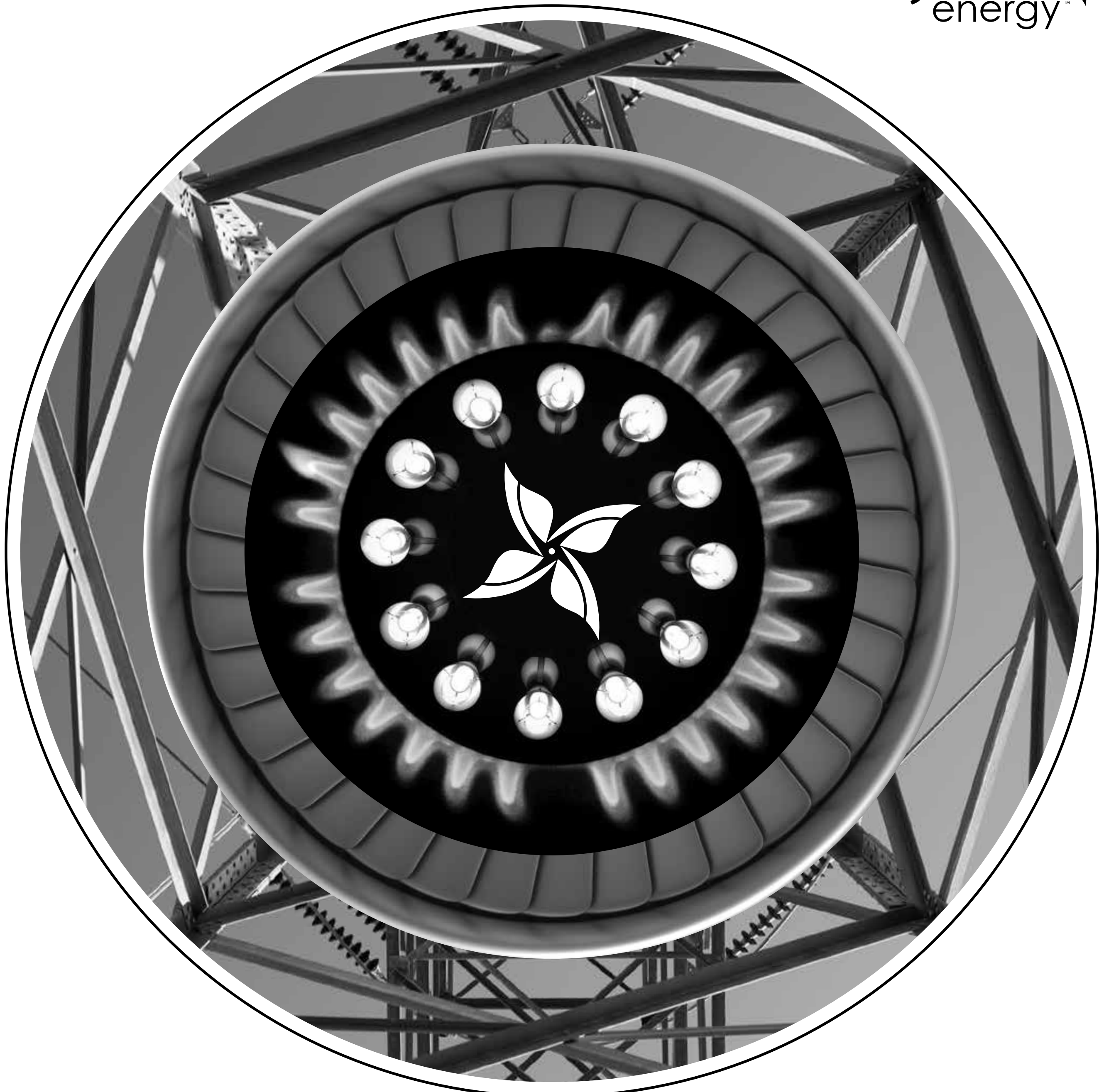
just energy™



INSIGHT ACTION RESULTS

2017 SECOND QUARTER REPORT TO SHAREHOLDERS

Highlights of continuing operations for the three months ended September 30, 2016 included:

- Gross margin increased 10% year over year to $183.5 million as a result of continued margin improvement efforts and strong contribution from the U.S. markets.
- Base EBITDA of $56.9 million represented an increase of 24% year over year, primarily as a result of operational improvements. Base EBITDA includes $7.7 million of prepaid commission expense for the quarter compared with $3.4 million expensed in the same period last year. Excluding this incremental $4.3 million of expense, Base EBITDA increased by 34% to $61.2 million for the second quarter of fiscal 2017. Management continues its focus on operational profitability.
- Base Funds from Operations ("Base FFO") increased 39% to $52.6 million from the $37.8 million reported in the prior comparable period. This was due to the 24% increase in Base EBITDA as well as a $2.4 million increase from the adjustment required to reflect net cash receipts from gas sales. The payout ratio on Base Funds from Operations was 36% for the quarter.
- Cash and cash equivalents were $118.8 million at September 30, 2016, a decrease from $127.6 million at March 31, 2016, primarily due to normal working capital needs and refinancing efforts in the first half of fiscal 2017.
- Total debt was $644.0 million as of September 30, 2016, a 3% decrease from $660.5 million as of March 31, 2016. Book value of net debt to trailing 12-month EBITDA was 2.4x, lower than both the 2.6x and 3.0x reported for March 31, 2016 and the prior comparable period, respectively.
- Gross customer additions for the second quarter were 196,000, a decrease from the 290,000 customers added in the second quarter of fiscal 2016. Net additions were a negative 75,000 for the quarter, compared with 4,000 net customer additions in the second quarter of fiscal 2016.
- Management reaffirms fiscal 2017 Base EBITDA guidance of $223 million to $233 million, reflecting continued strong double-digit year over year growth.

Message from the Co-Chief Executive Officers

Dear fellow shareholders,

Fiscal 2017 is off to a good start as the first-half results have placed Just Energy on a clear path to achieving our financial expectations for the year and demonstrating significant progress along our strategic initiatives for the Company. While our sales were lower during the quarter as a result of the decrease in customer base and lower U.S. selling prices after currency conversion to Canadian dollars, our operational performance improvements and ongoing margin improvement initiative continued to drive strong financial results.

We remain steadfast in our belief that the refusal to engage in risky pricing tactics that have developed within the industry during the current commodity price environment is the appropriate strategy for Just Energy. While that strategy is resulting in some near-term reduction in the customer base, we are changing the business foundation and repositioning the Company to capture more accretive profit and cash flow by not allowing our team to chase market share at the expense of margin. The success of this strategy continues to be evident in our results. During the quarter, we grew gross margin by 10% and delivered Base EBITDA growth of 24%, or 34% when normalizing for the prepaid commission expense.

We also continue to demonstrate our ability to generate meaningful cash flow. Over the first six months of fiscal 2017, we grew Base Funds from Operations by an impressive 39%. Our cash flow generation capability, combined with our balance sheet improvement strategy, has allowed us to improve our debt ratios significantly and drive our payout ratio down to 36% during the quarter, the lowest single-quarter payout ratio in Company history. As a result of certain debt reduction and refinancing actions, Company long-term debt has decreased 3% during the fiscal year, resulting in a book value of net debt ratio of 2.4x on a trailing 12-month basis. This is an improvement from 2.6x at the start of fiscal 2017 and 3.0x one year ago.

Our first-half results continue to provide confidence that we can deliver on our previously provided Base EBITDA guidance for the full year. We are continuing to embrace customers and build longer-term loyalty programs, and our geographic expansion plans in Europe are on track to expand to two new nations this year. Our differentiated product suite will drive our market position growth in a very profitable manner moving forward and ultimately secure our position as a world-class energy management solutions provider globally.

We want to thank the entire Board for their continued support of the strategy and business, and all of our employees for their ongoing dedication and hard work.

