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2019 FIRST QUARTER
REPORT TO
SHAREHOLDERS

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SOLUTIONS

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INNOVATION

PARTNERSHIP

Highlights of operations for the three months ended June 30, 2018 included:

- First quarter gross RCE additions of 329,000 improved 34% year over year and improved 5% over the fourth quarter. Net RCE additions of 10,000 during the quarter improved 145,000 from a negative 135,000 net RCE additions in the prior comparable period. Just Energy's total RCE base is currently 4.2 million.
- Continued to expand the Company's retail channel by launching new partners and stores and driving new customer adds in the retail channel during the quarter, resulting in a double-digit increase sequentially.
- In line with its strategic transformation from a retail energy provider to a consumer products company, Just Energy gained momentum in providing energy efficiency solutions to Commercial customers as well as expanding its consumer value added product offerings through its multi-channel expansion strategy.
- Gross margin of $153.5 million decreased 3%, primarily due to lower deliveries to the Canadian Consumer markets, negative foreign exchange impact, and favourable resettlements for the Commercial division in the prior comparable quarter, partially offset by pricing increases on certain customer segments and increased sales of value added products and services.
- Base EBITDA of $27.3 million decreased $5.2 million year over year due to lower gross margin and continued investment in growth initiatives, partially offset by lower selling costs.
- Administrative expenses increased $7.1 million, or 14%, as a result of the costs to serve the growing customer base in the U.K., international expansion costs, and ongoing M&A activities. Selling and marketing expenses decreased $7.5 million, or 13%, as a result of lower selling costs in the Canadian Consumer market, discontinuation of the solar business, foreign exchange and the timing of selling expenses related to the Commercial division.
- Base FFO of $18.1 million decreased $2.4 million, or 12%, as a result of the decrease in Base EBITDA.
- Embedded gross margin of $2.0 billion increased $289.9 million, or 17%, due to the growth in the U.K. Consumer customer base and gross margin optimization initiatives across several U.S. markets, most notably the Texas power markets.
- The Company reaffirmed its fiscal 2019 Base EBITDA guidance range of $200 million to $220 million, including the implementation of IFRS 15. This represents approximately 10% year over year Base EBITDA growth at the midpoint of guidance over an adjusted fiscal 2018 Base EBITDA.

Message from the Chief Executive Officer

Dear fellow shareholders,

Our accomplishments during the first quarter of fiscal 2019 are setting the stage for profitable long-term growth while also positioning the Company to achieve our stated financial objectives for the year. Despite traditionally being our seasonally slowest quarter, our core business performed well and, overall, we achieved our internal expectations for the quarter.

Our positive sales momentum continued into the new fiscal year. During the quarter, we continued to deliver strong customer additions and positive net RCE additions. We have now achieved six consecutive quarters of gross customer growth in our Consumer division and positive net RCE total additions during each of the past four quarters.

We also implemented successful pricing initiatives. Residential customers added or renewed were at record gross margin levels in the face of ongoing competitive pricing pressures. We continued to build on strong underlying trends that are an early testament that our suite of value added products and services is resonating among our target customers. Our embedded gross margin – a metric which has historically been a reliable indicator of our future growth potential – reached levels that rivalled an all-time Company record. We feel we are well positioned to maximize profits and cash flow from this growing book of business.

As I look towards the future, our transformation from a retail energy provider to a consumer-centric company will enable us to capitalize on the opportunities we see in the marketplace. While there is still much work to be done, we are confident we are on the right path toward becoming less dependent on commodity products. We are focused on a manageable set of strategic initiatives that seek to:

1) Remove the volatility in our performance and establish a strong level of predictability in our results;

2) Continue to implement pricing actions that improve the profitability of the business as our growing customer base gains acceptance of our suite of value added products and services; and

3) Optimize our sales and marketing efforts to enable our team to successfully cross-sell our expanded offering across markets.

As part of our outlook for the business, we remain focused on capital stewardship. We feel our cash generation capabilities are stable and fully support our commitment to the dividend and our need to grow the business. We are committed to maintaining balance sheet discipline while continuing to generate superior returns on our invested capital.

My sincerest thanks to our Board of Directors for their leadership; our dedicated employees around the world for their commitment to serving our customers; our loyal customers who have made us an important partner in their homes; and our shareholders for their support for our vision.

Yours truly,

/s/ Patrick McCullough

Patrick McCullough
Chief Executive Officer

Management's discussion and analysis – August 8, 2018

The following Management's Discussion and Analysis ("MD&A") is a review of the financial condition and operating results of Just Energy Group Inc. ("Just Energy" or the "Company") for the three months ended June 30, 2018. This MD&A has been prepared with all information available up to and including August 8, 2018. This MD&A should be read in conjunction with Just Energy's unaudited interim condensed consolidated financial statements for the three months ended June 30, 2018. The financial information contained herein has been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). All dollar amounts are expressed in Canadian dollars unless otherwise noted. Quarterly reports, the annual report and supplementary information can be found on Just Energy's corporate website at www.justenergygroup.com. Additional information can be found on SEDAR at www.sedar.com or on the U.S. Securities and Exchange Commission's website at www.sec.gov.

Company overview

Established under the laws of Canada, Just Energy is a leading consumer company specializing in electricity and natural gas commodities, energy efficient solutions and renewable energy options. Currently operating in the United States, Canada and various international markets including the United Kingdom, Germany, Ireland and Japan, Just Energy serves residential and commercial customers, providing homes and businesses with a broad range of energy solutions that deliver comfort, convenience and control. Just Energy is the parent company of Amigo Energy, Green Star Energy, Hudson Energy, Interactive Energy Group, Just Energy Advanced Solutions, Tara Energy, terrapass and EdgePower Inc.

For a more detailed description of Just Energy's business operations, refer to the "Operations overview" section on page 6 of this MD&A.

Forward-looking information

This MD&A may contain forward-looking statements and information, including guidance for Base EBITDA for the fiscal year ending March 31, 2019. These statements are based on current expectations that involve a number of risks and uncertainties which could cause actual results to differ from those anticipated. These risks include, but are not limited to, general economic, business and market conditions, the ability of management to execute its business plan, levels of customer natural gas and electricity consumption, extreme weather conditions, rates of customer additions and renewals, rates of customer attrition, fluctuations in natural gas and electricity prices and interest and exchange rates, actions taken by governmental authorities including energy marketing regulation, increases in taxes and changes in government regulations and incentive programs, changes in regulatory regimes, results of litigation and decisions by regulatory authorities, competition, the performance of acquired companies and dependence on certain suppliers. Additional information on these and other factors that could affect Just Energy's operations, financial results or dividend levels is included in Just Energy's Annual Information Form and other reports on file with Canadian securities regulatory authorities which can be accessed through the SEDAR website at www.sedar.com or by visiting EDGAR on the SEC's website at www.sec.gov.

Key terms

"5.75% convertible debentures" refers to the $100 million in convertible debentures issued by Just Energy to finance the purchase of Fulcrum Retail Holdings, LLC, issued in September 2011. The convertible debentures were fully redeemed on March 27, 2018. See "Debt and financing for operations" on page 20 for further details.

"6.5% convertible bonds" refers to the US$150 million in convertible bonds issued in January 2014, which mature on July 29, 2019. Net proceeds were used to redeem Just Energy's outstanding $90 million convertible debentures and pay down Just Energy's line of credit. See "Debt and financing for operations" on page 20 for further details.

"6.75% $160M convertible debentures" refers to the $160 million in convertible debentures issued in October 2016, which have a maturity date of December 31, 2021. Net proceeds were used to redeem Just Energy's outstanding senior unsecured notes on October 5, 2016 and $225 million of its 6.0% convertible debentures on November 7, 2016. See "Debt and financing for operations" on page 20 for further details.

"6.75% $100M convertible debentures" refers to the $100 million in convertible debentures issued in February 2018, which have a maturity date of March 31, 2023. Net proceeds were used to redeem the 5.75% convertible debentures on March 27, 2018. See "Debt and financing for operations" on page 20 for further details.

"Preferred shares" refers to the 8.50%, fixed-to-floating rate, cumulative, redeemable, perpetual preferred shares that were initially issued at a price of US$25.00 per preferred share in February 2017. The cumulative feature means that preferred shareholders are entitled to receive dividends at a rate of 8.50% on the initial offer price when, as and if, declared by our Board of Directors.

"Attrition" means customers whose contracts were terminated prior to the end of the term either at the option of the customer or by Just Energy.

"Customer" refers to an individual customer rather than to an RCE (see key term below).

"Failed to renew" means customers who did not renew expiring contracts at the end of their term.

"Gross margin per RCE" refers to the energy gross margin realized on Just Energy's RCE customer base, including gains/losses from the sale of excess commodity supply.

"LDC" means a local distribution company; the natural gas or electricity distributor for a regulatory or governmentally defined geographic area.

"RCE" means residential customer equivalent, which is a unit of measurement equivalent to a customer using, as regards natural gas, 2,815 m^3 (or 106 GJs or 1,000 Therms or 1,025 CCFs) of natural gas on an annual basis and, as regards electricity, 10 MWh (or 10,000 kWh) of electricity on an annual basis, which represents the approximate amount of gas and electricity, respectively, used by a typical household in Ontario, Canada, including commercial brokerage sales.

Non-IFRS financial measures

Just Energy's unaudited interim condensed consolidated financial statements are prepared in accordance with IFRS. The financial measures that are defined below do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. These financial measures should not be considered as an alternative to, or more meaningful than, net income (loss), cash flow from operating activities and other measures of financial performance as determined in accordance with IFRS; however, the Company believes that these measures are useful in providing relative operational profitability of the Company's business.

EBITDA

"EBITDA" refers to earnings before finance costs, income taxes, depreciation and amortization. EBITDA is a non-IFRS measure that reflects the operational profitability of the business.

BASE EBITDA

"Base EBITDA" refers to EBITDA adjusted to exclude the impact of mark to market gains (losses) arising from IFRS requirements for derivative financial instruments as well as reflecting an adjustment for share-based compensation and non-controlling interest. This measure reflects operational profitability as the non-cash share-based compensation expense is treated as an equity issuance for the purpose of this calculation, as it will be settled in shares and the mark to market gains (losses) are associated with supply already sold in the future at fixed prices. Also included in Base EBITDA are gains and losses from the Company's portfolio of equity investments which are presented in the Company's interim condensed consolidated statements of income.

Just Energy ensures that customer margins are protected by entering into fixed-price supply contracts. Under current IFRS, the customer contracts are not marked to market; however, there is a requirement to mark to market the future supply contracts. This creates unrealized gains (losses) depending upon current supply pricing. Management believes that these short-term mark to market non-cash gains (losses) do not impact the long-term financial performance of Just Energy and management has therefore excluded them from the Base EBITDA calculation.

FUNDS FROM OPERATIONS

Funds from Operations ("FFO") refers to the cash flow generated by operations. FFO is calculated by Just Energy as gross margin adjusted for cash items including administrative expenses, selling and marketing expenses, bad debt expenses, finance costs, corporate taxes, capital taxes and other cash items. FFO also includes a seasonal adjustment for the gas markets in Ontario, Quebec, Manitoba and Michigan in order to include cash received from LDCs for gas not yet consumed by end customers.

BASE FUNDS FROM OPERATIONS

Base Funds from Operations ("Base FFO") refers to FFO reduced by capital expenditures purchased to maintain productive capacity. Capital expenditures to maintain productive capacity represent the capital spend relating to capital and intangible assets.

BASE FUNDS FROM OPERATIONS PAYOUT RATIO

The payout ratio for Base FFO means dividends declared and paid as a percentage of Base FFO.

EMBEDDED GROSS MARGIN

"Embedded gross margin" is a rolling five-year measure of management's estimate of future contracted energy gross margin. The energy marketing embedded gross margin is the difference between existing energy customer contract prices and the cost of supply for the remainder of the term, with appropriate assumptions for RCE attrition and renewals. It is assumed that expiring contracts will be renewed at target margin renewal rates.

Embedded gross margin indicates the margin expected to be realized from existing customers. It is intended only as a directional measure for future gross margin. It is not discounted to present value nor is it intended to take into account administrative and other costs necessary to realize this margin.

Financial highlights

For the three months ended June 30
(thousands of dollars, except where indicated and per share amounts)

	Fiscal 2019	**% increase (decrease)**	Fiscal 2018
Sales	**$ 876,457**	**3%**	$ 847,706
Gross margin	**153,532**	**(3)%**	157,563
Administrative expenses	**55,682**	**14%**	48,631
Selling and marketing expenses	**50,543**	**(13)%**	58,076
Finance costs (net of non-cash finance charges)	**12,873**	**37%**	9,387
Profit (loss)[1]	**(41,423)**	**NMF[3]**	109,309
Profit (loss) per share available to shareholders – basic	**(0.29)**		0.69
Profit (loss) per share available to shareholders – diluted	**(0.29)**		0.52
Dividends/distributions	**22,262**	**2%**	21,783
Base EBITDA[2]	**27,280**	**(16)%**	32,509
Base Funds from Operations[2]	**18,114**	**(12)%**	20,508
Payout ratio on Base Funds from Operations[2]	**123%**		106%
Embedded gross margin[2]	**1,963,600**	**17%**	1,673,700
Total customers (RCEs)	**4,173,000**	**2%**	4,076,000
Total gross customer (RCE) additions	**329,000**	**34%**	245,000
Total net customer (RCE) additions	**10,000**	**NMF[3]**	(135,000)

1 Profit includes the impact of unrealized gains (losses), which represents the mark to market of future commodity supply acquired to cover future customer demand. The supply has been sold to customers at fixed prices, minimizing any realizable impact of mark to market gains and losses.
2 See "Non-IFRS financial measures" on page 4.
3 Not a meaningful figure.

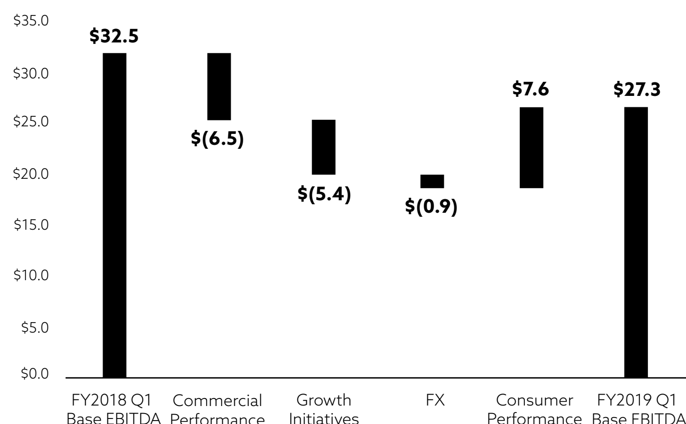
Just Energy's financial results for the three months ended June 30, 2018 included sales of $876.5 million, an increase of 3%. Gross margin decreased 3% to $153.5 million, primarily due to lower deliveries to the Canadian Consumer markets, negative foreign exchange impact relating to the weakening of the U.S. dollar and favourable resettlements for the Commercial division in the prior comparable quarter. This decrease was partially offset by increases in pricing resulting from focusing on value selling to certain customer segments and advancing the sales of value added products such as ecobee and Commercial energy efficiency products and services.

Base EBITDA was $27.3 million, a decrease of $5.2 million as compared to the first quarter of fiscal 2018 due to lower gross margin and continuing investments in growth initiatives and expansion, partially offset by lower selling costs.

Administrative expenses increased 14% as a result of the costs to serve the growing customer base in the U.K., international expansion costs and ongoing M&A activities. Selling and marketing expenses decreased 13% compared to the prior comparable quarter as a result of lower selling costs in the Canadian Consumer market, discontinuation of the solar business, foreign exchange and the timing of selling expenses related to the Commercial division.

Finance costs increased by 37% in the first quarter as compared to the prior comparable period, driven by higher drawdowns on the Company's credit facility required to support the working capital needs of the Company's growth initiatives.

Just Energy's financial highlights for the three months ended June 30, 2018 are shown in the accompanying graph.



Operations overview

CONSUMER DIVISION

The sale of gas and electricity to customers with annual consumption equivalent to 15 RCEs and less is undertaken by the Consumer division. Marketing of the energy products of this division is primarily done through retail, online marketing and door-to-door marketing. Consumer customers make up 44% of Just Energy's RCE base, which is currently focused on longer-term price-protected, flat-bill and variable rate product offerings as well as JustGreen products. To the extent that certain markets are better served by shorter-term or enhanced variable rate products, the Consumer division's sales channels also offer these products.

Developments in connectivity and convergence and changes in customer preferences have created an opportunity for Just Energy to provide value added products and service bundles connected to energy. As a conservation solution, smart thermostats are offered as a value-add product with commodity contracts, but were also sold previously as a stand-alone unit. The smart thermostats are manufactured and distributed by ecobee, a company in which Just Energy holds a 7.8% fully diluted equity interest. In addition, Just Energy has also expanded its product offering in some markets to include air filters, LED light bulbs and residential water sprinkler controllers.

COMMERCIAL DIVISION

Customers with annual consumption equivalent to over 15 RCEs are served by the Commercial division. These sales are made through three main channels: brokers; door-to-door commercial independent contractors; and inside commercial sales representatives. Commercial customers make up 56% of Just Energy's RCE base. Products offered to Commercial customers can range from standard fixed-price offerings to "one off" offerings, which are tailored to meet the customer's specific needs. These products can be either fixed or floating rate or a blend of the two, and normally have terms of less than five years. Gross margin per RCE for this division is lower than Consumer margins, but customer aggregation costs and ongoing customer care costs per RCE are lower as well. Commercial customers have significantly lower attrition rates than those of Consumer customers.

ABOUT THE ENERGY MARKETS

Natural gas

Just Energy offers natural gas customers a variety of products ranging from month-to-month variable-price contracts to five-year fixed-price contracts. Gas supply is purchased from market counterparties based on forecasted Consumer and small Commercial RCEs. For larger Commercial customers, gas supply is generally purchased concurrently with the execution of a contract. Variable rate products allow customers to maintain competitive rates while retaining the ability to lock into a fixed price at their discretion. Flat-bill products offer customers the ability to pay a fixed amount per period regardless of usage or changes in the price of the commodity.

The LDCs provide historical customer usage which, when normalized to average weather, enables Just Energy to purchase the expected normal customer load. Furthermore, Just Energy mitigates exposure to weather variations through active management of the gas portfolio, which involves, but is not limited to, the purchase of options including weather derivatives. Just Energy's ability to successfully mitigate weather effects is limited by the degree to which weather conditions deviate from normal. To the extent that balancing requirements are outside the forecasted purchase, Just Energy bears the financial responsibility for fluctuations in customer usage. To the extent that supply balancing is not fully covered through active management or the options employed, Just Energy's realized customer gross margin may be reduced or increased depending upon market conditions at the time of balancing.

Territory	Gas delivery method
Ontario, Quebec, Manitoba and Michigan	The volumes delivered for a customer typically remain constant throughout the year. Sales are not recognized until the customer actually consumes the gas. During the winter months, gas is consumed at a rate that is greater than delivery, resulting in accrued gas receivables, and, in the summer months, deliveries to LDCs exceed customer consumption, resulting in gas delivered in excess of consumption. Just Energy receives cash from the LDCs as the gas is delivered, which is even throughout the year.
Alberta, British Columbia, New York, Illinois, Indiana, Ohio, California, Georgia, Maryland, New Jersey, Pennsylvania, Saskatchewan, the United Kingdom, Germany and Ireland	The volume of gas delivered is based on the estimated consumption and storage requirements for each month. Therefore, the amount of gas delivered in the winter months is higher than in the spring and summer months. Consequently, cash flow received from most of these markets is greatest during the third and fourth (winter) quarters, as cash is normally received from the LDCs in the same period as customer consumption.

