, revenues and expenses. Keyera has hired qualified individuals who have the skills required to make such estimates. These estimates and assumptions are reviewed and compared to actual results as well as to budgets in order to make more informed decisions on future estimates. The methodologies and assumptions used in developing these estimates have not significantly changed since December 31, 2016. A description of the accounting estimates and the methodologies and assumptions underlying the estimates are described in the 2016 year end MD&A available at www.sedar.com. The most significant estimates include the following:

Operating Revenues

Gathering and Processing and Liquids Infrastructure:

For each month, actual volumes processed and fees earned from the Gathering and Processing and Liquids Infrastructure assets are not known at the end of the month. Accordingly, the financial statements contain an estimate of one month's revenue based upon a review of historical trends. This estimate is adjusted for events that are known to have a significant effect on the month's operations such as non-routine maintenance projects.

At September 30, 2017, operating revenues and accounts receivable for the Gathering and Processing and Liquids Infrastructure segments contained an estimate of approximately $64 million primarily for September 2017 operations.

Marketing:

The majority of the Marketing sales revenue is recorded based upon actual volumes and prices; however, in many cases actual product lifting volumes have not yet been confirmed and sales prices that are dependent on other variables are not yet known. Accordingly, the financial statements contain an estimate for these sales. Estimates are prepared based upon contract quantities and known events. The estimates are reviewed and compared to expected results to verify their accuracy.

At September 30, 2017, the Marketing sales and accounts receivable contained an estimate for September 2017 revenues of approximately $112 million.

Operating Expenses and Product Purchases

Gathering and Processing and Liquids Infrastructure:

The period in which invoices are rendered for the supply of goods and services necessary for the operation of the Gathering and Processing and Liquids Infrastructure assets is generally later than the period in which the goods or services were provided. Accordingly, the financial statements contain an estimate of one month's operating costs based upon a review of historical trends. This estimate is adjusted for events that are known to have a significant effect on the month's operations such as non-routine maintenance projects.

At September 30, 2017, operating expenses and accounts payable contained an estimate of approximately $18 million primarily for September 2017 operations.

Marketing:

NGL mix feedstock and specification products such as propane, butane and condensate are purchased from facilities located throughout western Canada and in some locations in the U.S. The majority of NGL mix purchases are estimated each month as actual volume information is generally not available until the next month. Specification product volumes and prices are based upon contract volumes and prices. Accordingly, the financial statements contain an estimate for one month of these purchases.

Marketing cost of goods sold, inventory and accounts payable contained an estimate of NGL product purchases of approximately $144 million at September 30, 2017.

Equalization Adjustments

Much of the revenue from the Gathering and Processing assets includes a recovery of operating costs. Under this method, the operating component of the fee is a pro rata share of the operating costs for the facility, calculated based upon total throughput. Users of each facility are charged a fee per unit based upon estimated

costs and throughput, with an adjustment to actual throughput completed after the end of the year. Each quarter, throughput volumes and operating costs are reviewed to determine whether the estimated unit fee charged during the quarter properly reflects the actual volumes and costs, and the allocation of revenues and operating costs to other plant owners is also reviewed. Appropriate adjustments to revenue and operating expenses are recognized in the quarter and allocations to other owners are recorded.

For the Gathering and Processing segment, an equalization adjustment of $7 million was included in revenue and accounts receivable at September 30, 2017. Operating expenses and accounts payable contained an equalization adjustment of $12 million.

Allowance for Doubtful Accounts
The allowance for doubtful accounts is reviewed on a monthly basis. An assessment is made whether an account is deemed impaired based on the number of days outstanding and the likelihood of collection from the counter-party. The allowance for doubtful accounts was $4 million as at September 30, 2017, unchanged from December 31, 2016.

Derivative Financial Instruments
Keyera utilizes derivative financial instruments to manage its exposure to market risks relating to commodity prices and foreign currency exchange rates. Fair values of derivative contracts fluctuate depending on the underlying estimates of future commodity prices or foreign currency exchange rates. The estimated fair value of all derivative financial instruments are based on observable market data, including commodity price curves, foreign currency curves and credit spreads. Refer to note 10, Financial Instruments and Risk Management, of the accompanying financial statements for a summary of the fair value of derivative financial instruments existing at September 30, 2017.

Decommissioning Liability
Keyera will be responsible for compliance with all applicable laws and regulations regarding the decommissioning, abandonment and reclamation of its facilities at the end of their economic life. The decommissioning obligations are generally expected to be incurred over the next 25 to 45 years. While the provision is based on the best estimate of future costs and the economic lives of the facilities and pipelines, there is uncertainty regarding the amount and timing of these costs. No assets have been legally restricted for settlement of the liability.

The process, overseen by Keyera's Health, Safety and Environment Committee, is undertaken by professionals involved in activities that deal with the design, construction, operation and decommissioning of assets. Specialists with knowledge and assessment processes specific to environmental and decommissioning activities and costs are also utilized in the process. Ultimately, all medium and large facilities are independently assessed in accordance with regulatory requirements.

Keyera has estimated the net present value of its total decommissioning liability to be approximately $460 million at September 30, 2017 (December 31, 2016 – $476 million), using a risk free rate of 2.31%.

For an investor to compare Keyera's decommissioning liability with that of midstream peers who use a credit adjusted discount rate, the net present value of Keyera's decommissioning liability would have been $215 million as of September 30, 2017 (December 31, 2016 – $215 million), assuming an estimated credit adjusted interest rate of 5.65%.

For more information on the critical accounting estimates see note 4 of the December 31, 2016 annual audited financial statements.

LIQUIDITY AND CAPITAL RESOURCES

The following is a comparison of cash inflows (outflows) from operating, investing and financing activities for the three months ended September 30, 2017 and 2016:

Cash inflows (outflows)
(Thousands of Canadian dollars)

	Three months ended September 30, 2017	2016	Increase (decrease)	Explanation
Operating	**80,698**	137,145	(56,447)	Lower cash from operating activities in 2017 primarily related to: i) a higher cash requirement to fund operating working capital including an increase in accounts receivable balances at September 30, 2017 relative to June 30, 2017; and ii) $23 million in realized cash losses associated with risk management contracts put in place to protect the value of NGL inventory at September 30, 2017. The increase in value of physical inventory will be realized when the products are sold or consumed. Details of changes in non-cash working capital from operating activities can be found in note 13, Supplemental Cash Flow Information, of the accompanying financial statements.
Investing	**(170,055)**	(248,802)	78,747	Capital spending in the third quarter of 2017 related to several growth capital projects, including the Base Line Terminal, Keylink pipeline system and the Simonette liquids handling expansion and Wapiti gas plant projects. Capital spending in the third quarter of 2016 included $113 million for the acquisition of an additional 35% ownership interest in the Alder Flats gas plant and associated gathering pipelines. Other capital spending primarily related to growth capital projects in the Liquids Infrastructure segment, including construction of the Base Line Tank Terminal and the Norlite Pipeline.
Financing	**84,227**	107,956	(23,729)	In the third quarter of 2017, Keyera placed $400 million of long-term notes. This financing and receipts from the dividend reinvestment plan were used to support Keyera's ongoing capital program. In 2016, net cash proceeds of $135 million from Keyera's bank credit facility and receipts from the dividend reinvestment plan were used to fund capital expenditures in the quarter.