Yours truly,

/s/ Deb Merril

/s/ James Lewis

Deb Merril
Co-Chief Executive Officer

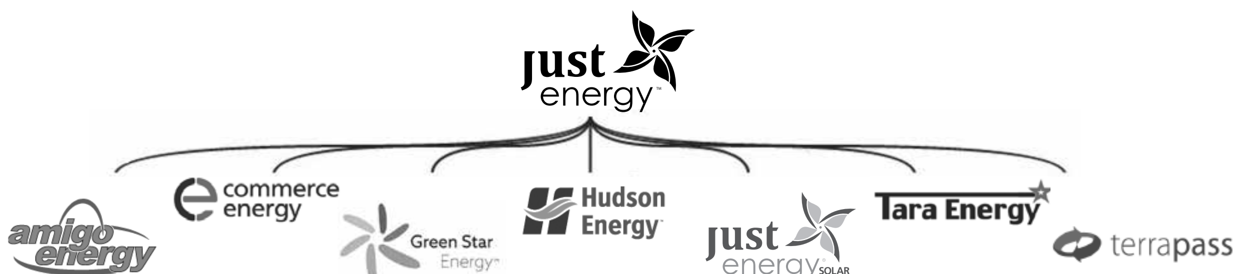
James Lewis
Co-Chief Executive Officer

Management's discussion and analysis ("MD&A") – November 9, 2016

The following discussion and analysis is a review of the financial condition and operating results of Just Energy Group Inc. ("JE" or "Just Energy" or the "Company") for the three and six months ended September 30, 2016. It has been prepared with all information available up to and including November 9, 2016. This analysis should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the three and six months ended September 30, 2016. 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. Quarterly reports, the annual report and supplementary information can be found on Just Energy's corporate website at www.justenergygroup.com. Additional information can be found on SEDAR at www.sedar.com or on the U.S. Securities and Exchange Commission's website at www.sec.gov. Information contained within the annual MD&A is not discussed if it remains substantially unchanged.

Company overview

Established under the laws of Canada, Just Energy is an energy management solutions provider specializing in electricity, natural gas, solar and renewable energy options. Currently operating in Canada, the United States and the United Kingdom, the Company offers a wide range of energy products and home energy management services including long-term fixed-price, variable-price, and flat-bill programs, smart thermostats, and residential solar panel installations. Just Energy's margin or gross profit is derived from the difference between the commodity sale price to its customers and the related purchase price from its suppliers. Just Energy is the parent company of Amigo Energy, Commerce Energy, Green Star Energy, Hudson Energy, Just Energy Solar, Tara Energy and TerraPass.



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

Forward-looking information

This MD&A contains certain forward-looking information pertaining to customer additions and renewals, customer consumption levels, EBITDA, Base EBITDA, Funds from Operations, Base Funds from Operations and treatment under governmental regulatory regimes. 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, levels of customer natural gas and electricity consumption, extreme weather conditions, rates of customer additions and renewals, customer attrition, fluctuations in natural gas and electricity prices, changes in regulatory regimes, decisions by regulatory authorities, competition, the results of litigation, 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 the Annual Information Form and other reports on file with security regulatory authorities, which can be accessed on our corporate website at www.justenergygroup.com, or through the SEDAR website at www.sedar.com or at the U.S. Securities and Exchange Commission's website at www.sec.gov.

Key terms

"$100m convertible debentures" refers to the $100 million in convertible debentures issued by the Company to finance the purchase of Fulcrum Retail Holdings, LLC, effective October 1, 2011. See "Debt and financing for operations" on page 22 for further details.

"$330m convertible debentures" refers to the $330 million in convertible debentures issued by Just Energy to finance the purchase of Hudson Energy Services, LLC, effective May 1, 2010. See "Debt and financing for operations" on page 22 for further details.

"$150m convertible bonds" refers to the US$150 million in convertible bonds issued in January 2014. Net proceeds were used to redeem Just Energy's outstanding $90 million convertible debentures on March 19, 2014 and pay down Just Energy's line of credit. See "Debt and financing for operations" on page 22 for further details.

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

"Customer" does not refer to an individual customer but instead to an RCE (see key term below).

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

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

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

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

Non-IFRS financial measures

Just Energy's consolidated financial statements are prepared in compliance with IFRS. All non-IFRS financial measures do not have standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

EBITDA

"EBITDA" refers to earnings before finance costs, taxes, depreciation and amortization. This 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 on future supply positions as well as reflecting an adjustment for share-based compensation. This measure reflects operational profitability as the non-cash share-based compensation expense is treated as an equity issuance for the purpose of this calculation, as it will be settled in shares and the mark to market gains (losses) are associated with supply already sold in the future at fixed prices.

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 but there is a requirement to mark to market the future supply contracts. This creates unrealized gains (losses) depending upon current supply pricing. Management believes that these short-term mark to market non-cash gains (losses) do not impact the long-term financial performance of Just Energy and management has therefore excluded them from the Base EBITDA calculation.

FUNDS FROM OPERATIONS ("FFO")

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

BASE FUNDS FROM OPERATIONS ("BASE FFO")

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

BASE FUNDS FROM OPERATIONS PAYOUT RATIO

The payout ratio for Base Funds from Operations means dividends declared and paid as a percentage of Base Funds from Operations.

EMBEDDED GROSS MARGIN

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

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

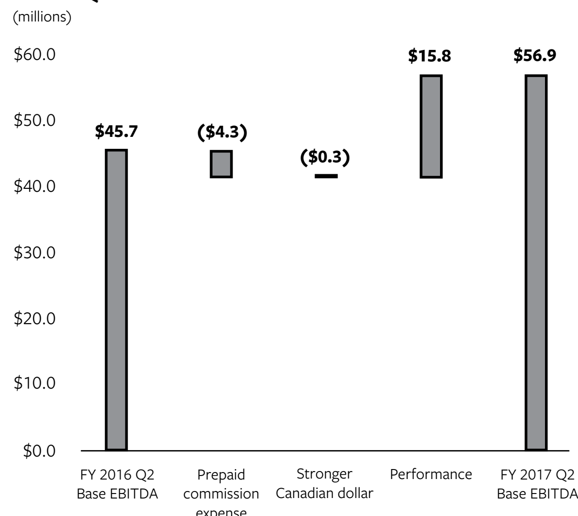
Financial highlights

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

	Fiscal 2017	% increase (decrease)	Fiscal 2016
Sales	**$ 992,828**	**(9)%**	$ 1,087,256
Gross margin	**183,534**	**10%**	167,155
Administrative expenses	**46,717**	**16%**	40,294
Selling and marketing expenses	**59,454**	**(9)%**	65,248
Finance costs	**17,882**	**1%**	17,641
Loss[1]	**(161,608)**	**NMF[3]**	(88,258)
Loss per share available to shareholders – basic	**(1.13)**		(0.62)
Loss per share available to shareholders – diluted	**(1.13)**		(0.62)
Dividends/distributions	**18,814**	**1%**	18,701
Base EBITDA[2]	**56,851**	**24%**	45,685
Base Funds from Operations[2]	**52,561**	**39%**	37,775
Payout ratio on Base Funds from Operations[2]	**36%**		50%

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

Just Energy delivered another quarter of strong operating and financial performance for the three months ended September 30, 2016 with gross margin of $183.5 million, 10% higher than the prior comparable quarter, and Base EBITDA of $56.9 million, 24% better than the second quarter of fiscal 2016. The Company's reported Base EBITDA in the second quarter of fiscal 2017 includes $7.7 million of prepaid commission expense, an increase from $3.4 million included in the second quarter of fiscal 2016. Excluding this incremental $4.3 million of additional selling expense, Base EBITDA increased by 34% to $61.2 million in comparison to $45.7 million reported for the second quarter of fiscal 2016. The $15.5 million improvement in Base EBITDA was driven by $15.8 million of operational performance improvements offset by $0.3 million of foreign currency impact from the stronger Canadian dollar. The Company's financial highlights for the three months ended September 30, 2016 are shown in the accompanying graph.