Electricity

Just Energy services various territories in Canada, the U.S., the U.K., Germany, Ireland and Japan with electricity. A variety of electricity solutions are offered, including fixed-price, flat-bill and variable-price products on both short-term and longer-term electricity contracts. Some of these products provide customers with price-protection programs for the majority of their electricity requirements. Just Energy uses historical usage data for all enrolled customers to predict future customer consumption and to help with long-term supply procurement decisions. Flat-bill products offer a consistent price regardless of usage.

Just Energy purchases power supply from market counterparties for residential and small Commercial customers based on forecasted customer aggregation. Power supply is generally purchased concurrently with the execution of a contract for larger Commercial customers. Historical customer usage is obtained from LDCs, which, when normalized to average weather, provides Just Energy with an expected normal customer consumption. Furthermore, Just Energy mitigates exposure to weather variations through active management of the power portfolio, which involves, but is not limited to, the purchase of options, including weather derivatives.

Just Energy's ability to successfully mitigate weather effects is limited by the degree to which weather conditions deviate from normal. To the extent that balancing power purchases are outside the acceptable forecast, Just Energy bears the financial responsibility for excess or short supply caused by fluctuations in customer usage. Any supply balancing not fully covered through customer pass-throughs, active management or the options employed may impact Just Energy's gross margin depending upon market conditions at the time of balancing.

JustGreen

Customers also have the ability to choose an appropriate JustGreen program to supplement their natural gas and electricity contracts, providing an effective method to offset their carbon footprint associated with the respective commodity consumption.

JustGreen programs for gas customers involve the purchase of carbon offsets from carbon capture and reduction projects. Via power purchase agreements and renewable energy certificates, JustGreen's electricity product offers customers the option of having all or a portion of their electricity sourced from renewable green sources such as wind, solar, hydropower or biomass. Additional green products allow customers to offset their carbon footprint without buying energy commodity products and can be offered in all states and provinces without being dependent on energy deregulation.

Just Energy currently sells JustGreen gas and electricity in eligible markets across North America. Of all Consumer customers who contracted with Just Energy in the past trailing 12 months, 36% took JustGreen for some or all of their energy needs. On average, these customers elected to purchase 71% of their consumption as green supply. For comparison, as reported for the trailing 12 months ended June 30, 2017, 29% of Consumer customers who contracted with Just Energy chose to include JustGreen for an average of 80% of their consumption. As of June 30, 2018, JustGreen now makes up 9% of the Consumer gas portfolio, compared to 14% a year ago. JustGreen makes up 12% of the Consumer electricity portfolio, compared to 16% a year ago.

Value added products and services ("VAPS")

In addition to JustGreen, Just Energy also provides energy management solutions to both Consumer and Commercial customers in the form of value added products and services. These products and services may be sold in a bundle with natural gas or electricity, or on a stand-alone basis.

Just Energy's commercial energy management solutions include LED lighting as well as monitoring and control solutions for lighting and HVAC systems. The solutions include custom design, procurement, utility rebate management, and management of installation services that may be purchased outright or financed through third parties.

Energy management for the consumer business focuses on energy efficient products. Just Energy has strategic partnerships to facilitate the purchase and support of smart thermostats, air filter replacements, home warranty products, and smart irrigation controllers. Customers may also redeem points earned through Just Energy's Perks loyalty program for a wide variety of free or discounted energy saving products.

ADOPTION OF NEW STANDARDS

Adoption of IFRS 15, Revenue from Contracts with Customers

On April 1, 2018, Just Energy adopted an accounting policy that provides a standardized guideline for entities to account for revenue arising from contracts with customers. Following the terms of the standardization, Just Energy has applied IFRS 15 using the modified retrospective method. As such, transition adjustments have been recognized through equity as at April 1, 2018.

Upon the adoption of IFRS 15, incremental costs to obtain a contract with a customer are capitalized if these costs are expected to be recovered. Similar costs pertaining to other segments have been capitalized in the past. Accordingly, Just Energy has changed its accounting policy to allow for capitalizing all upfront-sales commissions, incentives, and third party verification costs paid based on customer acquisition that met the criteria for capitalization. Just Energy has elected, under the practical expedient, to recognize incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset is less than one year. These expenses are deferred and amortized over the average customer relationship period (which is estimated to be between two and five years based on historical blended attrition rates, inclusive of expected renewal periods by region).

The adjustments to Just Energy's current year financial statements included an increase of $28.4 million in the opening balance of customer acquisition costs assets – an increase in deferred income tax liabilities of $7.6 million and an opening retained earnings adjustment of $20.8 million. The first quarter 2019 impact of the new standard increased net earnings by approximately $9.3 million (pre-tax $9.3 million).

The new accounting standard has no impact on the economics of our business. That being said, the implementation of IFRS 15 will result in a change in timing of the recognition of commission expenses but has no effect on the cash flows of Just Energy.

For a further description of the impact of the accounting policy change, refer to the interim condensed consolidated financial statements for the period ended June 30, 2018.

Adoption of IFRS 9, Financial Instruments

Effective April 1, 2018, Just Energy adopted IFRS 9, Financial Instruments ("IFRS 9"). IFRS 9 introduces a new expected lifetime credit loss impairment model which replaces the existing incurred loss impairment model under IAS 39.

Under the previous accounting standard, IAS 39, a collective allowance for losses was recorded on trade receivables when a loss event had occurred as at, or prior to, the balance sheet date. An incurred loss event provides objective evidence to establish an allowance for loss against these receivables. IAS 39 did not allow the recognition of any allowance for losses expected in the future if a loss event had not yet occurred on the balance sheet date.

Under IFRS 9, Just Energy is required to apply a lifetime expected credit loss model, where credit losses that are expected to transpire in future years, irrespective of whether a loss event has occurred or not, as at the balance sheet date, are provided for. The expected lifetime credit loss is calculated based on the weighted average expected cash collected shortfall against the carrying value of the receivable and unbilled revenue and considers reasonable and supportable information about past events, current conditions, and forecasts of future events and economic conditions that may impact the credit profile of the receivables.

IFRS 9 requires that forward-looking indicators are considered when determining the impact on credit risk and measuring lifetime expected credit losses and are incorporated in the risk parameters as relevant. Based on the analysis performed by Just Energy, it was determined that the following forward-looking indicators could have an impact on the credit performance of the receivables, and they were considered in its calculation of the allowance for losses:

- Interest rate;
- Unemployment;
- Commodity prices; and
- Consumer Price Index.

IFRS 9 does not require the restatement of comparative period financial statements except in limited circumstances related to aspects of hedge accounting. In those markets, Just Energy made the decision not to restate comparative period financial information and has recognized any measurement differences between the previous carrying amounts and the new carrying amounts on April 1, 2018, through an adjustment to opening retained earnings, net of deferred tax implications.

In Alberta, Texas, Illinois, California, Michigan, Delaware, Ohio, Georgia and the U.K., Just Energy has customer credit risk, and therefore, credit review processes have been implemented to perform credit evaluations of customers and manage customer default.

Just Energy's bad debt expense as a percentage of revenue for these markets, as determined under IAS 39, for the period ended June 30, 2017, was 2.5%.

Similarly, under IFRS 9, for the period ended June 30, 2018, the same metric was determined to be 3.1%. This increase in the bad debt expense as a percentage of revenue was not indicative of a change in the expected recovery value of the underlying consumer debts receivable but rather a function of extending the allowance for expected lifetime credit losses to provide for expected future losses over a longer future time frame as required under IFRS 9. The standard required that a provision for expected lifetime credit losses be calculated for unbilled revenues, as they meet the definition of a contract asset under IFRS 15, whereas previously, under IAS 39, these receivables would not have a provision under the incurred loss model.

In the remaining markets, the LDCs provide collection services and assume the risk of any bad debts owing from Just Energy's customers for a fee. Management believes that the risks of LDCs failing to deliver payment to Just Energy is minimal.

The following table summarizes the transition adjustment required to adopt IFRS 9 as at April 1, 2018 for the markets above.

(thousands of dollars)	IAS 39 carrying amount as at March 31, 2018	Transition adjustment	IFRS 9 carrying amount as at April 1, 2018
Trade receivables	$ 395,730	$ (11,237)	$ 384,493
Unbilled revenues	$ 301,577	$ (12,399)	$ 289,178

Due to the transition from an incurred loss model to a future expected lifetime credit loss model as required under IFRS 9, if forecast of events or change of economic condition are expected to give rise to change of the credit loss, the bad debt expenses will be changed prior to the occurrence of the future event. This would theoretically result in a greater bad debt expense and a corresponding decrease in reported net income when compared to net income reported under IAS 39 in situations where the future expected event leads to deterioration of the credit loss.

EBITDA

For the three months ended June 30
(thousands of dollars)

	Fiscal 2019	Fiscal 2018
Reconciliation to interim condensed consolidated statements of income		
Profit (loss) for the period	**$ (41,423)**	$ 109,309
Add:		
Finance costs	**16,340**	11,990
Provision for income taxes	**7,961**	6,797
Amortization	**6,025**	5,234
EBITDA	**$ (11,097)**	$ 133,330
Add (subtract):		
Change in fair value of derivative instruments and other	**36,556**	(110,617)
Share-based compensation	**1,775**	15,247
Loss (profit) attributable to non-controlling interest	**46**	(5,451)
Base EBITDA	**$ 27,280**	$ 32,509
Gross margin per interim condensed consolidated financial statements	**$ 153,532**	$ 157,563
Add (subtract):		
Administrative expenses	**(55,682)**	(48,631)
Selling and marketing expenses	**(50,543)**	(58,076)
Bad debt expense	**(20,800)**	(15,272)
Amortization included in cost of sales	**782**	777
Other income (expenses)	**(55)**	1,599
Loss (profit) attributable to non-controlling interest	**46**	(5,451)
Base EBITDA	**$ 27,280**	$ 32,509

For the three months ended June 30, 2018, Base EBITDA was $27.3 million, a decrease of $5.2 million as compared to Q1 fiscal 2018 due to lower gross margin and continuing investments in growth initiatives and expansion, partially offset by lower selling costs.

Sales increased 3% for the first quarter ended June 30, 2018. While the Consumer division's sales increased 11% for the three months ended June 30, 2018, the Commercial division's sales decreased 7% due to the decrease in the North American power customer base. Gross margin decreased 3% to $153.5 million, primarily due to lower deliveries to the Canadian Consumer markets, negative foreign exchange impact relating to the weakening of the U.S. dollar and favourable resettlements for the Commercial division in the prior comparable quarter. This decrease was partially offset by increases in prices resulting from focusing on value selling to certain customer segments and advancing the sales of value added products such as ecobee and Commercial energy efficiency products and services.

Administrative expenses increased 14% from $48.6 million to $55.7 million. The increase over the prior comparable quarter resulted from the costs to serve the growing customer base in the U.K., international expansion costs and ongoing M&A activities.

Selling and marketing expenses for the three months ended June 30, 2018 were $50.5 million, a decrease of 13% compared with the prior comparable quarter as a result of lower selling costs in the Canadian Consumer market, discontinuation of the solar business, foreign exchange and the timing of selling expenses related to the Commercial division.

Finance costs increased by 37% in the first quarter as compared to the prior comparable period, driven by higher drawdowns on the Company's credit facility required to support the working capital needs of the Company's growth initiatives.

Bad debt expense was $20.8 million for the three months ended June 30, 2018, an increase of 36% from $15.3 million recorded for the prior comparable quarter, as a result of the growth of revenues within Texas and in the U.K., and the establishment of a credit and collections history within the U.K. for the purposes of calculating bad debt given the rapid growth.

For more information on the changes in the results from operations, please refer to "Gross margin" on page 16 and "Administrative expenses", "Selling and marketing expenses", "Bad debt expense" and "Finance costs", which are further clarified on pages 17 through 18.

EMBEDDED GROSS MARGIN

Management's estimate of the future embedded gross margin is as follows:

(millions of dollars)

	As at June 30, 2018	As at March 31, 2018	June 30 vs. March 31 variance	As at June 30, 2017	2018 vs. 2017 variance
Energy marketing	**$ 1,963.6**	$ 1,900.5	3%	$ 1,673.7	17%

Management's estimate of the future embedded gross margin within its customer contracts amounted to $1,963.6 million as of June 30, 2018, an increase of 3% compared to the embedded gross margin as of March 31, 2018. The increase is consistent with RCE growth and efforts to expand margin.

Embedded gross margin indicates the margin expected to be realized over the next five years from existing customers. It is intended only as a directional measure for future gross margin. It is not discounted to present value nor is it intended to take into account administrative and other costs necessary to realize this margin. As our mix of customers continues to reflect a higher proportion of Commercial volume, the embedded gross margin may, depending on currency rates, grow at a slower pace than customer growth; however, the underlying costs necessary to realize this margin will also decline.

Funds from Operations

For the three months ended June 30
(thousands of dollars)

	Fiscal 2019	Fiscal 2018
Cash inflow from operating activities	**$ (12,546)**	$ 20,609
Add (subtract):		
Changes in non-cash working capital	**23,024**	(556)
Loss (profit) attributable to non-controlling interest	**46**	(5,451)
Tax adjustment	**10,949**	10,486
Funds from Operations	**$ 21,473**	$ 25,088
Less: Maintenance capital expenditures	**(3,359)**	(4,580)
Base Funds from Operations	**$ 18,114**	$ 20,508
Gross margin per interim condensed consolidated financial statements	**$ 153,532**	$ 157,563
Add (subtract):		
Administrative expenses	**(55,682)**	(48,631)
Selling and marketing expenses	**(50,543)**	(58,076)
Bad debt expense	**(20,800)**	(15,272)
Current income tax provision	**2,512**	(591)
Adjustment required to reflect net cash receipts from gas sales	**4,581**	2,649
Amortization included in cost of sales	**782**	777
Other (expenses) income	**(55)**	1,599
Financing charges, non-cash	**3,467**	2,603
Finance costs	**(16,340)**	(11,990)
Other non-cash adjustments	**19**	(5,543)
Funds from Operations	**$ 21,473**	$ 25,088
Less: Maintenance capital expenditures	**(3,359)**	(4,580)
Base Funds from Operations	**$ 18,114**	$ 20,508
Base Funds from Operations payout ratio	**123%**	106%
Dividends/distributions		
Dividends on common shares	**$ 18,549**	$ 18,375
Dividends on preferred shares	**3,188**	3,010
Distributions for share-based awards	**525**	398
Total dividends/distributions	**$ 22,262**	$ 21,783

Base FFO for the three months ended June 30, 2018 amounted to $18.1 million, a decrease of 12% compared with Base FFO of $20.5 million for the prior comparable quarter. The decrease in Base FFO was a result of the 16% decrease in Base EBITDA in the current quarter and cash financing costs, partially offset by lower maintenance capital expenditures, lower current period income taxes and higher delivery market gas receipts.

Dividends and distributions for the three months ended June 30, 2018 were $22.3 million, an increase of 2% from the prior comparable quarter in fiscal 2018, reflecting the dividend payments of $3.2 million to preferred shareholders. The payout ratio on Base Funds from Operations was 123% for the three months ended June 30, 2018, compared to 106% reported in the first quarter of fiscal 2018. The payout ratio for the trailing 12 months ended June 30, 2018 was 98%, compared with 65% and 95% for the trailing 12 months ended June 30, 2017 and March 31, 2018, respectively.

Summary of quarterly results for operations

(thousands of dollars, except per share amounts)

	Q1 Fiscal 2019	Q4 Fiscal 2018	Q3 Fiscal 2018	Q2 Fiscal 2018
Sales	**$ 876,457**	$ 1,014,734	$ 912,203	$ 851,927
Gross margin	**153,532**	169,396	171,305	142,663
Administrative expenses	**55,682**	48,873	50,389	46,806
Selling and marketing expenses	**50,543**	60,840	55,547	58,577
Finance costs	**16,340**	18,195	13,266	12,521
Profit (loss) for the period	**(41,423)**	265,773	208,415	(64,923)
Profit (loss) for the period per share – basic	**(0.29)**	1.80	1.42	(0.47)
Profit (loss) for the period per share – diluted	**(0.29)**	1.40	1.13	(0.47)
Dividends/distributions paid	**22,261**	21,555	21,501	21,468
Base EBITDA	**27,280**	68,876	52,507	20,548
Base Funds from Operations	**18,114**	25,472	37,539	7,683
Payout ratio on Base Funds from Operations	**123%**	85%	57%	279%

	Q1 Fiscal 2018	Q4 Fiscal 2017	Q3 Fiscal 2017	Q2 Fiscal 2017
Sales	$ 847,706	$ 947,281	$ 918,536	$ 992,828
Gross margin	157,563	175,412	174,353	183,534
Administrative expenses	48,631	32,448	44,567	46,717
Selling and marketing expenses	58,076	53,727	55,337	59,454
Finance costs	11,990	16,745	25,477	17,882
Profit (loss) for the period	109,309	(38,220)	188,041	(161,608)
Profit (loss) for the period per share – basic	0.69	(0.30)	1.22	(1.13)
Profit (loss) for the period per share – diluted	0.52	(0.30)	0.98	(1.13)
Dividends/distributions paid	21,783	20,344	18,800	18,814
Base EBITDA	32,509	75,018	51,489	56,851
Base Funds from Operations	20,508	28,588	20,940	52,561
Payout ratio on Base Funds from Operations	106%	71%	90%	36%

Just Energy's results reflect seasonality, as electricity consumption was slightly greater in the first and second quarters (summer quarters) and gas consumption is significantly greater during the third and fourth quarters (winter quarters). Electricity and gas customers currently represent 75% and 25%, respectively, of the customer base. Since consumption for each commodity is influenced by weather, annual quarter over quarter comparisons are more relevant than sequential quarter comparisons.

Analysis of the first quarter

Sales increased 3% to $876.5 million for the three months ended June 30, 2018 from $847.7 million recorded in the first quarter of fiscal 2018. The gross margin was $153.5 million, a decrease of 3% from the prior comparable quarter, primarily due to lower deliveries to the Canadian Consumer markets, negative foreign exchange impact relating to the weakening of the U.S. dollar and favourable resettlements for the Commercial division in the prior comparable quarter. This decrease was partially offset by increases in prices resulting from focusing on value selling to certain customer segments and advancing the sales of value added products such as ecobee and Commercial energy efficiency products and services.

Administrative expenses for the three months ended June 30, 2018 increased 14% to $55.7 million as a result of the costs to serve the growing customer base in the U.K., international expansion costs and ongoing M&A activities. Selling and marketing expenses for the three months ended June 30, 2018 were $50.5 million, a decrease of 13% compared with the prior comparable quarter as a result of lower selling costs in the Canadian Consumer market, discontinuation of the solar business, foreign exchange and the timing of selling expense related to the Commercial division.

Total finance costs for the three months ended June 30, 2018 amounted to $16.3 million, an increase of 36% from $12.0 million reported for the three months ended June 30, 2017, driven by higher drawdowns on the Company's credit facility required to support the working capital needs of the Company's growth initiatives.

The change in fair value of derivative instruments and other resulted in a non-cash loss of $36.6 million for the three months ended June 30, 2018, compared to a non-cash gain of $110.6 million in the prior comparable quarter, as market prices relative to Just Energy's future electricity supply contracts decreased by an average of $1.95/MWh, while future gas contracts increased by an average of $0.20/GJ. Just Energy ensures that customer margins are protected by entering into fixed-price supply contracts. Under current IFRS, the customer contracts are not marked to market; however, there is a requirement to mark to market the future supply contracts.

