Management's discussion and analysis – August 14, 2019

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, 2019. This MD&A has been prepared with all information available up to and including August 14, 2019. 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, 2019. 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 ("SEC") website at www.sec.gov.

Company overview

Just Energy is a leading consumer company focused on essential needs, including electricity and natural gas commodities; on health and well-being, through products such as water quality and filtration devices; and on utility conservation, bringing energy efficient solutions and renewable energy options to consumers. Currently operating in the United States ("U.S.") and Canada, Just Energy serves both residential and commercial customers. Just Energy is the parent company of Amigo Energy, EdgePower Inc., Filter Group Inc. ("Filter Group"), Hudson Energy, Interactive Energy Group, Just Energy Advanced Solutions, Tara Energy and TerraPass.

For a more detailed description of Just Energy's business operations, refer to the "Continuing operations overview" section on page 7 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, 2020. 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, customer credit risk, rates of customer attrition, fluctuations in natural gas and electricity prices, 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

"6.5% convertible bonds" refers to the US$150 million in convertible bonds issued in January 2014, which mature on December 31, 2020. Net proceeds were used to redeem Just Energy's outstanding $90 million convertible debentures and pay down Just Energy's credit facility. In fiscal 2019, US$127.6 million were tendered. A further US$13.2 million were repurchased in July 2019 resulting in a balance of US$9.2 million outstanding as at June 30, 2019. See "Debt and financing for continuing operations" on page 23 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 continuing operations" on page 23 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 continuing operations" on page 23 for further details.

"8.75% loan" refers to the US$250 million non-revolving multi-draw senior unsecured term loan facility entered into on September 12, 2018, which has a maturity date of September 12, 2023. US$193.0 million was drawn in fiscal 2019, and an additional US$14.0 million was drawn in July 2019. Net proceeds from the initial draw were used to fund a tender offer for Just Energy's outstanding 6.5% convertible bonds due July 29, 2019, and for general corporate purposes, including to pay down the Company's credit facility. See "Debt and financing for continuing operations" on page 23 for further details.

"Active asset" means an asset (product) that has been installed and not cancelled.

"Active MRR" refers to monthly recurring revenue ("MRR") from active assets (i.e., subscriptions). It represents the expected recurring revenue as at the reporting date.

"Commodity RCE attrition" refers to the percentage of energy customers whose contracts were terminated prior to the end of the term either at the option of the customer or by Just Energy.

"Customer count" is comprised of each individual customer with a distinct address rather than RCEs (see key term below).

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

"Filter Group financing" refers to the outstanding loan balance between Home Trust Company ("HTC") and Filter Group, which was acquired by the Company on October 1, 2018. The loan bears an annual interest rate of 8.99%. See "Debt and financing for continuing operations" on page 23 for further details.

"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.

"Maintenance capital expenditures" means the necessary capital expenditures required to maintain existing operations at functional levels.

"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, as and if declared by our Board of Directors.

"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.

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, discontinued operations, Texas residential enrolment and collections impairment, the United Kingdom ("U.K.") receivables impairment and restructuring as well as reflecting an adjustment for share-based compensation, non-controlling interest and amortization of sales commissions with respect to value-added products (see below). This measure reflects operational profitability as the non-cash share-based compensation expense is treated as an equity issuance for the purposes of this calculation, since it will be settled in common shares; the mark to market gains (losses) are associated with supply already sold in the future at fixed prices; and the mark to market gains (losses) of weather derivatives are not yet realized. The Texas residential enrolment, U.K. receivables impairment, restructuring and discontinued operations are one-time, non-recurring events. Management considers these events to be non-recurring as the operational issues that led to the impairments in the Texas market have been resolved to prevent further losses and management is continuing to implement operational improvements in the U.K.

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 gains (losses) do not impact the long-term financial performance of Just Energy, and has excluded them from the Base EBITDA calculation.

Included in Base EBITDA are gains (losses) from the Company's portfolio of equity investments and acquisitions which are presented in the Company's unaudited interim condensed consolidated statements of income (loss). The impact from fair value adjustments of contingent consideration liabilities that are related solely to performance is included in Base EBITDA, while any impact from fair value adjustments of contingent consideration liabilities relating to changes in Just Energy's share price is excluded from Base EBITDA. Management believes that volatility in share price does not impact the financial performance of Just Energy as the contingent consideration is settled in shares.

Just Energy recognizes the incremental acquisition costs of obtaining a customer contract as an asset since these costs would not have been incurred if the contract was not obtained and are recovered through the consideration collected from the contract. Commissions and incentives paid for commodity contracts and value-added product contracts are capitalized and amortized over the term of the contract. Amortization of these costs with respect to commodity contracts is included in the calculation of Base EBITDA (as selling and marketing expenses). Amortization of incremental acquisition costs on value-added product contracts is excluded from the Base EBITDA calculation as value-added products are considered to be a lease asset akin to a fixed asset whereby amortization or depreciation expenses are excluded from Base EBITDA.

FUNDS FROM OPERATIONS

Funds from Operations ("FFO") refers to the cash flow generated by current operations. FFO is calculated as gross margin adjusted for cash items including administrative expenses, selling and marketing expenses, bad debt expenses, Texas residential enrolment and collections impairment, the U.K. receivables impairment, 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 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 maintenance capital expenditures.

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 ("EGM")

"Embedded gross margin" is a rolling five-year measure of management's estimate of future contracted energy and product gross margin. The commodity 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 commodity RCE attrition and renewals. The product gross margin is the difference between existing value-added product customer contract prices and the cost of sales on a five-year or ten-year undiscounted basis for such customer contracts, with appropriate assumptions for value-added product 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 consider administrative and other costs necessary to realize this margin.

Strategic review

On June 6, 2019, the Company's Board of Directors decided to undertake a formal review process to evaluate strategic alternatives available to the Company (the "Strategic Review"). This decision follows expressions of interest from a number of parties concerning potential transactions involving the Company.

The Company has not established a definitive timeline to complete the Strategic Review, no decisions related to any strategic alternative have been reached at this time and there is no assurance that a transaction will result from the Strategic Review.

Strategic initiatives

Just Energy continues its strategic shift from a retail energy provider to a consumer company focused on differentiated value-added products, unparalleled customer satisfaction and profitable customer growth. The Company stabilized its growth platform in fiscal 2019 by establishing a solid base for long-term growth through value-added products, maturing the retail sales channel development and consolidating service functions, thereby simplifying the business and realizing cost savings. Throughout the year, Just Energy realigned its technology and service functions, culminating in the overall restructuring of its businesses, to support the fiscal 2020 strategic initiatives. In addition, Just Energy is taking steps to refine its global footprint and focus on the core profitable markets.

Just Energy will focus on optimization to achieve profitable growth throughout fiscal 2020 by applying customer data analytics to gain a deep understanding of customers' needs. Additionally, Just Energy will focus on optimizing sales channels and cost to serve in North America to increase gross margin. Lastly, Just Energy will drive value-added products and services ("VAPS") growth through the Filter Group acquisition to accelerate its strategic shift to a customer-centric consumer company.

Discontinued operations

In March 2019, Just Energy formally approved and commenced the process to dispose of its businesses in Germany, Ireland and Japan. In June 2019, as part of the Company's strategic review, the U.K. was added to the disposal group. The decision was part of a strategic transition to focus on the core business in North America. Just Energy is in advanced discussions with a potential buyer, and the disposal of the operations is expected to be completed within the next 12 months. As at June 30, 2019, these operations were classified as a disposal group held for sale and as discontinued operations. In the past, these operations were reported under the Consumer segment while a portion of the U.K. was allocated to the Commercial segment. Just Energy's results for the prior fiscal periods reported throughout this MD&A have been adjusted to reflect continuing operation results and figures with respect to these discontinued operations. The tax impact on the discontinued operations is minimal.

For a detailed breakdown of the discontinued operations, refer to Note 11 of the interim condensed consolidated financial statements for the three months ended June 30, 2019.

Financial highlights

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

	Fiscal 2020	**% increase (decrease)**	Fiscal 2019
Sales	**$ 670,165**	**(5)%**	$ 702,515
Gross margin	**132,292**	**–**	132,594
Administrative expenses	**40,803**	**2%**	39,931
Selling and marketing expenses	**61,704**	**47%**	41,965
Restructuring costs	**–**	**–**	1,917
Finance costs	**23,546**	**44%**	16,313
Loss from continuing operations	**(269,971)**	**NMF[3]**	(64,028)
Profit (loss) from discontinued operations	**(5,189)**	**NMF[3]**	22,605
Loss[1]	**(275,160)**	**NMF[3]**	(41,423)
Loss per share from continuing operations available to shareholders – basic	**(1.82)**		(0.45)
Loss per share from continuing operations available to shareholders – diluted	**(1.82)**		(0.45)
Dividends/distributions	**22,070**	**(1)%**	22,261
Base EBITDA from continuing operations[2]	**24,185**	**(31)%**	34,807
Base Funds from continuing operations[2]	**1,370**	**(94)%**	23,750
Payout ratio on Base Funds from continuing operations[2]	**1,611%**		94%
Embedded gross margin from continuing operations[2]	**1,914,900**	**12%**	1,713,100
Total customers (RCEs) from continuing operations	**3,565,000**	**(4)%**	3,716,000
Total gross customer (RCE) additions	**196,000**	**(32)%**	290,000
Total net customer (RCE) additions	**(73,000)**	**NMF[3]**	24,000

1 Profit (loss) includes the impact of unrealized gains (losses), which represents the mark to market of future commodity supply acquired to cover future customer demand as well as weather hedge contracts as part of the risk management practice. 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 gross margin remained consistent for the three months ended June 30, 2019, mainly due to improved margin optimization in North America, and margin from the acquisition of Filter Group in the third quarter of fiscal 2019, which offset the 5% drop in sales, caused by the 4% decline in the customer base. Sales revenue decreased to $670.2 million during the three months ended June 30, 2019, from $702.5 million in the first quarter of fiscal 2019.

Base EBITDA was $24.2 million, a decrease of 31% as compared to the first quarter of fiscal 2019 due to improvements in gross margin, offset by the decline in the customer base, commodity resettlements from the prior periods, cooler than normal spring weather and higher amortization of customer acquisition costs in the period.

Administrative expenses increased 2% due to upfront costs relating to process and operational efficiency improvement activities and ongoing support for business expansion for Filter Group and unfavourable foreign exchange fluctuations. The Company continues its efforts to reduce administrative expenses through greater automation and consolidation of support activities. Selling and marketing expenses increased 47% compared to the prior comparable quarter due to the increased commission costs to acquire new customers and ramp-up of the amortization of previously capitalized acquisition costs and higher marketing charges in different channels, offset by capitalization of new upfront incremental customer acquisition costs.

Finance costs for the three months ended June 30, 2019 amounted to $23.5 million, an increase of 44% from $16.3 million reported for the three months ended June 30, 2018, primarily driven by interest expense from higher debts and higher interest rates, the premium and fees associated with the 8.75% loan and supplier credit term extensions.

Continuing operations overview

CONSUMER SEGMENT

The sale of gas and electricity to customers with annual consumption equivalent to 15 RCEs or less is undertaken by the Consumer segment. Marketing of the energy products of this segment is primarily done through retail, online and door-to-door marketing. Consumer customers make up 41% 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 segment'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 with the Company's energy products. As a conservation solution, smart thermostats may be offered as a value-added product with commodity contracts and are also sold as a stand-alone unit. These smart thermostats are currently manufactured and distributed by ecobee Inc., a company in which Just Energy holds a 8% fully diluted equity interest. In fiscal 2019, Just Energy added home water filtration systems to its line of consumer product and service offerings through the acquisition of Filter Group.

COMMERCIAL SEGMENT

Customers with annual consumption equivalent to over 15 RCEs are served by the Commercial segment. These sales are made through three main channels: brokers, door-to-door commercial independent contractors, and inside commercial sales representatives. Commercial customers make up 59% of Just Energy's RCE base. Products offered to Commercial customers range from standard fixed-price offerings to "one off" offerings, tailored to meet the customer's specific needs. These products can be fixed or floating rate or a blend of the two, and normally have a term of less than five years. Gross margin per RCE for this segment is lower than it is for the Consumer segment, but customer aggregation costs and ongoing customer care costs per RCE are lower as well. Commercial customers also have significantly lower attrition rates than Consumer customers.

In addition, the Commercial segment also provides value-added products and services which include LED lighting, smart building controls, monitoring and alerts, bill audits, smart thermostats, tariff analysis, energy insights and energy procurement.

ABOUT THE ENERGY MARKETS

Just Energy offers products and services to address customers' essential needs, including electricity and natural gas commodities; health and well-being products such as water quality and filtration devices; and utility conservation products which bring energy efficient solutions and renewable energy options to customers.

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. 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 increase or decrease 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 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 and Saskatchewan	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 and the U.S. 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 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 expected normal customer consumption. Similar to gas, Just Energy mitigates exposure to weather variations through active management of the power portfolio and 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. JustGreen's electricity product offers customers the option of having all or a portion of the volume of their electricity usage sourced from renewable green sources such as wind, solar, hydropower or biomass, via power purchase agreements and renewable energy certificates. 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 year, 44% purchased JustGreen for some or all of their energy needs. On average, these customers elected to purchase 79% of their consumption as green supply. For comparison, as reported for the trailing 12 months ended June 30, 2018, 36% of Consumer customers who contracted with Just Energy chose to include JustGreen for an average of 71% of their consumption. As of June 30, 2019, JustGreen makes up 7% of the Consumer gas portfolio, compared to 10% a year ago. JustGreen makes up 14% of the Consumer electricity portfolio, compared to 12% a year ago.

Value-added products and services

In addition to JustGreen, Just Energy also provides energy management as well as health and wellness solutions in the form of VAPS. 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. These solutions include custom design, procurement, utility rebate management, and management of installation services that may be purchased outright or financed through third parties.

Just Energy's management for the Consumer business focuses on energy efficient and energy conserving products. Customers may also redeem points earned through Just Energy's Perks loyalty program for a wide variety of free or discounted energy saving products.

Through the Filter Group business acquired by Just Energy on October 1, 2018, Just Energy now provides subscription-based home water filtration systems to residential customers in Canada and the United States, including under-counter and whole-home water filtration solutions.

The VAPS business is still in its infancy stage; the core business is still the commodity operations.

ADOPTION OF NEW STANDARDS

Adoption of IFRS 16, Leases

IFRS 16, Leases ("IFRS 16"), superseded International Accounting Standard ("IAS") 17, Leases, and all related interpretations when it became effective. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

The introduction of IFRS 16 resulted in the following changes:

- Explicit definition for a lease where a contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration;
- Measurement direction where the lessee recognizes a right-of-use asset and a lease liability upon lease commencement for leases with a lease term of greater than one year. The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. The lease liability is initially measured at the present value of the lease payments payable over the lease term and discounted at the implied lease rate. If the implied lease rate cannot be readily determined, the lessee uses its incremental borrowing rate. Subsequent remeasurement is required under specific circumstances. Previously, the Company classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company;
- Detailed guidance on determining the lease term when there is an option to extend the lease; and
- Extensive disclosure requirements, differing from those in the past.