The following is a comparison of cash inflows (outflows) from operating, investing and financing activities for the nine months ended September 30, 2017 and 2016:

Cash inflows (outflows)
(Thousands of Canadian dollars)

	Nine months ended September 30,		**Increase**	
	2017	2016	**(decrease)**	**Explanation**
Operating	**301,088**	372,703	(71,615)	Lower cash from operating activities in 2017 was primarily due to: i) $50 million in lower realized margin from the Marketing segment; and ii) an increase in cash required to fund higher volumes of propane in inventory. These factors were partly offset by a $20 million increase in operating margin from the Liquids Infrastructure segment.
Investing	**(448,874)**	(570,394)	121,520	Capital spending in 2017 and 2016 primarily related to growth capital projects as described in the “Segmented Results of Operations” section of this MD&A. In early 2017, Keyera closed the acquisition of land in the Industrial Heartland for $55 million; however, the cash outlay to fund the purchase occurred in the fourth quarter of 2016. As a result, this acquisition did not have an effect on cash flow from investing activities in 2017. Capital spending in 2016 also included US$24 million for the acquisition of the Hull Terminal pipeline system and $113 million for the acquisition of the additional ownership interest in the Alder Flats gas plant and associated gathering pipelines.
Financing	**162,998**	211,630	(48,632)	Financing activities in 2017 were as described for the third quarter results. In 2016, Keyera issued common shares for net proceeds of $331 million and placed $60 million of long-term notes. These financing activities were used to support Keyera’s capital program, with the net proceeds initially being used to reduce short-term debt under its credit facility. Approximately $98 million of long-term private notes were also repaid in 2016.

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 $21 million existed at September 30, 2017. This is compared to a surplus of $46 million at December 31, 2016. Keyera has access to a credit facility in the amount of $1.5 billion, of which $95 million was drawn as at September 30, 2017, 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 unsecured revolving credit facility ("Credit Facility").

Equity Financing

In the second quarter of 2016, Keyera issued 8,250,000 common shares, as well as an additional 1,237,500 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 $36.35 per common share for gross total proceeds of approximately $345 million. Financing costs associated with the issuance of shares were approximately $14 million. Net proceeds from the equity financing were used to support Keyera's ongoing growth capital program, with the net proceeds initially being used to reduce short-term indebtedness under Keyera's Credit Facility.

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 $45 million and $136 million for the three and nine months ended September 30, 2017. In the same periods in 2016, the plan generated cash of $43 million and $125 million.

Corporate Credit Ratings

Early in the fourth quarter, DBRS Limited assigned Keyera an Issuer Rating of "BBB" with a "Stable" trend and S&P Global 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 Facility)

Below is a summary of Keyera's long-term debt obligations as at September 30, 2017:

As at September 30, 2017 (Thousands of Canadian dollars)	**Total**	**2017**	**2018**	**2019**	**2020**	**2021**	**After 2021**
Credit Facility							
Bank credit facility	95,000	—	—	—	—	95,000	—
	95,000	—	—	—	—	95,000	—
Canadian dollar denominated debt							
5.89% due December 3, 2017	60,000	60,000	—	—	—	—	—
5.01% due January 4, 2019	70,000	—	—	70,000	—	—	—
4.35% due June 19, 2019	52,000	—	—	52,000	—	—	—
5.68% due September 8, 2020	2,000	—	—	—	2,000	—	—
6.14% due December 3, 2022	60,000	—	—	—	—	—	60,000
3.50% due June 16, 2023	30,000	—	—	—	—	—	30,000
4.91% due June 19, 2024	17,000	—	—	—	—	—	17,000
4.92% due October 10, 2025	100,000	—	—	—	—	—	100,000
5.05% due November 20, 2025	20,000	—	—	—	—	—	20,000
4.15% due June 16, 2026	30,000	—	—	—	—	—	30,000
3.96% due October 13, 2026	200,000	—	—	—	—	—	200,000
3.68% due September 20, 2027	400,000	—	—	—	—	—	400,000
5.09% due October 10, 2028	100,000	—	—	—	—	—	100,000
4.11% due October 13, 2028	100,000	—	—	—	—	—	100,000
5.34% due April 8, 2029	75,000	—	—	—	—	—	75,000
	1,316,000	60,000	—	122,000	2,000	—	1,132,000
U.S. dollar denominated debt							
3.42% due June 19, 2019 (US$3,000)	3,753	—	—	3,753	—	—	—
5.14% due September 8, 2020 (US$103,000)	128,853	—	—	—	128,853	—	—
4.19% due June 19, 2024 (US$128,000)	160,128	—	—	—	—	—	160,128
4.75% due November 20, 2025 (US$140,000)	175,140	—	—	—	—	—	175,140
4.95% due November 20, 2028 (US$65,000)	81,315	—	—	—	—	—	81,315
	549,189	—	—	3,753	128,853	—	416,583
Less: current portion of long-term debt	(60,000)	(60,000)	—	—	—	—	—
Total long-term debt	**1,805,189**	**—**	**—**	**125,753**	**130,853**	**—**	**1,548,583**

In September, Keyera closed a private placement of 10-year senior unsecured notes totaling $400 million with a group of institutional investors in Canada and the United States. The long-term notes bear interest at 3.68% and mature on September 20, 2027.

As at September 30, 2017, Keyera had $1,316 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 September 30, 2017, 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 Gain (Loss) on U.S. Debt" provides more information.

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 September 30, 2017, $95 million was drawn under this facility (December 31, 2016 – $235 million). The term of the Credit Facility is to December 6, 2021. Management expects that upon maturity of the Credit Facility, an adequate replacement will be established.

The Credit Facility and senior note agreements contain a number of covenants, all of which were met as at September 30, 2017. 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.

During the first quarter of 2017, Keyera amended its senior note agreements 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. As at September 30, 2017, Keyera's Net Debt to EBITDA ratio was 3.15 for covenant test purposes (September 30, 2016 – 2.47).

In addition, the Royal Bank of Canada has provided a $50 million unsecured revolving demand facility and the Toronto Dominion Bank has provided a further $25 million unsecured revolving demand facility. The revolving credit facilities bear interest based on the lenders' rates for Canadian prime commercial loans, U.S. base rate loans, LIBOR loans or bankers' acceptances.

Capital Expenditures and Acquisitions

The following table is a breakdown of capital expenditures and acquisitions for the three and nine months ended September 30, 2017 and 2016:

Capital Expenditures and Acquisitions	**Three months ended September 30,**		**Nine months ended September 30,**	
(Thousands of Canadian dollars)	**2017**	2016	**2017**	2016
Acquisitions	**3,265**	130,300	**61,122**	182,342
Growth capital expenditures	**142,202**	130,429	**468,238**	382,485
Maintenance capital expenditures	**16,891**	28,188	**33,929**	36,234
Total capital expenditures	**162,358**	288,917	**563,289**	601,061

Growth capital expenditures for the three and nine months ended September 30, 2017 amounted to $142 million and $468 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 2017 and since inception of the project, and estimated completion timeframes.

Acquisitions in the first nine months of 2017 largely related to the purchase of 1,290 acres of undeveloped land in the Industrial Heartland area near Fort Saskatchewan for approximately $55 million. Acquisitions in the first nine months of 2016 included:

- the purchase of an acid gas injection well for $19 million as part of the Wapiti gas plant project;
- purchase of the Hull Terminal Pipeline System for approximately $32 million;
- purchase of the North Condensate Connector for $18 million; and
- acquisition of an additional 35% ownership interest in the Alder Flats gas plant and associated gathering pipeline, including a pre-payment for costs associated with Phase 2 for proceeds of $113 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 $13 million and $32 million for the three and nine months ended September 30, 2017, compared to $11 million and $22 million in the same periods in 2016. 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. Keyera anticipates that its growth capital investment in 2017 will be between $700 million and $750 million, updated to exclude the acquisition of 50% of the South Grand Rapids diluent pipeline that has now been deferred to 2018. Based on current plans, Keyera anticipates that its growth capital investment in 2018 will be between $700 million and $800 million, including the acquisition of 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 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 Information" for a further discussion of the assumptions and risks that could affect future performance and plans.