The loss for the three months ended June 30, 2018 was $41.4 million, representing loss per share of $0.29 on both a basic and diluted basis. For the prior comparable quarter, the profit was $109.3 million, representing earnings per share of $0.69 and $0.52 on a basic and diluted basis, respectively.

Base EBITDA was $27.3 million, a decrease of $5.2 million as compared to Q1 fiscal 2018 due to lower gross margin and continuing investments in growth initiatives and expansion, partially offset by lower selling costs.

Base FFO was $18.1 million for the first quarter of fiscal 2019, down 12% compared to $20.5 million in the prior comparable quarter as a result of lower Base EBITDA in the current quarter and cash financing costs, partially offset by lower maintenance capital expenditures, lower current period income taxes and higher delivery market gas receipts.

Dividends and distributions paid were $22.3 million, an increase of 2% compared to $21.8 million paid in the first quarter of fiscal 2018 as a result of dividends paid to preferred shareholders, which amounted to $3.2 million as compared to $3.0 million paid in the prior comparable quarter. The payout ratio on Base FFO for the quarter ended June 30, 2018 was 123%, compared with 106% in the prior comparable quarter.

Segmented Base EBITDA[1]

For the three months ended June 30
(thousands of dollars)

				Fiscal 2019
	Consumer division	**Commercial division**	**Corporate and Shared Services division**	**Consolidated**
Sales	**$ 542,178**	**$ 334,279**	**$ –**	**$ 876,457**
Cost of sales	**(423,413)**	**(299,512)**	**–**	**(722,925)**
Gross margin	**118,765**	**34,767**	**–**	**153,532**
Add (subtract):				
Administrative expenses	**(20,147)**	**(9,511)**	**(26,024)**	**(55,682)**
Selling and marketing expenses	**(33,689)**	**(16,854)**	**–**	**(50,543)**
Bad debt expense	**(18,791)**	**(2,009)**	**–**	**(20,800)**
Amortization included in cost of sales	**782**	**–**	**–**	**782**
Other income (expenses)	**(80)**	**25**	**–**	**(55)**
Loss attributable to non-controlling interest	**46**	**–**	**–**	**46**
Base EBITDA from operations	**$ 46,886**	**$ 6,418**	**$ (26,024)**	**$ 27,280**

				Fiscal 2018
	Consumer division	Commercial division	Corporate and Shared Services division	Consolidated
Sales	$ 486,766	$ 360,940	$ –	$ 847,706
Cost of sales	(371,259)	(318,884)	–	(690,143)
Gross margin	115,507	42,056	–	157,563
Add (subtract):				
Administrative expenses	(15,244)	(7,965)	(25,422)	(48,631)
Selling and marketing expenses	(38,989)	(19,087)	–	(58,076)
Bad debt expense	(12,349)	(2,923)	–	(15,272)
Amortization included in cost of sales	777	–	–	777
Other income (expenses)	(155)	1,754	–	1,599
Profit attributable to non-controlling interest	(5,451)	–	–	(5,451)
Base EBITDA from operations	$ 44,096	$ 13,835	$ (25,422)	$ 32,509

1 The segment definitions are provided on page 6.

Consumer Energy contributed $46.9 million to Base EBITDA for the three months ended June 30, 2018, an increase of 6% from $44.1 million in the prior comparative quarter. Consumer gross margin increased 3%, primarily due to the increase in U.K. and North American Customer bases and gross margin optimization in Texas. Consumer administrative costs were up 32% in fiscal 2019, primarily related to the international expansion efforts and ongoing M&A activities. Selling and marketing expenses decreased 13% compared to the prior comparable quarter as a result of lower selling costs in the Canadian Consumer market, discontinuation of the solar business, foreign exchange and the timing of selling expenses related to the Commercial division. The increase in bad debt expense within the Consumer segment was a result of the growth of revenues within Texas and in the U.K., and the establishment of a credit and collections history within the U.K. for the purposes of calculating bad debt given the rapid growth.

Commercial Base EBITDA for the three months ended June 30, 2018 contributed $6.4 million to the Base EBITDA, a decrease of 54% from the prior comparable quarter. The decrease in gross margin was a result of the reduction in the U.S. power customer base and favourable resettlements for the Commercial division in the prior comparable quarter.

Corporate and Shared Services report the costs related to management oversight of the business units, public reporting and filings, corporate governance and other shared services functions.

Customer aggregation

RCE SUMMARY

	April 1, 2018	Additions	Attrition	Failed to renew	**June 30, 2018**	% increase (decrease)	June 30, 2017	% increase (decrease)
Consumer Energy								
Gas	640,000	47,000	(22,000)	(28,000)	**637,000**	–	628,000	1%
Electricity	1,196,000	93,000	(60,000)	(40,000)	**1,189,000**	(1)%	1,182,000	1%
Total Consumer RCEs	1,836,000	140,000	(82,000)	(68,000)	**1,826,000**	(1)%	1,810,000	1%
Commercial Energy								
Gas	384,000	50,000	(7,000)	(6,000)	**421,000**	10%	278,000	51%
Electricity	1,943,000	139,000	(38,000)	(118,000)	**1,926,000**	(1)%	1,988,000	(3)%
Total Commercial RCEs	2,327,000	189,000	(45,000)	(124,000)	**2,347,000**	1%	2,266,000	4%
Total RCEs	4,163,000	329,000	(127,000)	(192,000)	**4,173,000**	–	4,076,000	2%

Just Energy's total RCE base is currently at 4.2 million. Gross RCE additions for the quarter ended June 30, 2018 were 329,000, up 84,000, an increase of 34% compared to RCEs added in the first quarter of fiscal 2018. Net additions were 10,000 for fiscal 2019, compared with a negative 135,000 net RCE additions in the first quarter of fiscal 2018.

Consumer RCE additions amounted to 140,000 for the three months ended June 30, 2018, a 4% increase from 134,000 gross RCE additions recorded in the prior comparable quarter, driven by an increase in North American residential sales channel expansion, offset by failed to renew U.K. residential aggregations customers. A major factor was the large increase of net additions in the Southern region. The increase in RCEs was driven by U.S. customer additions and the ramp-up of the Company's new retail sales channels during the three months ended June 30, 2018. As of June 30, 2018, the U.S., Canadian and U.K. segments accounted for 65%, 18% and 17% of the Consumer RCE base, respectively.

Commercial RCE additions were 189,000 for the three months ended June 30, 2018, a 70% increase over the prior comparable quarter due to an increase in North American Commercial electricity RCEs, offset by one large customer in the U.S. that was not renewed due to credit concerns. Net RCE additions for the Commercial division improved to positive 20,000 for the three months ended June 30, 2018, compared with negative 148,000 reported in the prior year. As of June 30, 2018, the U.S., Canadian and U.K. segments accounted for 69%, 24% and 7% of the Commercial RCE base, respectively.

For the three months ended June 30, 2018, 70% of the total Consumer and Commercial RCE additions were generated through retail, online and other non-door-to-door sales channels, 19% from commercial brokers and 11% from door-to-door sales. In the prior comparable quarter, 48% of RCE additions were generated from online and other sales channels, 37% from commercial brokers, and 15% using door-to-door sales.

Just Energy's geographical footprint continues to diversify outside of North America. The U.K. operations increased their RCE base by 9% to 458,000 RCEs during the three months ended June 30, 2018 with strong growth in their Consumer RCE base. As of June 30, 2018, the U.S., Canadian and U.K. segments accounted for 67%, 22% and 11% of the RCE base, respectively. At June 30, 2017, the U.S., Canadian and U.K. segments represented 69%, 21% and 10% of the RCE base, respectively.

The Company's launch of the new retail consumer sales channel continued to meet expectations during the first quarter. The retail channel experienced highest growth to date by adding 43,842 new RCEs during the first quarter through retail partnerships across North America. Just Energy has access to sell products and services today in over 700 locations. Beyond retail and as part of the sales growth strategy, the Company is working with well-known brands and strategic partners to launch its indirect sales channel.

CUSTOMER SUMMARY

(in thousands)

	As at June 30, 2018	As at April 1, 2018	% increase
Consumer	**1,560**	1,543	1%
Commercial	**119**	115	3%
Total customer count	**1,679**	1,658	1%

With the diversification of product offerings to include more than commodities, Just Energy anticipates that the number of customers will become an increasingly relevant measure. During the first three months of fiscal year 2019, the total customer count grew by 1%.

Just Energy's customer base also includes 57,117 smart thermostat customers. These smart thermostats are sold as value added product and service solutions and are currently offered in Canada and the United States. Customers with bundled products have lower attrition and higher overall profitability. Further expansion of the energy management solutions is a key driver of continued growth for Just Energy with additional product offerings contributing to lower attrition rates.

ATTRITION

	Trailing 12 months ended June 30, 2018	Trailing 12 months ended June 30, 2017
Consumer	**21%**	21%
Commercial	**5%**	7%
Total attrition	**13%**	14%

The combined attrition rate for Just Energy was 13% for the trailing 12 months ended June 30, 2018, a decrease of one percentage point from the 14% reported in the prior comparable 12 months. The Consumer attrition rate remained the same as a year ago and the Commercial attrition rate decreased two percentage points to 5%. The decrease in the attrition rates is a result of Just Energy's focus on margin optimization while becoming the customers' "trusted advisor" and providing a variety of energy management solutions to its customer base to drive customer loyalty.

RENEWALS

	Trailing 12 months ended June 30, 2018	Trailing 12 months ended June 30, 2017
Consumer	**72%**	73%
Commercial	**45%**	54%
Total renewals	**56%**	62%

The Just Energy renewal process is a multifaceted program that aims to maximize the number of customers who choose to renew their contract prior to the end of their existing contract term. Efforts begin up to 15 months in advance, allowing a customer to renew for an additional period. Overall, the renewal rate was 56% for the trailing 12 months ended June 30, 2018, a decrease of six percentage points compared to 62% as at June 30, 2017. The Consumer renewal rate decreased by one percentage point to 72%, and the Commercial renewal rate decreased by nine percentage points to 45%. The decline in the Commercial renewal rate reflected a very competitive market for Commercial renewals with competitors pricing aggressively, combined with the fact that there were sizable Commercial customer renewals in the quarter, and Just Energy's focus on improving retained customers' profitability rather than pursuing low margin growth.

ENERGY CONTRACT RENEWALS

This table shows the customers up for renewal in the following fiscal periods:

	Consumer		Commercial	
	Gas	Electricity	Gas	Electricity
Remainder of 2019	17%	23%	20%	23%
2020	22%	27%	25%	30%
2021	21%	24%	17%	16%
2022	13%	12%	8%	10%
Beyond 2023	27%	14%	30%	21%
Total	100%	100%	100%	100%

Note: All month-to-month customers, which represent 681,499 RCEs, are excluded from the table above.

Gross margin

For the three months ended June 30
(thousands of dollars)

			Fiscal 2019			Fiscal 2018
	Consumer	**Commercial**	**Total**	Consumer	Commercial	Total
Gas	**$ 33,760**	**$ 4,842**	**$ 38,602**	$ 27,655	$ 2,536	$ 30,191
Electricity	**85,005**	**29,925**	**114,930**	87,852	39,520	127,372
	$ 118,765	**$ 34,767**	**$ 153,532**	$ 115,507	$ 42,056	$ 157,563
Increase (decrease)	**3%**	**(17)%**	**(3)%**			

CONSUMER ENERGY

Gross margin for the three months ended June 30, 2018 for the Consumer division was $118.8 million, an increase of 3% from $115.5 million recorded in the prior comparable quarter. Gas and electricity gross margins have increased by 22% and decreased 3%, respectively.

Average realized gross margin for the Consumer division for the rolling 12 months ended June 30, 2018 was $232/RCE, a decrease of 11% from $262/RCE. The decrease is largely due to the weakening of the U.S. dollar and the one-time weather related events in the trailing 12 months. The gross GM/RCE values include appropriate allowances for bad debt expense in applicable markets.

Gas

Gross margin from gas customers in the Consumer division was $33.8 million for the three months ended June 30, 2018, an increase of 22% from $27.7 million recorded in the prior comparable quarter. The change is primarily a result of the increase in customer base in North America.

Electricity

Gross margin from electricity customers in the Consumer division was $85.0 million for the three months ended June 30, 2018, a decrease of 3% from $87.9 million recorded in the prior comparable quarter. The change is primarily as a result of the weakening of the U.S. dollar and contraction of the U.S. power customer base, partially offset by the gross margin optimization in the Texas market.

COMMERCIAL ENERGY

Gross margin for the Commercial division was $34.8 million for the three months ended June 30, 2018, a decrease of 17% from $42.1 million recorded in the prior comparable quarter. Gas and electricity gross margins increased by 91% and decreased by 24%, respectively.

Average realized gross margin for the rolling 12 months ended June 30, 2018 was $79/RCE, a decrease of 15% from $93/RCE. The decrease is largely due to one-time weather related events in the trailing 12 months. The GM/RCE value includes an appropriate allowance for bad debt expense in various bad debt markets across North America.

Gas

Gas gross margin for the Commercial division was $4.8 million, an increase of 91% from $2.5 million recorded in the prior comparable quarter due to competitive pricing and a 10% increase in the customer base.

Electricity

Electricity gross margin for the Commercial division was $29.9 million, a decrease of 24% from $39.5 million recorded in the prior comparable quarter due to the weakening of the U.S. dollar and contraction in the power customer base.

GROSS MARGIN ON NEW AND RENEWING CUSTOMERS

The table below depicts the annual margins on contracts for Consumer and Commercial customers signed during the quarter. This table reflects the gross margin (sales price less costs of associated supply and allowance for bad debt) earned on new additions and renewals, including both brown commodities and JustGreen supply.

Annual gross margin per RCE

	Q1 Fiscal 2019	**Number of customers**	Q1 Fiscal 2018	Number of customers
Consumer customers added and renewed	**$ 229**	**279,000**	$ 194	285,000
Consumer customers lost	**216**	**150,000**	195	121,000
Commercial customers added and renewed[1]	**81**	**305,000**	75	253,000
Commercial customers lost	**79**	**169,000**	81	259,000

1 Annual gross margin per RCE excludes margins from IEG and large Commercial and Industrial customers.

For the three months ended June 30, 2018, the average gross margin per RCE for the customers added and renewed by the Consumer division was $229/RCE, an increase from $194/RCE added in the prior comparable period. The average gross margin per RCE for the Consumer customers lost during the three months ended June 30, 2018 was $216/RCE, an increase from $195/RCE margin lost on customers in the prior comparable period. The increase in gross margin is attributed to the gross margin optimization strategy.

For the Commercial division, the average gross margin per RCE for the customers signed during the three months ended June 30, 2018 was $81/RCE, an increase from $75/RCE added in the prior comparable period. Customers lost through attrition and failure to renew during the three months ended June 30, 2018 were at an average gross margin of $79/RCE, a decrease from $81/RCE reported in the prior comparable period. Management continues to focus on margin optimization by focusing on small and medium-sized customers and retaining our larger margin customers.

Overall consolidated results

ADMINISTRATIVE EXPENSES

For the three months ended June 30
(thousands of dollars)

	Fiscal 2019	Fiscal 2018	% increase
Consumer Energy	**$ 20,147**	$ 15,244	32%
Commercial Energy	**9,511**	7,965	19%
Corporate and Shared Services costs	**26,024**	25,422	2%
Total administrative expenses	**$ 55,682**	$ 48,631	14%

Administrative expenses increased by 14% from $48.6 million to $55.7 million. The Consumer division's administrative expenses were $20.1 million for the three months ended June 30, 2018, an increase of 32% from $15.2 million recorded in fiscal 2018. The Commercial division's administrative expenses were $9.5 million for fiscal 2019, an increase of 19% from the prior comparable quarter. The overall increase over the prior comparable quarter was primarily driven by the costs to serve the growing customer base in the U.K., international expansion costs and ongoing M&A activities.

SELLING AND MARKETING EXPENSES

For the three months ended June 30
(thousands of dollars)

	Fiscal 2019	Fiscal 2018	% decrease
Consumer Energy	**$ 33,689**	$ 38,989	(14)%
Commercial Energy	**16,854**	19,087	(12)%
Total selling and marketing expenses	**$ 50,543**	$ 58,076	(13)%

Selling and marketing expenses, which consist of commissions paid to independent sales contractors, brokers and sales agents, as well as sales-related corporate costs, were $50.5 million, a decrease of 13% from $58.1 million recorded in the prior comparable quarter, as a result of lower selling costs in the Canadian Consumer market, discontinuation of the solar business, foreign exchange and the timing of selling expenses related to the Commercial division.

The selling and marketing expenses for the Consumer division were $33.7 million for the three months ended June 30, 2018, a 14% decrease from $39.0 million recorded in the prior comparable quarter due to lower selling costs in the Canadian Consumer market, discontinuation of the solar business, foreign exchange and the timing of selling expenses related to the Commercial division.

The selling and marketing expenses for the Commercial division were $16.9 million for the three months ended June 30, 2018, a 12% decrease from $19.1 million recorded in the prior comparable quarter.

The aggregation costs per customer for the last 12 months for Consumer customers signed by independent representatives and Commercial customers signed by brokers were as follows:

	Fiscal 2019	Fiscal 2018
Consumer	**$ 199/RCE**	$ 206/RCE
Commercial	**$ 42/RCE**	$ 42/RCE

The average aggregation cost for the Consumer division was $199/RCE for the three months ended June 30, 2018, a decrease of 3% from the $206/RCE reported in the prior comparable quarter, primarily related to the weakening of the U.S. dollar.

The $42 average aggregation cost for Commercial division customers is based on the expected average annual cost for the respective customer contracts. It should be noted that commercial broker contracts are paid further commissions averaging $42 per year for each additional year that the customer flows. Assuming an average life of 2.8 years, this would add approximately $76 (1.8 x $42) to the year's average aggregation cost reported above. As at June 30, 2017, the average aggregation cost for commercial brokers was $42/RCE.

BAD DEBT EXPENSE

In Illinois, Alberta, Texas, Delaware, Ohio, California, Michigan, Georgia and the U.K., Just Energy assumes the credit risk associated with the collection of customer accounts. Credit review processes have been established to manage the customer default rate. Management factors default from credit risk into its margin expectations for all of the above-noted markets.

Bad debt expense is included in the interim condensed consolidated statement of income under other operating expenses. Bad debt expense was $20.8 million for the three months ended June 30, 2018, an increase of 36% from $15.3 million recorded for the prior comparable quarter as a result of the growth of revenues within Texas and in the U.K., and the establishment of a credit and collections history within the U.K. for the purposes of calculating bad debt given the rapid growth. For the three months ended June 30, 2018, the bad debt expense represents 3.1% of relevant revenue, up from 2.5% reported in the prior comparable quarter.

FINANCE COSTS

Total finance costs for the three months ended June 30, 2018 amounted to $16.3 million, an increase of 36% from $12.0 million recorded during fiscal 2018. The increase in finance costs was a result of the additional finance costs related to credit facility withdrawals in the current quarter.

FOREIGN EXCHANGE

Just Energy has an exposure to U.S. dollar, U.K. pound and European euro exchange rates as a result of its international operations. Any changes in the applicable exchange rate may result in a decrease or increase in other comprehensive income. For the three months ended June 30, 2018, a foreign exchange unrealized gain of $3.8 million was reported in other comprehensive income, versus an unrealized loss of $4.8 million reported in fiscal 2018. In addition to changes in the U.S. foreign exchange rate, this fluctuation is a result of the significant decrease in the mark to market liability position of the Company's derivative financial instruments.