Just Energy adopted IFRS 16, as issued by the IASB in January 2016, on April 1, 2019, in accordance with the transitional provisions in IFRS 16, comparative figures have not been restated. Just Energy adopted IFRS 16 using the modified retrospective method, applying the practical expedient in paragraph C5(c) under which the aggregate effect of all modifications on the date of initial application is reflected. Accordingly, transition adjustments have been recognized through equity as at April 1, 2019.

On transition to IFRS 16, the Company elected to apply the following practical expedients:

- Exemption for short-term leases with a remaining lease term of 12 months or less as at April 1, 2019 and low value leases, which will be accounted for as operating leases;
- Use of a single discount rate on a portfolio of leases with reasonably similar characteristics;
- Exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- Use of historical information in determining the lease term where contracts contain options to extend or terminate the lease;
- Adjustments to the right-of-use asset amounts for any onerous contract provisions immediately before the date of initial application; and
- Measurement of the right-of-use assets at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments relating to that lease immediately before the date of initial application.

The following table summarizes the transition adjustments required to adopt IFRS 16 as at April 1, 2019:

(thousands of dollars)	IAS 17 carrying amount as at March 31, 2019	Transition adjustment	IFRS 16 carrying amount as at April 1, 2019
Property and equipment, net	$ 25,862	$ 18,525	$ 44,387
Other current liabilities	–	2,942	2,942
Other non-current liabilities	61,339	15,583	76,922

EBITDA

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

	Fiscal 2020	Fiscal 2019
Reconciliation to interim condensed consolidated financial statements		
Loss for the period	**$ (275,160)**	$ (41,423)
Add (subtract):		
Finance costs	**23,546**	16,313
Provision for (recovery of) income taxes	**(2,294)**	4,683
Discontinued operations	**(16,352)**	(28,580)
Texas residential enrolment and collections impairment	**4,900**	–
Depreciation and amortization	**12,081**	6,025
EBITDA	**$ (253,279)**	$ (42,982)
Add (subtract):		
Change in fair value of derivative instruments and other	**241,999**	68,441
Contingent consideration revaluation	**(6,929)**	–
Restructuring costs	**–**	1,917
Share-based compensation	**7,254**	1,775
Discontinued operations	**21,262**	5,610
Loss attributable to non-controlling interest	**20**	46
Base EBITDA	**$ 24,184**	$ 34,807
Gross margin per interim condensed consolidated financial statements	**$ 132,292**	$ 132,594
Add (subtract):		
Administrative expenses	**(40,803)**	(39,931)
Selling and marketing expenses	**(61,704)**	(41,965)
Bad debt expense	**(17,287)**	(16,706)
Texas residential enrolment and collections impairment	**4,900**	–
Amortization included in cost of sales	**578**	782
Other income (expenses)	**6,189**	(13)
Loss attributable to non-controlling interest	**20**	46
Base EBITDA	**$ 24,184**	$ 34,807

For the three months ended June 30, 2019, Base EBITDA was $24.2 million, a decrease of $10.6 million as compared to the first quarter of fiscal 2019 due to improvements in gross margin, offset by the decline in the customer base, commodity resettlements from the prior periods, cooler than normal spring weather and higher amortization of customer acquisition costs in the period.

Sales decreased 5% for the first quarter ended June 30, 2019. The Consumer and Commercial divisions' sales decreased 6% and 3%, respectively, for the three months ended June 30, 2019 due to the decrease in the customer base of 4% and 2%, respectively. Gross margin was $132.3 million, consistent with the prior comparable quarter, mainly due to improved margin optimization in North America and margin from the acquisition of Filter Group in the third quarter of fiscal 2019, which offset the 5% drop in sales, caused by the 4% decline in the customer base.

Administrative expenses increased 2% from $39.9 million to $40.8 million. The increase over the prior comparable quarter resulted from upfront costs relating to process and operational efficiency improvement activities, ongoing support for business expansion including Filter Group, and unfavourable foreign exchange fluctuations.

Selling and marketing expenses for the three months ended June 30, 2019 were $61.7 million, an increase of 47% compared with the prior comparable quarter as a result of increased commission costs to acquire new customers, ramp-up of the amortization of previously capitalized acquisition costs and higher marketing charges in different channels, offset by capitalization of new upfront incremental customer acquisition costs.

Finance costs for the three months ended June 30, 2019 amounted to $23.5 million, an increase of 44% from $16.3 million reported for the three months ended June 30, 2018, primarily driven by interest expense from higher debts and higher interest rates, the premium and fees associated with the 8.75% loan and supplier credit term extensions.

Bad debt expense was $17.3 million for the three months ended June 30, 2019, an increase of 3% from $16.7 million recorded for the prior comparable quarter, attributable to the non-recurring Texas residential enrolment and collections impairment, partially offset by the decrease in revenues.

For more information on the changes in the results from operations, please refer to "Gross margin" on page 17 and "Administrative expenses", "Selling and marketing expenses", "Bad debt expense" and "Finance costs", which are further clarified on pages 19 through 20.

EMBEDDED GROSS MARGIN

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

(millions of dollars)

	As at June 30, 2019	As at March 31, 2019	June 30 vs. March 31 variance	As at June 30, 2018	2019 vs. 2018 variance
Commodity EGM	**$ 1,870.8**	$ 2,059.9	(9)%	$ 1,713.1	9%
VAPS EGM	**44.1**	40.8	8%	–	–
Total EGM from continuing operations	**$ 1,914.9**	$ 2,097.7	(9)%	$ 1,713.1	12%
Discontinued operations EGM	**175.6**	173.4	1%	250.6	(30)%
Total EGM	**$ 2,090.5**	$ 2,271.1	(8)%	$ 1,963.7	6%

Management's estimate of the total future embedded gross margin for continuing operations within its customer contracts amounted to $1,914.9 million as of June 30, 2019, an increase of 12% compared to the embedded gross margin as of June 30, 2018. The 9% increase in the commodity embedded gross margin is due to gross margin optimization initiatives across the North American Consumer commodity markets (primarily U.S. electricity) implemented in Q2 of last year, partially offset by the decline in the North American Consumer commodity customer base and, to a lesser extent, the weaker U.S. dollar. The U.K.'s embedded gross margin of $175.6 million declined 30% compared to its embedded gross margin as of June 30, 2018 due to a decline in its consumer customer base.

Management's embedded gross margin estimate decreased by 8% compared to the embedded gross margin as of March 31, 2019. The 9% decrease in the commodity embedded gross margin is primarily due to the decline in the North American Consumer commodity customer base as well as the weaker U.S. dollar.

Embedded gross margin includes $44.1 million from Filter Group, which was acquired by Just Energy on October 1, 2018, on a five-year undiscounted basis. On a ten-year undiscounted basis, the embedded gross margin for Filter Group is $81.1 million.

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 consider 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.

Just Energy's results for the prior fiscal periods reported throughout the MD&A have been adjusted to reflect continuing operation results and figures.

Funds from continuing operations

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

	Fiscal 2020	Fiscal 2019
Cash outflow from operating activities	**$ (14,049)**	$ (12,546)
Add (subtract):		
Changes in working capital	**(27,181)**	54,909
Change in fair value of Filter Group contingent consideration	**6,929**	–
Loss attributable to non-controlling interest	**20**	46
Discontinued operations	**31,363**	(26,249)
Tax adjustment	**5,344**	10,949
Funds from continuing operations	**$ 2,426**	$ 27,109
Less: Maintenance capital expenditures	**(1,056)**	(3,359)
Base Funds from continuing operations	**$ 1,370**	$ 23,750
Gross margin per interim condensed consolidated financial statements	**$ 132,292**	$ 132,594
Add (subtract):		
Administrative expenses	**(40,803)**	(39,931)
Selling and marketing expenses	**(61,704)**	(41,965)
Bad debt expense excluding Texas residential enrolment and collections impairment	**(12,387)**	(16,706)
Texas residential enrolment and collections impairment	**(4,900)**	–
Current income tax (expense) recovery	**(360)**	2,512
Adjustment required to reflect net cash receipts from gas sales	**2,758**	4,581
Amortization included in cost of sales	**578**	782
Restructuring costs	**–**	(1,917)
Other income (expenses)	**6,189**	(13)
Financing charges, non-cash	**4,316**	3,467
Finance costs	**(23,546)**	(16,313)
Other non-cash adjustments	**(7)**	18
Funds from continuing operations	**$ 2,426**	$ 27,109
Less: Maintenance capital expenditures	**(1,056)**	(3,359)
Base Funds from continuing operations	**$ 1,370**	$ 23,750
Base Funds from continuing operations payout ratio	**1,611%**	94%
Dividends/distributions		
Dividends on common shares	**$ 18,714**	$ 18,549
Distributions for share-based awards	**23**	525
Total dividends/distributions	**$ 22,070**	$ 22,262

Base FFO for the three months ended June 30, 2019 amounted to $1.4 million, a decrease of 94% compared with Base FFO of $23.8 million for the prior comparable quarter. The decrease in Base FFO was a result of the 31% decrease in Base EBITDA in the current quarter, the one-time impairment charge relating to the non-recurring Texas residential enrolment and collections impairment, partially offset by lower maintenance capital expenditures.

Dividends and distributions for the three months ended June 30, 2019 were $22.1 million, a decrease of 1% from the prior comparable quarter in fiscal 2019, reflecting lower issuances of share-based awards during the quarter. The payout ratio on Base Funds from continuing operations was 1,611% for the three months ended June 30, 2019, compared to 94% reported in the first quarter of fiscal 2019. The payout ratio for the trailing 12 months ended June 30, 2019 was 195%, compared with 100% for the trailing 12 months ended June 30, 2018.

Summary of quarterly results for continuing operations

(thousands of dollars, except per share amounts)

	Q1 Fiscal 2020	Q4 Fiscal 2019	Q3 Fiscal 2019	Q2 Fiscal 2019
Sales	**$ 670,165**	$ 797,409	$ 734,205	$ 804,309
Gross margin	**132,292**	172,430	164,461	149,021
Administrative expenses	**40,803**	35,019	39,355	41,594
Selling and marketing expenses	**61,704**	62,685	51,245	49,997
Restructuring costs	**–**	10,096	2,746	1,319
Finance costs	**(23,546)**	(28,874)	(22,762)	(20,123)
Profit (loss) for the period from continuing operations	**(269,971)**	(53,731)	35,500	(51,025)
Profit (loss) for the period from discontinued operations	**(5,189)**	(78,246)	(83,085)	29,574
Profit (loss) for the period	**(275,160)**	(131,977)	(47,585)	(21,451)
Loss for the period from continuing operations per share – basic	**(1.82)**	(1.56)	0.23	(0.36)
Profit (loss) for the period from continuing operations per share – diluted	**(1.82)**	(1.56)	0.19	(0.36)
Dividends/distributions paid	**22,070**	22,004	21,434	22,330
Base EBITDA from continuing operations	**24,185**	63,388	60,133	40,693
Base Funds from continuing operations	**1,370**	18,534	(3,270)	28,336
Payout ratio on Base Funds from continuing operations	**1,611%**	119%	115%	79%

	Q1 Fiscal 2019	Q4 Fiscal 2018	Q3 Fiscal 2018	Q2 Fiscal 2018
Sales	$ 702,515	$ 750,777	$ 694,668	$ 716,641
Gross margin	132,594	144,468	147,748	127,894
Administrative expenses	39,931	33,299	40,249	36,484
Selling and marketing expenses	41,965	52,714	49,315	52,525
Restructuring costs	1,917	–	–	–
Finance costs	(16,313)	7,447	13,266	12,521
Profit (loss) for the period from continuing operations	(64,028)	260,074	183,693	(50,336)
Profit (loss) for the period from discontinued operations	22,605	5,699	24,722	(14,587)
Profit (loss) for the period	(41,423)	265,773	208,415	(64,923)
Profit (loss) for the period from continuing operations per share – basic	(0.45)	1.76	1.25	(0.37)
Profit (loss) for the period from continuing operations per share – diluted	(0.45)	1.37	1.00	(0.37)
Dividends/distributions paid	22,261	21,555	21,501	21,468
Base EBITDA from continuing operations	34,807	68,854	32,669	50,911
Base Funds from continuing operations	23,750	24,287	29,084	9,319
Payout ratio on Base Funds from continuing operations	94%	89%	74%	230%

Just Energy's results reflect seasonality, as electricity consumption is 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 76% and 24%, respectively, of the commodity 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 decreased 5% to $670.2 million for the three months ended June 30, 2019 from $702.5 million recorded in the first quarter of fiscal 2019. The gross margin was $132.3 million, consistent with the prior comparable quarter, mainly due to improved margin optimization in North America and the acquisition of Filter Group in the third quarter of fiscal 2019, which offset the 5% drop in sales, caused by the 4% decline in the customer base.

Administrative expenses for the three months ended June 30, 2019 increased 3%, attributable to process and operational efficiency improvement activities as well as ongoing support for business expansion in Filter Group, partially offset by a reduction in employee expenses and unfavourable foreign exchange fluctuations. Selling and marketing expenses for the three months ended June 30, 2019 increased by 47% to $61.7 million as a result of the increased commission costs to acquire new customers, ramp-up of the amortization of previously capitalized acquisition costs and higher marketing charges in different channels, offset by capitalization of new upfront incremental customer acquisition costs.

Finance costs for the three months ended June 30, 2019 amounted to $23.5 million, an increase of 44% from $16.3 million reported for the three months ended June 30, 2018, primarily driven by interest expense from higher debts and higher interest rates, the premium and fees associated with the 8.75% loan and supplier credit term extensions.

The change in fair value of derivative instruments and other resulted in a non-cash loss of $242.0 million for the three months ended June 30, 2019, compared to a non-cash loss of $68.4 million in the prior comparable quarter, as market prices relative to Just Energy's future electricity supply contracts decreased by an average of $3.87/MWh and future gas contracts decreased by an average of $0.05/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, 2019 was $275.2 million, representing a loss per share of $1.82 on a basic and diluted basis, respectively. For the prior comparable quarter, the loss was $41.4 million, representing a loss per share of $0.45 on a basic and diluted basis, respectively.

Base EBITDA was $24.2 million, a decrease of 31% as compared to the prior comparable quarter due to improvements in gross margin, offset by the decline in the customer base, commodity resettlements from the prior periods, cooler than expected spring weather and higher amortization of customer acquisition costs in the period. The Base EBITDA for the three months ended June 30, 2018 excludes restructuring costs recorded in the quarter.

Base FFO was $1.4 million for the first quarter of fiscal 2020, down 94% compared to $23.8 million in the prior comparable quarter as a result of the lower Base EBITDA and the one-time impairment charge relating to the non-recurring Texas residential enrolment and collections impairment, partially offset by lower maintenance capital expenditures.