Dividends

Distributable Cash Flow

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

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

Distributable Cash Flow	**Three months ended September 30,**		**Nine months ended September 30,**	
(Thousands of Canadian dollars)	**2017**	2016	**2017**	2016
Cash flow from operating activities	**80,698**	137,145	**301,088**	372,703
Add (deduct):				
Changes in non-cash working capital	**46,069**	904	**85,010**	36,221
Long-term incentive plan expense	**(1,020)**	(8,410)	**(13,938)**	(17,113)
Maintenance capital	**(16,891)**	(28,188)	**(33,929)**	(36,234)
Other	**(563)**	—	**(1,687)**	—
Distributable cash flow	**108,293**	101,451	**336,544**	355,577
Dividends declared to shareholders	**79,317**	71,819	**230,842**	203,921

For the three and nine months ended September 30, 2017, dividends declared were $79 million and $231 million, or 73% and 69% of distributable cash flow, compared to dividends declared of $72 million and $204 million, or 71% and 57% of distributable cash flow in the same periods of 2016.

Distributable cash flow for the three months ended September 30, 2017 was $108 million, $7 million higher than the same period in 2016 primarily due to: i) $11 million in lower maintenance capital expenditures in 2017 as the prior year results included $24 million of costs associated with the scheduled turnaround at AEF; ii) $7 million in lower LTIP expense; and iii) record operating margin posted by the Liquids Infrastructure segment. These positive factors were partly offset by the weaker Marketing results that included approximately $23 million of realized cash losses related to risk management contracts put in place to protect inventory existing at September 30, 2017. The increase in value of inventory will substantially be realized over the next two quarters assuming the product is sold according to plan.

On a year-to-date basis, distributable cash flow was $337 million in 2017, $19 million lower than the first nine months of 2016 largely due to the lower contribution from the Marketing segment as described throughout this MD&A. Refer to the section of this MD&A, “Segmented Results of Operations”, for more information on the financial results of Keyera’s operating segments for the three and nine months ended September 30, 2017.

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 increased its dividend by approximately 6% from $0.1325 per share per month to $0.14 per share per month, or $1.68 per share annually, beginning with its dividend payable on June 15, 2017. In determining the level of cash dividends to shareholders, Keyera’s board of directors considers current and expected future levels of distributable cash flow, capital expenditures, borrowings and debt repayments, changes in working capital requirements and other factors.

Keyera expects to pay dividends from distributable cash flow; however, credit facilities may be used to stabilize dividends from time to time. Growth capital expenditures will be funded from retained operating cash flow, along with proceeds from additional debt or equity, as required. Although Keyera intends to continue to make regular, monthly cash dividends to its shareholders, these dividends are not guaranteed. For a more detailed discussion of the risks that could affect the level of cash dividends, refer to Keyera’s Annual Information Form available at www.sedar.com.

EBITDA

EBITDA and Adjusted EBITDA are not standard measures under GAAP and, therefore, may not be comparable to similar measures reported by other entities. EBITDA is a measure showing earnings before finance costs, taxes, depreciation, and amortization. Adjusted EBITDA is calculated as EBITDA before costs associated with non-cash items, including unrealized gains/losses, impairment expenses and any other non-cash items such as gains/losses on the disposal of property, plant and equipment. 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 September 30,**		**Nine months ended September 30,**	
(Thousands of Canadian dollars)	**2017**	2016	**2017**	2016
Net earnings	**38,464**	52,420	**201,868**	182,230
Add (deduct):				
Finance costs	**20,087**	16,719	**54,760**	52,914
Depreciation, depletion and amortization expenses	**42,495**	45,204	**122,061**	134,569
Income tax expense	**17,631**	19,389	**70,724**	64,699
EBITDA	**118,677**	133,732	**449,413**	434,412
Unrealized loss (gain) on commodity contracts	**25,700**	8,667	**(10,293)**	26,050
Net foreign currency (gain) loss on U.S. debt	**(6,200)**	6,111	**(15,228)**	(9,760)
(Gain) loss on disposal of property, plant and equipment	**—**	(86)	**(22,166)**	890
Impairment expense	**—**	—	**17,890**	—
Adjusted EBITDA	**138,177**	148,424	**419,616**	451,592

CONTRACTUAL OBLIGATIONS

Keyera has assumed various contractual obligations in the normal course of its operations. There were no material changes in contractual obligations since the December 31, 2016 year end and the second quarter of 2017, except as noted in the section of the MD&A titled, "Liquidity and Capital resources: Long-term Debt".

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, 2016 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, 2016 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. In the near term, the majority of Keyera's facilities initially fall within the exemptions to the Alberta carbon levy that came into force in 2017. For example, there is an exemption for natural gas produced and consumed on site for conventional oil and gas activities until 2023 as the regulators focus on methane reduction initiatives in these areas. There are also exemptions for combusted fuels on sites subject to the Specified Gas Emitters Regulations ("SGER") until the end of 2017. The exemptions will be carried forward when a new Output Based Allocation ("OBA") framework is to be introduced for Large Final Emitters ("LFE") starting in 2018. Six of Keyera's facilities are currently subject to the SGER regime. Details of the OBA replacement program are still being defined. Keyera is engaged in the ongoing consultation initiatives underway with the Government of Alberta with respect to the details of the OBA framework, as well as the proposed transition period in 2018. Similarly, details with respect to the Alberta Government's methane reduction program for conventional oil and gas activities continue to evolve and Keyera is working through industry with respect to the Joint Initiative on Methane Reduction and Verification.

While Keyera anticipates that its compliance costs will increase as a result of the changing regulatory requirements with respect to emissions and climate change, at this time it is not expected that it will be affected in a manner materially different from its peers with similar operations. There may also be indirect costs or consequences for Keyera. For example, to the extent that electricity costs increase as a result of these changes, the operating costs of some of Keyera's facilities may increase. To mitigate the impact of these regulatory changes, Keyera is evaluating new emission reduction opportunities at its facilities through its Emissions Reduction Task Force, and is also continuing to integrate emissions considerations into overall lifecycle planning for its facilities through its Climate Change and Emissions Strategy Committee.

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 Annual Information Form which is available at www.sedar.com.

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial information for Keyera:

	Sep 30, 2017	June 30, 2017	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016	June 30, 2016	Mar 31, 2016	Dec 31, 2015
Revenue before inter-segment eliminations [1]								
Gathering and Processing[2]	**116,635**	116,689	112,727	127,103	117,542	104,182	113,723	129,074
Liquids Infrastructure	**103,872**	99,398	101,027	94,712	90,178	90,402	94,101	90,958
Marketing	**612,526**	627,651	699,043	535,708	472,442	457,447	459,017	472,114
Other	**5,065**	7,918	8,381	7,512	5,643	3,044	6,426	9,141
Operating margin (loss)								
Gathering and Processing	**69,381**	66,822	66,337	79,881	71,689	70,457	68,198	73,564
Liquids Infrastructure	**71,718**	67,073	64,575	62,782	62,781	59,018	61,524	55,886
Marketing	**(15,130)**	21,033	68,435	8,581	23,825	24,582	44,121	54,731
Other	**2,265**	4,868	5,075	4,196	2,663	(67)	1,943	4,441
Net earnings	**38,464**	67,062	96,342	34,621	52,420	59,679	70,131	20,215
Net earnings per share ($/share)								
Basic	**0.20**	0.36	0.52	0.19	0.28	0.34	0.41	0.12
Diluted	**0.20**	0.36	0.52	0.19	0.28	0.34	0.41	0.12
Weighted average common shares (basic)	**188,650**	187,445	186,286	185,116	183,962	177,309	172,258	171,199
Weighted average common shares (diluted)	**188,650**	187,445	186,286	185,116	183,962	177,309	172,258	171,199
Dividends declared to shareholders	**79,317**	77,400	74,125	73,657	71,819	67,440	64,662	64,259

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. Operating margin in the Gathering and Processing segment is largely influenced by volumes processed through its facilities and the associated fees charged for these services. These fees are intended to be competitive in nature and are generally influenced by the prevailing commodity price and economic environment that its producer customers are facing. Operating margin in the fourth quarter of 2016 was unusually high due to the inclusion of a non-recurring adjustment of approximately $9 million related to the recovery of turnaround costs in 2017 and 2018.