Financial highlights

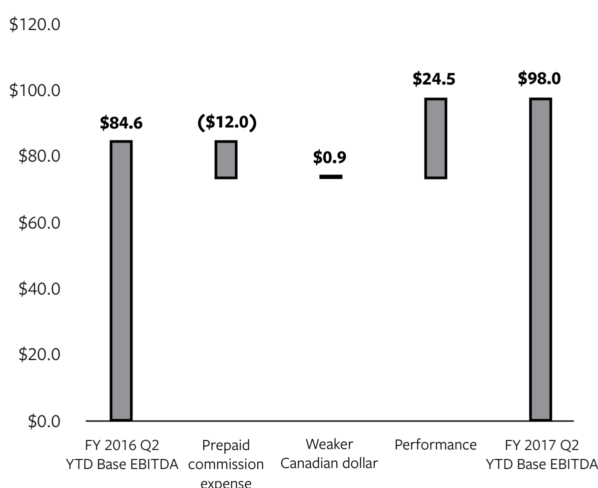
For the six months ended September 30
(thousands of dollars, except where indicated and per share amounts)

	Fiscal 2017	% increase (decrease)	Fiscal 2016
Sales	**$ 1,891,237**	**(6)%**	$ 2,020,271
Gross margin	**346,206**	**9%**	318,062
Administrative expenses	**91,418**	**17%**	77,892
Selling and marketing expenses	**117,244**	**(8)%**	128,029
Finance costs	**35,855**	**4%**	34,497
Profit[1]	**321,063**	**NMF[3]**	41,413
Profit per share available to shareholders – basic	**2.10**		0.24
Profit per share available to shareholders – diluted	**1.71**		0.23
Dividends/distributions	**37,607**	**1%**	37,400
Base EBITDA[2]	**97,992**	**16%**	84,560
Base Funds from Operations[2]	**78,230**	**16%**	67,594
Payout ratio on Base Funds from Operations[2]	**48%**		55%
Embedded gross margin[2]	**1,894,600**	**(3)%**	1,957,000
Total customers (RCEs)	**4,311,000**	**(7)%**	4,613,000

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

For the six months ended September 30, 2016, gross margin was $346.2 million, 9% higher than the prior comparable period, and Base EBITDA amounted to $98.0 million, 16% better than the first six months of fiscal 2016. The Company's reported Base EBITDA for the six months ended September 30, 2016 includes $16.6 million of prepaid commission expense, an increase from $4.6 million included in the prior comparable period of fiscal 2016. Excluding this incremental $12.0 million of selling expense, Base EBITDA increased by 30% to $110.0 million in comparison to $84.6 million reported for the six months ended September 30, 2015. Of this $25.4 million improvement in Base EBITDA, $0.9 million was due to the foreign currency impact from the weaker Canadian dollar and $24.5 million was driven by operational performance improvements. The Company's financial highlights for the six months ended September 30, 2016 are shown in the accompanying graph.

FY2017 Q2 YTD BASE EBITDA
(millions)



Operations overview

CONSUMER DIVISION

The sale of gas and electricity to customers with annual consumption equivalent to 15 RCEs and less is undertaken by the Consumer division. Marketing of the energy products of this division is primarily done through online marketing, door-to-door marketing and telemarketing efforts. Consumer customers make up 42% of Just Energy's customer base, which is currently focused on longer-term price-protected, flat-bill and variable rate product offerings as well as JustGreen products. To the extent that certain markets are better served by shorter-term or enhanced variable rate products, the Consumer division's sales channels also offer these products.

As a conservation solution, smart thermostats are offered as a bundled product with commodity contracts, but were also sold previously as a stand-alone unit. The smart thermostats are manufactured and distributed by ecobee Inc. ("ecobee"), a company in which Just Energy holds a 10% fully diluted equity interest.

COMMERCIAL DIVISION

Customers with annual consumption equivalent to over 15 RCEs are served by the Commercial division. These sales are made through three main channels: brokers; door-to-door commercial independent contractors; and inside commercial sales representatives. Commercial customers make up 58% of Just Energy's customer base. Products offered to Commercial customers can range from standard fixed-price offerings to "one off" offerings, which are tailored to meet the customer's specific needs. These products can be either fixed or floating rates or a blend of the two, and normally have terms of less than five years. Gross margin per RCE for this division is lower than Consumer margins, but customer aggregation costs and ongoing customer care costs per RCE are lower as well. Commercial customers have significantly lower attrition rates than those of Consumer customers.

RESIDENTIAL SOLAR DIVISION

Just Energy entered into a partnership with Spruce Finance Inc. ("Spruce"), formerly Clean Power Finance, where Just Energy acts as an originator of residential solar deals that are financed and installed by Spruce. This agreement unites Just Energy's strengths in customer acquisitions and service with Spruce's solar finance and fulfillment capabilities. Spruce's online platform allows Just Energy to sell residential solar finance products and connects the Company with a national network of qualified solar installation professionals. Just Energy is also able to sell complementary energy management solutions to solar customers.

Just Energy began marketing solar energy solutions in fiscal 2016 with the results of operations included in the Consumer division.

ABOUT THE ENERGY MARKETS

Natural gas

Just Energy offers natural gas customers a variety of products ranging from month-to-month variable-price contracts to five-year fixed-price contracts. Gas supply is purchased from market counterparties based on forecasted Consumer and small Commercial RCEs. For larger Commercial customers, gas supply is generally purchased concurrently with the execution of a contract. Variable rate products allow customers to maintain competitive rates while retaining the ability to lock into a fixed price at their discretion. Flat-bill products allow predictability by removing the price and the volume risk from customers' bills and guaranteeing the same price every month for their energy supply based on a maximum annual household usage.

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

Territory	Gas delivery method
Ontario, Quebec, Manitoba and Michigan	The volumes delivered for a customer typically remain constant throughout the year. Sales are not recognized until the customer actually consumes the gas. During the winter months, gas is consumed at a rate that is greater than delivery and, in the summer months, deliveries to LDCs exceed customer 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, New Jersey, Pennsylvania, Saskatchewan and the United Kingdom	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 these markets is greatest during the third and fourth (winter) quarters, as cash is normally received from the LDCs in the same period as customer consumption.

Electricity

Just Energy services various territories in Canada, the U.S. and the U.K. with electricity. A variety of electricity solutions are offered, including fixed-price, flat-bill and variable-price products on both short-term and longer-term electricity contracts. Some of these products provide customers with price-protection programs for the majority of their electricity requirements. Just Energy uses historical usage data for all enrolled customers to predict future customer consumption and to help with long-term supply procurement decisions. The flat-bill product provides price and volume protection by guaranteeing the same price every month regardless of price fluctuations or changes in usage.

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

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

JustGreen

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

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

The Company currently sells JustGreen gas and electricity in eligible markets across North America. Of all Consumer customers who contracted with Just Energy in the past 12 months, 30% took JustGreen for some or all of their energy needs. On average, these customers elected to purchase 91% of their consumption as green supply. For comparison, as reported for the trailing 12 months ended September 30, 2015, 34% of Consumer customers who contracted with Just Energy chose to include JustGreen for an average of 91% of their consumption. As of September 30, 2016, JustGreen now makes up 12% of the Consumer gas portfolio, compared with 13% a year ago. JustGreen makes up 20% of the Consumer electricity portfolio, compared to 21% a year ago.

EBITDA

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

	Fiscal 2017	Fiscal 2016
Reconciliation to interim condensed consolidated statements of income (loss)		
Loss for the period	**$ (161,608)**	$ (88,258)
Add (subtract):		
Finance costs	**17,882**	17,641
Provision for (recovery of) income taxes	**4,881**	(9,198)
Amortization	**5,536**	10,801
EBITDA	**$ (133,309)**	$ (69,014)
Add (subtract):		
Change in fair value of derivative instruments	**194,389**	116,786
Share-based compensation	**1,425**	1,376
Profit attributable to non-controlling interest	**(5,654)**	(3,463)
Base EBITDA	**$ 56,851**	$ 45,685
Gross margin per interim condensed consolidated financial statements	**$ 183,534**	$ 167,155
Add (subtract):		
Administrative expenses	**(46,717)**	(40,294)
Selling and marketing expenses	**(59,454)**	(65,248)
Bad debt expense	**(14,818)**	(18,597)
Amortization included in cost of sales/selling and marketing expenses	**735**	6,056
Other income (expenses)	**(775)**	76
Profit attributable to non-controlling interest	**(5,654)**	(3,463)
Base EBITDA	**$ 56,851**	$ 45,685

EBITDA

For the six months ended September 30
(thousands of dollars)