Dividends and distributions paid were $22.1 million for the three months ended June 30, 2019, a decrease of 1% from the prior comparable quarter in fiscal 2019, reflecting lower issuances of share-based awards during the quarter. The payout ratio on Base FFO for the quarter ended June 30, 2019 was 1,611%, compared with 94% in the prior comparable quarter. The payout ratio for the trailing 12 months ended June 30, 2019 was 195%, compared with 100% for the trailing 12 months ended June 30, 2018.

Just Energy's results for the past fiscal period have been adjusted to reflect continuing operation results and figures.

Segmented Base EBITDA[1]

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

				Fiscal 2020
	Consumer	Commercial	Corporate and shared services	Consolidated
Sales	$ 409,998	$ 260,167	$ –	$ 670,165
Cost of sales	(304,022)	(233,851)	–	(537,873)
Gross margin	105,976	26,316	–	132,292
Add (subtract):				
Administrative expenses	(11,235)	(6,151)	(23,417)	(40,803)
Selling and marketing expenses	(41,800)	(19,905)	–	(61,705)
Bad debt expense	(16,138)	(1,149)	–	(17,287)
Texas residential enrolment and collections impairment	4,900	–	–	4,900
Amortization included in cost of sales	578	–	–	578
Other income, net	6,077	112	–	6,189
Loss attributable to non-controlling interest	20	–	–	20
Base EBITDA from continuing operations	$ 48,378	$ (777)	$ (23,417)	$ 24,184

	Fiscal 2019			
	Consumer	Commercial	Corporate and shared services	Consolidated
Sales	$ 434,364	$ 268,151	$ –	$ 702,515
Cost of sales	(333,553)	(236,368)	–	(569,921)
Gross margin	100,811	31,783	–	132,594
Add (subtract):				
Administrative expenses	(7,224)	(6,683)	(26,024)	(39,931)
Selling and marketing expenses	(26,923)	(15,042)	–	(41,965)
Bad debt expense	(14,697)	(2,009)	–	(16,706)
Amortization included in cost of sales	782	–	–	782
Other income (expenses), net	(38)	25	–	(13)
Loss attributable to non-controlling interest	46	–	–	46
Base EBITDA from continuing operations	$ 52,757	$ 8,074	$ (26,024)	$ 34,807

1 The segment definitions are provided on page 7.

Consumer Energy contributed $48.4 million to Base EBITDA for the three months ended June 30, 2019, a decrease of 8% from $52.8 million in the prior comparative quarter. Consumer gross margin increased 5%, primarily due to the process and operational efficiency improvement activities, ongoing support for business expansion in Filter Group and unfavourable foreign exchange fluctuations. Consumer administrative costs were up 56% in the first quarter of fiscal 2020, primarily related to the process and operational efficiency improvement activities, ongoing support for business expansion in Filter Group and unfavourable foreign exchange fluctuations, partially offset by a reduction in employee expenses. Selling and marketing expenses increased 55% compared to the prior comparable quarter as a result of higher selling costs in the North American Consumer market, foreign exchange and the timing of selling expenses related to the Consumer division. Bad debt expense during the three months ended June 30, 2019, net of the Texas residential enrolment and collections impairment, decreased 22% to $11.2 million due to lower revenues in the markets where Just Energy bears the credit risk. Consumer administrative costs were up 56% for the three months ended June 30, 2019, reflecting higher process and operational efficiency improvement activities and unfavourable foreign exchange fluctuations. Selling and marketing expenses for the Commercial segment increased 55% as a result of higher commissions costs to acquire customers, ramp-up of the amortization of previously capitalized acquisition costs and higher marketing charges in different channels, offset by capitalization of new upfront incremental customer acquisition costs.

Commercial Base EBITDA for the three months ended June 30, 2019 contributed negative $0.8 million to the Base EBITDA, a decrease of 110% from the prior comparable quarter. Commercial gross margin decreased 17% to $26.3 million as a result of attrition in higher margin customers from competitive pricing pressures, as well as unfavourable commodity resettlements. Commercial administrative costs were down 8% for the three months ended June 30, 2019, reflecting the realization of cost savings as a result of the restructuring actions in fiscal 2019. Selling and marketing expenses for the Commercial segment increased 32% as a result of higher commissions costs to acquire customers, ramp-up of the amortization of previously capitalized acquisition costs and higher marketing charges in different channels, offset by capitalization of new upfront incremental customer acquisition costs.

Corporate and shared services costs relate to management oversight of the business units, public reporting and filings, corporate governance and other shared services functions. The corporate expenses decreased 10% due to cost savings realized from the restructuring actions in fiscal 2019.

Customer aggregation

CUSTOMER SUMMARY

	As at June 30, 2019	As at April 1, 2019	% decrease
Commodity	**1,172,000**	1,248,000	(6)%
VAPS	**67,000**	70,000	(4)%
Commodity and VAPS bundle	**23,000**	28,000	(18)%
Total customer count	**1,262,000**	1,346,000	(6)%

As at June 30, 2019, the total customer count decreased 6% to 1,262,000 compared to the prior comparable quarter, excluding discontinued operations. The decline in customers is a result of the Company's focus on renewing and signing higher quality and long-lasting customers as well as the natural attrition of the customer base. The customer count captures customers with a distinct service address. These customers can have multiple products contracted with Just Energy and multiple active assets installed by Just Energy. The total VAPS customer count also includes 25,000 distinct customers from Filter Group's water filter subscriptions, with 31,000 active assets. Just Energy's customer base also includes 73,000 smart thermostat customers.

COMMODITY RCE SUMMARY

	Apr. 1, 2019[1]	Additions	Attrition	Failed to renew	**Jun. 30, 2019**	% decrease	Jun. 30, 2018	% increase (decrease)
Consumer								
Gas	406,000	13,000	(28,000)	(7,000)	**384,000**	(5)%	472,000	(19)%
Electricity	993,000	62,000	(75,000)	(23,000)	**957,000**	(4)%	1,050,000	(9)%
Total Consumer RCEs	1,399,000	75,000	(103,000)	(30,000)	**1,341,000**	(4)%	1,522,000	(12)%
Commercial								
Gas	436,000	15,000	(12,000)	(4,000)	**435,000**	–	408,000	7%
Electricity	1,803,000	106,000	(52,000)	(68,000)	**1,789,000**	(1)%	1,786,000	–
Total Commercial RCEs	2,239,000	121,000	(64,000)	(72,000)	**2,224,000**	(1)%	2,194,000	1%
Total RCEs	3,638,000	196,000	(167,000)	(102,000)	**3,565,000**	(2)%	3,716,000	(4)%

1 The starting position of fiscal 2020 reflects an adjustment made from a default RCE valuation of 0.72 RCEs to the actual RCE valuation resulting in an adjustment of negative 24,000 RCEs to the total customer count.

Just Energy's total RCE base is currently at 3.6 million. Gross RCE additions for the quarter ended June 30, 2019 were 196,000, compared to 290,000 for the first quarter of fiscal 2019, reflecting the transition from a purely RCE driven focus to a greater focus on attracting and retaining strong-fit customers that will drive greater profitability. Net additions were negative 73,000 for fiscal 2020, compared with a positive 24,000 net RCE additions in the first quarter of fiscal 2019.

Consumer RCE additions amounted to 75,000 for the quarter ended June 30, 2019, a 36% decrease from 117,000 gross RCE additions recorded in fiscal 2019, primarily driven by a greater focus on attracting and retaining strong-fit customers that will drive greater profitability, the addition of customers through the Ohio gas standard choice offer auction in the prior comparable quarter and the natural attrition in response to the pricing actions implemented in fiscal 2019. The Consumer failed to renew RCEs for the three months ended June 30, 2019 remained consistent at 30,000 RCEs. As of June 30, 2019, the U.S. and Canadian operations accounted for 80% and 20% of the Consumer RCE base, respectively.

Commercial RCE additions were 121,000 for the three months ended June 30, 2019, a 30% decrease over the prior comparable quarter of fiscal 2019 due to competitive pressures and the natural attrition in response to the fiscal 2019 pricing actions. The Commercial failed to renew RCEs for the three months ended June 30, 2019 decreased from 114,000 RCEs to 72,000 RCEs. As of June 30, 2019, the U.S. and Canadian operations accounted for 74% and 26% of the Commercial RCE base, respectively.

For the three months ended June 30, 2019, 70% of the total Consumer and Commercial RCE additions were generated through commercial brokers, 15% from retail channels, 8% from online and other sales channels and 7% from door-to-door sales. In fiscal 2019, 43% of RCE additions were generated from commercial brokers, 11% from retail, 33% from online and other sales channels and 13% from door-to-door sales.

Overall, as of June 30, 2019, the U.S. and Canadian operations accounted for 76% and 24% of the RCE base, respectively, consistent with the prior quarter.

COMMODITY RCE ATTRITION

	Trailing 12 months ended June 30, 2019	Trailing 12 months ended June 30, 2018
Consumer	**22%**	23%
Commercial	**7%**	5%
Total attrition	**14%**	14%

The combined attrition rate for Just Energy was 14% for the trailing 12 months ended June 30, 2019, consistent with the prior comparable quarter. The Consumer attrition rate decreased one percentage point to 22% while the Commercial attrition rate increased two percentage points to 7%. The decrease in the Consumer attrition rate is a result of Just Energy's focus on margin optimization while working to become the customers' "trusted advisor" and providing a variety of energy management solutions to its customer base to drive customer loyalty. The increase in the Commercial attrition rate reflected a very competitive market for Commercial renewals with competitors pricing aggressively and Just Energy's focus on improving retained customers' profitability.

COMMODITY RCE RENEWALS

	Trailing 12 months ended June 30, 2019	Trailing 12 months ended June 30, 2018
Consumer	**69%**	73%
Commercial	**54%**	46%
Total renewals	**59%**	55%

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 to renew customers begin up to 15 months in advance. Overall, the renewal rate was 59% for the trailing 12 months ended June 30, 2019, an increase of four percentage points from 55% as at June 30, 2018. The Consumer renewal rate decreased by four percentage points to 69%, and the Commercial renewal rate increased by eight percentage points to 54% as compared to the trailing 12 months ended June 30, 2018. The increase in the overall renewal rate was driven by better retention of Commercial customers.

ENERGY CONTRACT RENEWALS

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

	Consumer		Commercial	
	Gas	Electricity	Gas	Electricity
Remainder of fiscal 2020	19%	17%	21%	21%
Fiscal 2021	23%	32%	21%	25%
Fiscal 2022	25%	25%	22%	22%
Fiscal 2023	11%	10%	22%	20%
Beyond fiscal 2024	22%	16%	14%	12%
Total	100%	100%	100%	100%

Note: All month-to-month customers, who represent 759,000 RCEs, are excluded from the table above.

Gross margin

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

	Fiscal 2020			Fiscal 2019		
	Consumer	**Commercial**	**Total**	Consumer	Commercial	Total
Gas	**$ 17,073**	**$ 2,092**	**$ 19,165**	$ 25,500	$ 4,938	$ 30,438
Electricity	**86,277**	**22,309**	**108,586**	75,307	25,461	100,768
VAPS	**2,626**	**1,915**	**4,541**	–	1,389	1,389
	$ 105,976	**$ 26,316**	**$ 132,292**	$ 100,807	$ 31,788	$ 132,595

CONSUMER ENERGY

Gross margin for the three months ended June 30, 2019 for the Consumer division was $106.0 million, an increase of 5% from $100.8 million recorded in the prior comparable quarter. Gas gross margin decreased 33%, while electricity gross margin increased 15%.

Average realized gross margin for the Consumer division for the rolling 12 months ended June 30, 2019 was $241/RCE, an increase of 4% from $232/RCE reported in the prior comparable period. The increase is primarily attributable to the margin optimization improvements on power customers.

Gas

Gross margin from gas customers in the Consumer division was $17.1 million for the three months ended June 30, 2019, a decrease of 33% from $25.5 million recorded in the prior comparable quarter. The change is primarily a result of the decline in the customer base in North America.

Electricity

Gross margin from electricity customers in the Consumer division was $86.3 million for the three months ended June 30, 2019, an increase of 15% from $75.3 million recorded in the prior comparable quarter. The change is primarily a result of the gross margin optimization across U.S. markets as well as a favourable foreign exchange impact from the strengthening of the U.S. dollar.

COMMERCIAL ENERGY

Gross margin for the Commercial division was $26.3 million for the three months ended June 30, 2019, a decrease of 17% from $31.8 million recorded in the prior comparable quarter. Gas and electricity gross margins decreased by 58% and 12%, respectively.

Average realized gross margin for the rolling 12 months ended June 30, 2019 was $86/RCE, an increase of 9% from $79/RCE reported in the prior comparable period.

Gas

Gas gross margin for the Commercial division was $2.1 million, a decrease of 58% from $4.9 million recorded in the prior comparable quarter, due to gas resettlements in the first quarter of fiscal 2020.

Electricity

Electricity gross margin for the Commercial division was $22.3 million, a decrease of 12% from $25.5 million recorded in the prior comparable quarter, due to power resettlements in Texas.

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) earned on new additions and renewals, including both brown commodities and JustGreen supply. The gross margin/RCE value includes an appropriate allowance for bad debt expense in applicable markets.

Annual gross margin per RCE

	Q1 Fiscal 2020	**Number of RCEs**	Q1 Fiscal 2019	Number of RCEs
Consumer customers added or renewed	**$ 357**	**218,000**	$ 229	279,000
Consumer customers lost	**309**	**194,000**	216	150,000
Commercial customers added or renewed[1]	**76**	**182,000**	81	305,000
Commercial customers lost	**80**	**105,000**	79	169,000

1 Annual gross margin per RCE excludes margins from Interactive Energy Group and large Commercial and Industrial customers.

For the three months ended June 30, 2019, the average gross margin per RCE for the customers added or renewed by the Consumer segment was $357/RCE, an increase of 56% from $229/RCE in the prior comparable period. The average gross margin per RCE for the Consumer customers lost during the three months ended June 30, 2019 was $309/RCE, an increase from $216/RCE for customers lost in the prior comparable period. The increase in gross margin is attributed to the improved margin optimization.

For the Commercial segment, the average gross margin per RCE for the customers signed during the three months ended June 30, 2019 was $76/RCE, a decrease of 6% from $81/RCE in the prior comparable period. Customers lost through attrition and failure to renew during the three months ended June 30, 2019 were at an average gross margin of $80/RCE, an increase from $79/RCE reported in the prior comparable period. This increase is a result of competitive pricing pressures in North America.

Just Energy's results for the prior fiscal periods reported below have been adjusted to reflect continuing operation results and figures.

VAPS contribution to continuing operations

VAPS PERFORMANCE

VAPS include the Just Energy Advanced Solutions, EdgePower Inc. and Filter Group brands. During the three months ended June 30, 2019, VAPS operations contributed $4.5 million to gross margin compared to $1.4 million in the prior comparable quarter, a 227% increase due to the addition of various VAPS businesses and the ramp-up in sales of existing products. Filter Group contributed $2.6 million in gross margin, 58% of the total VAPS margin added during the three months ended June 30, 2019.