In the Liquids Infrastructure segment, incremental cash flow from recent investments, including the fractionation expansion at Fort Saskatchewan and most recently the newly constructed Norlite Pipeline, 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 throughout 2016 and 2017.

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. 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 2016 year-end results, the facilities segments (Gathering and Processing and Liquids Infrastructure) are performing well. In the Gathering and Processing segment, an increase in drilling activity in the Montney and Duvernay geological zones has resulted in throughput growth at Keyera's Simonette gas plant, while throughput at several other facilities including the Rimbey and Brazeau River gas plants has remained stable. In the Liquids Infrastructure segment, demand for Keyera's diluent handling services continues to be strong and several new assets were put into service in the second quarter, including the Norlite Pipeline and the Fort Saskatchewan condensate system pipeline expansion and manifold. Overall fractionation revenue has been higher in 2017 due to higher contracted volumes, albeit at lower average fractionation fees effective April 1, 2017.

In the Marketing segment, realized margin in 2017 may be lower compared to the prior year results due to: i) lower iso-octane margins resulting from the combined effect of lower sales volumes associated with the nine-week unscheduled outage at AEF earlier this year and higher average butane prices in 2017; and ii) lower propane margins. On an annual basis, propane margins are expected to remain a small contributor to Keyera's overall Marketing contribution, but there is greater seasonal variation between the summer and winter periods compared to prior years.

See the section of this MD&A, "Segmented Results of Operations", for more information on the financial results of Keyera's operating segments for the three and nine months ended September 30, 2017.

ADOPTION OF NEW AND AMENDED STANDARDS

Keyera has applied the following new IFRS amendment in 2017:

Disclosure Initiative – Amendments to IAS 7, Statement of Cash Flows

Effective January 1, 2017, Keyera adopted the disclosure requirements in IAS 7 related to changes in liabilities arising from financing activities. See note 13, Supplemental Cash Flow Information, for a reconciliation that provides additional disclosures on the cash and non-cash changes in liabilities arising from financing activities. As allowed by IAS 7, comparative information has not been presented.

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 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, the new standard which sets out 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. IFRS 15 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 also provides guidance for the recognition and measurement of gains and losses on the sale of certain non-financial assets, such as property, plant and equipment. The standard is required to be adopted either retrospectively or using a modified retrospective transition approach for fiscal years beginning on or after January 1, 2018, with earlier adoption permitted.

Expected Impact

Keyera has developed an implementation plan, identifying the contracts and arrangements which will fall within the scope of IFRS 15. Major contract types and revenue streams have been determined, and the relevant revenue contracts which are within the scope of IFRS 15 have been reviewed. The majority of the company's long-term revenue contracts reside in the Liquids Infrastructure reportable segment. Performance obligations have been identified for these contracts based on services or series of distinct services performed under the agreements.

Keyera is continuing its detailed assessment of the adoption of IFRS 15. This includes the evaluation of (i) recognition and measurement of revenue on Keyera's consolidated financial statements; (ii) company policies and business practices; (iii) information technology systems; (iv) key operating metrics; (v) internal controls; (vi) financial covenants; and (vii) significant judgments and estimations required.

The definitive changes to Keyera's consolidated financial statements upon the adoption of IFRS 15 cannot be provided at this time. However, based on the review of the material contracts assessed thus far, Keyera anticipates that implementation will not materially affect the amount and timing of its revenue recognition.

IFRS 15 will be adopted by Keyera on January 1, 2018. Keyera has decided that it will implement the standard using the full retrospective approach, including the election of allowable practical expedients. Keyera is on target with its implementation plan for IFRS 15 as Keyera's management believes that it has sufficient resources allocated to the project to ensure timely completion.

Keyera's consolidated financial statements and the related MD&A as at and for the year ended December 31, 2016 contains additional disclosure on other new or amended accounting standards that have been issued, but are not yet effective.

CONTROL ENVIRONMENT

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer are satisfied that, as of September 30, 2017, 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, 2017 and ending September 30, 2017 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 September 30, 2017, there were 1,222,118 common shares issued under the DRIP and the Premium DRIP™ for consideration of $45 million, bringing the total common shares outstanding at September 30, 2017 to 189,263,438.

Subsequent to September 30, 2017, 398,749 common shares were issued to shareholders enrolled in the DRIP and Premium DRIP™ for consideration of $15 million, bringing the total common shares outstanding at November 7, 2017 to 189,662,187.

NON-GAAP FINANCIAL MEASURES

This discussion and analysis refers to certain financial measures that are not determined in accordance with GAAP. Measures such as distributable cash flow (cash flow from operating activities adjusted for changes in non-cash working capital, long-term incentive plan costs, inventory write-down, 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 as described below) 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 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 14, 2017, 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 third quarter of 2017. Effective with the May 2017 dividend and payable to shareholders on June 15, 2017, Keyera's dividend increased by approximately 6% to $0.14 per share per month, or $1.68 per share annually. 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.

THIRD QUARTER 2017 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 third quarter of 2017 at 8:00 am Mountain Time (10:00 am Eastern Time) on November 8, 2017. Callers may participate by dialing either 1-888-231-8191 or 647-427-7450. An audio recording of the call will be available for replay until 11:59 pm Mountain Time on November 22, 2017 by dialing 1-855-859-2056 or 416-849-0833 and entering pass code 88867929.

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	**September 30, 2017 $**	December 31, 2016 $
ASSETS			
Cash		**29,917**	16,477
Trade and other receivables		**384,133**	364,081
Derivative financial instruments	10	**15,120**	9,021
Inventory	3	**170,419**	107,876
Other assets	15	**26,475**	81,592
Total current assets		**626,064**	579,047
Long-term portion of other assets		**—**	4,200
Derivative financial instruments	10	**94,315**	119,606
Property, plant and equipment	4	**4,633,218**	4,200,484
Goodwill		**53,624**	53,624
Total assets		**5,407,221**	4,956,961
LIABILITIES AND EQUITY			
Trade and other payables		**474,838**	400,076
Derivative financial instruments	10	**32,838**	36,086
Dividends payable		**26,497**	24,603
Current portion of long-term debt		**60,000**	60,000
Current portion of decommissioning liability		**10,698**	11,960
Total current liabilities		**604,871**	532,725
Derivative financial instruments	10	**1,090**	500
Credit facility		**95,000**	235,000
Long-term debt	5	**1,795,708**	1,437,413
Decommissioning liability		**448,942**	464,239
Other long-term liabilities		**58,923**	57,463
Deferred tax liabilities		**453,961**	388,113
Total liabilities		**3,458,495**	3,115,453
Equity			
Share capital	6	**2,123,533**	1,987,341
Accumulated deficit		**(174,807)**	(145,833)
Total equity		**1,948,726**	1,841,508
Total liabilities and equity		**5,407,221**	4,956,961

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 November 7, 2017.

(Signed) Michael Norris
Director

(Signed) David G. Smith
Director

Keyera Corp.