	Fiscal 2017	Fiscal 2016
Reconciliation to interim condensed consolidated statements of income (loss)		
Profit for the period	**$ 321,063**	$ 41,413
Add:		
Finance costs	**35,855**	34,497
Provision for income taxes	**30,178**	12,649
Amortization	**10,033**	27,215
EBITDA	**$ 397,129**	$ 115,774
Add (subtract):		
Change in fair value of derivative instruments	**(290,948)**	(27,714)
Share-based compensation	**2,902**	2,722
Profit attributable to non-controlling interest	**(11,091)**	(6,222)
Base EBITDA	**$ 97,992**	$ 84,560
Gross margin per interim condensed consolidated financial statements	**$ 346,206**	$ 318,062
Add (subtract):		
Administrative expenses	**(91,418)**	(77,892)
Selling and marketing expenses	**(117,244)**	(128,029)
Bad debt expense	**(28,388)**	(36,231)
Amortization included in cost of sales/selling and marketing expenses	**1,454**	16,726
Other expenses	**(1,527)**	(1,854)
Profit attributable to non-controlling interest	**(11,091)**	(6,222)
Base EBITDA	**$ 97,992**	$ 84,560

For the three months ended September 30, 2016, Base EBITDA amounted to $56.9 million, an increase of 24% from $45.7 million in the prior comparable quarter. For the six months ended September 30, 2016, Base EBITDA amounted to $98.0 million, an increase of 16% from $84.6 million in the prior comparable period. The result for the three and six months ended September 30, 2016 includes the absorption of $4.3 million and $12.0 million, respectively, of additional deductions related to the change in classification of Commercial customer acquisition costs effective fiscal 2016. The exclusion of these additional expenses would have resulted in Base EBITDA growth of 34% and 30%, respectively, for the three and six months ended September 30, 2016, primarily as a result of operational improvements, including strong gross margin contribution from the U.S. and U.K. markets.

Sales decreased by 9% for the second quarter ended September 30, 2016, reflecting the 7% decrease in customer base and lower U.S. selling prices resulting from lower commodity market prices. Gross margin was up 10% as a result of higher realized margin per customer in the current period due to the continued disciplined pricing performance to achieve the Company's desired target gross margin per customer throughout the Consumer and Commercial customer base. Gross margin for the three months ended September 30, 2016 decreased by $2.6 million over the prior quarter as a result of the stronger Canadian dollar, with the offset of $19.0 million in additional gross margin resulting from the aforementioned operational improvements.

Administrative expenses increased by 16% from $40.3 million to $46.7 million. The increase over the prior comparable quarter included higher costs required to support customer growth in the U.K., international expansion as well as efforts relating to new strategic initiatives.

Selling and marketing expenses for the three months ended September 30, 2016 were $59.5 million, a 9% decrease from $65.2 million reported in the prior comparable quarter. The decrease in selling and marketing expenses is due to lower commission costs associated with lower gross customer additions, as well as decreased residual commission expenses.

Effective fiscal 2016, newly capitalized commissions are classified as a current asset (prepaid expense) instead of a non-current asset (contract initiation costs). This change is a result of management's effort to reduce the average term of capitalized commission to 12 months going forward, which will reduce the outlay of cash at the time of contract signing. The fiscal 2017 guidance includes deductions to Base EBITDA of $30.0 million to $35.0 million for prepaid commercial commissions, which would previously have been included as amortization within selling and marketing expenses. This represents a $12.0 million to $17.0 million increase in this expense over fiscal 2016, which Just Energy expects to offset with continued strong gross margin performance.

Bad debt expense was $14.8 million for the three months ended September 30, 2016, a decrease of 20% from $18.6 million recorded for the prior comparable quarter, resulting from fewer write-offs in the Consumer operations in Texas. For the six months ended September 30, 2016, the bad debt expense of $28.4 million represents approximately 1.9% of revenue in the jurisdictions where the Company bears the credit risk, down from the 2.6% of revenue reported for the six months ended September 30, 2015. Management anticipates that the bad debt as a percentage of sales will be within management's targeted range of 2% to 3% for the full year fiscal 2017.

For the six months ended September 30, 2016, sales decreased by 6% primarily due to the 7% decrease in customer base while the gross margin increased by 9%, primarily as a result of the Company's ongoing margin improvement initiative. For the six months ended September 30, 2016, administrative expenses increased by 17% from $77.9 million to $91.4 million. The increase over the prior comparable quarter included growth in the U.K., costs associated with international expansion and efforts relating to new strategic initiatives. For the six months ended September 30, 2016, selling and marketing expenses were $117.2 million, a decrease of 8% from $128.0 million in the prior comparable period, due to lower commission from lower gross additions in the current period as well as lower residual commission expenses.

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 Sept. 30, 2016	As at June 30, 2016	Sept. 30 vs. June 30 variance	As at Sept. 30, 2015	2016 vs. 2015 variance
Energy marketing	**$ 1,894.6**	$ 1,936.5	(2)%	$ 1,957.0	(3)%

Management's estimate of the future embedded gross margin within its customer contracts amounted to $1,894.6 million as of September 30, 2016, a decrease of 2% compared to the embedded gross margin as of June 30, 2016, and a decrease of 3% compared to a year ago. The decrease in customer base in the quarter led to the lower embedded gross margin compared with three months and a year ago.

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

Funds from Operations

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

	Fiscal 2017	Fiscal 2016
Cash inflow from operations	**$ 61,091**	$ 15,418
Add (subtract):		
Changes in non-cash working capital	**(2,361)**	31,365
Profit attributable to non-controlling interest	**(5,654)**	(3,463)
Tax adjustment	**2,678**	(1,874)
Funds from Operations	**$ 55,754**	$ 41,446
Less: Maintenance capital expenditures	**(3,193)**	(3,671)
Base Funds from Operations	**$ 52,561**	$ 37,775
Gross margin from interim condensed consolidated financial statements	**$ 183,534**	$ 167,155
Add (subtract):		
Adjustment required to reflect net cash receipts from gas sales	**14,269**	11,848
Administrative expenses	**(46,717)**	(40,294)
Selling and marketing expenses	**(59,454)**	(65,248)
Bad debt expense	**(14,818)**	(18,597)
Current income tax provision	**(2,571)**	(2,221)
Amortization included in cost of sales/selling and marketing expenses	**735**	6,056
Other income (expenses)	**(775)**	76
Financing charges, non-cash	**5,177**	3,865
Finance costs	**(17,882)**	(17,641)
Other non-cash adjustments	**(5,744)**	(3,553)
Funds from Operations	**$ 55,754**	$ 41,446
Less: Maintenance capital expenditures	**(3,193)**	(3,671)
Base Funds from Operations	**$ 52,561**	$ 37,775
Base Funds from Operations payout ratio	**36%**	50%
Dividends/distributions		
Dividends	**$ 18,471**	$ 18,364
Distributions for share-based awards	**343**	337
Total dividends/distributions	**$ 18,814**	$ 18,701

Funds from Operations

For the six months ended September 30
(thousands of dollars)

	Fiscal 2017	Fiscal 2016
Cash inflow from operations	**$ 80,138**	$ 69,691
Add (subtract):		
Changes in non-cash working capital	**9,572**	7,250
Profit attributable to non-controlling interest	**(11,091)**	(6,222)
Tax adjustment	**7,138**	2,424
Funds from Operations	**$ 85,757**	$ 73,143
Less: Maintenance capital expenditures	**(7,527)**	(5,549)
Base Funds from Operations	**$ 78,230**	$ 67,594
Gross margin from interim condensed consolidated financial statements	**$ 346,206**	$ 318,062
Add (subtract):		
Adjustment required to reflect net cash receipts from gas sales	**19,525**	20,231
Administrative expenses	**(91,418)**	(77,892)
Selling and marketing expenses	**(117,244)**	(128,029)
Bad debt expense	**(28,388)**	(36,231)
Current income tax provision	**(4,626)**	(4,340)
Amortization included in cost of sales/selling and marketing expenses	**1,454**	16,726
Other expenses	**(1,527)**	(1,854)
Financing charges, non-cash	**8,901**	7,360
Finance costs	**(35,855)**	(34,497)
Other non-cash adjustments	**(11,271)**	(6,393)
Funds from Operations	**$ 85,757**	$ 73,143
Less: Maintenance capital expenditures	**(7,527)**	(5,549)
Base Funds from Operations	**$ 78,230**	$ 67,594
Base Funds from Operations payout ratio	**48%**	55%
Dividends/distributions		
Dividends	**$ 36,871**	$ 36,697
Distributions for share-based awards	**736**	703
Total dividends/distributions	**$ 37,607**	$ 37,400

Base FFO for the three months ended September 30, 2016 was $52.6 million, an increase of 39% compared with Base FFO of $37.8 million for the prior comparable quarter. The increase in Base FFO was higher than the increase in Base EBITDA due to the additional cash generated from gas deliveries compared with the prior period. For the six months ended September 30, 2016, Base FFO was $78.2 million, an increase of 16% from the prior comparable period when Base FFO was $67.6 million, consistent with the increase in Base EBITDA. Maintenance capital expenditures for the second quarter ended September 30, 2016 decreased 13% from the prior comparable quarter. For the six months ended September 30, 2016, maintenance capital expenditures increased by 36% over the prior comparable period due to information technology projects in support of the Company's operational improvement initiative.