VAPS CONTINGENT CONSIDERATION

As at June 30, 2019, the Company has not recognized any contingent consideration related to the Just Energy Advanced Solutions and EdgePower Inc. acquisitions. The contingent consideration relating to the potential earn-out payments over the next three years was valued at approximately $31.1 million as at June 30, 2019. The change in fair value of the contingent consideration from $29.1 million at March 31, 2019 to $31.1 million at June 30, 2019 results in a change of $2.0 million reported in other expenses, net, in the interim condensed consolidated statements of loss. As the contingent consideration does not meet the definition of equity, it is carried at fair value through profit or loss and is revalued at each reporting period.

Overall consolidated results from continuing operations

ADMINISTRATIVE EXPENSES

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

	Fiscal 2020	Fiscal 2019	% increase (decrease)
Consumer Energy	**$ 11,235**	$ 7,224	56%
Commercial Energy	**6,151**	6,683	(8)%
Corporate and shared services costs	**23,417**	26,024	(10)%
Total administrative expenses	**$ 40,803**	$ 39,931	2%

Administrative expenses increased by 2% from $39.9 million to $40.8 million in the three months ended June 30, 2019 as compared to fiscal 2019. The Consumer segment's administrative expenses were $11.2 million for the three months ended June 30, 2019, an increase from $7.2 million recorded in fiscal 2019. The Commercial segment's administrative expenses were $6.2 million for fiscal 2020, a decrease from fiscal 2019 of 8%. The increase in Consumer administrative expenses over the prior comparable quarter was attributable to the upfront costs relating to process and operational efficiency improvement activities, ongoing support for business expansion including Filter Group and unfavourable foreign exchange fluctuations, offset by a reduction in employee expenses. The reduction in Commercial administrative expenses and corporate administrative expenses are due to cost savings realized from the restructuring actions in fiscal 2019.

Just Energy's results for the prior fiscal periods reported below have been adjusted to reflect continuing operation results and figures.

SELLING AND MARKETING EXPENSES

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

	Fiscal 2020	Fiscal 2019	% increase
Consumer Energy	**$ 41,800**	$ 26,923	55%
Commercial Energy	**19,904**	15,042	32%
Total selling and marketing expenses	**$ 61,704**	$ 41,965	47%

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 $61.7 million, an increase of 47% from $42.0 million recorded in the prior comparable quarter as a result of the increased commission costs to acquire new customers, ramp-up of the amortization of previously capitalized acquisition costs and higher marketing charges in different channels, offset by capitalization of new upfront incremental customer acquisition costs.

The selling and marketing expenses for the Consumer segment were $41.8 million for the three months ended June 30, 2019, a 55% increase from $26.9 million recorded in fiscal 2019 due to higher customer acquisition costs.

The selling and marketing expenses for the Commercial segment increased 32% to $19.9 million from the prior year, resulting from increased commission costs to acquire new customers and offset by capitalization of certain upfront incremental customer acquisition costs in accordance with IFRS 15, Revenue from Contracts with Customers.

The acquisition 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 2020	Fiscal 2019
Consumer	**$ 277/RCE**	$ 199/RCE
Commercial	**$ 54/RCE**	$ 42/RCE

The average acquisition cost for the Consumer segment was $277/RCE for the three months ended June 30, 2019, an increase of 39% from the $199/RCE reported in fiscal 2019, primarily related to the increased commission costs to acquire new customers, ramp-up of the previously capitalized acquisition costs and unfavourable foreign exchange fluctuations.

The $54/RCE average acquisition cost for Commercial RCEs was 29% higher than the prior comparable period due to increased commission costs. As at June 30, 2018, the average aggregation cost for commercial brokers was $42/RCE.

BAD DEBT EXPENSE

In Alberta, Texas, Illinois, California, Delaware, Ohio and Georgia, 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 statements of loss under other operating expenses. Bad debt expense was $17.3 million for the three months ended June 30, 2019, an increase of 3% from $16.7 million recorded for fiscal 2019, attributable to the non-recurring Texas residential enrolment and collections impairment, partially offset by the decrease in revenues. For the three months ended June 30, 2019, the bad debt expense represents 5.1% of relevant revenue, up from 3.1% reported in fiscal 2019. The significant increase in the rate for the first quarter of fiscal 2020 is attributable to the non-recurring Texas residential enrolment and collections impairment.

FINANCE COSTS

Total finance costs for the three months ended June 30, 2019 amounted to $23.5 million, an increase of 44% from $16.3 million recorded during fiscal 2019. The increase in finance costs was primarily driven by the premium and fees associated with the 8.75% loan, supplier credit term extensions and interest expense from the increased utilization of the credit facility and higher interest rates.

FOREIGN EXCHANGE

Just Energy has exposure to the U.S. dollar 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, 2019, an unrealized foreign exchange loss of $2.3 million was reported in other comprehensive income, versus an unrealized gain of $3.8 million reported in fiscal 2019. 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 impact from the translation of the U.S.-based operations resulted in a favourable $0.7 million increase in Base EBITDA for the three months ended June 30, 2019.

Just Energy retains operating funds in its foreign subsidiaries to support ongoing operations; surplus cash is deployed in Canada, and hedges for cross border cash flow are placed. Just Energy hedges between 50% and 100% 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 2020	Fiscal 2019
Current income tax expense (recovery)	**$ 462**	$ (1,257)
Deferred income tax expense (recovery)	**(2,756)**	5,940
Provision for income tax	**$ (2,294)**	$ 4,683

Current income tax expense of $0.5 million for the three months ended June 30, 2019, versus a $1.3 million recovery in the prior comparable period, is the result of not being able to carryback current year losses arising from the increased operating expenses and financing costs. The prior comparable period reported a tax recovery as a result of the carryback opportunity available.

During the three months ended June 30, 2019, a deferred tax recovery of $2.8 million was recorded as compared to a deferred tax expense of $5.9 million in the prior comparable quarter. The year-over-year variance is primarily attributable to movement in derivative financial instruments as well as the carryforward of current period tax losses to future periods.

Liquidity and capital resources from continuing operations

SUMMARY OF CASH FLOWS

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

	Fiscal 2020	Fiscal 2019
Operating activities from continuing operations	**$ (14,049)**	$ (12,546)
Investing activities from continuing operations	**(21,984)**	(9,855)
Financing activities from continuing operations, excluding dividends	**50,852**	39,150
Effect of foreign currency translation	**(168)**	(1,277)
Increase in cash before dividends	**14,651**	15,472
Dividends (cash payments)	**(22,047)**	(22,249)
Decrease in cash	**(7,396)**	(6,777)
Cash and cash equivalents – beginning of period	**9,927**	48,861
Cash and cash equivalents – end of period	**$ 2,531**	$ 42,084

OPERATING ACTIVITIES FROM CONTINUING OPERATIONS

Cash flow from continuing operating activities for the three months ended June 30, 2019 was an outflow of $14.0 million, compared to an outflow of $12.5 million in the prior comparable quarter. Cash flow from operations was lower in the current period due to the seasonality of payments relating to the commodity business moving from winter to spring, the impact of the Texas residential and enrolment impairment, the payments related to the Filter Group acquisition, and the payments made upfront for process and operational efficiency improvement activities, partially offset by cost savings realized from the restructuring actions in fiscal 2019.

INVESTING ACTIVITIES FROM CONTINUING OPERATIONS

Investing activities for the three months ended June 30, 2019 included purchases of capital and intangible assets totalling $0.5 million and $9.4 million, respectively, compared with $1.9 million and $7.9 million, respectively, in fiscal 2019. Just Energy's capital spending related primarily to information technology-related purchases for process improvement initiatives.

FINANCING ACTIVITIES FROM CONTINUING OPERATIONS

Financing activities, excluding dividends, relate primarily to the issuance and repayment of long-term financing. During the three months ended June 30, 2019, Just Energy withdrew an additional $54.2 million on the credit facility. This inflow was offset by the repayment of $1.6 million of the Filter Group financing. As part of the initial adoption of IFRS 16, there were also lease payments made of $1.5 million during the three months ended June 30, 2019.

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, 2019, Just Energy paid cash dividends to its shareholders and distributions to holders of share-based awards in the amount of $22.1 million, compared to $22.3 million paid in the prior comparable quarter.

Just Energy's annual dividend rate for the trailing 12 months is $0.50 per common share paid quarterly. Dividends are not guaranteed and are subject to Board approval each quarter. As part of the strategic review, the Board of Directors has decided to suspend its common share dividend until further notice.

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 any 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, 2019 was US$0.53125 per preferred share.

Balance sheet as at June 30, 2019, compared to March 31, 2019

Total cash decreased from $9.9 million as at March 31, 2019 to net $0.4 million negative as at June 30, 2019. The decrease in cash is primarily attributable to the seasonality of the payments relating to the commodity business moving from winter to spring, the impact of the Texas residential enrolment and collections impairment, and the payments related to the Filter Group acquisition.

As of June 30, 2019, trade receivables and unbilled revenue amounted to $304.2 million and $152.8 million, respectively, compared to March 31, 2019, when the trade receivables and unbilled revenue amounted to $395.1 million and $277.6 million, respectively. Trade payables and other decreased from $714.1 million to $527.6 million during the quarter as a result of the classification of the U.K. operations to discontinued operations; $190.4 million related to the U.K. as at March 31, 2019.

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 $4.5 million and $3.3 million, respectively, as of June 30, 2019. These amounts changed from $3.1 million and $43.2 million, respectively, as of March 31, 2019. As at June 30, 2019, 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 $6.3 million and $10.4 million, respectively, down from $13.6 million and $12.9 million, respectively, as of March 31, 2019. These changes represent the normal seasonality of gas storage. Other current assets decreased from $169.2 million at March 31, 2019 to $127.6 million as of June 30, 2019.

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.

Total long-term debt increased from $725.4 million as at March 31, 2019 to $774.9 million as at June 30, 2019. This increase is a result of additional drawings on the credit facility of $54.2 million and unfavourable foreign exchange fluctuations on the U.S. dollar debt. The book value of net debt was 4.1x for Base EBITDA, higher than the 3.2x reported for March 31, 2019.

	As at June 30, 2019	As at March 31, 2019	As at June 30, 2018
Assets			
Cash	**$ (2,531)**	$ 9,927	$ 17,225
Trade and other receivables	**456,962**	672,615	694,479
Total fair value of derivative financial assets	**102,209**	153,767	227,787
Other current assets	**127,555**	169,240	141,971
Liabilities			
Bank overdraft	**$ 2,921**	$ –	$ –
Trade payables and other	**527,550**	714,110	637,405
Total fair value of derivative financial liabilities	**276,148**	143,045	94,779
Total long-term debt	**774,885**	725,372	661,335

Debt and financing for continuing operations

(thousands of dollars)

	As at June 30, 2019	As at March 31, 2019	As at June 30, 2018
Just Energy credit facility	**$ 255,732**	$ 201,577	$ 153,325
Filter Group financing	**15,933**	17,577	–
8.75% loan	**236,172**	240,094	–
6.75% $100M convertible debentures	**88,169**	87,520	86,018
6.75% $160M convertible debentures	**151,675**	150,945	148,816
6.5% convertible bonds	**29,218**	29,483	193,142

The various debt instruments are described as follows:

- A $370.0 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. Credit facility withdrawals amounted to $255.7 million as of June 30, 2019, compared with $201.6 million as of March 31, 2019. In addition, total letters of credit outstanding as at June 30, 2019 amounted to $73.0 million (March 31, 2019 – $94.0 million). The renewal on the facility agreement included an extension for an additional two years to September 1, 2020. On June 28, 2019, the Company exercised its option to access the amounts relating to the accordion agreement as part of the credit facility, which increased the facility from $352.5 million to $370.0 million.
- An 8.99% outstanding loan between HTC and Filter Group. The loan is a result of factoring receivables. Payments on the loan are made monthly as Just Energy receives payment from the customer and will continue up to the end date of the customer contract term on the factored receivable.
- An 8.75% US$250 million non-revolving multi-draw senior unsecured term loan facility with a maturity date of September 2023 was entered into during the second quarter of fiscal 2019, which bears interest at a rate of 8.75% per annum payable semi-annually in arrears on June 30 and December 31. US$193 million was drawn as at March 31, 2019. On July 29, 2019, an additional US$14.0 million was drawn on Tranche 2 and 3 from the 8.75% loan.
- 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 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 6.5% European-focused senior unsecured convertible bond with a maturity date of December 31, 2019 and interest payable semi-annually in arrears on January 29 and July 29, at a rate of 6.5% per annum. In fiscal 2019, US$127.6 million was repurchased and extinguished. On July 25, 2019, the lenders of the 6.5% convertible bonds elected to extend the maturity date from July 29, 2019 to December 31, 2020. On July 29, 2019, an additional US$13.2 million was repurchased, leaving a remaining balance of US$9.2 million.

See Note 12 of the interim condensed consolidated financial statements for further details regarding the nature of each debt agreement.

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	$ 528,670	$ –	$ –	$ –	$ 528,670
Long-term debt	38,487	264,719	525,988	–	829,194
Interest payments	40,286	79,301	39,901	–	159,488
Gas, electricity and non-commodity contracts	1,524,002	1,631,593	357,763	115,362	3,628,720
	$ 2,131,445	$ 1,975,613	$ 923,652	$ 115,362	$ 5,146,072

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. As at June 30, 2019, the current liabilities amount to $20.3 million and long-term liabilities amount to $33.2 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 other than the related party transaction discussed in the interim condensed consolidated financial statements.

Off balance sheet items

The Company has issued letters of credit in accordance with its credit facility totalling $73.0 million (March 31, 2019 – $94.0 million) to various counterparties, primarily utilities in the markets it operates in, as well as suppliers.

Pursuant to separate arrangements with several bond agencies, the Hanover Insurance Group 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, 2019 were $65.5 million (March 31, 2019 – $70.3 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 expenses, 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, California, Delaware, Ohio and Georgia. 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 of 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.

Just Energy common and preferred shares

As at August 14, 2019, there were 151,181,164 common shares and 4,662,165 preferred shares of Just Energy outstanding.

In May 2017, Just Energy announced it 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. As at August 14, 2019, Just Energy has issued a cumulative 338,865 preferred shares in fiscal 2019 for aggregate total gross proceeds of $10.4 million under the ATM offering. No further issuances were made in the first quarter of fiscal 2020.

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 legal matters that are 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. ("Commerce"), 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. On September 28, 2018, the Court issued a final judgment, opinion and order. Just Energy filed its appeal to the Court of Appeals for the Sixth Circuit on October 25, 2018. Just Energy strongly believes it complied with the law which is consistent with the recent findings in Encino Motorcars, LLC v. Navarro, 138 S. Ct. 1134, 1142 (2018) and Kevin Flood, et al. v. Just Energy Marketing Group, et al. 2d Circular No. 17-0546.