Condensed Interim Consolidated Statements of Net Earnings and Comprehensive Income

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

		Three months ended September 30,		Nine months ended September 30,	
		2017	2016	**2017**	2016
	Note	**$**	$	**$**	$
Revenues	14	**764,816**	618,932	**2,386,359**	1,806,554
Expenses	14	**(636,582)**	(457,974)	**(1,893,907)**	(1,315,820)
Operating margin		**128,234**	160,958	**492,452**	490,734
General and administrative expenses		**(14,737)**	(12,791)	**(48,605)**	(48,079)
Finance costs	12	**(20,087)**	(16,719)	**(54,760)**	(52,914)
Depreciation, depletion and amortization expenses		**(42,495)**	(45,204)	**(122,061)**	(134,569)
Net foreign currency gain (loss) on U.S. debt	11	**6,200**	(6,111)	**15,228**	9,760
Long-term incentive plan expense	8	**(1,020)**	(8,410)	**(13,938)**	(17,113)
Impairment expense	4	**—**	—	**(17,890)**	—
Gain (loss) on disposal of property, plant and equipment	4	**—**	86	**22,166**	(890)
Earnings before income tax		**56,095**	71,809	**272,592**	246,929
Income tax expense	9	**(17,631)**	(19,389)	**(70,724)**	(64,699)
Net earnings		**38,464**	52,420	**201,868**	182,230
Other comprehensive income		**—**	—	**—**	—
Net earnings and comprehensive income		**38,464**	52,420	**201,868**	182,230
Earnings per share					
Basic earnings per share	7	**0.20**	0.28	**1.08**	1.02
Diluted earnings per share	7	**0.20**	0.28	**1.08**	1.02

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 September 30, 2017 $	Three months ended September 30, 2016 $	Nine months ended September 30, 2017 $	Nine months ended September 30, 2016 $
Cash provided by (used in):					
OPERATING ACTIVITIES					
Net earnings:		**38,464**	52,420	**201,868**	182,230
Adjustments for items not affecting cash:					
Finance costs	12	**3,536**	2,920	**10,733**	8,783
Depreciation, depletion and amortization expenses		**42,495**	45,204	**122,061**	134,569
Long-term incentive plan expense	8	**1,020**	8,410	**13,938**	17,113
Unrealized loss on derivative financial instruments	10	**40,364**	10,228	**16,533**	57,410
Unrealized (gain) loss on foreign exchange		**(14,500)**	4,213	**(33,455)**	(40,974)
Deferred income tax expense	9	**16,576**	15,509	**65,848**	50,909
Impairment expense	4	**—**	—	**17,890**	—
(Gain) loss on disposal of property, plant and equipment	4	**—**	(86)	**(22,166)**	890
Decommissioning liability expenditures		**(1,188)**	(769)	**(7,152)**	(2,006)
Changes in non-cash working capital	13	**(46,069)**	(904)	**(85,010)**	(36,221)
Net cash provided by operating activities		**80,698**	137,145	**301,088**	372,703
INVESTING ACTIVITIES					
Acquisitions		**(3,265)**	(130,300)	**(61,122)**	(182,342)
Capital expenditures		**(159,093)**	(158,617)	**(502,167)**	(418,719)
Proceeds on disposal of property, plant and equipment		**—**	—	**6,015**	85
Changes in non-cash working capital	13	**(7,697)**	40,115	**108,400**	30,582
Net cash used in investing activities		**(170,055)**	(248,802)	**(448,874)**	(570,394)
FINANCING ACTIVITIES					
Borrowings under credit facility		**1,289,802**	190,000	**3,163,802**	1,212,406
Repayments under credit facility		**(1,569,802)**	(55,000)	**(3,303,802)**	(1,217,406)
Proceeds from issuance of long-term debt	5	**400,000**	—	**400,000**	60,000
Financing costs related to credit facility/long-term debt	5	**(1,460)**	(78)	**(2,559)**	(140)
Repayment of long-term debt		**—**	—	**—**	(97,740)
Proceeds from equity offering		**—**	—	**—**	344,871
Issuance costs related to equity offering		**—**	56	**250**	(14,187)
Proceeds from issuance of shares related to DRIP	6	**45,395**	43,270	**135,942**	124,760
Repayment of finance lease liabilities		**(563)**	—	**(1,687)**	—
Dividends paid to shareholders		**(79,145)**	(70,292)	**(228,948)**	(200,934)
Net cash provided by financing activities		**84,227**	107,956	**162,998**	211,630
Effect of exchange rate fluctuations on foreign cash held		**(819)**	136	**(1,772)**	86
Net increase in cash		**(5,949)**	(3,565)	**13,440**	14,025
Cash at the start of the period		**35,866**	31,037	**16,477**	13,447
Cash at the end of the period		**29,917**	27,472	**29,917**	27,472
Income taxes paid in cash		**431**	4,939	**2,585**	68,493
Interest paid in cash		**7,036**	16,146	**49,635**	54,507

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, 2015	**1,483,376**	**(85,106)**	**1,398,270**
Common shares issued pursuant to dividend reinvestment plans	124,760	—	124,760
Common shares issued pursuant to equity offering	334,530	—	334,530
Net earnings and total comprehensive income	—	182,230	182,230
Dividends declared to shareholders	—	(203,921)	(203,921)
Balance at September 30, 2016	**1,942,666**	**(106,797)**	**1,835,869**

	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	135,942	—	135,942
Issuance costs related to 2016 equity offering	250	—	250
Net earnings and total comprehensive income	—	201,868	201,868
Dividends declared to shareholders	—	(230,842)	(230,842)
Balance at September 30, 2017	**2,123,533**	**(174,807)**	**1,948,726**

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 and nine months ended September 30, 2017 and 2016
(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 crude oil midstream activities 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 September 30, 2017.

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, 2016, except for the adoption of new IFRS standards, amendments and interpretations effective January 1, 2017 as noted below.

These condensed interim consolidated financial statements as at and for the three and nine months ended September 30, 2017 and 2016 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, 2016.

The condensed interim consolidated financial statements were authorized for issuance on November 7, 2017 by the board of directors.

Adoption of new and amended standards

Keyera has applied the following new IFRS amendment in 2017:

Disclosure Initiative – Amendments to IAS 7, Statement of Cash Flows

Effective January 1, 2017, Keyera adopted the disclosure requirements in IAS 7 related to changes in liabilities arising from financing activities. See note 13, Supplemental Cash Flow Information, for a reconciliation that provides additional disclosures on the cash and non-cash changes in liabilities arising from financing activities. As allowed by IAS 7, comparative information has not been presented.

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 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, the new standard which sets out 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. IFRS 15 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 also provides guidance for the recognition and measurement of gains and losses on the sale of certain non-financial assets, such as property, plant and equipment. The standard is required to be adopted either retrospectively or using a modified retrospective transition approach for fiscal years beginning on or after January 1, 2018, with earlier adoption permitted.

Expected Impact

Keyera has developed an implementation plan, identifying the contracts and arrangements which will fall within the scope of IFRS 15. Major contract types and revenue streams have been determined, and the relevant revenue contracts which are within the scope of IFRS 15 have been reviewed. The majority of the company's long-term revenue contracts reside in the Liquids Infrastructure reportable segment. Performance obligations have been identified for these contracts based on services or series of distinct services performed under the agreements.

Keyera is continuing its detailed assessment of the adoption of IFRS 15. This includes the evaluation of (i) recognition and measurement of revenue on Keyera's consolidated financial statements; (ii) company policies and business practices; (iii) information technology systems; (iv) key operating metrics; (v) internal controls; (vi) financial covenants; and (vii) significant judgments and estimations required.

The definitive changes to Keyera's consolidated financial statements upon the adoption of IFRS 15 cannot be provided at this time. However, based on the review of the material contracts assessed thus far, Keyera anticipates that implementation will not materially affect the amount and timing of its revenue recognition.

IFRS 15 will be adopted by Keyera on January 1, 2018. Keyera has decided that it will implement the standard using the full retrospective approach, including the election of allowable practical expedients.

Keyera is on target with its implementation plan for IFRS 15 as Keyera's management believes that it has sufficient resources allocated to the project to ensure timely completion.

Keyera's consolidated financial statements and the related MD&A as at and for the year ended December 31, 2016 contains additional disclosure on other new or amended accounting standards that have been issued, but are not yet effective.

3. INVENTORY

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

As at	**September 30, 2017 $**	December 31, 2016 $
NGLs and iso-octane	**164,911**	103,233
Other	**5,508**	4,643
Total inventory	**170,419**	107,876

For the period ended September 30, 2017, $170,419 of inventory was carried at cost (December 31, 2016 – $107,876) and $nil was carried at net realizable value (December 31, 2016 – $nil).