Overall, the negative impact from the translation of the U.S.-based operations resulted in an unfavourable $0.9 million on Base EBITDA for the three months ended June 30, 2018.

Just Energy retains sufficient funds in its foreign subsidiaries to support ongoing growth; surplus cash is deployed in Canada, and hedges for cross border cash flow are placed. Just Energy hedges between 50% and 90% of the next 12 months of cross border cash flows depending on the level of certainty of the cash flow.

PROVISION FOR INCOME TAX
For the three months ended June 30
(thousands of dollars)

	Fiscal 2019	Fiscal 2018
Current income tax expense (recovery)	**$ (2,512)**	$ 591
Deferred income tax expense	**10,473**	6,206
Provision for income tax	**$ 7,961**	$ 6,797

Just Energy recorded a current income tax recovery of $2.5 million for the three months ended June 30, 2018, versus a $0.6 million expense in the prior comparable period. The increase in current tax recovery is mainly due to the current year tax losses arising from lower gross margins, and increased operating expenses in Canada and the U.K. Consequently, these tax losses can be carried back to prior periods, giving rise to tax recoveries.

During the three months ended June 30, 2018, a deferred tax expense of $10.5 million was recorded as compared to a deferred tax expense of $6.2 million in the prior comparable quarter. The increase is primarily attributable to larger book gains in fair value of derivative instruments in Canada and the U.K. period over period.

Liquidity and capital resources

SUMMARY OF CASH FLOWS
For the three months ended June 30
(thousands of dollars)

	Fiscal 2019	Fiscal 2018
Operating activities	**$ (12,546)**	$ 20,609
Investing activities	**(9,855)**	(10,413)
Financing activities, excluding dividends	**39,150**	10,602
Effect of foreign currency translation	**(1,277)**	(1,283)
Increase in cash before dividends	**15,472**	19,515
Dividends (cash payments)	**(22,249)**	(21,771)
Decrease in cash	**(6,777)**	(2,256)
Cash and cash equivalents – beginning of period	**48,861**	57,376
Cash and cash equivalents – end of period	**$ 42,084**	$ 55,120

OPERATING ACTIVITIES

Cash flow from operating activities for the three months ended June 30, 2018 was an outflow of $12.5 million, compared to an inflow of $20.6 million in the prior comparable quarter. Cash flow from operations was lower in the current period due to the $5.2 million decrease in Base EBITDA as compared to the prior comparable period and payments made upfront for residential commission on customer acquisitions.

INVESTING ACTIVITIES

Investing activities for the three months ended June 30, 2018 included purchases of capital and intangible assets totalling $1.9 million and $7.9 million, respectively, compared with $1.2 million and $6.8 million, respectively, in fiscal 2018. Just Energy's capital spending related primarily to information technology-related purchases for process improvement initiatives.

FINANCING ACTIVITIES

Financing activities, excluding dividends, relates primarily to the issuance and repayment of long-term financing. During the three months ended June 30, 2018, Just Energy issued an additional $10.4 million in preferred shares and withdrew an additional $31.2 million on the credit facility.

Just Energy's liquidity requirements are driven by the delay from the time that a customer contract is signed until cash flow is generated. The elapsed period between the time a customer is signed and receipt of the first payment from the customer varies with each market. The time delays per market are approximately two to nine months. These periods reflect the time required by the various LDCs to enroll, flow the commodity, bill the customer and remit the first payment to Just Energy. In Alberta, Georgia and Texas and for commercial direct-billed customers, Just Energy receives payment directly.

DIVIDENDS AND DISTRIBUTIONS

During the three months ended June 30, 2018, Just Energy paid cash dividends to its shareholders and distributions to holders of share-based awards in the amount of $22.3 million, compared to $21.8 million paid in the prior comparable quarter.

Just Energy's annual dividend rate is currently $0.50 per common share paid quarterly. The current dividend policy states that common shareholders of record on the 15th day of March, June, September and December, or the first business day thereafter, receive dividends at the end of that month. Dividends are not guaranteed and are subject to Board approval each quarter.

Preferred shareholders are entitled to receive dividends at a rate of 8.50% on the initial offer price of US$25.00 per preferred share when, as and if declared by our Board of Directors, out of funds legally available for the payments of dividends, on the applicable dividend payment date. As the preferred shares are cumulative, dividends on preferred shares will accrue even if they are not paid. Common shareholders will not receive dividends until the preferred share dividends in arrears are paid. Dividend payment dates are quarterly on the last day of each of March, June, September and December. The dividend payment on June 30, 2018, was US$0.53125 per preferred share.

Balance sheet as at June 30, 2018, compared to March 31, 2018

Total cash and short-term investments decreased from $48.9 million as at March 31, 2018 to $42.1 million as at June 30, 2018. The decrease in cash is primarily attributable to the lower gross margin earned in the first quarter of fiscal 2019.

As of June 30, 2018, trade receivables and unbilled revenue amounted to $384.5 million and $292.7 million, respectively, compared to March 31, 2018, when the trade receivables and unbilled revenue amounted to $395.7 million and $301.6 million, respectively. Trade payables, which include gas and electricity commodity payables of $208.3 million, increased from $616.4 million to $638.4 million during the quarter as a result of the extension of payment terms negotiated in fiscal 2018 for some of the commodity suppliers.

In certain markets, more gas has been delivered to LDCs than consumed by customers, resulting in gas delivered in excess of consumption and a deferred revenue position of $3.5 million and $52.6 million, respectively, as of June 30, 2018. These amounts increased from $2.7 million and $41.7 million, respectively, as of March 31, 2018. As at June 30, 2018, more gas was consumed by customers than Just Energy had delivered to the LDCs in Ontario and Manitoba, and as a result, Just Energy recognized an accrued gas receivable and accrued gas payable of $8.3 million and $7.2 million, respectively, up from $7.9 million and $6.9 million, respectively, recorded in fiscal 2018. These changes represent the normal seasonality of gas storage. Other current assets decreased from $109.4 million at March 31, 2018 to $141.5 million as of June 30, 2018.

Fair value of derivative financial assets and fair value of financial liabilities relate entirely to the financial derivatives. The mark to market gains and losses can result in significant changes in profit and, accordingly, shareholders' equity from year to year due to commodity price volatility. Given that Just Energy has purchased this supply to cover future customer usage at fixed prices, management believes that these non-cash changes are not meaningful and will not be experienced as future costs or cash outflows.

Long-term debt increased from $422.1 million as at March 31, 2018 to $578.9 million as at June 30, 2018. This increase is a result of reclassification of credit facility to long term from current liabilities. The book value of net debt was 3.2x for Base EBITDA, higher than the 2.8x reported for March 31, 2018.

Debt and financing for operations

(thousands of dollars)

	June 30, 2018	March 31, 2018	June 30, 2017
Credit facility	**$ 153,325**	$ 122,115	$ 92,908
6.75% $100M convertible debentures	**86,018**	85,760	–
6.75% $160M convertible debentures	**148,816**	148,146	146,193
6.5% convertible bonds	**193,142**	188,147	186,657
5.75% convertible debentures	**–**	–	96,657

The various debt instruments are described as follows:

- A $352.5 million credit facility expiring on September 1, 2020, supported by guarantees and secured by, among other things, a general security agreement and an asset pledge excluding, primarily, the U.K., Japan, Ireland and Germany operations. Credit facility withdrawals amounted to $153.3 million as of June 30, 2018, compared with $122.1 million as of March 31, 2018. In addition, total letters of credit outstanding as at June 30, 2018 amounted to $103.9 million (March 31, 2018 – $113.4 million).
- A 6.75% $160M senior unsecured subordinated debenture with a maturity date of December 31, 2021 was issued during the third quarter of fiscal 2017 for which interest is payable semi-annually in arrears on June 30 and December 31, at a rate of 6.75% per annum.

- A 6.75% $100M senior unsecured subordinated debenture with a maturity date of March 31, 2023 was issued during the fourth quarter of fiscal 2018 for which interest is payable semi-annually in arrears on March 31 and September 30, at a rate of 6.75% per annum.
- A 5.75% convertible extendible unsecured subordinated debenture maturing on September 30, 2018 with interest payable semi-annually on March 31 and September 30, at a rate of 5.75% per annum. The debt under this instrument was fully redeemed on March 27, 2018.
- A 6.5% European-focused senior unsecured convertible bond with a maturity date of July 29, 2019 and interest payable semi-annually in arrears on January 29 and July 29, at a rate of 6.5% per annum.

See Note 11 of the interim condensed consolidated financial statements for further details regarding the nature of each debt agreement.

Acquisition of businesses

ACQUISITION OF INTELL ENERCARE SOLUTIONS INC.

On June 6, 2017, Just Energy completed the acquisition of 100% of the issued and outstanding shares of Intell Enercare Solutions Inc., a complete service provider for supply, design and installation of energy saving technologies, for up to $11.0 million, subject to closing adjustments. The purchase price consideration included cash consideration of $2.2 million. There is contingent consideration where Just Energy will pay up to $9.0 million to the sellers over three years provided that certain EBITDA targets are satisfied. The EBITDA target with respect to the contingent consideration for 2018 is $3.5 million, which Enercare Solutions Inc. did not achieve. For the 2019 and 2020 years, it is $3.0 million and $2.5 million, respectively. The fair value of the contingent consideration at acquisition was estimated to be $7.8 million based on the three-year forecast and was subsequently reduced to $1.3 million. The acquisition of Intell Enercare Solutions Inc. was accounted for using the purchase method of accounting. The goodwill represents the synergies and potential for cross-selling energy saving technologies to Just Energy customers.

ACQUISITION OF EDGEPOWER, INC.

On February 28, 2018, Just Energy completed the acquisition of the issued and outstanding shares of EdgePower, Inc. ("EdgePower"), a privately held energy monitoring and management company operating out of Aspen, Colorado. EdgePower provides lighting and HVAC controls, as well as enterprise monitoring, in hundreds of commercial buildings in North America. Just Energy acquired 100% of the equity interests of EdgePower for the purposes of integrating their lighting and HVAC controls with the commercial business. The fair value of the total consideration transferred is US$14.9 million, of which US$7.5 million was paid in cash and US$7.4 million was settled through the issuance of 1,415,285 Just Energy common shares. The goodwill that was acquired as part of this acquisition relates primarily to the EdgePower workforce and synergies between Just Energy and EdgePower.

In addition, the former shareholders of EdgePower are entitled to a payment of up to a maximum of US$6.0 million, payable in cash, subject to continuing employment and the achievement of certain annual and cumulative performance thresholds of the EdgePower business. The payment is calculated as 20% of EBITDA for the EdgePower business for the years of 2019–2021 with minimum thresholds that must be met. The management remuneration recognized since acquisition date is $nil.

For an allocated breakdown of the purchase price to identified assets and liabilities acquired in the acquisition, see Note 9 of the interim condensed consolidated financial statements for the three months ended June 30, 2018.

Contractual obligations

In the normal course of business, Just Energy is obligated to make future payments for contracts and other commitments that are known and non-cancellable.

PAYMENTS DUE BY PERIOD

(thousands of dollars)

	Less than 1 year	1–3 years	4–5 years	After 5 years	Total
Trade and other payables	$ 638,420	$ –	$ –	$ –	$ 638,420
Long-term debt	–	350,845	260,000	–	610,845
Interest payments	30,389	35,100	18,900	–	84,389
Premises and equipment leasing	3,676	7,959	7,659	7,581	26,875
Gas, electricity and non-commodity contracts	1,606,528	1,391,632	256,316	78,447	3,332,923
	$ 2,279,013	$ 1,785,536	$ 542,875	$ 86,028	$ 4,693,452

On August 1, 2017, Just Energy announced that it reached an agreement with its joint venture partner, Red Ventures LLC, to end the exclusive relationship for online sales of the Just Energy brand in North America. To facilitate the transaction, Just Energy acquired the outstanding 50% interest of each of Just Ventures LLC in the United States and Just Ventures L.P. in Canada. Under the terms of the agreement, the purchase price is a function of go-forward earnings based on the current client base and is payable in quarterly

installments over five years estimated at $99.8 million. As at June 30, 2018, the current liabilities amount to $24.2 million and long-term liabilities amount to $52.6 million.

OTHER OBLIGATIONS

In the opinion of management, Just Energy has no material pending actions, claims or proceedings that have not been included either in its accrued liabilities or in the interim condensed consolidated financial statements. In the normal course of business, Just Energy could be subject to certain contingent obligations that become payable only if certain events were to occur. The inherent uncertainty surrounding the timing and financial impact of any events prevents any meaningful measurement, which is necessary to assess any material impact on future liquidity. Such obligations include potential judgments, settlements, fines and other penalties resulting from actions, claims or proceedings.

Transactions with related parties

Just Energy does not have any material transactions with any individuals or companies that are not considered independent of Just Energy or any of its subsidiaries and/or affiliates.

Off balance sheet items

The Company has issued letters of credit in accordance with its credit facility totalling $103.9 million (March 31, 2018 – $113.4 million) to various counterparties, primarily utilities in the markets where it operates, as well as suppliers.

Pursuant to separate arrangements with Westchester Fire Insurance Company, Travelers Casualty and Surety Company of America, Berkley Insurance Company, Fidelity and Deposit Company of Maryland and Charter Brokerage LLC, Just Energy has issued surety bonds to various counterparties including states, regulatory bodies, utilities and various other surety bond holders in return for a fee and/or meeting certain collateral posting requirements. Such surety bond postings are required in order to operate in certain states or markets. Total surety bonds issued as at June 30, 2018 were $58.6 million (March 31, 2018 – $56.5 million).

Critical accounting estimates

The interim condensed consolidated financial statements of Just Energy have been prepared in accordance with IFRS. Certain accounting policies require management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, cost of sales, selling and marketing, and administrative expenses. Estimates are based on historical experience, current information and various other assumptions that are believed to be reasonable under the circumstances. The emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates.

The following assessment of critical accounting estimates is not meant to be exhaustive. Just Energy might realize different results from the application of new accounting standards promulgated, from time to time, by various rule-making bodies.

RECEIVABLES AND LIFETIME EXPECTED CREDIT LOSSES

The lifetime expected credit loss reflects Just Energy's best estimate of losses on the accounts receivable and unbilled revenue balances. Just Energy determines the lifetime expected credit loss by using historical loss rates and forward-looking factors, if applicable. Just Energy is exposed to customer credit risk on its continuing operations in Alberta, Texas, Illinois, Ohio, Delaware, California, Michigan, Georgia, the U.K. and commercial direct-billed accounts in British Columbia. Credit review processes have been implemented to perform credit evaluations of customers and manage customer default. If a significant number of customers were to default on their payments, it could have a material adverse effect on the operations and cash flows of Just Energy. Management factors default from credit risk in its margin expectations for all the above markets.

Revenues related to the sale of energy are recorded when energy is delivered to customers. The determination of energy sales to individual customers is based on systematic readings of customer meters generally on a monthly basis. At the end of each month, amounts of energy delivered to customers since the date of the last meter reading are estimated, and corresponding unbilled revenue is recorded. The measurement of unbilled revenue is affected by the following factors: daily customer usage, losses of energy during delivery to customers and applicable customer rates.

Increases in volumes delivered to the utilities' customers and favourable rate mix due to changes in usage patterns in the period could be significant to the calculation of unbilled revenue. Changes in the timing of meter reading schedules and the number and type of customers scheduled for each meter reading date would also have an effect on the measurement of unbilled revenue; however, total operating revenues would remain materially unchanged.

DEFERRED TAXES

In accordance with IFRS, Just Energy uses the liability method of accounting for income taxes. Under the liability method, deferred income tax assets and liabilities are recognized on the differences between the carrying amounts of assets and liabilities and their respective income tax basis.

The tax effects of these differences are reflected in the interim condensed consolidated statements of financial position as deferred income tax assets and liabilities. An assessment must be made to determine the likelihood that our future taxable income will be

sufficient to permit the recovery of deferred income tax assets. To the extent that such recovery is not probable, deferred income tax assets must be reduced. The reduction of the deferred income tax asset can be reversed if the estimated future taxable income improves. No assurances can be given as to whether any reversal will occur or as to the amount or timing of any such reversal. Management must exercise judgment in its assessment of continually changing tax interpretations, regulations and legislation to ensure deferred income tax assets and liabilities are complete and fairly presented. Assessments and applications differing from our estimates could materially impact the amount recognized for deferred income tax assets and liabilities.

Deferred income tax assets of $1.7 million and $9.4 million have been recorded on the interim condensed consolidated statements of financial position as at June 30, 2018 and March 31, 2018, respectively. The reduction in the deferred tax assets is largely caused by the mark to market gains on our derivative financial instruments in Canada. Management believes there will be sufficient taxable income that will permit the use of these future tax assets in the tax jurisdictions where they exist.

When evaluating the future tax position, Just Energy assesses its ability to use deferred tax assets based on expected taxable income in future periods and other taxable temporary differences such as the book gain on fair value of derivative financial instruments. As at June 30, 2018, no net deferred tax assets were recognized in the U.S.

Deferred income tax liabilities of $9.7 million and $6.9 million have been recorded on the interim condensed consolidated statements of financial position as at June 30, 2018 and March 31, 2018, respectively. The increase in the deferred tax liabilities is primarily due to mark to market gains on the derivative financial instruments in the U.K.

USEFUL LIFE OF KEY PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Each significant component is depreciated over its estimated useful life. A component can be separately identified as an asset and is expected to provide a benefit of greater than one year. Estimated useful lives are determined based on current facts and past experience, and take into consideration the anticipated physical life of the asset, existing long-term sales agreements and contracts, current and forecasted demand, and the potential for technological obsolescence and regulations. The useful lives of property, plant and equipment and depreciation rates used are reviewed at least annually to ensure they continue to be appropriate.

Depreciation and amortization expense from operations for the three months ended June 30, 2018 recorded in the interim condensed consolidated financial statements of cash flows was $6.0 million compared with $5.2 million for the three months ended June 30, 2017.

FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Just Energy has entered into a variety of derivative financial instruments as part of the business of purchasing and selling gas, electricity and JustGreen supply. Just Energy enters into contracts with customers to provide electricity and gas at fixed prices and provide comfort to certain customers that a specified amount of energy will be derived from green generation or carbon destruction. These customer contracts expose Just Energy to changes in market prices to supply these commodities. To reduce its exposure to commodity market price changes, Just Energy uses derivative financial and physical contracts to secure fixed-price commodity supply to cover its estimated fixed-price delivery or green commitment.

Just Energy uses a forward interest rate curve along with a volume weighted average share price to value its share swap. The Eurobond conversion feature is valued using an option pricing model.

Just Energy's objective is to minimize commodity risk, other than consumption changes, usually attributable to weather. Accordingly, it is Just Energy's policy to hedge the estimated fixed-price requirements of its customers with offsetting hedges of natural gas and electricity at fixed prices for terms equal to those of the customer contracts. The cash flow from these supply contracts is expected to be effective in offsetting Just Energy's price exposure and serves to fix acquisition costs of gas and electricity to be delivered under the fixed-price or price-protected customer contracts. Just Energy's policy is not to use derivative instruments for speculative purposes.

Just Energy's U.S., U.K., Germany and Ireland operations introduce foreign exchange-related risks. Just Energy enters into foreign exchange forwards in order to hedge its exposure to fluctuations in cross border cash flows.