Dividends and distributions for the three months ended September 30, 2016 were $18.8 million, an increase of 1% from the prior comparable quarter in fiscal 2016, resulting from the issuance of additional share-based awards to Just Energy employees. For the six months ended September 30, 2016, dividends and distributions were $37.6 million, an increase of 1% compared to $37.4 million reported for the six months ended September 30, 2015. The payout ratio on Base Funds from Operations was 36% for the three months ended September 30, 2016, compared to 50% reported in the second quarter of fiscal 2016, primarily resulting from the higher Base FFO described above. For the six months ended September 30, 2016, the payout ratio was 48%, compared with 55% in the prior comparable period. For the trailing 12 months ended September 30, 2016, the payout ratio was 50%, compared with a payout ratio of 62% for the trailing 12 months ended September 30, 2015.

Summary of quarterly results for operations

(thousands of dollars, except per share amounts)

	Q2 Fiscal 2017	Q1 Fiscal 2017	Q4 Fiscal 2016	Q3 Fiscal 2016
Sales	**$ 992,828**	$ 898,409	$ 1,075,880	$ 1,009,709
Gross margin	**183,534**	162,672	204,289	179,937
Administrative expenses	**46,717**	44,701	49,504	42,934
Selling and marketing expenses	**59,454**	57,790	62,259	67,061
Finance costs	**17,882**	17,973	20,312	17,731
Profit (loss) for the period	**(161,608)**	482,671	30,893	10,188
Profit (loss) for the period per share – basic	**(1.13)**	3.24	0.16	0.04
Profit (loss) for the period per share – diluted	**(1.13)**	2.51	0.14	0.04
Dividends/distributions paid	**18,814**	18,793	18,730	18,662
Base EBITDA	**56,851**	41,141	67,345	55,724
Base Funds from Operations	**52,561**	25,669	43,822	26,783
Payout ratio on Base Funds from Operations	**36%**	73%	43%	70%

	Q2 Fiscal 2016	Q1 Fiscal 2016	Q4 Fiscal 2015	Q3 Fiscal 2015
Sales	$ 1,087,256	$ 933,015	$ 1,209,879	$ 946,752
Gross margin	167,155	150,907	194,066	150,098
Administrative expenses	40,294	37,598	42,048	40,912
Selling and marketing expenses	65,248	62,781	63,980	52,968
Finance costs	17,641	16,856	16,684	19,525
Profit (loss) from continuing operations	(88,258)	129,671	(64,976)	(371,403)
Profit (loss) for the period	(88,258)	129,671	(63,441)	(206,193)
Profit (loss) for the period from continuing operations per share – basic	(0.62)	0.87	(0.46)	(2.56)
Profit (loss) for the period from continuing operations per share – diluted	(0.62)	0.71	(0.46)	(2.56)
Dividends/distributions paid	18,701	18,699	18,596	18,572
Base EBITDA	45,685	38,875	67,914	50,592
Base Funds from Operations	37,775	29,818	31,947	21,179
Payout ratio on Base Funds from Operations	50%	63%	58%	88%

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). While quarter over quarter comparisons are relevant, sequential quarters will vary materially. The main impact of this will normally be higher Base EBITDA in the third and fourth quarters (assuming consumption based on normal winter weather) and lower Base EBITDA in the first and second quarters. This impact is lessening as current net customer additions are concentrated in electricity, which traditionally experiences less seasonality than natural gas.

Analysis of the second quarter

Sales decreased by 9% to $992.8 million for the three months ended September 30, 2016 from $1,087.3 million recorded in the second quarter of fiscal 2016. The Consumer and Commercial divisions' sales decreased by 6% and 12%, respectively, due to the 7% decrease in customer base and the lower U.S. selling prices when converted to Canadian dollars, resulting from lower commodity market prices.

Gross margin was $183.5 million, an increase of 10% from the prior comparable quarter, as a result of continued margin improvement efforts across all markets, with a particularly strong contribution from the U.S. markets.

Administrative expenses for the three months ended September 30, 2016 increased by 16% from $40.3 million to $46.7 million as a result of costs to serve the growing customer base in the U.K., international expansion costs as well as efforts relating to new strategic initiatives.

Selling and marketing expenses for the three months ended September 30, 2016 were $59.5 million, a 9% decrease from $65.2 million reported in the prior comparable quarter. This decrease is largely attributable to lower commission expense due to a reduction in gross customer additions in the current quarter, as well as decreased residual commission costs.

Finance costs for the three months ended September 30, 2016 amounted to $17.9 million, an increase of 1% from $17.6 million reported for the three months ended September 30, 2015. The increase in finance costs was a result of the amortization of debt issuance costs related to the increase in the credit facility compared to the same period in the prior fiscal year.

The change in fair value of derivative instruments resulted in a non-cash loss of $194.4 million for the three months ended September 30, 2016, compared to a non-cash loss of $116.8 million in the prior comparative quarter, as market prices relative to Just Energy's future electricity supply contracts decreased by an average of $3.34/MWh, while future gas contracts increased by an average of $0.36/GJ during the three months ended September 30, 2016. The loss for the three months ended September 30, 2016 was $161.6 million, representing a loss per share of $1.13 on a basic and diluted basis. For the prior comparable quarter, the loss was $88.3 million, representing a loss per share of $0.62 on a basic and diluted basis. 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 but there is a requirement to mark to market the future supply contracts. This creates unrealized gains (losses) depending upon current supply pricing. Management believes that these short-term mark to market non-cash gains (losses) do not impact the long-term financial performance of Just Energy.

Base EBITDA was $56.9 million for the three months ended September 30, 2016, a 24% increase from $45.7 million in the prior comparable period. The Company's reported Base EBITDA in the second quarter of fiscal 2017 includes an additional $4.3 million of prepaid commission expense, reflecting the change in classification of prepaid commissions to a current asset effective April 1, 2016. Excluding this additional expense item, Base EBITDA increased by 34% to $61.2 million for the second quarter of fiscal 2017. The $15.5 million improvement in Base EBITDA was driven by $15.8 million of operational performance improvements primarily in the Company's North American energy markets, offset by $0.3 million of foreign currency impact from the stronger Canadian dollar.

Base FFO was $52.6 million for the second quarter of fiscal 2017, up 39% compared to $37.8 million in the prior comparable quarter as a result of the 24% increase in Base EBITDA as well as the adjustment required to reflect net cash receipts from gas sales being greater than in the prior comparative quarter.

Dividends/distributions paid were $18.8 million, an increase of 1% over the prior comparable period based on a consistent annual dividend rate of $0.50 per share but reflecting additional share-based awards granted to Just Energy employees. The payout ratio for the three months ended September 30, 2016 was 36%, compared with 50% in the prior comparable quarter.