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, 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. A trial commenced on August 5, 2019. On August 12, 2019, the jury ruled in favour of Just Energy, dismissing all claims of the Illinois class members. Class members have 30 days from the date of judgment to file an appeal. Just Energy strongly believes it complied with the law and continues to vigorously contest this matter.

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, 2000 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, refused to certify Omarali's request for damages on an aggregate basis, and refused to certify Omarali's request for punitive damages. Omarali's motion for summary judgment was dismissed in its entirety on June 21, 2019. A trial has not been scheduled.

On July 23, 2019, Just Energy announced that, as part of its Strategic Review process, management identified customer enrolment and non-payment issues, primarily in Texas. In response to this announcement, a putative class action lawsuit has been filed in the United States District Court for the Southern District of New York, on behalf of investors that purchased Just Energy Group, Inc. securities between November 9, 2017 and July 23, 2019. The lawsuit seeks damages allegedly arising from violations of the Exchange Act. Just Energy believes it complied with the law and will vigorously defend the claim.

Controls and procedures

DISCLOSURE CONTROLS AND PROCEDURES

Both the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, the Company's disclosure controls and procedures which 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 composed of senior management. The Disclosure Committee has established procedures so that it becomes aware of any material information affecting Just Energy to evaluate and communicate this information to management, including the CEO and CFO as appropriate, and determine the appropriateness and timing of any required disclosure. Based on the evaluation conducted by or under the supervision of the CEO and CFO of the Company's internal control over financial reporting in connection with the Company's financial year-end, it was concluded that because of the material weakness described below, the Company's disclosure controls and procedures were not effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Both the CEO and CFO have designed, or caused to be designed under their supervision, the Company's Internal Control over Financial Reporting ("ICFR") which has been effected by the Board of Directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Based on that evaluation the CEO and CFO concluded that because of the material weakness described below, the Company's disclosure controls and procedures were not effective.

Identification of material weakness

During the quarters ended December 31, 2018, March 31, 2019, and June 30, 2019, management failed to effectively operate a control to capture appropriate expected credit loss rates to be reflected in the estimated allowance for doubtful accounts in the Texas residential market and the U.K. market. This material weakness arose due to insufficient analysis of a rapid deterioration of the aging of the Company's accounts receivable caused by operational enrolment deficiencies in the Texas market, and due to operational and accounts receivable non-collection issues in the U.K. market.

On July 23, 2019, the Company announced operational measures implemented in the Texas residential market to address identified customer enrolment issues arising during prior periods that led to additional overdue accounts being identified during the quarter ended June 30, 2019 that were impaired. Management identified these issues through operating controls related to the expected credit loss calculation.

Management identified an impairment of certain accounts receivable within the Texas residential markets of $58.6 million at June 30, 2019, of which $34.5 million relates to the quarter ended December 31, 2018, $19.2 million relates to the quarter ended March 31, 2019, and $4.9 million relates to the quarter ended June 30, 2019.

During operation of the June 30, 2019 month-end close controls, the Company further analyzed and concluded that the U.K. receivables issue required an adjustment of $74.1 million at June 30, 2019, of which $40.1 million relates to the quarter ended December 31, 2018, $17.4 million relates to the quarter ended March 31, 2019 and $16.6 million relates to the quarter ended June 30, 2019.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Due to the aforementioned adjustments, management identified a material weakness after issuing the financial statements for the year ended March 31, 2019.

Remediation of material weakness in internal control over financial reporting

Management is committed to the planning and implementation of remediation efforts to address the material weakness, as well as to foster continuous improvement in the Company's internal controls. These remediation efforts are underway and are intended to address the identified material weakness and enhance the overall financial control environment.

During the quarter ended June 30, 2019, the Company made operational and financial reporting control changes throughout the organization and engaged third parties to advise the Company regarding this material weakness.

To further remediate the material weakness identified herein, the management team, including the CEO and CFO, has reaffirmed and re-emphasized the importance of internal control, control consciousness and a strong control environment.

No assurance can be provided at this time that the actions and remediation efforts the Company has taken or will implement will effectively remediate the material weaknesses described above or prevent the incidence of other significant deficiencies or material weaknesses in the Company's internal controls over financial reporting in the future. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving our stated goals under all potential future conditions.

Identification and remediation of insignificant reconciling items from previous periods presented

During January 2019, in connection with the Company's assessment of internal controls over financial reporting, the Company identified and subsequently remediated a deficiency in the design and operating effectiveness of certain internal controls related to certain account balances in certain markets. Specifically, the Company identified a deficiency in the design of internal controls through the effective operation of alternative internal controls related to the preparation, analysis and review of certain gross margin accounts in those markets.

Upon identification of the deficiency, the Company designed internal controls to include robust account reconciliation procedures, to remediate the deficiency in design. These new internal controls were effectively operated for February 28, 2019 and March 31, 2019.

Just Energy considers the internal control deficiency to be effectively remediated as at March 31, 2019.

As a result of remediating this deficiency in the design of internal controls and operating them in an effective manner, the Company identified certain individually insignificant reconciling items that should have been recorded in periods prior to April 1, 2017. The Company determined that it was appropriate to revise its consolidated financial statements as at April 1, 2017, as denoted within Note 5 of the consolidated financial statements, to correct for an aggregate error of $14.2 million in the opening accumulated deficit account. It was determined that this deficiency in the design and operating effectiveness of these specific internal controls resulted in no significant error in the income statements for the years ended March 31, 2019 and 2018.

Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting during the last fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

INHERENT LIMITATIONS

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

On June 6, 2019, Just Energy announced it was initiating a strategic review of the business. The special committee is pleased with the progress of the review. The special committee's aim is to complete its strategic review in a timeframe that optimizes the value of the Company and provides the optimal outcome for shareholders.

While Just Energy remains focused on best-in-class service to its customers, the strategic review has provided insights into how best to unlock value from the business through a comprehensive review of capital expenditures, streamlining the organization, enhancing internal controls, and further refinement of the geographic footprint. As part of this process, the Company has decided to dispose of the U.K. business.

Due to the reclassification of the U.K. business, the accounts receivable impairment, and first quarter fiscal 2020 performance, management is revising its fiscal year 2020 Base EBITDA from continuing operations to now be in the range of $180 million to $200 million, as well as fiscal 2020 free cash flow guidance between $50 million and $70 million, defined as cash flow from operating activities minus cash flow from investing activities and excluding U.K. discontinued operations.

Interim condensed consolidated statements of financial position

(in thousands of Canadian dollars)

	Notes	As at June 30, 2019 (Unaudited)	As at March 31, 2019 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents		**$ 2,531**	$ 9,927
Restricted cash		**4,708**	4,048
Trade and other receivables	6	**456,962**	672,615
Gas in storage		**11,321**	2,943
Fair value of derivative financial assets	8	**73,476**	144,512
Income taxes recoverable		**17,009**	18,973
Other current assets	7	**127,555**	169,240
		693,562	1,022,258
Non-current assets			
Investments		**36,815**	36,897
Property and equipment, net		**37,980**	25,862
Intangible assets, net		**452,393**	472,656
Fair value of derivative financial assets	8	**28,733**	9,255
Deferred income tax assets	14	**4,131**	1,092
Other non-current assets	7	**45,388**	49,512
		605,440	237,245
Assets classified as held for sale	11	**237,813**	8,971
		843,253	604,245
TOTAL ASSETS		**$ 1,536,815**	$ 1,626,504
LIABILITIES			
Current liabilities			
Bank overdraft		**$ 2,921**	$ –
Trade and other payables	9	**527,550**	714,110
Deferred revenue	10	**3,299**	43,228
Income taxes payable		**4,825**	11,895
Fair value of derivative financial liabilities	8	**168,261**	79,387
Provisions	13	**3,470**	7,205
Current portion of long-term debt	12	**37,164**	37,429
Other current liabilities		**4,077**	–
		751,567	893,254
Non-current liabilities			
Long-term debt	12	**737,721**	687,943
Fair value of derivative financial liabilities	8	**107,887**	63,658
Deferred income tax liabilities	14	**4,169**	4,124
Other non-current liabilities		**72,030**	61,339
		921,807	817,064
Liabilities relating to assets classified as held for sale	11	**244,663**	5,200
		1,166,470	822,264
TOTAL LIABILITIES		**1,918,037**	1,715,518
SHAREHOLDERS' DEFICIT			
Shareholders' capital	15	**1,242,463**	1,235,503
Equity component of convertible debentures		**13,029**	13,029
Contributed deficit		**(25,202)**	(25,540)
Accumulated deficit		**(1,687,911)**	(1,353,679)
Accumulated other comprehensive income		**76,795**	79,093
Non-controlling interest		**(396)**	(399)
TOTAL SHAREHOLDERS' DEFICIT		**(381,222)**	(89,014)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT		**$ 1,536,815**	$ 1,626,504

Commitments and guarantees (Note 21)

See accompanying notes to the interim condensed consolidated financial statements

/s/ Rebecca MacDonald

Rebecca MacDonald
Executive Chair

/s/ H. Clark Hollands

H. Clark Hollands
Corporate Director

Interim condensed consolidated statements of loss

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

	Notes	2019	2018
CONTINUING OPERATIONS			
Sales	16	**$ 670,165**	$ 702,515
Cost of sales		**537,873**	569,921
GROSS MARGIN		**132,292**	132,594
EXPENSES			
Administrative		**40,803**	39,931
Selling and marketing		**61,704**	41,965
Other operating expenses	17(a)	**35,765**	23,359
Restructuring costs		**–**	1,917
		138,272	107,172
Operating profit (loss) before the following		**(5,980)**	25,422
Finance costs	12	**(23,546)**	(16,313)
Change in fair value of derivative instruments and other	8	**(241,999)**	(68,441)
Other expenses, net	17(a)	**(740)**	(13)
Loss from continuing operations before income taxes		**(272,265)**	(59,345)
Provision for (recovery of) income taxes	14	**(2,294)**	4,683
LOSS FROM CONTINUING OPERATIONS		**$ (269,971)**	$ (64,028)
DISCONTINUED OPERATIONS			
Profit (loss) from discontinued operations	11	**(5,189)**	22,605
LOSS FOR THE PERIOD		**$ (275,160)**	$ (41,423)
Attributable to:			
Shareholders of Just Energy		**$ (275,140)**	$ (41,377)
Non-controlling interest		**(20)**	(46)
LOSS FOR THE PERIOD		**$ (275,160)**	$ (41,423)
Loss per share from continuing operations	18		
Basic		**$ (1.82)**	$ (0.45)
Diluted		**$ (1.82)**	$ (0.45)
Earnings per share from discontinued operations	11		
Basic		**$ (0.03)**	$ 0.16
Diluted		**$ (0.03)**	$ 0.16
Loss per share available to shareholders	18		
Basic		**$ (1.85)**	$ (0.29)
Diluted		**$ (1.85)**	$ (0.29)

See accompanying notes to the interim condensed consolidated financial statements

Interim condensed consolidated statements of comprehensive loss

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

	2019	2018
LOSS FOR THE PERIOD	**$ (275,160)**	$ (41,423)
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:		
Unrealized gain (loss) on translation of foreign operations	**(2,298)**	3,750
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**$ (277,458)**	$ (37,673)
Total comprehensive loss attributable to:		
Shareholders of Just Energy	**$ (277,438)**	$ (37,627)
Non-controlling interest	**(20)**	(46)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**$ (277,458)**	$ (37,673)

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	2019	2018
ATTRIBUTABLE TO THE SHAREHOLDERS			
Accumulated earnings			
Accumulated earnings, beginning of period		**$ 533,107**	$ 768,847
Adjustment for adoption of recent accounting pronouncements		**–**	20,711
Loss for the period, attributable to shareholders		**(275,140)**	(41,377)
Accumulated earnings, end of period		**257,968**	748,181
DIVIDENDS AND DISTRIBUTIONS			
Dividends and distributions, beginning of period		**(1,923,808)**	(1,835,778)
Dividends and distributions declared and paid	20	**(22,070)**	(22,262)
Dividends and distributions, end of period		**(1,945,879)**	(1,858,040)
ACCUMULATED DEFICIT		**$ (1,687,911)**	$ (1,109,859)
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Accumulated other comprehensive income, beginning of period		**$ 79,093**	$ 91,934
Adjustment for adoption of recent accounting pronouncements	4	**–**	(17,863)
Other comprehensive income (loss)		**(2,298)**	3,750
Accumulated other comprehensive income, end of period		**$ 76,795**	$ 77,821
SHAREHOLDERS' CAPITAL	15		
Common shares			
Common shares, beginning of period		**$ 1,088,538**	$ 1,079,055
Share-based units exercised		**6,960**	4,979
Common shares, end of period		**$ 1,095,498**	$ 1,084,034
Preferred shares			
Preferred shares, beginning of period		**$ 146,965**	$ 136,771
Shares issued	15	**–**	10,447
Shares issuance costs		**–**	(235)
Preferred shares, end of period		**146,965**	146,983
SHAREHOLDERS' CAPITAL		**$ 1,242,463**	$ 1,231,017
EQUITY COMPONENT OF CONVERTIBLE DEBENTURES			
Balance, beginning of period		**$ 13,029**	$ 13,029
Balance, end of period		**$ 13,029**	$ 13,029
CONTRIBUTED DEFICIT			
Balance, beginning of period		**$ (25,540)**	$ (22,693)
Add: Share-based compensation expense	17(a)	**7,118**	1,694
Discontinued operations		**137**	81
Non-cash deferred share grant distributions		**23**	14
Purchase of non-controlling interest		**–**	1,566
Less: Share-based units exercised		**(6,960)**	(4,979)
Share-based compensation adjustment		**20**	(273)
Balance, end of period		**$ (25,202)**	$ (24,590)
NON-CONTROLLING INTEREST			
Balance, beginning of period		**$ (399)**	$ (422)
Foreign exchange impact on non-controlling interest		**23**	60
Loss attributable to non-controlling interest		**(20)**	(46)
Balance, end of period		**$ (396)**	$ (408)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)		**$ (381,222)**	$ 187,010

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	2019	2018
Net inflow (outflow) of cash related to the following activities			
OPERATING			
Loss from continuing operations before income taxes		**$ (272,265)**	$ (59,345)
Profit (loss) from discontinued operations before income taxes	11	**(5,299)**	25,883
Loss before income taxes		**(277,564)**	(33,462)
Items not affecting cash			
Amortization of intangible assets	17(a)	**7,612**	4,070
Depreciation of property and equipment	17(a)	**2,988**	889
Amortization included in cost of sales		**578**	782
Amortization of commission		**760**	–
Share-based compensation	17(a)	**7,118**	1,694
Financing charges, non-cash portion		**4,316**	3,467
Other		**(27)**	(27)
Change in fair value of derivative instruments and other	8	**241,999**	68,441
Adjustment required to reflect net cash receipts from gas sales		**2,758**	4,581
Net change in working capital balances		**27,181**	(54,909)
Adjustment for non-cash discontinued operations		**(26,064)**	365
Income taxes paid		**(5,703)**	(8,437)
Cash outflow from operating activities		**(14,049)**	(12,546)
INVESTING			
Purchase of property and equipment		**(562)**	(1,929)
Purchase of intangible assets		**(9,409)**	(7,926)
Payments for previously acquired business	19	**(12,013)**	–
Cash outflow from investing activities		**(21,984)**	(9,855)
FINANCING			
Dividends paid	20	**(22,047)**	(22,249)
Repayment of long-term debt		**(1,645)**	–
Leased asset payments		**(1,468)**	–
Debt issuance costs		**(190)**	(2,173)
Credit facilities withdrawal		**54,155**	31,210
Issuance of preferred shares		**–**	10,447
Preferred shares issuance costs		**–**	(334)
Cash inflow from financing activities		**28,805**	16,901
Effect of foreign currency translation on cash balances		**(168)**	(1,277)
Net cash outflow		**(7,396)**	(6,777)
Cash and cash equivalents, beginning of period		**9,927**	48,861
Cash and cash equivalents, end of period		**$ 2,531**	$ 42,084
Supplemental cash flow information:			
Interest paid		**$ 15,208**	$ 11,225

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, 2019
(unaudited in thousands of Canadian dollars, except where indicated and per share amounts)

1 ORGANIZATION

Just Energy Group Inc. ("Just Energy" or the "Company") 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 14, 2019.