The interim condensed consolidated financial statements are in compliance with IAS 32, Financial Instruments: Presentation; IFRS 9, Financial Instruments; and IFRS 7, Financial Instruments: Disclosure. All the mark to market changes on Just Energy's derivative instruments are recorded on a single line on the interim condensed consolidated statements of income. Due to commodity volatility and to the size of Just Energy, the swings in mark to market on these positions will increase the volatility in Just Energy's earnings.

The Company's financial instruments are valued based on the following fair value ("FV") hierarchy:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The main cause of changes in the fair value of derivative instruments is changes in the forward curve prices used for the fair value calculations. For a sensitivity analysis of these forward curves, see Note 8 of the interim condensed consolidated financial statements for the quarter ended June 30, 2018. Other inputs, including volatility and correlations, are driven off historical settlements.

Just Energy common and preferred shares

As at August 8, 2018, there were 149,251,230 common shares and 4,662,165 preferred shares of Just Energy outstanding.

In May 2017, Just Energy announced it has entered into an at-the-market issuance ("ATM offering") sales agreement pursuant to which Just Energy may, at its discretion and from time to time, offer and sell in the United States preferred shares having an aggregate offering price of up to US$150 million. In the period from April 1, 2018 to August 8, 2018, Just Energy has issued an additional 333,966 preferred shares for aggregate total gross proceeds of $10.3 million under the ATM offering.

Normal course issuer bid

Just Energy has the ability to make a normal course issuer bid ("NCIB") to purchase for cancellation a portion of the outstanding 6.75% convertible debentures as well as the Just Energy common shares. Under each NCIB, Just Energy may purchase debentures and common shares representing 10% of the outstanding public float at close of business February 28, 2018 up to daily and total limits. These shares may be purchased during the year starting March 19, 2018 and ending March 15, 2019. For the three months ended June 30, 2018, Just Energy had purchased $nil of common shares through the NCIB program, compared to $11.4 million purchased in the prior comparable period.

Just Energy believes that the debentures and common shares may trade in a range that may not fully reflect their value. As a result, Just Energy believes that the purchase of the debentures and common shares from time to time can be undertaken at prices that make the acquisition of such securities an appropriate use of Just Energy's available funds. In addition, purchases under each of the NCIBs may increase the liquidity of the debentures and common shares and will enable Just Energy to deleverage its balance sheet. Just Energy intends to continue to buy back debentures and common shares when the circumstances present themselves in a way that maximizes value for Just Energy. The Company's current priority is the repurchase of debentures at attractive prices.

Critical accounting policies and estimates

Refer to the 2018 Annual MD&A and the 2018 Annual Audited Consolidated Financial Statements and Notes thereto for a discussion of the accounting policies and estimates that are critical to the understanding of our business operations and the results of our operations.

New accounting pronouncements adopted in 2018

Just Energy adopted new amendments to the following accounting standards effective for the Company's interim condensed and annual consolidated financial statements commencing April 1, 2018.

IFRS 15

Just Energy adopted IFRS 15. IFRS 15 supersedes previous accounting standards for revenue, including IAS 18, Revenue ("IAS 18") and IFRIC 13, Customer Loyalty Programmes ("IFRIC 13").

Effective April 1, 2018, Just Energy adopted IFRS 15 using the modified retrospective method. IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers; the exceptions include certain contracts accounted for under other IFRS. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs.

The treatment of costs incurred in acquiring customer contracts is affected as IFRS 15 requires certain contract acquisition costs (such as sales commissions) to be recognized as an asset and amortized into selling and marketing expenses over time. Previously, such costs relating to North American customers were expensed as incurred.

Significant judgment is needed in determining the costs that are incremental to obtaining a contract with a customer.

Just Energy has applied IFRS 15 using the modified retrospective method, using the practical expedient in paragraph C5(c) under which Just Energy reflects the aggregate effect of all modifications on the date of initial application. Accordingly, transition adjustments have been recognized through equity as at April 1, 2018. For a further description of the impact of the accounting policy change, refer to the interim condensed consolidated financial statements for the period ended June 30, 2018.

The application of IFRS 15 will not affect Just Energy's cash flows from operating, investing or financing activities.

IFRS 9

Effective April 1, 2018, Just Energy has adopted IFRS 9. IFRS 9 introduced revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. Just Energy has not restated the comparatives.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit and loss ("FVTPL").

Under IFRS 9, the loss allowance for trade receivables must be calculated using the expected lifetime credit loss and recorded at the time of initial recognition. In addition, the expected loss allowance calculated using the lifetime credit loss approach will be applied to contract assets under IFRS 15. In order to comply with the requirement of IFRS 9, a decrease before tax of $11.4 million to accounts receivable, a decrease of $12.4 million to unbilled revenues and a corresponding decrease to retained earnings of $23.8 million were recognized as at April 1, 2018. For a further description of the impact of the accounting policy change, refer to the interim condensed consolidated financial statements for the period ended June 30, 2018.

Legal proceedings

Just Energy's subsidiaries are party to a number of legal proceedings. Other than as set out below, Just Energy believes that each proceeding constitutes a routine legal matter incidental to the business conducted by Just Energy and that the ultimate disposition of the proceedings will not have a material adverse effect on its consolidated earnings, cash flows or financial position.

In March 2012, Davina Hurt and Dominic Hill filed a lawsuit against Commerce Energy Inc., Just Energy Marketing Corp. and the Company (collectively referred to as "Just Energy") in the Ohio Federal Court claiming entitlement to payment of minimum wage and overtime under Ohio wage claim laws and the federal Fair Labor Standards Act ("FLSA") on their own behalf and similarly situated door-to-door sales representatives who sold for Commerce in certain regions of the United States. The Court granted the plaintiffs' request to certify the lawsuit as a class action. Approximately 1,800 plaintiffs opted into the federal minimum wage and overtime claims, and approximately 8,000 plaintiffs were certified as part of the Ohio state overtime claims. On October 6, 2014, the jury refused to find a willful violation but concluded that certain individuals were not properly classified as outside salespeople in order to qualify for an exemption under the minimum wage and overtime requirements. Just Energy disagrees with the result of the October 2014 trial and is considering all appeal opportunities available. In May 2018, the Court held a hearing on the damages. The parties are in the process of briefing the award amounts for class representative and attorneys' fees. Just Energy strongly believes it complied with the law and continues to vigorously defend against the claims.

In August 2013, Levonna Wilkins, a former door-to-door independent contractor for Just Energy Marketing Corp. ("JEMC"), filed a lawsuit against Just Energy Illinois Corp., Commerce Energy Inc., JEMC and the Company (collectively referred to as "Just Energy") in the Illinois Federal District Court claiming entitlement to payment of minimum wage and overtime under Illinois wage claim laws and the FLSA on her own behalf and similarly situated door-to-door sales representatives who sold in Illinois. On March 13, 2015, the Court certified the class of Illinois sales representatives who sold for Just Energy Illinois and Commerce. On March 22, 2016, the Court denied Just Energy's summary judgment motion, and on June 16, 2016, the Court granted Just Energy's motion for reconsideration which revised the class definition to exclude sales representatives who sold for Commerce. Just Energy has continued to work to narrow the class definition. Motion for decertification of the class was filed and remains pending and under review with the Court. The parties anticipate a trial on liability in the first half of 2019. Just Energy strongly believes it complied with the law and continues to vigorously contest this matter.

In March 2015, Kevin Flood, a former door-to-door independent contractor for Just Energy Marketing Corp., filed a lawsuit against JEMC, Just Energy New York Corp. and the Company (collectively referred to as "Just Energy") in New York Federal District Court (Southern District) claiming entitlement to payment of minimum wage and overtime under New York wage claim laws and the FLSA on his own behalf and similarly situated door-to-door sales representatives who sold in New York. On January 25, 2016, the Court certified the FLSA lawsuit as a class action of New York sales representatives who sold for Just Energy New York, and approximately 167 individuals opted into the FLSA class. Flood also filed a request to certify the lawsuit as a class action for alleged violations of the New York wage claim laws. On January 20, 2017, the Court denied Flood's request, and granted Just Energy's motion for summary judgment dismissing Flood's claims. On February 16, 2017, Flood and opt-in plaintiffs appealed the dismissal of the Federal District Court's order to the Court of Appeals for the Second Circuit. Appellate oral argument was held on February 20, 2018 and the review remains pending with the court. Just Energy strongly believes it complied with the law and will vigorously contest the appeal of the dismissal.

In May 2015, Kia Kordestani, a former door-to-door independent contractor sales representative for Just Energy Corp., filed a lawsuit against Just Energy Corp., Just Energy Ontario L.P. and the Company (collectively referred to as "Just Energy") in the Superior Court of Justice, Ontario, claiming status as an employee and seeking benefits and protections of the Employment Standards Act such as minimum wage, overtime pay, and vacation and public holiday pay on his own behalf and similarly situated door-to-door sales representatives who sold in Ontario. On Just Energy's request, Mr. Kordestani was removed as a plaintiff but replaced with Haidar Omarali, also a former door-to-door sales representative. On July 27, 2016, the Court granted Omarali's request for certification, but refused to certify Omarali's request for damages on an aggregate basis and refused to certify Omarali's request for punitive damages. Examinations were held during 2018 and undertakings from examinations are ongoing. No trial date has been scheduled. Just Energy strongly believes it complied with the law and continues to vigorously contest this matter.

Controls and procedures

DISCLOSURE CONTROLS AND PROCEDURES

The CEO and CFO of the Company have designed or caused to be designed under their supervision the Company's Disclosure Controls and Procedures ("DCP") to provide reasonable assurance that: i) material information relating to the Company is made known to management by others, particularly during the period in which the annual and interim filings are being prepared; and ii) information required to be disclosed by the Company in its annual and interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. The CEO and CFO are assisted in this responsibility by a Disclosure Committee, which is composed of senior management of Just Energy. The Disclosure Committee has established procedures so that it becomes aware of any material information affecting Just Energy in order to evaluate and communicate this information to management of the Company, including the CEO and CFO, as appropriate and determine the appropriateness and timing of any required disclosure.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The CEO and CFO of the Company have designed or caused to be designed under their direct supervision the Company's Internal Control over Financial Reporting ("ICFR"), which has been effected by Just Energy's Board of Directors, management and other personnel in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the interim condensed consolidated financial statements in accordance with IFRS.

During the three months ended June 30, 2018, there were no changes in the Company's ICFR that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

INHERENT LIMITATIONS

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluation of controls can provide absolute assurance that all control issues within a company have been detected. Accordingly, Just Energy's disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of the Company's disclosure controls systems are met.

Corporate governance

Just Energy is committed to maintaining transparency in its operations and ensuring its approach to governance meets all recommended standards. Full disclosure of Just Energy's compliance with existing corporate governance rules is available at www.justenergygroup.com and is included in Just Energy's Management Proxy Circular. Just Energy actively monitors the corporate governance and disclosure environment to ensure timely compliance with current and future requirements.

Outlook

Just Energy is executing a strategic shift from a retail energy provider to a consumer company focused on differentiated value-add products, unparalleled customer satisfaction, and profitable customer growth. Historically, Just Energy operated as a retail energy provider and was viewed as offering price-based, invisible products which consumers did not fully understand. Today, Just Energy is transforming from an era of price-based commodities sold through third parties to a future as a more customer-centric consumer company with a more profitable offering of tangible value added products and services where Just Energy owns and controls the customer relationships. Just Energy's future as a consumer company centres on real value creation and value delivery, while participating in the significant growth opportunities supported by the Company's sales, marketing and customer service expertise.

To achieve profitability and optimize growth in fiscal 2019 and beyond, Just Energy will drive sales growth through its retail and other primary channels while developing additional strategic, alternative channels. Just Energy will also deploy a consistent value creation product strategy across the consumer business.

Management reaffirms its guidance for fiscal 2019 Base EBITDA in the range of $200 million to $220 million. This expectation reflects the implementation of IFRS 15 for the full fiscal year.

The Company remains committed to its current dividend policy.

Interim condensed consolidated statements of financial position

(unaudited in thousands of Canadian dollars)

	Notes	**As at June 30, 2018**	As at March 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents		**$ 42,084**	$ 48,861
Restricted cash		**3,593**	3,515
Trade and other receivables	6	**677,233**	697,307
Gas in storage		**23,912**	11,812
Other current assets	7	**141,971**	109,697
Fair value of derivative financial assets	8	**126,480**	218,769
Corporate tax recoverable		**10,312**	5,617
		1,025,585	1,095,578
Non-current assets			
Investments		**36,396**	36,314
Property, plant and equipment		**23,395**	18,893
Intangible assets		**411,955**	401,926
Other non-current assets	7	**41,001**	19,987
Fair value of derivative financial assets	8	**86,788**	64,662
Deferred tax asset		**1,680**	9,449
		601,215	551,231
TOTAL ASSETS		**$ 1,626,800**	$ 1,646,809
LIABILITIES			
Current liabilities			
Trade and other payables		**$ 638,420**	$ 616,434
Deferred revenue		**52,567**	41,684
Income taxes payable		**1,454**	7,304
Fair value of derivative financial liabilities	8	**48,789**	86,288
Provisions		**5,721**	4,714
Current portion of long-term debt	11	**–**	121,451
		746,951	877,875
Non-current liabilities			
Long-term debt	11	**578,862**	422,053
Deferred lease inducements		**746**	773
Fair value of derivative financial liabilities	8	**50,918**	51,871
Other non-current liabilities		**52,630**	56,576
Deferred tax liability		**9,683**	6,918
		692,839	538,191
TOTAL LIABILITIES		**1,439,790**	1,416,066
SHAREHOLDERS' EQUITY			
Shareholders' capital	13	**1,231,017**	1,215,826
Equity component of convertible debentures		**13,029**	13,029
Contributed deficit		**(24,590)**	(22,693)
Deficit		**(1,109,859)**	(1,066,931)
Accumulated other comprehensive income		**77,821**	91,934
Non-controlling interest		**(408)**	(422)
TOTAL SHAREHOLDERS' EQUITY		**187,010**	230,743
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 1,626,800**	$ 1,646,809

Commitments and Guarantees (Note 18)

See accompanying notes to the interim condensed consolidated financial statements

Interim condensed consolidated statements of income

For the three months ended June 30
(unaudited in thousands of Canadian dollars, except where indicated and per share amounts)

	Notes	2018	2017
OPERATIONS			
Sales	14	$ 876,457	$ 847,706
Cost of sales		722,925	690,143
GROSS MARGIN		153,532	157,563
EXPENSES			
Administrative		55,682	48,631
Selling and marketing		50,543	58,076
Other operating expenses	15(a)	27,818	34,976
		134,043	141,683
Operating profit before the following		19,489	15,880
Finance costs	11	(16,340)	(11,990)
Change in fair value of derivative instruments and other	8	(36,556)	110,617
Other income (loss)		(55)	1,599
Profit (loss) before income taxes		(33,462)	116,106
Provision for income taxes	12	7,961	6,797
PROFIT (LOSS) FOR THE PERIOD		$ (41,423)	$ 109,309
Attributable to:			
Shareholders of Just Energy		$ (41,377)	$ 103,858
Non-controlling interest		(46)	5,451
PROFIT (LOSS) FOR THE PERIOD		$ (41,423)	$ 109,309
Earnings (loss) per share available to shareholders	16		
Basic		$ (0.29)	$ 0.69
Diluted		$ (0.29)	$ 0.52

See accompanying notes to the interim condensed consolidated financial statements

Interim condensed consolidated statements of comprehensive income

For the three months ended June 30
(unaudited in thousands of Canadian dollars)

	2018	2017
PROFIT (LOSS) FOR THE PERIOD	**$ (41,423)**	$ 109,309
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:		
Unrealized gain (loss) on translation of foreign operations	**3,750**	(4,768)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	**$ (37,673)**	$ 104,541
Total comprehensive income (loss) attributable to:		
Shareholders of Just Energy	**$ (37,627)**	$ 99,090
Non-controlling interest	**(46)**	5,451
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	**$ (37,673)**	$ 104,541

See accompanying notes to the interim condensed consolidated financial statements

Interim condensed consolidated statements of changes in shareholders' equity (deficiency)

For the three months ended June 30
(unaudited in thousands of Canadian dollars)

	Notes	**2018**	2017
ATTRIBUTABLE TO THE SHAREHOLDERS			
Accumulated earnings			
Accumulated earnings, beginning of period		**$ 768,847**	$ 259,571
Adjustment for adoption of IFRS 15 and 9		**20,711**	–
Profit (loss) for the period, attributable to shareholders		**(41,377)**	103,858
Accumulated earnings, end of period		**748,181**	363,429
DIVIDENDS			
Dividends, beginning of period		**(1,835,778)**	(1,749,471)
Dividends declared and paid		**(22,262)**	(21,783)
Dividends, end of period		**(1,858,040)**	(1,771,254)
DEFICIT		**$ (1,109,859)**	$ (1,407,825)
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Accumulated other comprehensive income, beginning of period		**$ 91,934**	$ 70,361
Adjustment for adoption of IFRS 15 and 9		**(17,863)**	–
Other comprehensive income (loss)		**3,750**	(4,768)
Accumulated other comprehensive income, end of period		**$ 77,821**	$ 65,593
SHAREHOLDERS' CAPITAL	13		
Common shares			
Common shares, beginning of period		**$ 1,079,055**	$ 1,070,076
Share-based units exercised		**4,979**	10,145
Repurchase and cancellation of shares		**–**	(11,443)
Common shares, end of period		**1,084,034**	1,068,778
Preferred shares			
Preferred shares, beginning of period		**$ 136,771**	$ 128,363
Shares issued		**10,447**	4,361
Shares issuance costs		**(235)**	(458)
Preferred shares, end of period		**146,983**	132,266
SHAREHOLDERS' CAPITAL		**$ 1,231,017**	$ 1,201,044
EQUITY COMPONENT OF CONVERTIBLE DEBENTURES			
Balance, beginning of period		**$ 13,029**	$ 13,508
Balance, end of period		**$ 13,029**	$ 13,508
CONTRIBUTED SURPLUS (DEFICIT)			
Balance, beginning of period		**$ (22,722)**	$ 58,266
Add: Share-based compensation expense	15(a)	**1,775**	15,247
Non-cash deferred share grant distributions		**14**	12
Less: Purchase of non-controlling interest		**1,566**	–
Share-based units exercised	13	**(4,979)**	(10,145)
Share-based compensation adjustment		**(244)**	(5,519)
Balance, end of period		**$ (24,590)**	$ 57,861
NON-CONTROLLING INTEREST			
Balance, beginning of period		**$ (422)**	$ –
Distributions to non-controlling shareholders		**–**	(5,451)
Foreign exchange impact on non-controlling interest		**60**	–
Profit (loss) attributable to non-controlling interest		**(46)**	5,451
Balance, end of period		**$ (408)**	$ –
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		**$ 187,010**	$ (69,819)

See accompanying notes to the interim condensed consolidated financial statements

Interim condensed consolidated statements of cash flows

For the three months ended June 30
(unaudited in thousands of Canadian dollars)

	Notes	2018	2017
Net inflow (outflow) of cash related to the following activities			
OPERATING			
Profit (loss) before income taxes		**$ (33,462)**	$ 116,106
Items not affecting cash			
Amortization of intangible assets	15(a)	**4,345**	3,460
Depreciation of property, plant and equipment	15(a)	**898**	997
Amortization included in cost of sales		**782**	777
Share-based compensation	15(a)	**1,775**	15,247
Financing charges, non-cash portion		**3,467**	2,603
Other		**(27)**	(92)
Change in fair value of derivative instruments and other	8	**36,556**	(110,617)
Adjustment required to reflect net cash receipts from gas sales		**4,581**	2,649
Net change in non-cash working capital balances		**(23,024)**	556
Income taxes paid		**(8,437)**	(11,077)
Cash inflow (outflow) from operating activities		**(12,546)**	20,609
INVESTING			
Purchase of property, plant and equipment		**(1,929)**	(1,191)
Purchase of intangible assets		**(7,926)**	(6,805)
Acquisition of businesses		**–**	(2,546)
Short-term investments		**–**	129
Cash outflow from investing activities		**(9,855)**	(10,413)
FINANCING			
Dividends paid		**(22,249)**	(21,771)
Debt issuance costs		**(2,173)**	–
Credit facilities withdrawal		**31,210**	24,650
Issuance of preferred shares		**10,447**	4,361
Preferred shares issuance costs		**(334)**	(1,461)
Shares repurchase		**–**	(11,443)
Distributions to non-controlling interest		**–**	(5,505)
Cash inflow (outflow) from financing activities		**16,901**	(11,169)
Effect of foreign currency translation on cash balances		**(1,277)**	(1,283)
Net cash outflow		**(6,777)**	(2,256)
Cash and cash equivalents, beginning of period		**48,861**	57,376
Cash and cash equivalents, end of period		**$ 42,084**	$ 55,120
Supplemental cash flow information:			
Interest paid		**$ 11,225**	$ 7,321

See accompanying notes to the interim condensed consolidated financial statements

Notes to the interim condensed consolidated financial statements

For the three months ended June 30, 2018
(unaudited in thousands of Canadian dollars, except where indicated and per share amounts)

1 ORGANIZATION

Just Energy Group Inc. ("Just Energy") is a corporation established under the laws of Canada to hold securities and to distribute the income of its directly or indirectly owned operating subsidiaries and affiliates. The registered office of Just Energy is First Canadian Place, 100 King Street West, Toronto, Ontario, Canada. The unaudited interim condensed consolidated financial statements ("Interim Financial Statements") consist of Just Energy and its subsidiaries and affiliates. The Interim Financial Statements were approved by the Board of Directors on August 8, 2018.