Segmented Base EBITDA[1]

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

			Fiscal 2017
	Consumer division	**Commercial division**	**Consolidated**
Sales	**$ 527,286**	**$ 465,542**	**$ 992,828**
Cost of sales	**(396,655)**	**(412,639)**	**(809,294)**
Gross margin	**130,631**	**52,903**	**183,534**
Add (subtract):			
Administrative expenses	**(32,905)**	**(13,812)**	**(46,717)**
Selling and marketing expenses	**(36,259)**	**(23,195)**	**(59,454)**
Bad debt expense	**(9,232)**	**(5,586)**	**(14,818)**
Amortization included in cost of sales	**735**	**–**	**735**
Other expenses	**(262)**	**(513)**	**(775)**
Profit attributable to non-controlling interest	**(5,654)**	**–**	**(5,654)**
Base EBITDA from operations	**$ 47,054**	**$ 9,797**	**$ 56,851**

			Fiscal 2016
	Consumer division	Commercial division	Consolidated
Sales	$ 560,351	$ 526,905	$ 1,087,256
Cost of sales	(439,031)	(481,070)	(920,101)
Gross margin	121,320	45,835	167,155
Add (subtract):			
Administrative expenses	(31,730)	(8,564)	(40,294)
Selling and marketing expenses	(41,280)	(23,968)	(65,248)
Bad debt expense	(16,114)	(2,483)	(18,597)
Amortization included in cost of sales/selling and marketing expenses	625	5,431	6,056
Other income (expenses)	734	(658)	76
Profit attributable to non-controlling interest	(3,463)	–	(3,463)
Base EBITDA from operations	$ 30,092	$ 15,593	$ 45,685

1 The segment definitions are provided on pages 6 and 7.

Segmented Base EBITDA[1]

For the six months ended September 30
(thousands of dollars)

			Fiscal 2017
	Consumer division	**Commercial division**	**Consolidated**
Sales	**$ 991,352**	**$ 899,885**	**$ 1,891,237**
Cost of sales	**(735,973)**	**(809,058)**	**(1,545,031)**
Gross margin	**255,379**	**90,827**	**346,206**
Add (subtract):			
Administrative expenses	**(67,054)**	**(24,364)**	**(91,418)**
Selling and marketing expenses	**(71,661)**	**(45,583)**	**(117,244)**
Bad debt expense	**(20,999)**	**(7,389)**	**(28,388)**
Amortization included in cost of sales	**1,454**	**–**	**1,454**
Other expenses	**(335)**	**(1,192)**	**(1,527)**
Profit attributable to non-controlling interest	**(11,091)**	**–**	**(11,091)**
Base EBITDA from operations	**$ 85,693**	**$ 12,299**	**$ 97,992**

			Fiscal 2016
	Consumer division	Commercial division	Consolidated
Sales	$ 1,044,780	$ 975,491	$ 2,020,271
Cost of sales	(806,983)	(895,226)	(1,702,209)
Gross margin	237,797	80,265	318,062
Add (subtract):			
Administrative expenses	(59,669)	(18,223)	(77,892)
Selling and marketing expenses	(78,683)	(49,346)	(128,029)
Bad debt expense	(31,439)	(4,792)	(36,231)
Amortization included in cost of sales/selling and marketing expenses	1,178	15,548	16,726
Other expenses	(1,369)	(485)	(1,854)
Profit attributable to non-controlling interest	(6,222)	–	(6,222)
Base EBITDA from operations	$ 61,593	$ 22,967	$ 84,560

1 The segment definitions are provided on pages 6 and 7.

Consumer Energy contributed $47.1 million to Base EBITDA for the three months ended September 30, 2016, an increase of 56% from $30.1 million in the prior comparative quarter. Consumer gross margin increased 8% as a result of higher margin contribution per customer. Consumer administrative costs were up 4% in fiscal 2017 due to the increase in costs associated with international expansion and new strategic initiatives.

Commercial Energy's contribution to Base EBITDA for the three months ended September 30, 2016 decreased by $5.8 million primarily as a result of the additional $4.3 million of prepaid commission costs being included in Base EBITDA as a result of the change in classification effective fiscal 2016. Excluding the incremental $4.3 million in additional selling costs, Base EBITDA for the Commercial division would have decreased by 10% to $14.1 million as a result of the Company's operational improvement initiative being offset by higher administrative costs in the U.K. market, higher allocation of administrative corporate overhead expenses and higher bad debt in the U.S. market.

For the six months ended September 30, 2016, Base EBITDA was $98.0 million, an increase of 16% from $84.6 million recorded in the prior comparable period. The Consumer division contributed $85.7 million to Base EBITDA for the six months ended September 30, 2016, an increase of 39% from $61.6 million reported for the six months ended September 30, 2015. The Commercial division contributed $12.3 million to Base EBITDA, a 46% decrease from the prior comparable period, when the segment contributed $23.0 million. The decrease is primarily related to an additional $12.0 million in selling and marketing expenses related to the change in classification of prepaid expenses effective fiscal 2016.

Customer aggregation

	July 1, 2016	Additions	Attrition	Failed to renew	**Sept. 30, 2016**	% decrease	Sept. 30, 2015	% increase (decrease)
Consumer Energy								
Gas	642,000	26,000	(33,000)	(11,000)	**624,000**	(3)%	690,000	(10)%
Electricity	1,225,000	89,000	(70,000)	(39,000)	**1,205,000**	(2)%	1,215,000	(1)%
Total Consumer RCEs	1,867,000	115,000	(103,000)	(50,000)	**1,829,000**	(2)%	1,905,000	(4)%
Commercial Energy								
Gas	247,000	9,000	(7,000)	(4,000)	**245,000**	(1)%	240,000	2%
Electricity	2,272,000	72,000	(40,000)	(67,000)	**2,237,000**	(2)%	2,468,000	(9)%
Total Commercial RCEs	2,519,000	81,000	(47,000)	(71,000)	**2,482,000**	(1)%	2,708,000	(8)%
Total RCEs	4,386,000	196,000	(150,000)	(121,000)	**4,311,000**	(2)%	4,613,000	(7)%

Gross customer additions for the quarter ended September 30, 2016 were 196,000, a decrease of 32% compared to 290,000 customers added in the second quarter of fiscal 2016. The customer additions were lower in the current period due to market conditions as the commodity prices were lower and therefore more competitive across all markets, as well as an increased focus on the profitability of each customer, resulting in fewer customer additions. Additionally, the low and stable market conditions (no volatility) that have prevailed for the past two years have resulted in less customer switching.

Consumer customer additions amounted to 115,000 for the three months ended September 30, 2016, a 17% decrease from 139,000 gross customer additions recorded in the prior comparable quarter. The customer additions were lower in the current period due to market conditions as the commodity prices were lower and therefore more competitive across all markets, resulting in a decrease in customer additions through online and door-to-door marketing. As of September 30, 2016, the U.S., Canadian and U.K. segments accounted for 66%, 26% and 8% of the Consumer customer base, respectively.

Commercial customer additions were 81,000 for the three months ended September 30, 2016, a 46% decrease from 151,000 gross customer additions in the prior comparable quarter as a result of competitiveness in pricing and a more disciplined pricing strategy. Just Energy remains focused on increasing the gross margin per customer added for Commercial customers and, as a result, has been more selective in the margin added per customer. As of September 30, 2016, the U.S., Canadian and U.K. segments accounted for 75%, 18% and 7% of the Commercial customer base, respectively.

Net additions were a negative 75,000 for the second quarter of fiscal 2017, compared with 4,000 net customer additions in the second quarter of fiscal 2016, primarily as a result of the lower customer additions in North America and higher attrition in the Commercial division quarter over quarter. Just Energy continues to actively focus on improving retained customers' profitability rather than pursuing low margin growth.

In addition to the customers referenced in the above table, the Consumer customer base also includes 55,000 smart thermostat customers. These smart thermostats are bundled with a commodity contract and are currently offered in Ontario, Alberta and Texas. Customers with bundled products have lower attrition and higher overall profitability. Further expansion of smart thermostats is a key driver of continued growth for Just Energy.

For the three months ended September 30, 2016, 41% of the total Consumer and Commercial customer additions were generated from commercial brokers, 39% through online and other non-door-to-door sales channels and 20% from door-to-door sales. In the prior comparable quarter, 44% of customer additions were generated from commercial brokers, 30% from online and other sales channels and 26% using door-to-door sales.

The U.K. operations increased their customer base by 16% to 319,000 RCEs over the past year with strong growth for both their Consumer and Commercial customer bases. As of September 30, 2016, the U.S., Canadian and U.K. segments accounted for 71%, 22% and 7% of the customer base, respectively. At September 30, 2015, the U.S., Canadian and U.K. segments represented 71%, 23% and 6% of the customer base, respectively.