2 OPERATIONS

Just Energy is a leading consumer company focused on essential needs, including electricity and natural gas commodities; on health and well-being, through products such as water quality and filtration devices; and on utility conservation, bringing energy efficient solutions and renewable energy options to consumers. Currently operating in the United States ("U.S.") and Canada, Just Energy serves residential and commercial customers. Just Energy is the parent company of Amigo Energy, EdgePower Inc., Filter Group Inc. ("Filter Group"), Hudson Energy, Interactive Energy Group, Just Energy Advanced Solutions, Tara Energy and TerraPass.

Just Energy's current commodity product offerings include fixed, variable, index and flat rate options. 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. Flat-bill products allow customers to pay a flat rate each month regardless of usage. 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.

Through the Filter Group business acquired by Just Energy on October 1, 2018, Just Energy provides subscription-based home water filtration systems to residential customers, including under-counter and whole-home water filtration solutions. 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 currently manufactured and distributed by ecobee Inc. ("ecobee"), a company in which Just Energy holds an 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, which include, but are not limited to, LED retrofit lighting and HVAC controls, as well as enterprise monitoring.

Just Energy markets its product offerings through several sales channels including brokers, online marketing, retail and affinity relationships, and door-to-door.

In March 2019, Just Energy formally approved and commenced a process to dispose of its businesses in Germany, Ireland and Japan. In June 2019, Just Energy also formally approved and commenced a process to dispose of its business in the United Kingdom ("U.K.") as part of the Company's strategic review. The decision was part of a strategic transition to focus on the core business in North America. The disposal of the operations is expected to be completed within the next 12 months. At June 30, 2019, these operations were classified as a disposal group held for sale and as a discontinued operation. Previously, these operations were reported within the Consumer segment while a portion of the U.K. was allocated to the Commercial segment.

3 FINANCIAL STATEMENT PREPARATION

(a) Statement of compliance with IFRS

These Interim Financial Statements 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, 2019 annual audited consolidated financial statements except the adoption of new International Financial Reporting Standards ("IFRS") described in Note 4. Accordingly, certain information and footnote disclosures normally included in the annual audited consolidated financial statements prepared in accordance with 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, 2019 and 2018 except for the adoption of IFRS 16, Leases ("IFRS 16"), as discussed in Note 4.

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 that 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, 2020, 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.

(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, 2019. Subsidiaries and affiliates are consolidated from the date of acquisition and 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 POLICIES AND NEW STANDARDS ADOPTED

IFRS 16, Leases

IFRS 16 supersedes IAS 17, Leases, and related interpretations and is effective for annual periods beginning on or after January 1, 2019. The Company adopted the standard effective April 1, 2019 using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognized in equity as an adjustment to the opening balance of accumulated deficit for the current period. Prior periods have not been restated.

Accounting policy

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
- The Company has the right to operate the asset; or
- The Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone price.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the relevant index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in the relevant index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets in "property and equipment" and lease liabilities in "other long-term debt" in the consolidated statement of financial position.

Short-term leases and leases of low-value assets
The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of property and equipment that have a lease term of 12 months or less and leases of low-value assets, such as some IT-equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Nature of leased assets
The Company leases various offices, equipment and vehicles. Rental contracts are typically made for fixed periods of one to ten years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leased assets may not be used as security for borrowing purposes. Some leases provide for additional rent payments based on changes in inflation.

Extension and termination options
Some office leases include an option to renew the lease for an additional period after the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses its portfolio of leases to determine whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. The Company considers all facts and circumstances when making this decision. The Company examines whether there is an economic incentive or penalty that would affect the decision to exercise the option, for example, whether the lease option is below market value or whether the Company has made significant investments in leasehold improvements. Where it is not reasonably certain that the lease will be extended or terminated the Company will not recognize these options.

The application of IFRS 16 "Leases" requires significant judgments and certain key estimations to be made including:

- Identifying whether a contract (or part of a contract) includes a lease;
- Determining whether it is reasonably certain that an extension or termination option will be exercised;
- Determining whether variable payments are in-substance fixed;
- Establishing whether there are multiple leases in an arrangement; and
- Determining the stand-alone selling price of lease and non-lease components.

Key sources of estimation uncertainty in the application of IFRS 16 includes the following:

- Estimating the lease term;
- Determining the appropriate rate to discount lease payments; and
- Assessing whether a right-of-use asset is impaired.

Unanticipated changes in these judgments or estimates could affect the identification and determination of the fair value of lease liabilities and right-of-use assets at initial recognition, as well as the subsequent measurement of lease liabilities and right-of-use assets. These items could potentially result in changes to amounts reported in the consolidated statements of income and consolidated statements of financial position in a given period.

Initial application

The Company has elected the practical expedient to not reassess whether a contract is, or contains, a lease at April 1, 2019, the date of initial application of IFRS 16. The Company has also elected the practical expedient to not separate non-lease components from lease components, accounting for them as a single lease component. On transition to IFRS 16, the weighted average incremental borrowing rate applied to the calculation of lease liabilities is 6.75%.

For previously recognized operating leases, the Company has elected the practical expedient to measure the right-of-use assets equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognized immediately before the date of initial application. Additionally, the Company has elected the practical expedient to not include initial direct costs in the measurement of the right-of-use asset for these leases as at the initial application date.

For previously recognized operating leases with an initial lease term of 12 months or less (short-term leases) and for leases of low value assets, the Company has applied the optional recognition exemptions to not recognize the right-of-use assets and related lease liabilities for these leases. In addition, the Company has elected the practical expedient to account for previously recognized operating leases with a remaining lease term of 12 months or less upon transition as short-term leases. The Company is accounting for the lease expense on a straight-line basis over the remaining lease term. The Company's former operating leases consist of office facility leases.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has elected the practical expedient to rely on its historic assessment as to whether leases were onerous immediately before the initial application date.

Impact on interim condensed consolidated financial statements

The following is a reconciliation of total operating lease commitments at March 31, 2019 to the lease liabilities recognized at April 1, 2019:

Total operating lease commitments disclosed at March 31, 2019	$	21,243
Short-term leases and other minor adjustments		(707)
Operating lease liabilities before discounting		20,536
Discounted using the incremental borrowing rate		(2,011)
Total lease liabilities recognized under IFRS 16 at April 1, 2019	$	18,525

As at April 1, 2019, the financial statement impact of IFRS 16 was as follows:

- Right-of-use assets of $18.5 million have been recognized in relation to former operating leases and have been included in the property and equipment caption on the unaudited interim condensed consolidated statements of financial position.
- Additional lease liabilities of $18.5 million have been recognized in relation to former operating leases and have been included in other current and non-current liabilities on the unaudited interim condensed consolidated statements of financial position, depending on the maturity of the lease.

IFRS Interpretations Committee ("IFRIC") 23, Uncertainty over Income Tax Treatment ("IFRIC 23")

The Company adopted IFRIC 23 on April 1, 2019. There was no effect to the consolidated financial statements as a result of the adoption of the standard.

5 ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRIC Agenda Paper 11, Physical Settlement of Contracts to Buy or Sell a Non-Financial Item ("Agenda Paper 11")

The IFRS Interpretations Committee ("IFRIC") reached a decision on Agenda Paper 11 during its meeting on March 5 to 6, 2019. The decision was in respect to a request about how an entity applies IFRS 9 to particular contracts to buy or sell a non-financial item at a fixed price.

The Company has reviewed the agenda decision and determined that a change is required in its accounting policy related to contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments. These are contracts the Company enters into that are accounted for as derivatives at fair value through profit or loss but physically settled by the underlying non-financial item. The IFRIC concluded that IFRS 9 neither permits nor requires an entity to reverse the accumulated gain or loss previously recognized on the derivative and recognize a corresponding adjustment to cost of goods sold or inventory when the contract is physically settled.

In its December 2018 meeting, the IASB confirmed its view that it expects companies to be entitled to sufficient time to implement changes in accounting policy that result from agenda decisions of the IFRIC. The Company is currently evaluating the impact of implementing the agenda decision on its consolidated financial statements, systems and processes. Given the nature of its current systems and processes and the volume of transactions affected, the Company determined it was not possible to affect the accounting change in time for its June 30, 2019 reporting. The Company expects to implement the change retrospectively in fiscal 2020 year. While the impact has not been quantified, the Company expects there will be material movements between cost of sales and change in fair value of derivative instruments and other in Just Energy's consolidated statement of loss and the value of gas in storage on the consolidated statement of financial position. There is no impact on the net income of the Company.

6 TRADE AND OTHER RECEIVABLES

	As at June 30, 2019	As at March 31, 2019
Trade accounts receivable, net	**$ 260,724**	$ 365,008
Accrued gas receivables	**6,331**	13,637
Unbilled revenues	**152,728**	277,556
Other	**37,179**	16,414
	$ 456,962	$ 672,615

7 OTHER CURRENT AND NON-CURRENT ASSETS

(a) Other current assets

	As at June 30, 2019	As at March 31, 2019
Prepaid expenses and deposits	**$ 20,849**	$ 45,709
Customer acquisition costs	**74,973**	75,707
Green certificates	**21,198**	39,749
Gas delivered in excess of consumption	**4,476**	3,121
Inventory	**6,060**	4,954
	$ 127,555	$ 169,240

(b) Other non-current assets

	As at June 30, 2019	As at March 31, 2019
Customer acquisition costs	**$ 43,872**	$ 46,416
Income taxes recoverable	**1,516**	3,096
	$ 45,388	$ 49,512

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 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 pricing model using the applicable market forward curves and the implied volatility from other market traded options. Management periodically uses non-exchange-traded swap agreements based on cooling degree days and heating degree days measured in its utility service territories to reduce the impact of weather volatility on Just Energy's electricity volumes, commonly referred to as "weather derivatives". The fair value of these swaps on a given measurement station indicated in the derivative contract is determined by calculating the difference between the agreed strike and expected variable observed at the same station.

The following table illustrates gains (losses) related to Just Energy's derivative financial instruments classified as fair value through profit or loss ("FVTPL") and recorded on the interim condensed 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 interim condensed consolidated statements of loss.

Change in fair value of derivative instruments and other

	Three months ended June 30, 2019	Three months ended June 30, 2018
Physical forward contracts and options (i)	**$ (224,974)**	$ (130,196)
Financial swap contracts and options (ii)	**(15,635)**	68,804
Foreign exchange forward contracts	**(227)**	2,304
Share swap (iii)	**836**	(3,263)
6.5% convertible bond conversion feature	**–**	232
Unrealized foreign exchange on 6.5% convertible bond	**5,815**	(3,997)
Weather derivatives	**(3,021)**	–
Other derivative options	**(4,793)**	(2,325)
Change in fair value of derivative instruments and other	**$ (241,999)**	$ (68,441)

The following table summarizes certain aspects of the fair value of derivative financial assets and liabilities recorded in the interim condensed consolidated statement of financial position as at June 30, 2019:

	Financial assets (current)	**Financial assets (non-current)**	**Financial liabilities (current)**	**Financial liabilities (non-current)**
Physical forward contracts and options (i)	**$ 20,769**	**$ 13,588**	**$ 102,555**	**$ 87,213**
Financial swap contracts and options (ii)	**35,695**	**14,085**	**52,448**	**17,388**
Foreign exchange forward contracts	**–**	**1**	**1,344**	**384**
Share swap (iii)	**–**	**–**	**11,070**	**–**
Weather derivatives	**12,951**	**–**	**–**	**–**
Other derivative options	**4,061**	**1,059**	**844**	**2,902**
As at June 30, 2019	**$ 73,476**	**$ 28,733**	**$ 168,261**	**$ 107,887**

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, 2019:

	Financial assets (current)	Financial assets (non-current)	Financial liabilities (current)	Financial liabilities (non-current)
Physical forward contracts and options	$ 115,483	$ 7,237	$ 49,601	$ 50,174
Financial swap contracts and options	18,212	1,876	16,142	8,583
Foreign exchange forward contracts	–	56	1,555	–
Share swap	–	–	11,907	–
Other derivative options	10,817	86	182	4,901
As at March 31, 2019	$ 144,512	$ 9,255	$ 79,387	$ 63,658

Below is a summary of the financial instruments classified through profit or loss as at June 30, 2019, to which Just Energy has committed:

(i) Physical forward contracts and options consist of:

- Electricity contracts with a total remaining volume of 36,492,959 MWh, a weighted average price of $48.14/MWh and expiry dates up to March 31, 2029.
- Natural gas contracts with a total remaining volume of 102,602,953 GJs, a weighted average price of $2.66/GJ and expiry dates up to October 31, 2025.
- Renewable energy certificates ("RECs") and emission-reduction credit contracts with a total remaining volume of 3,614,716 MWh and 55,000 tonnes, respectively, a weighted average price of $37.79/REC and $3.40/tonne, respectively, and expiry dates up to December 31, 2028 and December 31, 2021.
- Electricity generation capacity contracts with a total remaining volume of 3,787 MWCap, a weighted average price of $4,766.12/MWCap and expiry dates up to May 31, 2023.
- Ancillary contracts with a total remaining volume of 624,964 MWh, a weighted average price of $22.72/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 14,860,376 MWh, an average price of $41.38/MWh and expiry dates up to November 30, 2024.
- Natural gas contracts with a total remaining volume of 133,532,922 GJs, an average price of $3.34/GJ and expiry dates up to October 31, 2025.
- Electricity generation capacity contracts with a total remaining volume of 48 MWCap, a weighted average price of $462,953.59/MWCap and expiry dates up to October 31, 2020.
- Ancillary contracts with a total remaining volume of 990,825 MWh, a weighted average price of $21.23/MWh and expiry dates up to December 31, 2020.