2 OPERATIONS

Just Energy is a leading consumer company specializing in electricity and natural gas commodities, energy efficiency solutions and renewable energy options. With offices located across the United States ("U.S."), Canada, the United Kingdom ("U.K."), Germany, Ireland and Japan, Just Energy serves residential and commercial customers, providing homes and businesses with a broad range of energy solutions that deliver comfort, convenience and control. Just Energy is the parent company of Amigo Energy, Green Star Energy, Hudson Energy, Interactive Energy Group, Just Energy Advanced Solutions, Tara Energy, terrapass and EdgePower Inc.

By fixing the price of natural gas or electricity under its fixed-price or price-protected program contracts for a period of up to five years, Just Energy's customers offset their exposure to changes in the price of these essential commodities. Variable rate products allow customers to maintain competitive rates while retaining the ability to lock into a fixed price at their discretion. Just Energy derives its margin or gross profit from the difference between the price at which it is able to sell the commodities to its customers and the related price at which it purchases the associated volumes from its suppliers.

In addition, Just Energy markets smart thermostats, offering the thermostats as a stand-alone unit or bundled with certain commodity products. The smart thermostats are manufactured and distributed by ecobee Inc. ("ecobee"), a company in which Just Energy holds a 7.8% fully diluted equity interest. Just Energy also offers green products through its JustGreen program. The JustGreen electricity product offers customers the option of having all or a portion of their electricity sourced from renewable green sources such as wind, solar, hydropower or biomass. The JustGreen gas product offers carbon offset credits that allow customers to reduce or eliminate the carbon footprint of their homes or businesses. Additional green products allow customers to offset their carbon footprint without buying energy commodity products and can be offered in all states and provinces without being dependent on energy deregulation. Just Energy also provides energy management solutions to both Consumer and Commercial customers in the form of value added products and services.

Just Energy markets its product offerings through a number of sales channels including door-to-door marketing, broker, retail and affinity relationships, and online marketing. Prior to August 1, 2017, the online marketing of gas and electricity contracts was primarily conducted through Just Ventures LLC and Just Ventures L.P. (collectively, "Just Ventures"), a joint venture in which Just Energy held a 50% equity interest. This exclusive relationship ended on July 31, 2017.

3 FINANCIAL STATEMENT PREPARATION

(a) Statement of compliance with IFRS

These Interim Financial Statements of Just Energy and its subsidiaries have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"), utilizing the accounting policies Just Energy outlined in its March 31, 2018 annual audited consolidated financial statements. Accordingly, certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed.

(b) Basis of presentation and interim reporting

These Interim Financial Statements should be read in conjunction with and follow the same accounting policies and methods of application as those used in the annual audited consolidated financial statements for the years ended March 31, 2018 and 2017.

The Interim Financial Statements are presented in Canadian dollars, the functional currency of Just Energy, and all values are rounded to the nearest thousand except where otherwise indicated. The Interim Financial Statements are prepared on a going concern basis under the historical cost convention except for certain financial assets and liabilities which are stated at fair value.

The interim operating results are not necessarily indicative of the results that may be expected for the full year ending March 31, 2019, due to seasonal variations resulting in fluctuations in quarterly results. Gas consumption by customers is typically highest in October through March and lowest in April through September. Electricity consumption is typically highest in January through March and July through September. Electricity consumption is lowest in October through December and April through June. For the 12 months ended June 30, 2018, Just Energy reported gross margin of $636,896 (2017 – $690,862) and profit of $367,842 (2017 – $97,522).

(c) Principles of consolidation

The Interim Financial Statements include the accounts of Just Energy and its directly or indirectly owned subsidiaries and affiliates as at June 30, 2018. Subsidiaries and affiliates are consolidated from the date of acquisition of control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries and affiliates are prepared for the same reporting period as Just Energy, using consistent accounting policies. All intercompany balances, sales, expenses and unrealized gains and losses resulting from intercompany transactions are eliminated on consolidation.

4 ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 16, Leases ("IFRS 16"), was issued by the IASB in January 2016. This guidance brings most leases onto the balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. Furthermore, per the standard, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly, and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease. Lessees are permitted to make an accounting policy election, by class of underlying asset, to apply a method like IAS 17's operating lease accounting and not recognize lease assets and lease liabilities for leases with a lease term of 12 months or less, and on a lease-by-lease basis, to apply a method similar to current operating lease accounting to leases for which the underlying asset is of low value. IFRS 16 supersedes IAS 17, Leases, and its related interpretations, and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 has also been applied. Just Energy has not yet assessed the impact of this standard.

5 ACCOUNTING POLICIES AND NEW STANDARDS ADOPTED

Changes in accounting policies

Just Energy has adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), as issued by the International Accounting Standards Board ("IASB") in July 2014, effective January 1, 2018. The new accounting policies have been applied by Just Energy from April 1, 2018 and, in accordance with the transitional provisions in IFRS 15, comparative figures have not been restated. Just Energy has adopted IFRS 15 using the modified retrospective method, using the practical expedient in paragraph C5(c) under which Just Energy reflects the aggregate effect of all modifications on the date of initial application. Accordingly, transition adjustments have been recognized through equity as at April 1, 2018.

IFRS 15 replaces the provisions of IAS 18, Revenue, that relates to all revenue from contracts from customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Accounting policies

The following accounting policies are applicable to the accounting for all revenue arising from contracts with customers, unless those contracts are in the scope of other standards in the quarter ended April 1, 2018 and onwards. Please refer to the accounting policies Just Energy outlined in its March 31, 2018 annual audited consolidated financial statements for details on accounting policies applicable to comparative amounts.

Gas and electricity

Sales

Just Energy historically recognized revenue based on consumption of the commodity by the customer. Gas and electricity sales are billed based upon information received from distribution companies. Oftentimes, the billing cycles for customers do not coincide with the accounting periods used for financial reporting purposes. Gas and electricity that have been consumed by a customer, but not yet billed to that customer, are estimated on an accrual basis and included in revenue during the period in which they were consumed. These accrual amounts result in contract assets and are presented as unbilled revenues under IFRS 15. Just Energy assesses the unbilled revenues for impairment in accordance with IFRS 9.

Upon the adoption of IFRS 15, there is no change in the revenue recognition for gas and electricity sales. Just Energy has identified that the material performance obligation is the provision of gas and electricity to customers. Just Energy satisfies its performance obligation to the customer over time, which is to provide continuous gas and electricity service over the contract term. Just Energy utilizes the output method and recognizes revenue based on the units of gas and electricity delivered and billed to the customer each month. Just Energy has elected to adopt the practical expedient to recognize revenue in the amount to which the entity has a right to invoice, as the entity has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance to date.

Expenses

Just Energy historically recognized North American residential sales commissions and incentives paid to brokers, employees or third parties for acquiring new contracts with customers as selling expenses as they were incurred.

Upon the adoption of IFRS 15, incremental costs to obtain a contract with a customer are capitalized if these costs are expected to be recovered. As such, Just Energy commenced capitalizing all upfront sales commissions, incentives and third party verification costs paid based on customer acquisition that met the criteria for capitalization. Just Energy has elected under the practical expedient to recognize incremental costs of obtaining a contract as an expense when incurred if the contract length is one year or less. These expenses are deferred and amortized over the average customer relationship period, which is estimated to be between two and five years, based on historical blended attrition rates, including expected renewal periods by region.

Impact on financial statements

The cumulative effect of changes made to Just Energy's April 1, 2018 interim condensed consolidated statement of financial position for the adoption of IFRS 15, Revenue from Contract with Customers, was as follows, and had a deferred tax liability effect of $7,493:

	Carrying amount	
	Original IAS 18	New IFRS 15
Current assets		
Customer acquisition costs	$ 31,852	$ 43,152
Non-current financial assets		
Customer acquisition costs	$ 7,367	$ 24,428

The following table shows the effect of the adoption of IFRS 15 on Just Energy's interim condensed consolidated statements of financial position as at June 30, 2018:

	As at June 30, 2018 (reported)	Balances without adoption of IFRS 15	Effect of change higher (lower)
Current assets			
Customer acquisition costs	$ 53,877	$ 36,693	$ 17,184
Non-current financial assets			
Customer acquisition costs	$ 38,114	$ 17,284	$ 20,830

The following table shows the effect of the adoption of IFRS 15 on Just Energy's interim condensed consolidated statements of comprehensive income (loss) for the three months ended June 30, 2018:

	For the three months ended June 30, 2018 (reported)	Balances without adoption of IFRS 15	Effect of change higher (lower)
Sales	**$ 876,457**	$ 876,457	$ –
Cost of sales	**722,925**	722,925	–
Gross margin	**153,532**	153,532	–
Expenses			
Administrative	**55,682**	55,682	–
Selling and marketing	**50,543**	41,280	(9,263)
Other operating expenses	**27,818**	27,818	–
	134,043	124,780	(9,263)
Operating profit before the following	**19,489**	28,752	9,263
Finance costs	**(16,340)**	(16,340)	–
Change in fair value of derivative instruments and other	**(36,556)**	(36,556)	–
Other income	**(55)**	(55)	–
Profit before income taxes	**(33,462)**	(24,199)	9,263
Provision for income taxes	**7,961**	7,961	–
Profit for the period	**$ (41,423)**	$ (32,160)	$ 9,263
Attributable to:			
Shareholders of Just Energy	**$ (41,377)**	$ (32,114)	$ 9,263
Non-controlling interest	**(46)**	(46)	–
Profit for the period	**$ (41,423)**	$ (32,160)	$ 9,263
Earnings per share available to shareholders			
Basic	**$ (0.29)**	$ (0.23)	$ 0.06
Diluted	**$ (0.29)**	$ (0.23)	$ 0.06

Just Energy's revenue sources are mostly related to electricity and gas contracts. IFRS 15 did not have any impact on any of the revenue amounts related to historical or current revenue recognition. The key factors driving revenue segmentation are related to differentiation between the business divisions, which is disclosed in the segment note.

For the majority of contracts with customers, Just Energy has met the B16 expedient in IFRS 15 where Just Energy has the right to consideration from a customer in an amount that corresponds directly with the value to the customer of Just Energy's performance completed to date. For contracts with customers that have an equal billing per month, while there is no change in revenue recognition upon the adoption of IFRS 15, Just Energy does not meet the practical B16 expedient in IFRS 15 and therefore is required to disclose the following for flat-bill contracts that have a duration of one year or more:

The aggregate amount of transaction price allocated to performance obligations related to flat-bill contracts that are unsatisfied as at June 30, 2018 is $84,470.

Just Energy expects to recognize revenue on these flat-bill contracts in the amounts of:

	July 1, 2018 to March 31, 2019	April 1, 2019 to March 31, 2020	April 1, 2020 to March 31, 2021	April 1, 2021 to March 31, 2022	Years thereafter	Total
Gas and electricity flat-bill contracts	$ 24,750	$ 28,227	$ 17,674	$ 8,076	$ 5,743	$ 84,470

Change in accounting policies

Just Energy has adopted IFRS 9, Financial Instruments ("IFRS 9"), as issued by the International Accounting Standards Board ("IASB") in July 2014, effective April 1, 2018. The new accounting policies have been applied from April 1, 2018 and, in accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. Just Energy has adopted IFRS 9 retrospectively, and accordingly, transition adjustments have been recognized through equity as at April 1, 2018.

IFRS 9 replaces the provisions of IAS 39, Financial Instruments Recognition and Measurement, that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7, Financial Instruments: Disclosures.

(a) Accounting policy for financial instruments under IFRS 9

The following accounting policy is applicable to the accounting for financial instruments in the quarter ended April 1, 2018 and onwards. Please refer to the accounting policies Just Energy outlined in its March 31, 2018 annual audited consolidated financial statements for details on the financial instruments accounting policies applicable to comparative amounts.

Financial assets

(i) Recognition and derecognition

Regular purchases and sales of financial assets are recognized on the trade-date, being the date on which Just Energy commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and Just Energy has transferred substantially all the risks and rewards of ownership.

(ii) Classification

From April 1, 2018, Just Energy classified its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- Those to be measured at amortized cost.

The measurement category classification of financial assets depends on Just Energy's business objectives for managing the financial assets and whether contractual terms of the cash flow are considered solely payments of principal and interest. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income depending upon the business objective.

Just Energy reclassifies debt instruments when and only when its business objective for managing those assets changes.

(iii) Measurement

At initial recognition, Just Energy measures a financial asset at its fair value. In the case of a financial asset not categorized as FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset are included in measurement at initial recognition. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on Just Energy's business objective for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which Just Energy classifies its debt instruments:

Amortized cost: Assets held for collection of contractual cash flows that represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt instrument is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in "finance income" using the effective interest rate method. Cash and cash equivalents, restricted cash, trade and other receivables are included in this category.

Fair value through other comprehensive income ("FVOCI"): Assets held to achieve a particular business objective, by collecting contractual cash flows and selling financial assets, where the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognized in profit and loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in "finance income" using the effective interest rate method. Just Energy has not classified any investments in this category.

Fair value through profit or loss ("FVTPL"): Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognized in profit or loss. Just Energy classifies its derivatives and its investments in equity securities at FVTPL due to the fact that they do not meet the criteria for classification at amortized cost as the contractual cash flows are not solely payments of principal and interest.

Just Energy's equity instruments are carried at FVTPL, and gains and losses are recorded in net income.

(iv) Impairment
Just Energy assesses on a forward-looking basis the expected credit losses ("ECL") associated with its assets carried at amortized cost, including other receivables. For trade and other receivables only, Just Energy applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Trade receivables are reviewed qualitatively on a case-by-case basis to determine if they need to be written off.

ECL are measured as the difference in the present value of the contractual cash flows that are due to Just Energy under the contract, and the cash flows that Just Energy expects to receive. Just Energy assesses all information available, including past due status, credit ratings, the existence of third party insurance and forward-looking macroeconomic factors, in the measurement of the ECL associated with its assets carried at amortized cost. Just Energy measures ECL by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

Impairment of cash and cash equivalents and restricted cash are evaluated by reference to the credit quality of the underlying financial institution or investee, but the provision is not material in the current reporting period.

Derivatives
(b) New classification categories of financial instruments on adoption of IFRS 9
As at April 1, 2018, the date of initial application, Just Energy's financial instruments and new classification categories under IFRS 9 were as follows:

	Classification category	
	Original IAS 39	**New IFRS 9**
Current financial asset		
Cash and cash equivalents	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Derivative asset	FVTPL	FVTPL
Non-current financial assets		
Investments	FVOCI and FVTPL	FVTPL
Derivative asset	FVTPL	FVTPL
Current financial liabilities		
Trade and other payables	Other financial liabilities	Amortized cost
Derivative liability	FVTPL	FVTPL
Current portion of long-term debt	Other financial liabilities	Amortized cost
Non-current financial liabilities		
Long-term debt	Other financial liabilities	Amortized cost
Derivative liability	FVTPL	FVTPL

Upon adoption of IFRS 9, the investment in ecobee is classified as FVTPL instead of available-for-sale, resulting in a movement of $17,863 relating to the unrealized gain on revaluation of investments, net of tax from other comprehensive income to accumulated earnings on April 1, 2018.

(c) Reconciliation of lifetime expected credit loss balance from IAS 39 to IFRS 9

The following table reconciles the closing lifetime expected credit loss for financial assets and contract assets in accordance with IAS 39 as at March 31, 2018 to the opening allowance for credit losses as at April 1, 2018.

	Impairment allowance under IAS 39 as at March 31, 2018	Re-measurement	Lifetime expected credit loss under IFRS 9 as at April 1, 2018
Trade and other receivables	$ 60,121	$ 11,237	$ 71,358
Unbilled revenues	$ –	$ 12,399	$ 12,399

(d) Impairment of financial assets

Just Energy has two types of financial assets subject to IFRS 9's new ECL model: (i) trade and other receivables and (ii) unbilled revenues. Just Energy was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. For trade and other receivables, Just Energy applies the simplified approach to providing for ECL prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables and unbilled revenues. Measurement of ECL resulted in an increase to the provision for trade receivables and unbilled revenues of $23,636, which was recorded as at April 1, 2018. This was before the tax impact of $5,616, which reduced the deferred tax liability, as at April 1, 2018.

(e) Derivatives and hedging activities

Just Energy did not apply hedge accounting under IAS 39, nor under IFRS 9.

6 TRADE AND OTHER RECEIVABLES

	As at June 30, 2018	As at March 31, 2018
Trade account receivables	**$ 331,593**	$ 332,083
Accrued gas receivables	**8,334**	15,893
Unbilled revenues	**292,698**	301,577
Other	**44,608**	47,754
	$ 677,233	$ 697,307

7 OTHER CURRENT AND NON-CURRENT ASSETS

(a) Other current assets

	As at June 30, 2018	As at March 31, 2018
Prepaid expenses and deposits	**$ 40,364**	$ 32,900
Customer acquisition costs	**53,877**	31,852
Green certificates	**44,268**	42,230
Gas delivered in excess of consumption	**3,462**	2,715
	$ 141,971	$ 109,697

(b) Other non-current assets

	As at June 30, 2018	As at March 31, 2018
Customer acquisition costs	**$ 38,114**	$ 7,367
Other long-term assets	**2,887**	12,620
	$ 41,001	$ 19,987

8 FINANCIAL INSTRUMENTS

(a) Fair value of derivative financial instruments and other

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). Management has estimated the value of financial swaps, physical forwards and option contracts for electricity, natural gas, carbon and renewable energy certificates, and generation and transmission capacity contracts using a discounted cash flow method, which employs market forward curves that are either directly sourced from third parties or are developed internally based on third party market data. These curves can be volatile, thus leading to volatility in the mark to market with no immediate impact to cash flows. Gas options have been valued using the Black option value model using the applicable market forward curves and the implied volatility from other market traded options.