4. PROPERTY, PLANT AND EQUIPMENT

	Three months ended September 30,		**Nine months ended September 30,**	
	2017 $	2016 $	**2017 $**	2016 $
Impairment Expense	**—**	—	**(17,890)**	—
Gain / (loss) on disposal of property, plant and equipment	**—**	86	**22,166**	(890)

Gathering and processing impairment

In the second quarter of 2017, Keyera identified through its impairment review that the Caribou facility, a cash generating unit ("CGU") within the Gathering and Processing segment, was impaired as the carrying value of the facility was greater than its recoverable amount. The recoverable amount for the CGU was determined based on its fair value less costs of disposal. An impairment loss of $17,890 was recognized in this segment in the second quarter of 2017.

Operations at the Caribou facility had been suspended since December 2015. The facility is located in Northeast British Columbia where producers receive NGX Spectra Station #2 pricing that has been affected by weak natural gas prices and regional sales gas pipeline constraints. Gas production in the area had become uneconomic and several producers had chosen to shut in production in recent years. There continues to be little drilling activity in the area and natural gas prices have remained low. Based on these factors, Keyera impaired the CGU to the estimated fair value of the facility.

Disposal of property, plant and equipment

In May 2017, Keyera disposed of the Paddle River facility and the Judy Creek natural gas pipeline for total proceeds of $6,000, which resulted in a gain of $22,166, recognized in the second quarter of 2017.

The Paddle River facility had been shut down since February 2015 along with the Judy Creek natural gas pipeline, which was non-operational and was considered a non-core asset within Keyera's Gathering and Processing segment.

5. LONG-TERM DEBT

On September 20, 2017, Keyera closed a private placement of 10-year senior unsecured notes with a group of institutional investors in Canada and the U.S. The $400,000 senior unsecured notes bear interest at 3.68% and mature on September 20, 2027. Interest is paid semi-annually.

Financing costs of approximately $1,460 have been deferred and are amortized using the effective interest method over the remaining term of the debt.

6. CAPITAL

Keyera Corp. Share Capital	**Number of Common Shares**	**Share Capital $**
Balance at December 31, 2016	**185,683,427**	**1,987,341**
Common shares issued pursuant to dividend reinvestment plans	3,580,011	135,942
Issuance costs related to 2016 equity offering	—	250
Balance at September 30, 2017	**189,263,438**	**2,123,533**

7. EARNINGS PER SHARE

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

	Three months ended September 30,		**Nine months ended September 30,**	
	2017	2016	**2017**	2016
	$	$	**$**	$
Basic and diluted earnings per share	**0.20**	0.28	**1.08**	1.02
Net earnings – basic and diluted	**38,464**	52,420	**201,868**	182,230

	Three months ended September 30,		**Nine months ended September 30,**	
(in thousands)	**2017**	2016	**2017**	2016
Weighted average number of shares – basic and diluted	**188,650**	183,962	**187,469**	177,865

8. SHARE-BASED COMPENSATION AND PENSION PLANS

Long-Term Incentive Plan

Keyera has a Long-Term Incentive Plan ("LTIP") which compensates officers and key employees by delivering shares of Keyera or paying cash in lieu of shares. Participants in the LTIP are granted rights ("share awards") to receive shares of Keyera on specified dates in the future. Grants of share awards are

authorized by the board of directors. Shares delivered to employees are acquired in the marketplace and not issued from treasury. The acquired shares are placed in a trust account established for the benefit of the participants until the share awards vest.

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

The LTIP is accounted for using the liability method and is measured at fair value at each statement of financial position date until the award is settled. The fair value of the liability is measured by applying a fair value pricing model. At September 30, 2017 the fair value of shares granted was $38.14 per share (December 31, 2016 – $40.46 per share).

The compensation cost recorded for the LTIP was as follows:

	Three months ended September 30,		**Nine months ended September 30,**	
	2017	2016	**2017**	2016
	$	$	**$**	$
Performance awards	**2,323**	7,649	**13,816**	15,095
Restricted awards	**(1,303)**	761	**122**	2,018
Total long-term incentive plan expense	**1,020**	8,410	**13,938**	17,113

The table below shows the number of share awards granted:

	Share awards granted as at	
Share Award Series	**September 30, 2017**	December 31, 2016
Issued July 1, 2014 – Performance Awards	**—**	335,398
Issued July 1, 2015 – Performance Awards	**329,024**	333,392
Issued July 1, 2016 – Performance Awards	**342,909**	345,081
Issued July 1, 2017 – Performance Awards	**339,158**	—
Issued July 1, 2014 – Restricted Awards	**—**	19,634
Issued July 1, 2015 – Restricted Awards	**19,692**	40,859
Issued July 1, 2016 – Restricted Awards	**45,934**	69,645
Issued July 1, 2017 – Restricted Awards	**70,327**	—

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 and nine months ended September 30, 2017, Keyera made pension contributions of $2,303 and $6,808 (three and nine months ended September 30, 2016 – $2,227 and $6,650) 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 and nine months ended September 30, 2017, Keyera recorded $162 and $641 (three and nine months ended September 30, 2016 – $228 and $609) in general and administrative expenses related to the DSU plan.

The table below shows the number of DSUs granted:

	Deferred Shared Units granted as at	
Deferred Share Units	**September 30, 2017**	December 31, 2016
Balance at beginning of period	**19,827**	—
Granted	**18,286**	20,353
Redeemed	**—**	(526)
Forfeited	**—**	—
Balance at end of period	**38,113**	19,827

9. INCOME TAXES

The components of the income tax expense were as follows:

	Three months ended September 30,		**Nine months ended September 30,**	
	2017	2016	**2017**	2016
	$	$	**$**	$
Current	**1,055**	3,880	**4,876**	13,790
Deferred	**16,576**	15,509	**65,848**	50,909
Total income tax expense	**17,631**	19,389	**70,724**	64,699

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments include cash, trade and other receivables, derivative financial instruments, trade and other payables, dividends payable, credit facility, 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 at fair value through 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 September 30, 2017 was $1,903,733 (December 31, 2016 – $1,580,394) 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 September 30, 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 June 30, 2018)	2,039,350 Bbls	63.08/Bbl	Level 2	(3,610)	953	(4,563)
Buyer of fixed price WTI swaps (maturing by March 31, 2018)	147,000 Bbls	71.59/Bbl	Level 2	(948)	—	(948)
Seller of fixed price NGL swaps (maturing by March 31, 2018)	2,786,788 Bbls	44.83/Bbl	Level 2	(7,974)	2,668	(10,642)
Buyer of fixed price NGL swaps (maturing by March 31, 2018)	535,000 Bbls	41.43/Bbl	Level 2	6,061	6,231	(170)
Seller of fixed price RBOB to WTI basis spreads (maturing by December 31, 2018)	3,860,000 Bbls	16.97/Bbl	Level 2	(14,190)	799	(14,989)
Physical contracts:						
Seller of fixed price forward NGL contracts (maturing by March 31, 2018)	87,376 Bbls	46.99/Bbl	Level 2	116	145	(29)
Buyer of fixed price forward NGL contracts (maturing by October 31, 2017)	9,000 Bbls	46.11/Bbl	Level 2	(4)	—	(4)
Currency:						
Seller of forward contracts (maturing by May 31, 2018)	US$143,500,000	1.25/USD	Level 2	558	2,211	(1,653)
Liquids Infrastructure						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2019)	256,464 MWhs	41.01/MWh	Level 2	497	1,267	(770)
Corporate and Other						
Crude Oil & NGLs:						
Seller of fixed price swaps (maturing by March 31, 2018)	90,000 Bbls	57.71/Bbls	Level 2	(33)	127	(160)
Long-term Debt:						
Buyer of cross-currency swaps (maturing September 8, 2020 – November 20, 2028)	US$582,951,250	0.98/USD - 1.22/USD	Level 2	95,034	95,034	—
				75,507	**109,435**	**(33,928)**