ATTRITION

	Trailing 12 months ended Sept. 30, 2016	Trailing 12 months ended Sept. 30, 2015
Consumer	**26%**	27%
Commercial	**8%**	10%
Total attrition	**15%**	17%

The combined attrition rate for Just Energy was 15% for the trailing 12 months ended September 30, 2016, a decrease of two percentage points from the 17% reported in the prior comparable period. While the Consumer attrition rate decreased one percentage point to 26% from a year ago, the Commercial attrition rate decreased two percentage points to 8%. Both decreases are a result of Just Energy's focus on becoming the customers' "trusted advisor" and providing a variety of energy management solutions to its customer base to drive customer loyalty.

The Company carefully monitors the levels of customer complaints from its Consumer and Commercial divisions. The goal is to resolve all complaints registered within five days of receipt. Our corporate target is to have an outstanding complaint rate of less than 0.05% of customers at any time. As of September 30, 2016, the total outstanding rate was 0.01%.

RENEWALS

	Trailing 12 months ended Sept. 30, 2016	Trailing 12 months ended Sept. 30, 2015
Consumer	**78%**	76%
Commercial	**53%**	59%
Total renewals	**61%**	64%

The Just Energy renewal process is a multifaceted program that aims to maximize the number of customers who choose to renew their contract prior to the end of their existing contract term. Efforts begin up to 15 months in advance, allowing a customer to renew for an additional period. Overall, the renewal rate was 61% for the trailing 12 months ended September 30, 2016, down three percentage points from a renewal rate of 64% reported for the second quarter of fiscal 2016, and down one percentage point from the renewal rate reported as of June 30, 2016. The Consumer renewal rate increased by two percentage points, while the Commercial renewal rate decreased by six percentage points to 53%. The decline in Commercial renewal rates reflected a very competitive market for Commercial renewals with competitors pricing aggressively and Just Energy's focus on improving retained customers' profitability rather than pursuing low margin growth.

ENERGY CONTRACT RENEWALS

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

	Consumer		Commercial	
	Gas	Electricity	Gas	Electricity
Remainder of 2017	10%	14%	17%	19%
2018	22%	36%	38%	43%
2019	24%	24%	21%	20%
2020	21%	13%	15%	11%
Beyond 2020	23%	13%	9%	7%
Total	100%	100%	100%	100%

Note: All month-to-month customers, which represent 609,000 RCEs, are excluded from the table above.

Gross margin

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

	Fiscal 2017			Fiscal 2016		
	Consumer	**Commercial**	**Total**	Consumer	Commercial	Total
Gas	**$ 23,803**	**$ 2,742**	**$ 26,545**	$ 14,722	$ 2,098	$ 16,820
Electricity	**106,828**	**50,161**	**156,989**	106,598	43,737	150,335
	$ 130,631	**$ 52,903**	**$ 183,534**	$ 121,320	$ 45,835	$ 167,155
Increase	**8%**	**15%**	**10%**			

For the six months ended September 30
(thousands of dollars)

	Fiscal 2017			Fiscal 2016		
	Consumer	**Commercial**	**Total**	Consumer	Commercial	Total
Gas	**$ 56,268**	**$ 7,499**	**$ 63,767**	$ 45,644	$ 8,813	$ 54,457
Electricity	**199,111**	**83,328**	**282,439**	192,153	71,452	263,605
	$ 255,379	**$ 90,827**	**$ 346,206**	$ 237,797	$ 80,265	$ 318,062
Increase	**7%**	**13%**	**9%**			

CONSUMER ENERGY

Gross margin for the three months ended September 30, 2016 for the Consumer division was $130.6 million, an increase of 8% from $121.3 million recorded in the prior comparable quarter. Gas gross margin increased by 62% while the electricity gross margin remained consistent.

For the six months ended September 30, 2016, gross margin for the Consumer division was $255.4 million, an increase of 7% from $237.8 million recorded for the six months ended September 30, 2015. The gross margin contribution from the gas and electricity markets increased by 23% and 4%, respectively.

Average realized gross margin for the Consumer division for the rolling 12 months ended September 30, 2016 was $261/RCE, representing a 19% increase from $219/RCE reported in the prior comparable quarter. The increase is largely due to higher margins on new customers added. The gross margin/RCE value includes an appropriate allowance for bad debt expense in applicable markets.

Gas

Gross margin from gas customers in the Consumer division was $23.8 million for the three months ended September 30, 2016, an increase of 62% from $14.7 million recorded in the prior comparable quarter. For the six months ended September 30, 2016, the gross margin contribution from the gas markets increased by 23% over the prior comparable period to $56.3 million. The change is primarily a result of the growth in the U.K. and the gross margin improvement initiative that was implemented over recent periods.

Electricity

Gross margin from electricity customers in the Consumer division was $106.8 million for the three months ended September 30, 2016, a slight increase from $106.6 million recorded in the prior comparable quarter. For the six months ended September 30, 2016, gross margin from electricity markets increased 4% to $199.1 million. The higher gross margin in fiscal 2017 is a result of the increased profitability on new customers despite a 1% decrease in customer base.

COMMERCIAL ENERGY

Gross margin for the Commercial division was $52.9 million for the three months ended September 30, 2016, an increase of 15% from $45.8 million recorded in the prior comparable quarter. Gas and electricity gross margins increased by 31% and 15%, respectively. For the six months ended September 30, 2016, gross margin for the Commercial division was $90.8 million, an increase of 13% from $80.3 million recorded for the six months ended September 30, 2015. The overall growth in margin was due to operational improvements in place to increase the margin for new customers added.

Average realized gross margin for the rolling 12 months ended September 30, 2016 was $80/RCE, an increase of 29% from the $62/RCE reported in the prior comparable period. The gross margin per RCE value includes an appropriate allowance for bad debt expense in Illinois, Texas, Georgia, Michigan and California.

Gas

Gas gross margin for the Commercial division was $2.7 million, an increase of 31% from $2.1 million recorded in the prior comparable quarter. For the six months ended September 30, 2016, the gross margin contribution from the gas markets decreased by 15% from the prior comparable period to $7.5 million. The decrease in gross margin is a result of higher balancing costs in the prior period.

Electricity

The Commercial division's electricity gross margin for the three months ended September 30, 2016 was $50.2 million, an increase of 15% from $43.7 million recorded in the prior comparable quarter. Gross margin from the Commercial electricity markets for the six months ended September 30, 2016 was $83.3 million, an increase of 17% from $71.5 million recorded in the six months ended September 30, 2015. The increase in gross margin is a result of increased profitability on new customers and despite the 9% decrease in customer base in the past year.

GROSS MARGIN ON NEW AND RENEWING CUSTOMERS

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

Annual gross margin per RCE

	Q2 Fiscal 2017	**Number of customers**	Q2 Fiscal 2016	Number of customers
Consumer customers added and renewed	**$ 208**	**223,000**	$ 209	227,000
Consumer customers lost	**199**	**153,000**	188	166,000
Commercial customers added and renewed	**89**	**170,000**	84	249,000
Commercial customers lost	**76**	**118,000**	64	120,000

For the three months ended September 30, 2016, the average gross margin per RCE for the customers added and renewed by the Consumer division was $208/RCE, compared with $209/RCE in the prior comparable period. The target margins for markets remained relatively consistent

year over year, while management continues to focus on new products, including bundled offerings. The average gross margin per RCE for the Consumer customers lost during the three months ended September 30, 2016 was $199/RCE, compared with $188/RCE in the second quarter of fiscal 2016. The increase in gross margin on customers lost is a result of the higher margins on new customers added with Consumer customers being added at an average gross margin of $200 or higher for the past seven quarters. The current quarter had 8% fewer Consumer customers lost through attrition or failure to renew as a result of Just Energy's focus on becoming the customers' "trusted advisor" and providing a variety of energy management solutions to its customer base to drive customer loyalty.

For the Commercial division, the average gross margin per RCE for the customers signed during the quarter ended September 30, 2016 was $89/RCE, compared to $84/RCE in the prior comparable quarter. Customers lost through attrition and failure to renew during the three months ended September 30, 2016 were at an average gross margin of $76/RCE, an increase from $64/RCE reported in the prior comparable period. The Company has pursued a plan where focus in the commercial market will be on higher margin segments while those with traditionally low margins are allowed to expire. Management will continue its margin optimization efforts by focusing on ensuring customers added meet its profitability targets.