The following table illustrates gains (losses) related to Just Energy's derivative financial instruments classified as fair value through profit or loss and recorded on the consolidated statements of financial position as fair value of derivative financial assets and fair value of derivative financial liabilities, with their offsetting values recorded in change in fair value of derivative instruments and other on the consolidated statements of income.

Change in fair value of derivative instruments and other

	For the three months ended June 30, 2018	For the three months ended June 30, 2017
Physical forward contracts and options (i)	**$ (98,311)**	$ 88,018
Financial swap contracts and options (ii)	**68,804**	3,694
Foreign exchange forward contracts	**2,304**	6,939
Share swap	**(3,263)**	(2,107)
6.5% convertible bond conversion feature	**232**	4,784
Unrealized foreign exchange on 6.5% convertible bond	**(3,997)**	5,628
Other derivative options	**(2,325)**	3,661
Change in fair value of derivative instruments and other	**$ (36,556)**	$ 110,617

The following table summarizes certain aspects of the fair value of derivative financial assets and liabilities recorded in the consolidated statement of financial position as at June 30, 2018:

	Financial assets (current)	**Financial assets (non-current)**	**Financial liabilities (current)**	**Financial liabilities (non-current)**
Physical forward contracts and options (i)	**$ 66,015**	**$ 72,233**	**$ 18,347**	**$ 20,173**
Financial swap contracts and options (ii)	**56,034**	**4,696**	**8,246**	**29,754**
Foreign exchange forward contracts	**185**	**899**	**353**	**–**
Share swap	**–**	**–**	**21,663**	**–**
6.5% convertible bond conversion feature	**–**	**–**	**–**	**15**
Other derivative options	**4,246**	**8,960**	**180**	**976**
As at June 30, 2018	**$ 126,480**	**$ 86,788**	**$ 48,789**	**$ 50,918**

The following table summarizes certain aspects of the fair value of derivative financial assets and liabilities recorded in the consolidated statement of financial position as at March 31, 2018:

	Financial assets (current)	Financial assets (non-current)	Financial liabilities (current)	Financial liabilities (non-current)
Physical forward contracts and options	$ 198,891	$ 60,550	$ 32,451	$ 29,003
Financial swap contracts and options	8,133	1,342	34,369	22,117
Foreign exchange forward contracts	–	–	1,068	505
Share swap	–	–	18,400	–
6.5% convertible bond conversion feature	–	–	–	246
Other derivative options	11,745	2,770	–	–
As at March 31, 2018	$ 218,769	$ 64,662	$ 86,288	$ 51,871

Below is a summary of the financial instruments classified through profit or loss as at June 30, 2018, to which Just Energy has committed:

(i) Physical forward contracts and options consist of:

- Electricity contracts with a total remaining volume of 34,655,472 MWh, a weighted average price of $49.68/MWh and expiry dates up to December 31, 2027.
- Natural gas contracts with a total remaining volume of 101,401,994 GJs, a weighted average price of $3.60/GJ and expiry dates up to December 31, 2024.
- Renewable energy certificates ("RECs") and emission-reduction credit contracts with a total remaining volume of 3,136,707 MWh and 427,550 tonnes, respectively, a weighted average price of $32.39/REC and $2.61/tonne, respectively, and expiry dates up to December 31, 2028 and December 31, 2021.
- Electricity generation capacity contracts with a total remaining volume of 4,826 MWCap, a weighted average price of $6,813.04/MWCap and expiry dates up to October 31, 2022.
- Ancillary contracts with a total remaining volume of 848,863 MWh, a weighted average price of $20.23/MWh and expiry dates up to December 31, 2020.

(ii) Financial swap contracts and options consist of:

- Electricity contracts with a total remaining volume of 15,227,331 MWh, an average price of $39.94/MWh and expiry dates up to November 30, 2024.
- Natural gas contracts with a total remaining volume of 125,752,042 GJs, an average price of $3.57/GJ and expiry dates up to December 31, 2024.
- Electricity generation capacity contracts with a total remaining volume of 207 MWCap, a weighted average price of $24,104.57/MWCap and expiry dates up to October 31, 2020.
- Ancillary contracts with a total remaining volume of 1,388,842 MWh, a weighted average price of $17.96/MWh and expiry dates up to December 31, 2020.

These derivative financial instruments create a credit risk for Just Energy since they have been transacted with a limited number of counterparties. Should any counterparty be unable to fulfill its obligations under the contracts, Just Energy may not be able to realize the financial assets' balance recognized in the consolidated financial statements.

Share swap agreement
Just Energy has entered into a share swap agreement to manage the consolidated statement of income volatility associated with the Company's restricted share grant and deferred share grant plans. The value, on inception, of the 2,500,000 shares under this share swap agreement was approximately $33,803. Net monthly settlements received under the share swap agreement are recorded in other income. Just Energy records the fair value of the share swap agreement in the non-current derivative financial liabilities on the consolidated statements of financial position. Changes in the fair value of the share swap agreement are recorded through the consolidated statements of income as a change in fair value of derivative instruments and other.

Fair value ("FV") hierarchy derivatives
Level 1
The fair value measurements are classified as Level 1 in the FV hierarchy if the fair value is determined using quoted unadjusted market prices.

Level 2
Fair value measurements that require observable inputs other than quoted prices in Level 1, either directly or indirectly, are classified as Level 2 in the FV hierarchy. This could include the use of statistical techniques to derive the FV curve from observable market prices. However, in order to be classified under Level 2, significant inputs must be directly or indirectly observable in the market. Just Energy values its New York Mercantile Exchange ("NYMEX") financial gas fixed-for-floating swaps under Level 2.

Level 3
Fair value measurements that require unobservable market data or use statistical techniques to derive forward curves from observable market data and unobservable inputs are classified as Level 3 in the FV hierarchy. For the supply contracts, Just Energy uses quoted market prices as per available market forward data and applies a price-shaping profile to calculate the monthly prices from annual strips and hourly prices from block strips for the purposes of mark to market calculations. The profile is based

on historical settlements with counterparties or with the system operator and is considered an unobservable input for the purposes of establishing the level in the FV hierarchy. For the natural gas supply contracts, Just Energy uses three different market observable curves: (i) Commodity (predominately NYMEX), (ii) Basis, and (iii) Foreign exchange. NYMEX curves extend for over five years (thereby covering the length of Just Energy's contracts); however, most basis curves extend only 12 to 15 months into the future. In order to calculate basis curves for the remaining years, Just Energy uses extrapolation, which leads natural gas supply contracts to be classified under Level 3.

For the share swap, Just Energy uses a forward interest rate curve along with a volume weighted average share price.

Just Energy's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers into or out of Level 1, Level 2 or Level 3 during the three months ended June 30, 2018 or the year ended March 31, 2018.

Fair value measurement input sensitivity

The main cause of changes in the fair value of derivative instruments is changes in the forward curve prices used for the fair value calculations. Just Energy provides a sensitivity analysis of these forward curves under the "Market risk" section of this note. Other inputs, including volatility and correlations, are driven off historical settlements.

The following table illustrates the classification of derivative financial assets (liabilities) in the FV hierarchy as at June 30, 2018:

	Level 1	**Level 2**	**Level 3**	**Total**
Derivative financial assets	**$ –**	**$ –**	**$ 213,268**	**$ 213,268**
Derivative financial liabilities	**–**	**(15,392)**	**(84,315)**	**(99,707)**
Total net derivative assets (liabilities)	**$ –**	**$ (15,392)**	**$ 128,953**	**$ 113,561**

The following table illustrates the classification of derivative financial assets (liabilities) in the FV hierarchy as at March 31, 2018:

	Level 1	Level 2	Level 3	Total
Derivative financial assets	$ –	$ –	$ 283,431	$ 283,431
Derivative financial liabilities	–	(21,092)	(117,067)	(138,159)
Total net derivative assets (liabilities)	$ –	$ (21,092)	$ 166,364	$ 145,272

A key assumption used when determining the significant unobservable inputs included in Level 3 of the FV hierarchy consists of up to 5% price extrapolation to calculate monthly prices that extend beyond the market observable 12- to 15-month forward curve.

The following table illustrates the changes in net fair value of financial assets (liabilities) classified as Level 3 in the FV hierarchy for the following periods:

	Three months ended June 30, 2018	Year ended March 31, 2018
Balance, beginning of period	**$ 166,364**	$ (315,110)
Total gains (losses)	**(219,196)**	105,709
Purchases	**(9,939)**	207,531
Sales	**4,933**	(64,464)
Settlements	**42,446**	232,698
Balance, end of period	**$ (15,392)**	$ 166,364

(b) Classification of non-derivative financial assets and liabilities

As at June 30, 2018 and March 31, 2018, the carrying value of cash and cash equivalents, restricted cash, current trade and other receivables, and trade and other payables approximates their fair value due to their short-term nature.

Long-term debt recorded at amortized cost has a fair value as at June 30, 2018 of $594.4 million (March 31, 2018 – $570.1 million) and the interest payable on outstanding amounts is at rates that vary with Bankers' Acceptances, LIBOR, Canadian bank prime rate or U.S. prime rate, with the exceptions of 6.75% $100M convertible debentures, 6.75% $160M convertible debentures, 6.5% convertible bonds and 5.75% convertible debentures, which are fair valued based on market value. The 6.75% $100M convertible debentures, 6.75% $160M convertible debentures, 6.5% convertible bonds and 5.75% convertible debentures are classified as Level 1 in the FV hierarchy.

Investments in equity instruments have a fair value as at June 30, 2018 of $36.4 million (March 31, 2018: $36.3 million) and are measured based on Level 2 of the fair value hierarchy. Level 2 inputs for non-derivative financial assets include quoted prices for similar assets in active markets, and quoted prices for identical or similar assets that are not active.

No adjustments were made in the quarter in valuing the investment in ecobee or Energy Earth. Movements are related to foreign exchange revaluations.

The following table illustrates the classification of investments in the FV hierarchy as at June 30, 2018:

	Level 1	Level 2	Level 3	Total
Investment in ecobee	$ –	$ 32,446	$ –	$ 32,446
Investment in Energy Earth	–	3,950	–	3,950
Total investments	**$ –**	**$ 36,396**	**$ –**	**$ 36,396**

The risks associated with Just Energy's financial instruments are as follows:

(i) Market risk

Market risk is the potential loss that may be incurred as a result of changes in the market or fair value of a particular instrument or commodity. Components of market risk to which Just Energy is exposed are discussed below.

Foreign currency risk

Foreign currency risk is created by fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates and exposure as a result of investments in U.S. and international operations.

The performance of the Canadian dollar relative to the U.S. dollar could positively or negatively affect Just Energy's income, as a portion of Just Energy's income is generated in U.S. dollars and is subject to currency fluctuations upon translation to Canadian dollars. Due to its growing operations in the U.S. and Europe, Just Energy expects to have a greater exposure to foreign currency fluctuations in the future than in prior years. Just Energy has economically hedged between 50% and 90% of forecasted cross border cash flows that are expected to occur within the next 12 months and between 0% and 50% of certain forecasted cross border cash flows that are expected to occur within the next 13 to 24 months. The level of economic hedging is dependent on the source of the cash flow and the time remaining until the cash repatriation occurs.

Just Energy may, from time to time, experience losses resulting from fluctuations in the values of its foreign currency transactions, which could adversely affect its operating results. Translation risk is not hedged.

With respect to translation exposure, if the Canadian dollar had been 5% stronger or weaker against the U.S. dollar for the period ended June 30, 2018, assuming that all the other variables had remained constant, loss for the period would have been $3.2 million lower/higher and other comprehensive income would have been $17.2 million lower/higher.

Interest rate risk

Just Energy is only exposed to interest rate fluctuations associated with its floating rate credit facility. Just Energy's current exposure to interest rates does not economically warrant the use of derivative instruments. Just Energy's exposure to interest rate risk is relatively immaterial and temporary in nature. Just Energy does not currently believe that its long-term debt exposes the Company to material interest rate risks but has set out parameters to actively manage this risk within its Risk Management Policy.

A 1% increase (decrease) in interest rates would have resulted in a decrease (increase) of approximately $361 in profit before income taxes for the three months ended June 30, 2018 (2017 – $103).

Commodity price risk
Just Energy is exposed to market risks associated with commodity prices and market volatility where estimated customer requirements do not match actual customer requirements. Management actively monitors these positions on a daily basis in accordance with its Risk Management Policy. This policy sets out a variety of limits, most importantly thresholds for open positions in the gas and electricity portfolios which also feed a Value at Risk limit. Should any of the limits be exceeded, they are closed expeditiously or express approval to continue to hold is obtained. Just Energy's exposure to market risk is affected by a number of factors, including accuracy of estimation of customer commodity requirements, commodity prices, volatility and liquidity of markets. Just Energy enters into derivative instruments in order to manage exposures to changes in commodity prices. The derivative instruments that are used are designed to fix the price of supply for estimated customer commodity demand and thereby fix margins such that shareholder dividends can be appropriately established. Derivative instruments are generally transacted over the counter. The inability or failure of Just Energy to manage and monitor the above market risks could have a material adverse effect on the operations and cash flows of Just Energy. Just Energy mitigates the exposure to variances in customer requirements that are driven by changes in expected weather conditions through active management of the underlying portfolio, which involves, but is not limited to, the purchase of options including weather derivatives. Just Energy's ability to mitigate weather effects is limited by the degree to which weather conditions deviate from normal.

Commodity price sensitivity – all derivative financial instruments
If all the energy prices associated with derivative financial instruments including natural gas, electricity, verified emission-reduction credits and renewable energy certificates had risen (fallen) by 10%, assuming that all of the other variables had remained constant, profit before income taxes for the three months ended June 30, 2018 would have increased (decreased) by $235,411 ($233,137), primarily as a result of the change in fair value of Just Energy's derivative financial instruments.

Commodity price sensitivity – Level 3 derivative financial instruments
If the energy prices associated with only Level 3 derivative financial instruments including natural gas, electricity, verified emission-reduction credits and renewable energy certificates had risen (fallen) by 10%, assuming that all of the other variables had remained constant, profit before income taxes for the three months ended June 30, 2018 would have increased (decreased) by $238,581 ($236,350), primarily as a result of the change in fair value of Just Energy's derivative financial instruments.

(ii) Credit risk
Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Just Energy is exposed to credit risk in two specific areas: customer credit risk and counterparty credit risk.

Customer credit risk
In Alberta, Texas, Illinois, British Columbia, California, Michigan, Delaware, Ohio, Georgia and the U.K., Just Energy has customer credit risk and, therefore, credit review processes have been implemented to perform credit evaluations of customers and manage customer default. If a significant number of customers were to default on their payments, it could have a material adverse effect on the operations and cash flows of Just Energy. Management factors default from credit risk in its margin expectations for all the above markets.

The aging of the accounts receivable from the above markets was as follows:

	June 30, 2018	March 31, 2018
Current	**$ 124,703**	$ 113,786
1–30 days	**33,958**	44,374
31–60 days	**12,447**	21,241
61–90 days	**9,680**	12,686
Over 90 days	**48,486**	69,207
	$ 229,274	$ 261,294

Changes in the expected lifetime credit loss were as follows:

	June 30, 2018	March 31, 2018
Balance, beginning of period	**$ 60,121**	$ 49,431
Provision for doubtful accounts	**20,800**	56,300
Bad debts written off	**(37,867)**	(41,802)
Adjustment from IFRS 9 adoption	**23,636**	–
Other	**(1,469)**	(3,808)
Balance, end of period	**$ 65,221**	$ 60,121

In the remaining markets, the LDCs provide collection services and assume the risk of any bad debts owing from Just Energy's customers for a fee. Management believes that the risk of the LDCs failing to deliver payment to Just Energy is minimal. There is no assurance that the LDCs providing these services will continue to do so in the future.

Counterparty credit risk
Counterparty credit risk represents the loss that Just Energy would incur if a counterparty fails to perform under its contractual obligations. This risk would manifest itself in Just Energy replacing contracted supply at prevailing market rates, thus impacting the related customer margin. Counterparty limits are established within the Risk Management Policy. Any exceptions to these limits require approval from the Board of Directors of Just Energy. The Risk Department and Risk Committee monitor current and potential credit exposure to individual counterparties and also monitor overall aggregate counterparty exposure. However, the failure of a counterparty to meet its contractual obligations could have a material adverse effect on the operations and cash flows of Just Energy.

As at June 30, 2018, the estimated counterparty credit risk exposure amounted to $213,268 (2017 – $35,451), representing the risk relating to Just Energy's exposure to derivatives that are in an asset position.

(iii) Liquidity risk
Liquidity risk is the potential inability to meet financial obligations as they fall due. Just Energy manages this risk by monitoring detailed weekly cash flow forecasts covering a rolling six-week period, monthly cash forecasts for the next 12 months, and quarterly forecasts for the following two-year period to ensure adequate and efficient use of cash resources and credit facilities.

The following are the contractual maturities, excluding interest payments, reflecting undiscounted disbursements of Just Energy's financial liabilities:

As at June 30, 2018:

	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**1–3 years**	**4–5 years**	**More than 5 years**
Trade and other payables	**$ 638,420**	**$ 638,420**	**$ 638,420**	**$ –**	**$ –**	**$ –**
Long-term debt[1]	**578,862**	**610,845**	**–**	**350,845**	**260,000**	**–**
Gas, electricity and non-commodity contracts	**99,707**	**3,332,923**	**1,606,528**	**1,391,632**	**256,316**	**78,447**
	$ 1,316,989	**$ 4,582,188**	**$2,244,948**	**$ 1,742,477**	**$ 516,316**	**$ 78,447**

As at March 31, 2018:

	Carrying amount	Contractual cash flows	Less than 1 year	1–3 years	4–5 years	More than 5 years
Trade and other payables	$ 616,434	$ 616,434	$ 616,434	$ –	$ –	$ –
Long-term debt[1]	543,504	575,525	122,115	193,410	260,000	–
Gas, electricity and non-commodity contracts	138,159	3,171,037	1,867,389	1,202,949	69,658	31,041
	$ 1,298,097	$ 4,362,996	$ 2,605,938	$ 1,396,359	$ 329,658	$ 31,041

1 Included in long-term debt are the 6.75% $100M convertible debentures, 6.75% $160M convertible debentures, 6.5% convertible bonds and 5.75% convertible debentures, which may be settled through the issuance of shares at the option of the holder or Just Energy upon maturity.

In addition to the amounts noted above, as at June 30, 2018, the contractual net interest payments over the term of the long-term debt with scheduled repayment terms are as follows:

	Less than 1 year	1–3 years	4–5 years	More than 5 years
Interest payments	$ 30,389	$ 35,100	$ 18,900	$ –

(iv) Supplier risk
Just Energy purchases the majority of the gas and electricity delivered to its customers through long-term contracts entered into with various suppliers. Just Energy has an exposure to supplier risk as the ability to continue to deliver gas and electricity to its customers is reliant upon the ongoing operations of these suppliers and their ability to fulfill their contractual obligations. As at June 30, 2018, Just Energy has applied an adjustment factor to determine the fair value of its financial assets in the amount of $4,999 (2017 – $4,714) to accommodate for its counterparties' risk of default.