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, 2016	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, 2018)	1,650,066 Bbls	69.76/Bbl	Level 2	(6,292)	146	(6,438)
Seller of fixed price NGL swaps (maturing by March 31,2017)	958,000 Bbls	29.41/Bbl	Level 2	(10,718)	—	(10,718)
Buyer of fixed price NGL swaps (maturing by March 31,2018)	600,000 Bbls	39.09/Bbl	Level 2	4,723	4,723	—
Buyer of fixed price NGL basis spreads (maturing by March 31, 2017)	407,250 Bbls	9.38/Bbl	Level 2	1,197	1,197	—
Seller of fixed price RBOB to WTI basis spreads (maturing by September 30, 2018)	2,990,000 Bbls	19.83/Bbl	Level 2	(15,530)	558	(16,088)
Currency:						
Seller of forward contracts (maturing by June 1, 2017)	US$87,500,000	1.33/USD	Level 2	(1,296)	90	(1,386)
Liquids Infrastructure						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2017)	114,000 MWhs	38.77/MWh	Level 2	(973)	53	(1,026)
Corporate and Other						
Crude Oil & NGLs:						
Seller of fixed price swaps (maturing December 31, 2017)	129,000 Bbls	60.45/Bbl	Level 2	(930)	—	(930)
Long-term Debt:						
Buyer of cross-currency swaps (maturing September 8, 2020 – November 20, 2028)	US$557,289,410	0.98/USD - 1.22/USD	Level 2	121,860	121,860	—
				92,041	**128,627**	**(36,586)**

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

Derivative instruments are recorded on the consolidated statement of financial position at fair value. Changes in the fair value of these financial instruments are recognized in the 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, including 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 expenses
Cross-currency swaps	Corporate and Other	Net foreign currency gain/(loss) on U.S. debt

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
Unrealized (loss) gain	**$**	$	**$**	$
Marketing revenue	**(25,444)**	(9,456)	**7,925**	(23,887)
Liquids infrastructure operating expense	**104**	44	**1,160**	122
Gathering and processing expense	**(14)**	(15)	**—**	(14)
Corporate and other:				
Production revenue (expense)	**(346)**	760	**1,208**	(2,271)
Foreign currency loss on U.S. debt	**(14,664)**	(1,561)	**(26,826)**	(31,360)
Total unrealized loss	**(40,364)**	(10,228)	**(16,533)**	(57,410)

Risk Management

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

(b) Commodity price risk

Subsidiaries of Keyera enter into contracts to purchase and sell primarily NGLs and iso-octane, as well as natural gas and crude oil. These contracts are exposed to commodity price risk between the times contracted volumes are purchased and sold and foreign currency risk for those sales denominated in U.S. dollars. These risks are actively managed by 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 September 30,		**Nine months ended September 30,**	
	2017	2016	**2017**	2016
U.S. dollar sales and purchases	**$**	$	**$**	$
Sales priced in U.S. dollars	**255,837**	161,539	**655,357**	453,253
Purchases priced in U.S. dollars	**(98,633)**	(112,211)	**(310,186)**	(263,640)

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 11 for a summary of the foreign currency gains (losses) associated with the U.S. dollar denominated long-term debt.

(d) Interest rate risk

The majority of Keyera's interest rate risk is attributed to its fixed and floating rate debt, which is used to finance capital investments and operations. Keyera's remaining financial instruments are not significantly exposed to interest rate risk. The floating rate debt creates exposure to interest rate cash flow risk, whereas the fixed rate debt creates exposure to interest rate price risk. At September 30, 2017, fixed rate borrowings comprised 95% of total debt outstanding (December 31, 2016 – 86%). 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 $384,133 at September 30, 2017 (December 31, 2016 – $364,081). Keyera does not typically renegotiate the terms of trade receivables. There were no significant renegotiated balances

outstanding at September 30, 2017. 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 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 September 30, 2017		Impact on income before tax September 30, 2016	
Risk sensitivities	**Increase $**	**Decrease $**	Increase $	Decrease $
Commodity price changes				
+ 10% in natural gas price	**—**	**—**	—	(16)
- 10% in natural gas price	**—**	**—**	16	—
+ 10% in electricity price	**1,102**	**—**	423	—
- 10% in electricity price	**—**	**(1,102)**	—	(423)
+ 10% in NGL, crude oil and iso-octane prices	**—**	**(31,512)**	—	(20,621)
- 10% in NGL, crude oil and iso-octane prices	**31,512**	**—**	20,621	—
Foreign currency rate changes				
+ $0.01 in U.S./Canadian dollar exchange rate	**—**	**(294)**	213	—
- $0.01 in U.S./Canadian dollar exchange rate	**294**	**—**	—	(213)
Interest rate changes				
+ 1% in interest rate	**—**	**(2,365)**	—	(2,610)
- 1% in interest rate	**2,365**	**—**	2,610	—

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Foreign currency gain/(loss) resulting from:				
Translation of long-term debt and interest payable	**20,912**	(4,705)	**40,423**	38,887
Change in fair value of the cross-currency swaps - principal and interest portion	**(14,664)**	(1,561)	**(26,826)**	(31,360)
(Loss) gain from cross-currency swaps – principal and interest portion[1]	**(48)**	155	**1,631**	2,233
Total foreign currency gain/(loss) on U.S. debt	**6,200**	(6,111)	**15,228**	9,760

Note:

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

12. FINANCE COSTS

The components of finance costs were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Interest on bank overdrafts and credit facility	**3,726**	2,955	**9,073**	9,351
Interest on long-term debt	**17,672**	14,573	**53,041**	45,448
Interest capitalized	**(4,892)**	(3,761)	**(18,164)**	(10,769)
Other interest expense	**559**	32	**1,620**	101
Total interest expense on current and long-term debt	**17,065**	13,799	**45,570**	44,131
Unwinding of discount on decommissioning liability	**2,649**	2,607	**8,080**	7,820
Unwinding of discount on long-term debt	**373**	313	**1,110**	963
Non-cash expenses in finance costs	**3,022**	2,920	**9,190**	8,783
Total finance costs	**20,087**	16,719	**54,760**	52,914

For the three and nine months ended September 30, 2017, $4,892 and $18,164 of borrowing (interest) costs were capitalized (three and nine months ended September 30, 2016 – $3,761 and $10,769) at a weighted average capitalization rate of 4.34% on funds borrowed (three and nine months ended September 30, 2016 – 4.86%).

13. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Inventories	**(12,415)**	(39,753)	**(62,543)**	(43,929)
Trade and other receivables	**(64,499)**	15,035	**(20,053)**	30,341
Other assets	**16,372**	15,195	**(4,696)**	(3,601)
Trade and other payables	**14,473**	8,619	**2,282**	(19,032)
Changes in non-cash working capital from operating activities	**(46,069)**	(904)	**(85,010)**	(36,221)

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Trade and other payables	**(7,697)**	40,115	**53,346**	30,582
Other assets	**—**	—	**55,054**	—
Changes in non-cash working capital from investing activities	**(7,697)**	40,115	**108,400**	30,582

Reconciliation of Liabilities Arising from Financing Activities:

	Credit Facilities	**Current and Long-term Debt**	**Derivative Financial Assets Related To U.S. Long-term Borrowings**	**Current and Long-term Finance Lease Liabilities**
	$	**$**	**$**	**$**
As at December 31, 2016	**235,000**	**1,497,413**	**121,860**	**54,218**
Cash changes:				
Inflows from borrowings	3,163,802	400,000	—	—
Outflows related to repayments	(3,303,802)	—	—	(1,687)
Outflows related to financing costs	—	(2,559)	—	—
Non-cash changes:				
Finance costs[1]	—	—	—	1,543
Fair value changes	—	—	(26,826)	—
Unrealized foreign exchange	—	(40,256)	—	—
Unwinding of discount on long-term debt	—	1,110	—	—
As at September 30, 2017	**95,000**	**1,855,708**	**95,034**	**54,074**

Note:

[1] The interest portion related to the finance lease liability payments are recorded as finance costs within operating activities of the condensed interim consolidated statements of cash flow.