(iii) Share swap agreement

Just Energy has entered into a share swap agreement to manage the interim condensed consolidated statements of loss volatility associated with the Company's restricted share grants and deferred share grants plans. The value, on inception, of the 2,500,000 shares under this share swap agreement was approximately $33,803. On August 22, 2018, Just Energy reduced the notional value of the share swap to $23,803 through a payment of $10,000 and renewed the share swap agreement for an additional year. 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 interim condensed consolidated statements of financial position. Changes in the fair value of the share swap agreement are recorded through the interim condensed consolidated statements of loss as a change in fair value of derivative instruments and other.

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 interim condensed consolidated financial statements.

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 power 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.

Weather derivatives are non-exchange-traded financial instruments used as part of a risk management strategy to mitigate the impact adverse weather conditions have on gross margin. The fair values of the derivatives are determined using an internally developed model that relies upon both observable inputs and significant unobservable inputs. Accordingly, the fair values of these derivatives are classified as Level 3. Market and contractual inputs to these models vary by contract type and would typically include notional amounts, reference weather stations, strike prices, temperature strike values, terms to expiration, historical weather data and historical commodity prices. The historical weather data and commodity prices were utilized to value the expected payouts with respect to weather derivatives and, as a result, are the most significant assumptions contributing to the determination of fair value estimates, and changes in these inputs can result in a significantly higher or lower fair value measurement.

For the share swap, Just Energy uses a forward interest rate curve along with a volume weighted average share price to model out its value. As the inputs have no observable market, it is classified as Level 3.

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.

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, 2019:

	Level 1	**Level 2**	**Level 3**	**Total**
Derivative financial assets	**$ –**	**$ –**	**$ 102,209**	**$ 102,209**
Derivative financial liabilities	**–**	**(30,646)**	**(245,502)**	**(276,148)**
Total net derivative assets (liabilities)	**$ –**	**$ (30,646)**	**$ (143,293)**	**$ (173,939)**

The following table illustrates the classification of derivative financial assets (liabilities) in the FV hierarchy as at March 31, 2019:

	Level 1	Level 2	Level 3	Total
Derivative financial assets	$ –	$ –	$ 153,767	$ 153,767
Derivative financial liabilities	–	(6,588)	(136,457)	(143,045)
Total net derivative assets (liabilities)	$ –	$ (6,588)	$ 17,310	$ 10,722

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 RECs had risen (fallen) by 10%, assuming that all of the other variables had remained constant, profit (loss) before income taxes for the period ended June 30, 2019 would have increased (decreased) by $198,793 ($197,498), primarily as a result of the change in fair value of Just Energy's derivative financial instruments.

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, 2019	Year ended March 31, 2019
Balance, beginning of period	**$ 17,310**	$ 166,364
Total gains (losses)	**(199,072)**	19,644
Purchases	**(41,251)**	11,502
Sales	**20,561**	(25,575)
Settlements	**59,159**	(154,625)
Balance, end of period	**$ (143,293)**	$ 17,310

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

As at June 30, 2019 and March 31, 2019, the carrying value of cash and cash equivalents, bank overdraft, restricted cash, 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, 2019 of $774.9 million (March 31, 2019 – $740.6 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 the 8.75% loan, 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, 2019 of $36.8 million (March 31, 2019 – $36.9 million) and are measured based on Level 2 of the fair value hierarchy for the investment in Energy Earth and Level 3 of the fair value hierarchy for the investment in ecobee.

No adjustments were made in the period 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, 2019:

	Level 1	**Level 2**	**Level 3**	**Total**
Investment in ecobee	**$ –**	**$ –**	**$ 32,889**	**$ 32,889**
Investment in Energy Earth	**–**	**3,926**	**–**	**3,926**
Total investments	**$ –**	**$ 3,926**	**$ 32,889**	**$ 36,815**

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. 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., 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 100% 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 following 13 to 24 months. The level of economic hedging is dependent on the source of the cash flows 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, 2019, assuming that all the other variables had remained constant, loss for the three months ended June 30, 2019 would have been $15.4 million lower/higher and other comprehensive loss would have been $13.5 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 an increase (decrease) of approximately $606 in loss before income taxes for the three months ended June 30, 2019 (June 30, 2018 – $361).

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 RECs had risen (fallen) by 10%, assuming that all of the other variables had remained constant, loss before income taxes for the three months ended June 30, 2019 would have increased (decreased) by $192,662 ($191,367), 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, California, Delaware, Ohio and Georgia, 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, 2019	March 31, 2019
Current	**$ 118,467**	$ 116,892
1–30 days	**41,634**	42,562
31–60 days	**22,374**	22,317
61–90 days	**23,564**	16,352
Over 90 days	**130,210**	100,580
	$ 336,249	$ 298,703

Changes in the expected lifetime credit loss were as follows:

	June 30, 2019	March 31, 2019
Balance, beginning of period	**$ 192,586**	$ 60,121
Provision for doubtful accounts	**17,287**	202,423
Bad debts written off	**(16,677)**	(90,231)
Adjustment from IFRS 9 adoption	**–**	23,636
Foreign exchange	**(802)**	(3,363)
Assets classified as held for sale	**(46,928)**	–
Balance, end of period	**$ 145,466**	$ 192,586

In the remaining markets, the local distribution companies ("LDC") 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, 2019, the estimated counterparty credit risk exposure amounted to $102,209 (June 30, 2018 – $213,268), 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 daily cash flow forecasts covering a rolling 13-week period, 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, 2019:

	Carrying amount	Contractual cash flows	Less than 1 year	1–3 years	4–5 years	More than 5 years
Trade and other payables	**$ 528,670**	**$ 528,670**	**$ 528,670**	**$ –**	**$ –**	**$ –**
Long-term debt[1]	**774,884**	**829,194**	**38,487**	**264,719**	**525,988**	**–**
Gas, electricity and non-commodity contracts	**276,148**	**3,628,720**	**1,524,002**	**1,631,593**	**357,763**	**115,362**
	$ 1,579,702	**$4,986,584**	**$ 2,091,159**	**$ 1,896,312**	**$ 883,751**	**$ 115,362**

As at March 31, 2019:

	Carrying amount	Contractual cash flows	Less than 1 year	1–3 years	4–5 years	More than 5 years
Trade and other payables	$ 714,110	$ 714,110	$ 714,110	$ –	$ –	$ –
Long-term debt[1]	725,372	781,701	39,150	210,564	531,987	–
Gas, electricity and non-commodity contracts	143,045	3,500,493	1,899,713	1,439,479	119,212	42,089
	$ 1,582,527	$ 4,996,304	$ 2,652,973	$ 1,650,043	$ 651,199	$ 42,089

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, 2019, 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	$ 40,286	$ 79,301	$ 39,901	$ –

(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, 2019, Just Energy has applied an adjustment factor to determine the fair value of its financial instruments in the amount of $8,246 (2019 – $4,999) to accommodate for its counterparties' risk of default.

9 TRADE AND OTHER PAYABLES

	As at June 30, 2019	As at March 31, 2019
Commodity suppliers' payables	**$ 174,814**	$ 189,554
Accrued liabilities	**87,468**	112,039
Green provisions	**43,218**	151,992
Sales tax payable	**36,925**	22,969
Trade accounts payable	**136,412**	184,257
Payable for former joint venture partner	**20,602**	22,625
Accrued gas payable	**10,407**	12,937
Other payables	**17,704**	17,738
	$ 527,550	$ 714,110

As at June 30, 2019, the Company has recognized $31.1 million related to the potential earn-out payments over the next three years relating to the Filter Group acquisition. The change in fair value of the contingent consideration from $29.1 million at March 31, 2019 to $31.1 million at June 30, 2019 results in a change of $2.0 million reported in other expenses, net, in the interim condensed consolidated statements of loss. As the contingent consideration does not meet the definition of equity, it is carried at fair value through profit or loss and is revalued at each reporting period. Significant assumptions affecting the measurement of contingent consideration each quarter include the Just Energy share price and the performance of Filter Group. Each quarter, the contingent consideration is revalued. To estimate the number of Just Energy common shares that are exchanged in each period, a Monte Carlo simulation model was used where the trailing 12-month adjusted EBITDA for each period is forecasted based on a Geometric Brownian Motion process. Inputs used in the Monte Carlo simulation model are as follows:

- Adjusted trailing 12-month EBITDA as at each quarter-end date;
- Average EBITDA forecasts for new periods;
- Implied asset volatility;
- Equity volatility of Just Energy;
- Underlying asset price of Just Energy common shares;
- Dividend yield; and
- Risk-free rate.

As at June 30, 2019, the Company has not recognized any contingent consideration related to the Just Energy Advanced Solutions and EdgePower Inc. acquisitions.

10 DEFERRED REVENUE

	Three months ended June 30, 2019	Year ended March 31, 2019
Balance, beginning of period	**$ 43,228**	$ 38,710
Additions to deferred revenue	**16,154**	569,880
Revenue recognized during the period	**(22,959)**	(563,922)
Foreign exchange impact	**(586)**	(1,440)
Liabilities held for sale	**(32,538)**	–
Balance, end of period	**$ 3,299**	$ 43,228

11 DISCONTINUED OPERATIONS

In March 2019, Just Energy formally approved and commenced a process to dispose of its businesses in Germany, Ireland and Japan. In June 2019, Just Energy formally approved and commenced a process to dispose of its business in the U.K. as part of the Company's strategic review. The decision was part of a strategic transition to focus on the core business in North America. The disposal of the operations is expected to be completed within the next 12 months. At June 30, 2019, these operations were classified as a disposal group held for sale and as a discontinued operation. Previously, these operations were reported within the Consumer segment, while a portion of the U.K. was allocated to the Commercial segment. The tax impact on the discontinued operations is minimal.

The results of the discontinued operations are presented below for the three months ended June 30:

	2019	2018
Sales	**$ 168,113**	$ 173,942
Cost of sales	**152,410**	153,004
Gross margin	**15,703**	20,938
Expenses		
Administrative, selling and operating expenses	**38,123**	26,871
Operating loss	**(22,420)**	(5,933)
Finance costs	**(1,358)**	(27)
Change in fair value of derivative instruments and other	**17,600**	31,885
Other income (loss)	**879**	(42)
Profit from discontinued operations before the undernoted	**(5,299)**	25,883
Provision for income taxes	**(110)**	3,278
PROFIT FROM DISCONTINUED OPERATIONS	**$ (5,189)**	$ 22,605
Cash inflow from operating activities	**$ 872**	$ 30,969
Cash outflow from investing activities	**$ (1,734)**	$ (2,661)
Cash outflow from financing activities	**$ (18,669)**	$ (23,614)

Assets and liabilities of the discontinued operations classified as held for sale as at June 30, 2019 were:

ASSETS	
Current assets	
Cash and cash equivalents	$ 12,589
Current trade and other receivables	161,327
Income taxes recoverable	2,623
Other current assets	38,481
	215,020
Non-current assets	
Property and equipment	3,426
Intangible assets	18,757
Other non-current assets	610
ASSETS CLASSIFIED AS HELD FOR SALE	$ 237,813
LIABILITIES	
Current liabilities	
Trade and other payables	$ 184,687
Deferred revenue	32,538
Other current liabilities	23,559
	240,784
Non-current liabilities	
Other non-current liabilities	3,879
LIABILITIES RELATING TO ASSETS CLASSIFIED AS HELD FOR SALE	$ 244,663

12 LONG-TERM DEBT AND FINANCING

	Maturity	June 30, 2019	March 31, 2019
Credit facility (a)	September 1, 2020	**$ 255,732**	$ 201,577
Less: Debt issue costs (a)		**(2,014)**	(1,824)
Filter Group financing (b)		**15,933**	17,577
8.75% loan (c)	September 12, 2023	**236,172**	240,094
6.75% $100M convertible debentures (d)	March 31, 2023	**88,169**	87,520
6.75% $160M convertible debentures (e)	December 31, 2021	**151,675**	150,945
6.5% convertible bonds (f)	December 31, 2020	**29,218**	29,483
		774,885	725,372
Less: Current portion		**(37,164)**	(37,429)
		$ 737,721	$ 687,943

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)	$ –	$ 255,732	$ –	$ –	$ 255,732
Filter Group financing (b)	9,217	8,987	1,186	–	19,390
8.75% loan (c)	–	–	264,803	–	264,803
6.75% $100M convertible debentures (d)	–	–	100,000	–	100,000
6.75% $160M convertible debentures (e)	–	–	160,000	–	160,000
6.5% convertible bonds (f)	29,270	–	–	–	29,270
	$ 38,487	$ 264,719	$ 525,989	$ –	$ 829,195

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

	2019	2018
Credit facility (a)	**$ 6,052**	$ 4,407
Filter Group financing (b)	**384**	–
8.75% loan (c)	**7,337**	–
6.75% $100M convertible debentures (d)	**2,337**	2,292
6.75% $160M convertible debentures (e)	**3,430**	3,370
6.5% convertible bonds (f)	**804**	4,147
Collateral management and others (g)	**3,202**	2,097
	$ 23,546	$ 16,313

(a) As at April 18, 2018, the Company has renegotiated an agreement with a syndicate of lenders that includes Canadian Imperial Bank of Commerce, National Bank of Canada, 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 credit 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 3.750%. Prime rate advances are at a rate of bank prime (Canadian bank prime rate or U.S. prime rate) plus 2.750% and letters of credit are at a rate of 3.750%. Interest rates are adjusted quarterly based on certain financial performance indicators.

As at June 30, 2019, the Canadian prime rate was 3.95% and the U.S. prime rate was 5.5%. As at June 30, 2019, $328.9 million has been drawn against the facility and total letters of credit outstanding as of June 30, 2019 amounted to $73 million (March 31, 2019 – $94 million). As at June 30, 2019, Just Energy has $13.5 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. Just Energy is required to meet a number of financial covenants under the credit facility agreement. As at June 30, 2019, the Company was compliant with all of these covenants.

The renewal on the facility agreement included an extension for an additional two years to September 1, 2020. On June 28, 2019, the Company exercised its option to access the amounts relating to the accordion agreement as part of the credit facility. On July 2, 2019, the Company withdrew $17.5 million on the addition on the credit facility.

(b) Filter Group, which was acquired on October 1, 2018, has an outstanding loan payable to Home Trust Company ("HTC"). The loan is a result of factoring receivables to finance the cost of rental equipment over a period of three to five years with HTC and bears interest at 8.99% per annum. Principal and interest are repayable on a monthly basis.

(c) On September 12, 2018, Just Energy entered into a US$250 million non-revolving multi-draw senior unsecured term loan facility (the "8.75% loan") with Sagard Credit Partners, LP and certain funds managed by a leading U.S.-based global fixed income asset manager. The 8.75% loan bears interest at 8.75% per annum payable semi-annually in arrears on June 30 and December 31 in each year plus fees, and will mature on September 12, 2023. Counterparties were issued 7.5 million warrants at a strike price of $8.56 each, convertible to one Just Energy common stock. The value of these warrants has been assessed as nominal. The 8.75% loan has three tranches. The first tranche of US$50 million is earmarked for general corporate purposes, including to pay down Just Energy's credit facility. The second tranche of US$150 million is earmarked towards the settlement of Just Energy's 6.5% convertible bonds. The third tranche of US$50 million is earmarked for investments and future acquisitions. As at June 30, 2019, US$193.0 million was drawn from the 8.75% loan. On July 29, 2019, the Company drew US$7.0 million from the second tranche, and US$7.0 million from the third tranche. These draws were secured by a personal guarantee from a director of the Company.