9 ACQUISITION OF BUSINESSES

(a) Acquisition of Intell Enercare Solutions Inc.

On June 6, 2017, Just Energy completed the acquisition of 100% of the issued and outstanding shares of Intell Enercare Solutions Inc., a complete service provider for supply, design and installation of energy saving technologies, for up to $11.0 million, subject to closing adjustments. The purchase price consideration included cash consideration of $2.2 million. There is contingent consideration where Just Energy will pay up to $9.0 million to the sellers over three years provided that certain EBITDA targets are satisfied. The EBITDA target with respect to the contingent consideration for 2018 is $3.5 million. For the 2019 and 2020 years, it is $3.0 million and $2.5 million, respectively. The fair value of the contingent consideration at acquisition was estimated to be $7.8 million based on the three-year forecast and was subsequently reduced to $1.3 million. The acquisition of Intell Enercare Solutions Inc. was accounted for using the purchase method of accounting. Just Energy allocated the final purchase price to the identified assets and liabilities acquired based on their fair values at the time of acquisition as follows:

Net assets acquired		
Intangible assets	$	877
Goodwill		9,979
Working capital		(637)
Deferred tax		(232)
Total consideration	$	9,987
Cash paid, net of estimated working capital adjustment	$	2,199
Contingent consideration		7,788
Total consideration	$	9,987

The transaction costs related to the acquisition have been expensed and are included in other operating expenses in the consolidated statements of income. The goodwill represents the synergies and potential for cross-selling energy saving technologies to Just Energy customers.

(b) Acquisition of EdgePower, Inc.

On February 28, 2018, Just Energy completed the acquisition of the issued and outstanding shares of EdgePower, Inc. ("EdgePower"), a privately held energy monitoring and management company operating out of Aspen, Colorado. EdgePower provides lighting and HVAC controls, as well as enterprise monitoring, in hundreds of commercial buildings in North America. Just Energy acquired 100% of the equity interests of EdgePower for the purposes of integrating their lighting and HVAC controls with the commercial business. The fair value of the total consideration transferred is US$14.9 million, of which US$7.5 million was paid in cash and US$7.4 million was settled through the issuance of 1,415,285 Just Energy common shares. The goodwill that was acquired as part of this acquisition relates primarily to the EdgePower workforce and synergies between Just Energy and EdgePower.

In addition, the former shareholders of EdgePower are entitled to a payment of up to a maximum of US$6.0 million, payable in cash, subject to continuing employment and the achievement of certain annual and cumulative performance thresholds of the EdgePower business. The payment is calculated as 20% of EBITDA for the EdgePower business for the years of 2019–2021 with minimum thresholds that must be met. As at the acquisition date, the amount recognized for management remuneration was $nil.

The following is the preliminary purchase price allocation for EdgePower:

Net assets acquired		
Working capital	$	993
Intangible assets		14,198
Goodwill		7,673
Deferred tax liabilities		(3,820)
Total consideration	$	19,044
Cash paid, net of working capital adjustment	$	9,534
Common shares issued		9,510
Total consideration	$	19,044

10 NON-CONTROLLING INTEREST

Just Energy owns 95% of the issued and outstanding shares of Just Energy Deutschland GmbH and 51% of the issued and outstanding shares of db SWPro GmbH ("SWPro"), and therefore, has treated the 5% and 49%, respectively, that is not owned by Just Energy as a non-controlling interest.

11 LONG-TERM DEBT AND FINANCING

	Maturity	**June 30, 2018**	March 31, 2018
Credit facility (a)	September 1, 2018	**$ 153,325**	$ 122,115
Less: Debt issue costs (a)		**(2,439)**	(664)
6.75% $100M convertible debentures (b)	March 31, 2023	**86,018**	85,760
6.75% $160M convertible debentures (c)	December 31, 2021	**148,816**	148,146
6.5% convertible bonds (d)	July 29, 2019	**193,142**	188,147
5.75% convertible debentures (e)	September 30, 2018	**–**	–
		578,862	543,504
Less: Current portion		**–**	(121,451)
		$ 578,862	$ 422,053

Future annual minimum repayments are as follows:

	Less than 1 year	1–3 years	4–5 years	More than 5 years	Total
Credit facility (a)	$ –	$ 153,325	$ –	$ –	$ 153,325
6.75% $100M convertible debentures (b)	–	–	100,000	–	100,000
6.75% $160M convertible debentures (c)	–	–	160,000	–	160,000
6.5% convertible bonds (d)	–	197,520	–	–	197,520
	$ –	$ 350,845	$ 260,000	$ –	$ 610,845

The details for long-term debt are as follows:

	As at April 1, 2018	Cash inflows/ (outflows)	FX	Non-cash changes	**As at June 30, 2018**
Credit facility (a)	$ 121,451	$ 29,037	$ –	$ 398	**$ 150,886**
6.75% $100M convertible debentures (b)	85,760	–	–	258	**86,018**
6.75% $160M convertible debentures (c)	148,146	–	–	670	**148,816**
6.5% convertible bonds (d)	188,147	–	3,995	1,000	**193,142**
	543,504	29,037	3,995	2,326	**578,862**
Less: Current portion	(121,451)	–	–	–	**–**
	$ 422,053	$ 29,037	$ 3,995	$ 2,326	**$ 578,862**

	As at April 1, 2017	Cash inflows/ (outflows)	FX	Non-cash changes	As at March 31, 2018
Credit facility (a)	$ 66,001	$ 53,857	$ –	$ 1,593	$ 121,451
6.75% $100M convertible debentures (b)	–	95,869	–	(10,109)	85,760
6.75% $160M convertible debentures (c)	145,579	–	–	2,567	148,146
6.5% convertible bonds (d)	190,486	–	(6,101)	3,761	188,147
5.75% convertible debentures (e)	96,022	(100,000)	–	3,978	–
	498,088	49,726	(6,101)	1,790	543,504
Less: Current portion	–	–	–	–	(121,451)
	$ 498,088	$ 49,726	$ (6,101)	$ 1,790	$ 422,053

The following table details the finance costs for the quarter ended June 30. Interest is expensed based on the effective interest rate.

	2018	2017
Credit facility (a)	**$ 4,434**	$ 2,638
6.75% $100M convertible debentures (b)	**2,292**	–
6.75% $160M convertible debentures (c)	**3,370**	2,720
6.5% convertible bonds (d)	**4,147**	4,054
5.75% convertible debentures (e)	**–**	2,073
Unwinding of discount and other	**2,097**	505
	$ 16,340	$ 11,990

(a) As at June 30, 2018, the Company has renegotiated an agreement with a syndicate of lenders that includes Canadian Imperial Bank of Commerce ("CIBC"), National Bank of Canada ("National"), HSBC Bank Canada, JPMorgan Chase Bank N.A., Alberta Treasury Branches, Canadian Western Bank and Morgan Stanley Senior Funding, Inc., a subsidiary of Morgan Stanley Bank N.A. The agreement extends Just Energy's credit facility for an additional two years to September 1, 2020. The facility size was increased to $352.5 million from $342.5 million, with an accordion for Just Energy to draw up to $370 million. A certain principal amount outstanding under the LC facility is guaranteed by Export Development Canada under its Account Performance Security Guarantee Program.

Interest is payable on outstanding loans at rates that vary with Bankers' Acceptance rates, LIBOR, Canadian bank prime rate or U.S. prime rate. Under the terms of the operating credit facility, Just Energy is able to make use of Bankers' Acceptances and LIBOR advances at stamping fees of 3.40%. Prime rate advances are at a rate of bank prime (Canadian bank prime rate or U.S. prime rate) plus 2.40% and letters of credit are at a rate of 3.40%. Interest rates are adjusted quarterly based on certain financial performance indicators.

As at June 30, 2018, the Canadian prime rate was 3.45% and the U.S. prime rate was 5.00%. As at June 30, 2018, $153.32 million has been drawn against the facility and total letters of credit outstanding as of June 30, 2018 amounted to $103.9 million (March 31, 2018 – $113.4 million). As at June 30, 2018, Just Energy has $95.3 million of the facility remaining for future working capital and/or security requirements. Just Energy's obligations under the credit facility are supported by guarantees of certain subsidiaries and affiliates and secured by a general security agreement and a pledge of the assets and securities of Just Energy and the majority of its operating subsidiaries and affiliates excluding, primarily, the U.K., Barbados, Ireland, Japan and German operations. Just Energy is required to meet a number of financial covenants under the credit facility agreement. As at June 30, 2018, the Company was compliant with all of these covenants.

(b) On February 22, 2018, Just Energy issued $100 million of convertible unsecured senior subordinated debentures (the "6.75% $100 million convertible debentures"). The 6.75% $100 million convertible debentures bear interest at an annual rate of 6.75%, payable semi-annually in arrears on March 31 and September 30 in each year, and have a maturity date of March 31, 2023.

(c) On October 5, 2016, Just Energy issued $160 million of convertible unsecured senior subordinated debentures (the "6.75% $160 million convertible debentures"). The 6.75% $160 million convertible debentures bear interest at an annual rate of 6.75%, payable semi-annually in arrears on June 30 and December 31 in each year, and have a maturity date of December 31, 2021.

(d) On January 29, 2014, Just Energy issued US$150 million of European-focused senior unsecured convertible bonds (the "6.5% convertible bonds"). The 6.5% convertible bonds bear interest at an annual rate of 6.5%, payable semi-annually in arrears in equal installments on January 29 and July 29 in each year, and have a maturity date of July 29, 2019. The Company incurred transaction costs of $5,215 and has shown these costs net of the 6.5% convertible bonds.

(e) In September 2011, Just Energy issued $100 million of convertible unsecured subordinated debentures (the "5.75% convertible debentures"), which was used to fund an acquisition. The 5.75% convertible debentures bear interest at an annual rate of 5.75%, payable semi-annually on March 31 and September 30 in each year, and have a maturity date of September 30, 2018.

12 INCOME TAXES

	For the three months ended June 30, 2018	For the three months ended June 30, 2017
Current income tax expense (recovery)	**$ (2,512)**	$ 591
Deferred income tax expense	**10,473**	6,206
Provision for income taxes	**$ 7,961**	$ 6,797

13 SHAREHOLDERS' CAPITAL

Just Energy is authorized to issue an unlimited number of common shares and 50,000,000 preference shares issuable in series, both with no par value. Shares outstanding have no preferences, rights or restrictions attached to them.

Just Energy had the ability to make a normal course issuer bid ("NCIB") to purchase for cancellation a portion of the outstanding 6.75% convertible debentures expiring December 31, 2021, as well as the renewal of Just Energy common shares expiring March 16, 2018. Under each NCIB, Just Energy could have purchased debentures and common shares representing 10% of the outstanding public float at close of business February 28, 2018 up to daily and total limits. These shares may be purchased during the year starting March 19, 2018 and ending March 15, 2019. For the three months ended June 30, 2018, Just Energy had purchased $nil of common shares through the NCIB program, compared to $nil purchased in the prior year.

Details of issued and outstanding shareholders' capital are as follows:

	Three months ended June 30, 2018		Year ended March 31, 2018	
	Shares	**Amount**	Shares	Amount
Common shares:				
Issued and outstanding				
Balance, beginning of period	**148,394,152**	**$ 1,079,056**	147,013,538	$ 1,070,076
Share-based awards exercised	**630,425**	**4,979**	1,643,156	11,954
Acquisition of subsidiary	**–**	**–**	1,415,285	8,966
Repurchase and cancellation of shares	**–**	**–**	(1,677,827)	(11,941)
Balance, end of period	**149,024,577**	**$ 1,084,035**	148,394,152	$ 1,079,055
Preferred shares:				
Issued and outstanding				
Balance, beginning of period	**4,323,300**	**$ 136,771**	4,040,000	$ 128,363
Shares issued for cash	**338,865**	**10,447**	283,300	9,260
Preferred shares issuance cost	**–**	**(235)**	–	(852)
Balance, end of period	**4,662,165**	**$ 146,983**	4,323,300	$ 136,771
Shareholders' capital	**153,686,742**	**$ 1,231,018**	152,717,452	$ 1,215,826

14 REPORTABLE BUSINESS SEGMENTS

Just Energy's reportable segments include the following: Consumer Energy and Commercial Energy. Just Energy has aggregated the operating segments into these reportable segments on the basis that the operating segments share economic characteristics. These characteristics include the nature of the product and services sold, the distribution methods, and the type of customer class and regulatory environment. The Consumer Energy segment includes cash and cash equivalents, as well as the long-term debt.

Transactions between operating segments are in the normal course of operations and are recorded at the exchange amount. Allocations made between segments for shared assets or allocated expenses are based on the number of customers in the respective segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Just Energy is not considered to have any key customers.

Corporate and Shared Services report the costs related to management oversight of the business units, public reporting and filings, corporate governance and other shared services functions.

For the three months ended June 30, 2018

	Consumer division	Commercial division	Corporate and Shared Services division	Consolidated
Sales	$ 542,178	$ 334,279	$ —	$ 876,457
Gross margin	118,765	34,767	—	153,532
Administrative expenses	20,147	9,511	26,024	55,682
Selling and marketing expenses	33,689	16,854	—	50,543
Depreciation of property, plant and equipment	853	45	—	898
Amortization of intangible assets	4,003	342	—	4,345
Other operating expenses	20,409	2,166	—	22,575
Operating profit (loss) for the period	$ 39,664	$ (5,849)	$ (26,024)	$ 19,489
Finance costs				(16,340)
Change in fair value of derivative instruments and other				(36,556)
Other expenses				(55)
Provision for income taxes				(7,961)
Loss for the period				$ (41,423)
Capital expenditures	$ 9,181	$ 674	$ —	$ 9,855
Total goodwill	$ 148,375	$ 157,018	$ —	$ 305,393
Total assets	$ 1,222,492	$ 404,308	$ —	$ 1,626,800
Total liabilities	$ 1,216,190	$ 223,600	$ —	$ 1,439,790

For the three months ended June 30, 2017

	Consumer division	Commercial division	Corporate and Shared Services division	Consolidated
Sales	$ 486,766	$ 360,940	$ —	$ 847,706
Gross margin	115,507	42,056	—	157,563
Administrative expenses	15,244	7,965	25,422	48,631
Selling and marketing expenses	38,989	19,087	—	58,076
Depreciation of property, plant and equipment	949	48	—	997
Amortization of intangible assets	3,273	187	—	3,460
Other operating expenses	27,863	2,656	—	30,519
Operating profit (loss) for the period	$ 29,189	$ 12,113	$ (25,422)	$ 15,880
Finance costs				(11,990)
Change in fair value of derivative instruments and other				110,617
Other income				1,599
Provision for income taxes				(6,797)
Profit for the period				$ 109,309
Capital expenditures	$ 5,357	$ 2,639	$ —	$ 7,996
Total goodwill	$ 145,177	$ 150,507	$ —	$ 295,684
Total assets	$ 968,470	$ 302,566	$ —	$ 1,271,036
Total liabilities	$ 1,089,751	$ 251,104	$ —	$ 1,340,855

Sales from external customers

The revenue is based on the location of the customer.

	For the three months ended June 30, 2018	For the three months ended June 30, 2017
Canada	**$ 89,228**	$ 83,379
United States	**613,289**	634,512
International	**173,940**	129,815
Total	**$ 876,457**	$ 847,706

Non-current assets

Non-current assets by geographic segment consist of property, plant and equipment and intangible assets and are summarized as follows:

	As at June 30, 2018	As at March 31, 2018
Canada	**$ 207,036**	$ 201,985
United States	**214,359**	207,147
International	**13,955**	11,687
Total	**$ 435,350**	$ 420,819

15 OTHER EXPENSES

(a) Other operating expenses

	For the three months ended June 30, 2018	For the three months ended June 30, 2017
Amortization of intangible assets	**$ 4,345**	$ 3,460
Depreciation of property, plant and equipment	**898**	997
Bad debt expense	**20,800**	15,272
Share-based compensation	**1,775**	15,247
	$ 27,818	$ 34,976

(b) Employee benefits expense

	For the three months ended June 30, 2018	For the three months ended June 30, 2017
Wages, salaries and commissions	**$ 61,508**	$ 56,171
Benefits	**4,881**	6,310
	$ 66,389	$ 62,481

16 EARNINGS PER SHARE

	For the three months ended June 30, 2018	For the three months ended June 30, 2017
BASIC EARNINGS (LOSS) PER SHARE		
Profit (loss) as per consolidated statement of income	**$ (41,377)**	$ 103,858
Dividend to preferred shareholders – net of tax	**2,343**	2,212
Earnings (loss) available to shareholders	**$ (43,720)**	$ 101,646
Basic weighted average shares outstanding	**148,472,715**	147,063,935
Basic earnings (loss) per share available to shareholders	**$ (0.29)**	$ 0.69
DILUTED EARNINGS (LOSS) PER SHARE		
Earnings (loss) available to shareholders	**$ (43,720)**	$ 101,646
Adjustment for dilutive impact of convertible debentures	**–**	2,366
Adjusted earnings (loss) available to shareholders	**$ (43,720)**	$ 99,280
Basic weighted average shares outstanding	**148,472,715**	147,063,935
Dilutive effect of:		
Restricted share and performance bonus grants	**3,034,501**	3,252,330
Deferred share grants	**115,184**	93,593
Convertible debentures	**44,438,208**	38,804,494
Shares outstanding on a diluted basis	**196,060,609**	189,214,352
Diluted earnings (loss) per share available to shareholders	**$ (0.29)**	$ 0.52

17 DIVIDENDS PAID

For the quarter ended June 30, 2018, dividends of $0.125 (2017 – $0.125) per common share were declared by Just Energy. These dividends amounted to $19,074 (2017 – $18,773), and were approved by the Board of Directors and were paid out during the year.

For the quarter ended June 30, 2018, dividends of US$0.53125 (2017 – $0.53125) per preferred share were declared by Just Energy. These dividends amounted to $3,188 (2017 – $3,010), and were approved by the Board of Directors and were paid out during the year.

18 COMMITMENTS AND GUARANTEES

Commitments for each of the next five years and thereafter are as follows:

As at June 30, 2018

	Less than 1 year	1–3 years	4–5 years	More than 5 years	Total
Premises and equipment leasing	$ 3,676	$ 7,959	$ 7,659	$ 7,581	$ 26,875
Gas, electricity and non-commodity contracts	1,606,528	1,391,632	256,316	78,447	3,332,923
	$ 1,610,204	$ 1,399,591	$ 263,975	$ 86,028	$ 3,359,798

Just Energy has entered into leasing contracts for office buildings and administrative equipment. These leases have a leasing period of between one and eight years. No purchase options are included in any major leasing contracts. Just Energy is also committed under long-term contracts with customers to supply gas and electricity. These contracts have various expiry dates and renewal options.

Guarantees

Pursuant to separate arrangements with Westchester Fire Insurance Company, Travelers Casualty and Surety Company of America, Berkley Insurance Company and Charter Brokerage LLC, Just Energy has issued surety bonds to various counterparties including states, regulatory bodies, utilities and various other surety bond holders in return for a fee and/or meeting certain collateral posting requirements. Such surety bond postings are required in order to operate in certain states or markets. Total surety bonds issued as at June 30, 2018 amounted to $58.6 million.

As at June 30, 2018, Just Energy had total letters of credit outstanding in the amount of $103.9 million (Note 11(a)).

19 COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

Certain figures in the comparative interim consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the current year's interim consolidated financial statements.

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