14. SEGMENT INFORMATION

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

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

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

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 and the AEF 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 in 2017.

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 September 30, 2017	**Marketing $**	**Gathering & Processing $**	**Liquids Infrastructure $**	**Corporate and Other $**	**Total $**
Revenue before inter-segment eliminations	612,526	116,635	103,872	5,065	838,098
Operating expenses before inter-segment eliminations	(627,656)	(47,254)	(32,154)	(2,800)	(709,864)
Operating margin	(15,130)	69,381	71,718	2,265	128,234
Inter-segment revenue eliminations	(2,093)	(5,539)	(59,832)	(5,818)	(73,282)
Inter-segment expense eliminations	66,622	580	4,087	1,993	73,282
	49,399	64,422	15,973	(1,560)	128,234
General and administrative expenses	—	—	—	(14,737)	(14,737)
Finance costs	—	—	—	(20,087)	(20,087)
Depreciation, depletion and amortization expenses	—	—	—	(42,495)	(42,495)
Net foreign currency gain on U.S. debt	—	—	—	6,200	6,200
Long-term incentive plan expense	—	—	—	(1,020)	(1,020)
Earnings (loss) before income tax	49,399	64,422	15,973	(73,699)	56,095
Income tax expense	—	—	—	(17,631)	(17,631)
Net earnings (loss)	**49,399**	**64,422**	**15,973**	**(91,330)**	**38,464**
Revenue from external customers	610,433	111,096	44,040	(753)	764,816

Three months ended September 30, 2016	**Marketing $**	**Gathering & Processing $**	**Liquids Infrastructure $**	**Corporate and Other $**	**Total $**
Revenue before inter-segment eliminations	472,442	117,542	90,178	5,643	685,805
Operating expenses before inter-segment eliminations	(448,617)	(45,853)	(27,397)	(2,980)	(524,847)
Operating margin	23,825	71,689	62,781	2,663	160,958
Inter-segment revenue eliminations	—	(7,565)	(52,951)	(6,357)	(66,873)
Inter-segment expense eliminations	61,212	2,316	1,352	1,993	66,873
	85,037	66,440	11,182	(1,701)	160,958
General and administrative expenses	—	—	—	(12,791)	(12,791)
Finance costs	—	—	—	(16,719)	(16,719)
Depreciation, depletion and amortization expenses	—	—	—	(45,204)	(45,204)
Net foreign currency loss on U.S. debt	—	—	—	(6,111)	(6,111)
Long-term incentive plan expense	—	—	—	(8,410)	(8,410)
Gain on disposal of property, plant and equipment	—	—	86	—	86
Earnings (loss) before income tax	85,037	66,440	11,268	(90,936)	71,809
Income tax expense	—	—	—	(19,389)	(19,389)
Net earnings (loss)	**85,037**	**66,440**	**11,268**	**(110,325)**	**52,420**
Revenue from external customers	472,442	109,977	37,227	(714)	618,932

Nine months ended September 30, 2017	**Marketing $**	**Gathering & Processing $**	**Liquids Infrastructure $**	**Corporate and Other $**	**Total $**
Revenue before inter-segment eliminations	1,939,220	346,051	304,297	21,364	2,610,932
Operating expenses before inter-segment eliminations	(1,864,882)	(143,511)	(100,931)	(9,156)	(2,118,480)
Operating margin	74,338	202,540	203,366	12,208	492,452
Inter-segment revenue eliminations	(4,046)	(17,896)	(179,517)	(23,114)	(224,573)
Inter-segment expense eliminations	203,522	2,985	11,766	6,300	224,573
	273,814	187,629	35,615	(4,606)	492,452
General and administrative expenses	—	—	—	(48,605)	(48,605)
Finance costs	—	—	—	(54,760)	(54,760)
Depreciation, depletion and amortization expenses	—	—	—	(122,061)	(122,061)
Net foreign currency gain on U.S. debt	—	—	—	15,228	15,228
Long-term incentive plan expense	—	—	—	(13,938)	(13,938)
Impairment expense	—	(17,890)	—	—	(17,890)
Gain on disposal of property, plant and equipment	—	22,166	—	—	22,166
Earnings (loss) before income tax	273,814	191,905	35,615	(228,742)	272,592
Income tax expense	—	—	—	(70,724)	(70,724)
Net earnings (loss)	**273,814**	**191,905**	**35,615**	**(299,466)**	**201,868**
Revenue from external customers	1,935,174	328,155	124,780	(1,750)	2,386,359

Nine months ended September 30, 2016	Marketing $	Gathering & Processing $	Liquids Infrastructure $	Corporate and Other $	Total $
Revenue before inter-segment eliminations	1,388,906	335,447	274,681	15,113	2,014,147
Operating expenses before inter-segment eliminations	(1,296,378)	(125,103)	(91,358)	(10,574)	(1,523,413)
Operating margin	92,528	210,344	183,323	4,539	490,734
Inter-segment revenue eliminations	—	(21,902)	(168,309)	(17,382)	(207,593)
Inter-segment expense eliminations	191,531	4,611	4,661	6,790	207,593
	284,059	193,053	19,675	(6,053)	490,734
General and administrative expenses	—	—	—	(48,079)	(48,079)
Finance costs	—	—	—	(52,914)	(52,914)
Depreciation, depletion and amortization expenses	—	—	—	(134,569)	(134,569)
Net foreign currency gain on U.S. debt	—	—	—	9,760	9,760
Long-term incentive plan expense	—	—	—	(17,113)	(17,113)
Loss on disposal of property, plant and equipment	—	—	(890)	—	(890)
Earnings (loss) before income tax	284,059	193,053	18,785	(248,968)	246,929
Income tax expense	—	—	—	(64,699)	(64,699)
Net earnings (loss)	**284,059**	**193,053**	**18,785**	**(313,667)**	**182,230**
Revenue from external customers	1,388,906	313,545	106,372	(2,269)	1,806,554

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 September 30, 2017 $	2016 $	Nine months ended September 30, 2017 $	2016 $
Canada	**632,651**	547,450	**2,022,924**	1,530,072
U.S.	**132,165**	71,482	**363,435**	276,482
Total revenue	**764,816**	618,932	**2,386,359**	1,806,554

Non-current assets[1] as at	September 30, 2017 $	December 31, 2016 $
Canada	**4,602,266**	4,172,058
U.S.	**84,576**	82,050
Total non-current assets	**4,686,842**	4,254,108

Note:
1 Non-current assets are comprised of property, plant and equipment, and goodwill.

Information about major customers

For the three and nine months ended September 30, 2017, Keyera did not earn revenues from a single external customer that accounted for more than 10% of its total revenue (for the three and nine months ended September 30, 2016 – Keyera also did not earn revenue from a single external customer that accounted for more than 10% of total revenue).

15. OTHER ASSETS

Other assets primarily consists of funds advanced to a joint venture partner for the future construction of the expansion phase on an existing gas plant jointly owned by Keyera and the joint venture partner. As at September 30, 2017, the prepaid balance was $12,125.

At December 31, 2016, $55,054 of the other assets balance related to a prepayment made by Keyera for the acquisition of 1,290 acres of undeveloped land in the Fort Saskatchewan area. On January 19, 2017, Keyera met all the closing conditions related to the acquisition and as such, $55,054 was reclassified from other assets to land.

16. SUBSEQUENT EVENTS

On October 11, 2017, Keyera declared a dividend of $0.14 per share, payable on November 15, 2017, to shareholders of record as of October 23, 2017.

On November 7, 2017, Keyera declared a dividend of $0.14 per share, payable on December 15, 2017, to shareholders of record as of November 22, 2017.

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
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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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 Q3 2017

TSX:KEY – Cdn $	
High	$40.89
Low	$35.59
Close September 30, 2017	$38.14
Volume	43,468,953
Average Daily Volume	701,112

Auditors

Deloitte LLP
Chartered Professional Accountants
Calgary, Canada

Investor Relations

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