(d) 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. Each $1,000 principal amount of the 6.75% $100 million convertible debentures is convertible at the option of the holder at any time prior to the close of business on the earlier of the maturity date and the last business day immediately preceding the date fixed for redemption into 112.3596 common shares of Just Energy, representing a conversion price of $8.90, subject to certain anti-dilution provisions. Holders who convert their debentures will receive accrued and unpaid interest for the period from and including the date of the latest interest payment up to, but excluding, the date of conversion.

The 6.75% $100 million convertible debentures will not be redeemable at the option of the Company on or before March 31, 2021. After March 31, 2021 and prior to March 31, 2022, the 6.75% $100 million convertible debentures may be redeemed in whole or in part from time to time at the option of the Company on not more than 60 days' and not less than 30 days' prior notice, at a price equal to their principal amount plus accrued and unpaid interest, provided that the weighted average trading price of the common shares of Just Energy on the Toronto Stock Exchange (the "TSX") for the 20 consecutive trading days ending five trading days preceding the date on which the notice of redemption is given is at least 125% of the conversion price. On or after March 31, 2022, the 6.75% $100 million convertible debentures may be redeemed in whole or in part from time to time at the option of the Company on not more than 60 days' and not less than 30 days' prior notice, at a price equal to their principal amount plus accrued and unpaid interest.

The conversion feature of the 6.75% $100 million convertible debentures has been accounted for as a separate component of shareholders' deficit in the amount of $9.7 million. Upon initial recognition of the convertible debentures, Just Energy recorded a deferred income tax liability of $2.6 million and reduced the equity component of the convertible debentures by this amount. The remainder of the net proceeds of the 6.75% $100 million convertible debentures has been recorded as long-term debt, which is being accreted up to the face value of $100 million over the term of the 6.75% $100 million convertible debentures using an effective interest rate of 10.7%. If the 6.75% $100 million convertible debentures are converted into common shares, the value of the conversion will be reclassified to share capital along with the principal amount converted. No amounts of the 6.75% $100 million convertible debentures have been converted or redeemed as at June 30, 2019.

(e) 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. Each $1,000 principal amount of the 6.75% $160 million convertible debentures is convertible at the option of the holder at any time prior to the close of business on the earlier of the maturity date and the last business day immediately preceding the date fixed for redemption into 107.5269 common shares of Just Energy, representing a conversion price of $9.30, subject to certain anti-dilution provisions. Holders who convert their debentures will receive accrued and unpaid interest for the period from and including the date of the latest interest payment up to, but excluding, the date of conversion.

The 6.75% $160 million convertible debentures will not be redeemable at the option of the Company on or before December 31, 2019. After December 31, 2019 and prior to December 31, 2020, the 6.75% $160 million convertible debentures may be redeemed in whole or in part from time to time at the option of the Company on not more than 60 days' and not less than 30 days' prior notice, at a price equal to their principal amount plus accrued and unpaid interest, provided that the weighted average trading price of the common shares of Just Energy on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which the notice of redemption is given is at least 125% of the conversion price. On or after December 31, 2020, the 6.75% $160 million convertible debentures may be redeemed in whole or in part from time to time at the option of the Company on not more than 60 days' and not less than 30 days' prior notice, at a price equal to their principal amount plus accrued and unpaid interest.

The conversion feature of the 6.75% $160 million convertible debentures has been accounted for as a separate component of shareholders' deficit in the amount of $8.0 million. Upon initial recognition of the convertible debentures, Just Energy recorded a deferred income tax liability of $2.1 million and reduced the equity component of the convertible debentures by this amount. The remainder of the net proceeds of the 6.75% $160 million convertible debentures has been recorded as long-term debt, which is being accreted up to the face value of $160 million over the term of the 6.75% $160 million convertible debentures using an effective interest rate of 9.1%. If the 6.75% $160 million convertible debentures are converted into common shares, the value of the conversion will be reclassified to share capital along with the principal amount converted. No amounts of the 6.75% $160 million convertible debentures have been converted or redeemed as at June 30, 2019.

(f) On January 29, 2014, Just Energy issued US$150 million of European-focused senior convertible 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 December 31, 2020.

A conversion right in respect of a bond may be exercised, at the option of the holder thereof, at any time from May 30, 2014 to July 7, 2019. The initial conversion price is US$9.3762 per common share (being C$10.2819) but is subject to adjustments. In the event of the exercise of a conversion right, the Company may, at its option, subject to applicable regulatory approval and provided no event of default has occurred and is continuing, elect to satisfy its obligation in cash equal to the market value of the underlying shares to be received.

As a result of the debt being denominated in a different functional currency than that of Just Energy, the conversion feature is recorded as a financial liability instead of a component of equity. Therefore, the conversion feature of the 6.5% convertible bonds has been accounted for as a separate financial liability with an initial value of US$8,517. The remainder of the net proceeds of the 6.5% convertible bonds has been recorded as long-term debt, which is being accreted up to the face value of $150.0 million over the term of the 6.5% convertible bonds using an effective interest rate of 8.8%. At each reporting period, the conversion feature is recorded at fair value with changes in fair value recorded through profit or loss. On July 29, 2019, the Company redeemed US$13.2 million of the 6.5% convertible bonds. The remaining lenders of $9.2 million of the 6.5% convertible bonds elected to extend the maturity date of the bonds from July 29, 2019 to December 31, 2020, pursuant to an option offered by the Company announced on July 17, 2019.

(g) Collateral management and others include primarily collateral management costs of $1.2 million, a supplier credit term charge of $1.2 million and accretion costs relating to the acquisition of Just Ventures of $0.5 million.

13 PROVISIONS

During fiscal 2019, Just Energy's management team approved several restructuring actions including targeted workforce reductions. These actions include the elimination of over 200 positions. The actions are in direct alignment with Just Energy's ongoing transition to a consumer-focused company and are expected to generate future cost savings.

	Three months ended June 30, 2019
Balance, beginning of the period	$ 6,616
Restructuring costs paid during the quarter	(3,146)
Balance, end of the period	$ 3,470

14 INCOME TAXES

	Three months ended June 30, 2019	Three months ended June 30, 2018
Current income tax expense (recovery)	**$ 462**	$ (1,257)
Deferred income tax expense (recovery)	**(2,756)**	5,940
Provision for (recovery of) income taxes	**$ (2,294)**	$ 4,683

15 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.

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

	Three months ended June 30, 2019		Year ended March 31, 2019	
	Shares	**Amount**	Shares	Amount
Common shares:				
Issued and outstanding				
Balance, beginning of period	**149,595,952**	**$ 1,088,538**	148,394,152	$ 1,079,055
Share-based awards exercised	**1,344,288**	**6,960**	1,201,800	9,483
Balance, end of period	**150,940,240**	**$ 1,095,498**	149,595,952	$ 1,088,538
Preferred shares:				
Issued and outstanding				
Balance, beginning of period	**4,662,165**	**$ 146,965**	4,323,300	$ 136,771
Shares issued for cash	**–**	**–**	338,865	10,447
Preferred shares issuance cost	**–**	**–**	–	(253)
Balance, end of period	**4,662,165**	**$ 146,965**	4,662,165	$ 146,965
Shareholders' capital	**155,602,405**	**$ 1,242,463**	154,258,117	$ 1,235,503

16 REPORTABLE BUSINESS SEGMENTS

Just Energy's reportable segments are 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.

Transactions between 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 residential customer equivalents 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 interim financial statements.

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, 2019:

	Consumer segment	Commercial segment	Corporate and shared services	Consolidated
Sales	$ 409,998	$ 260,167	$ –	$ 670,165
Gross margin	105,976	26,316	–	132,292
Depreciation of property and equipment	2,950	38	–	2,988
Amortization of intangible assets	6,920	692	–	7,612
Administrative expenses	11,235	6,151	23,417	40,803
Selling and marketing expenses	41,800	19,904	–	61,704
Other operating expenses	23,730	1,435	–	25,165
Operating profit (loss) for the period	$ 19,341	$ (1,904)	$ (23,417)	$ (5,980)
Finance costs				(23,546)
Change in fair value of derivative instruments and other				(241,999)
Other expenses, net				(740)
Recovery of income taxes				2,294
Loss for the period from continuing operations				$ (269,971)
Loss from discontinued operations				$ (5,189)
Loss for the period				$ (275,160)
Capital expenditures	$ 9,170	$ 749	$ –	$ 9,919
As at June 30, 2019				
Total goodwill	$ 172,072	$ 165,324	$ –	$ 337,396
Total assets	$ 1,117,434	$ 419,380	$ –	$ 1,536,814
Total liabilities	$ 1,713,787	$ 204,250	$ –	$ 1,918,037

For the three months ended June 30, 2018:

	Consumer segment	Commercial segment	Corporate and shared services	Consolidated
Sales	$ 434,364	$ 268,151	$ –	$ 702,515
Gross margin	100,807	31,788	–	132,595
Depreciation of property and equipment	844	45	–	889
Amortization of intangible assets	3,728	342	–	4,070
Administrative expenses	7,224	6,683	26,024	39,931
Selling and marketing expenses	26,923	15,042	–	41,965
Other operating expenses	16,234	2,166	–	18,400
Restructuring costs	1,612	305	–	1,917
Operating profit (loss) for the period	$ 44,242	$ 7,205	$ (26,024)	$ 25,423
Finance costs				(16,313)
Change in fair value of derivative instruments and other				(68,441)
Other expenses, net				(13)
Provision for income taxes				4,683
Loss for the period from continuing operations				$ (64,028)
Profit from discontinued operations				$ 22,605
Loss for the period				$ (41,423)
Capital expenditures	$ 9,181	$ 674	$ –	$ 9,855
As at June 30, 2018				
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

Sales from external customers
The revenue is based on the location of the customer.

	Three months ended June 30, 2019	Three months ended June 30, 2018
Canada	**$ 75,485**	$ 89,228
United States	**594,680**	613,287
Total	**$ 670,165**	$ 702,515

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

	As at June 30, 2019	As at March 31, 2019
Canada	**$ 196,843**	$ 266,775
United States	**293,531**	223,802
International	**–**	7,941
Total	**$ 490,374**	$ 498,518

17 OTHER EXPENSES

(a) Other operating expenses

	Three months ended June 30, 2019	Three months ended June 30, 2018
Amortization of intangible assets	$ 7,612	$ 4,070
Depreciation of property and equipment	2,988	889
Bad debt expense	17,287	16,706
Share-based compensation	7,118	1,694
Other	760	–
	$ 35,765	$ 23,359

(b) Employee benefits expense

	Three months ended June 30, 2019	Three months ended June 30, 2018
Wages, salaries and commissions	$ 61,757	$ 61,508
Benefits	7,270	4,881
	$ 69,027	$ 66,389

18 LOSS PER SHARE

	For the three months ended June 30, 2019	For the three months ended June 30, 2018
BASIC LOSS PER SHARE		
Loss from continuing operations available to shareholders	$ (269,971)	$ (64,028)
Dividend to preferred shareholders – net of tax	2,450	2,343
Loss from continuing operations available to shareholders – net	(272,421)	(66,371)
Basic weighted average shares outstanding	149,846,539	148,472,715
Basic loss per share from continuing operations available to shareholders	$ (1.82)	$ (0.45)
Basic loss per share available to shareholders	$ (1.85)	$ (0.29)
DILUTED LOSS PER SHARE		
Loss from continuing operations available to shareholders	$ (272,421)	$ (66,371)
Adjusted loss from continuing operations available to shareholders	$ (272,421)	$ (66,371)
Basic weighted average shares outstanding	149,846,539	148,472,715
Dilutive effect of:		
Restricted share and performance bonus grants	3,123,247[1]	3,034,501[1]
Deferred share grants	184,546[1]	115,184[1]
Convertible debentures	30,662,288[1]	44,438,208[1]
Shares outstanding on a diluted basis	183,816,620	196,060,608
Diluted loss from continuing operations per share available to shareholders	$ (1.82)	$ (0.45)
Diluted loss per share available to shareholders	$ (1.85)	$ (0.29)

1 The assumed conversion into shares results in an anti-dilutive position; therefore, these items have not been included in the computation of diluted loss per share. The potentially dilutive instruments are the convertible features on the 6.5% convertible bonds, 6.75% $160M convertible debentures and 6.75% $100M convertible debentures as well as the stock options and share grants.

19 RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL REMUNERATION

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial or operating decisions. The definition includes subsidiaries and other persons.

The acquisition of Filter Group gives rise to a related party transaction as the CEO of Filter Group is the son of the Executive Chair of Just Energy. During the three months ended June 30, 2019, $10.6 million of deferred purchase consideration related to the acquisition of Filter Group was repaid.

20 DIVIDENDS PAID

For the quarter ended June 30, 2019, dividends of $0.125 (2018 – $0.125) per common share were declared by Just Energy. These dividends amounted to $18,714 (2018 – $19,074) and were approved by the Board of Directors and were paid out during the period.

For the quarter ended June 30, 2019, distributions of $0.125 (2018 – $0.50) per common share for share grants were declared by Just Energy. These distributions amounted to $23 (2018 – $525), which was paid in accordance with the terms of the Canadian and U.S. plans during the period.

For the quarter ended June 30, 2019, dividends of US$0.53125 (2018 – $0.53125) per preferred share were declared by Just Energy. These dividends amounted to $3,333 (2018 – $3,188) and were approved by the Board of Directors and were paid out during the period.

21 COMMITMENTS AND GUARANTEES

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

As at June 30, 2019

	Less than 1 year	1–3 years	4–5 years	More than 5 years	Total
Gas, electricity and non-commodity contracts	$ 1,524,002	$ 1,631,593	$ 357,763	$ 115,362	$ 3,628,720

On October 9, 2018, Just Energy announced that it has entered into a Multi-Year Contingent Business Interruption Insurance Agreement (the "Insurance").

The Insurance primarily complements Just Energy's risk management program and is intended to mitigate the impacts to the Company due to, among other things, natural disasters and unusual winter freezes in Texas.

The Insurance provides up to US$25 million of insured limit per event, US$50 million per year and US$225 million of limit over an 80-month term, covering risks such as loss of income due to natural perils, sabotage, terrorism including cyber-attack, increased cost of supply from damage to supply and distribution infrastructure, interruption due to damage to customer property, losses in excess of Just Energy's weather derivative program recoveries, and any unforeseen or unplanned weather related loss.

Guarantees

Pursuant to separate arrangements with several bond agencies, the Hanover Insurance Group 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, 2019 amounted to $65.5 million.

As at June 30, 2019, Just Energy had total letters of credit outstanding in the amount of $73.0 million (Note 12(a)).