Overall consolidated results

ADMINISTRATIVE EXPENSES

(thousands of dollars)

	Three months ended Sept. 30, 2016	Three months ended Sept. 30, 2015	% increase	**Six months ended Sept. 30, 2016**	Six months ended Sept. 30, 2015	% increase
Consumer Energy	**$ 32,905**	$ 31,730	4%	**$ 67,054**	$ 59,669	12%
Commercial Energy	**13,812**	8,564	61%	**24,364**	18,223	34%
Total administrative expenses	**$ 46,717**	$ 40,294	16%	**$ 91,418**	$ 77,892	17%

Administrative expenses for the three months ended September 30, 2016 increased by 16% from $40.3 million to $46.7 million. The Consumer division's administrative expenses were $32.9 million for the three months ended September 30, 2016, an increase of 4% from $31.7 million recorded in the prior comparable quarter. The Commercial division's administrative expenses were $13.8 million for the second quarter of fiscal 2017, a 61% increase from $8.6 million for the prior comparable quarter in fiscal 2016. The increase over the prior comparable quarter was primarily driven by the higher operating costs for the growth in the U.K. operations to support its growing customer base, international expansion expenses as well as efforts relating to new strategic initiatives.

Administrative expenses increased by 17% to $91.4 million for the six months ended September 30, 2016 from $77.9 million recorded in the prior comparative period. Consumer and Commercial administrative expenses for the six months ended September 30, 2016 were $67.1 million and $24.4 million, an increase of 12% and 34%, respectively, as a result of the increased administrative costs for the growth in the U.K. operations, costs associated with international expansion and new strategic initiatives.

SELLING AND MARKETING EXPENSES

(thousands of dollars)

	Three months ended Sept. 30, 2016	Three months ended Sept. 30, 2015	% decrease	**Six months ended Sept. 30, 2016**	Six months ended Sept. 30, 2015	% decrease
Consumer Energy	**$ 36,259**	$ 41,280	(12)%	**$ 71,661**	$ 78,683	(9)%
Commercial Energy	**23,195**	23,968	(3)%	**45,583**	49,346	(8)%
Total selling and marketing expenses	**$ 59,454**	$ 65,248	(9)%	**$ 117,244**	$ 128,029	(8)%

Selling and marketing expenses, which consist of commissions paid to independent sales contractors, brokers and independent representatives, as well as sales-related corporate costs, were $59.5 million, a decrease of 9% from $65.2 million in the second quarter of fiscal 2016. This decrease is largely attributable to the lower gross customer additions in the current period.

The selling and marketing expenses for the Consumer division were $36.3 million for the three months ended September 30, 2016, a 12% decrease from $41.3 million recorded in the prior comparable quarter. The selling expenses decreased due to lower gross customer additions quarter over quarter.

The selling and marketing expenses for the Commercial division were $23.2 million for the three months ended September 30, 2016, down 3% from $24.0 million recorded in the prior comparable quarter. This decrease is a result of higher residual commission paid on increased gross margin, offset by lower gross customer additions in the three months ended September 30, 2016.

For the six months ended September 30, 2016, selling and marketing expenses were $117.2 million, a decrease of 8% compared to $128.0 million in the prior comparable period. The Consumer division's selling and marketing expenses were down 9% to $71.7 million compared to $78.7 million

for the six months ended September 30, 2015. Selling and marketing expenses for the Commercial division were $45.6 million for the six months ended September 30, 2016, a decrease of 8% compared to $49.3 million in the prior comparable period.

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

	Fiscal 2017	Fiscal 2016
Consumer	**$ 203/RCE**	$ 170/RCE
Commercial	**$ 40/RCE**	$ 38/RCE

The average aggregation cost for the Consumer division increased to $203/RCE for the trailing 12 months ended September 30, 2016, an increase from $170/RCE reported a year ago, but lower than the $207/RCE reported for the first quarter of fiscal 2017. The increase in cost in the current 12-month period over the prior year is a result of the higher allocations of overhead expense on a per RCE basis due to lower customer additions in the last 12 months.

The $40 average aggregation cost for Commercial division customers is based on the expected average annual cost for the respective customer contracts. It should be noted that commercial broker contracts are paid further commissions averaging $40 per year for each additional year that the customer flows. Assuming an average life of 2.8 years, this would add approximately $72 (1.8 x $40) to the year's average aggregation cost reported above. As at September 30, 2015, the average aggregation cost for commercial brokers was $38/RCE. The lower cost in the prior comparable quarter is a function of broker commissions being a percentage of lower margins.

BAD DEBT EXPENSE

In Illinois, Alberta, Texas, Delaware, Ohio, California, Michigan, Georgia and the U.K., Just Energy assumes the credit risk associated with the collection of customer accounts. In addition, for commercial direct-billed accounts in British Columbia, Just Energy is responsible for the bad debt risk. 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. During the six months ended September 30, 2016, Just Energy was exposed to the risk of bad debt on approximately 79% of its sales, compared with 70% in the prior comparable quarter.

Bad debt expense is included in the consolidated income statement under other operating expenses. Bad debt expense for the three months ended September 30, 2016 was $14.8 million, a decrease of 20% from $18.6 million expensed for the three months ended September 30, 2015. The decrease is a result of improved collection efforts resulting in fewer write-offs in the U.S. Consumer markets. Management integrates its default rate for bad debt within its margin targets and continuously reviews and monitors the credit approval process to mitigate customer delinquency.

For the six months ended September 30, 2016, the bad debt expense of $28.4 million represents 1.9% of relevant revenue, down from 2.6% reported in fiscal 2016.

Management expects that bad debt expense will remain in the range of 2% to 3% of relevant revenue for fiscal 2017 in markets where the Company bears credit risk. For each of Just Energy's other markets, the LDCs provide collection services and assume the risk of any bad debt owing from Just Energy's customers for a regulated fee.

FINANCE COSTS

Total finance costs for the three months ended September 30, 2016 amounted to $17.9 million, an increase of 1% from $17.6 million recorded in the second quarter of fiscal 2016. For the six months ended September 30, 2016, finance costs were $35.9 million, an increase of 4% from the prior comparable period costs of $34.5 million. The increase is a result of the amortization of the debt issue costs in the current period from the credit facility renewal in September 2015, as well as the one-time interest cost associated with early redemption of $25.0 million of the senior unsecured notes outstanding in the first quarter of fiscal 2017.

FOREIGN EXCHANGE

Just Energy has an exposure to U.S. dollar exchange rates as a result of its U.S. operations. Any changes in the applicable exchange rate may result in a decrease or increase in other comprehensive income. For the three months ended September 30, 2016, a foreign exchange unrealized loss of $0.3 million was reported in other comprehensive income, versus an unrealized loss of $13.2 million reported in the second quarter of fiscal 2016. For the six months ended September 30, 2016, a foreign exchange unrealized gain of $1.0 million was recorded, compared to a loss of $12.2 million reported for the prior comparable period. In addition to changes in the U.S. foreign exchange rate, this fluctuation is a result of the significant increase in the mark to market liability position of the Company's derivative financial instruments.

Overall, a stronger U.S. dollar increases the value of sales and gross margin in Canadian dollars, but this was offset by the impact from the sales and gross margin contribution from the U.K.-based customers as a result of the lower British pound following the Brexit vote. The total estimated impact of the foreign exchange between the Canadian dollar versus the U.S. dollar and British pound was an unfavourable $0.3 million and a favourable $0.9 million on Base EBITDA, respectively, and an unfavourable $0.4 million and a favourable $0.8 million on Base FFO, respectively, for the three and six months ended September 30, 2016.

Just Energy retains sufficient funds in the U.S. to support ongoing growth, and surplus cash is repatriated to Canada. U.S. cross border cash flow is forecasted annually, and hedges for cross border cash flow are placed. Just Energy hedges between 50% and 90% of the next 12 months of cross border cash flows depending on the level of certainty of the cash flow.

PROVISION FOR INCOME TAX

(thousands of dollars)

	Three months ended Sept. 30, 2016	Three months ended Sept. 30, 2015	Six months ended Sept. 30, 2016	Six months ended Sept. 30, 2015
Current income tax expense	$ 2,571	$ 2,221	$ 4,626	$ 4,340
Deferred tax provision (recovery)	2,310	(11,419)	25,552	8,309
Provision for (recovery of) income tax	$ 4,881	$ (9,198)	$ 30,178	$ 12,649

Just Energy recorded a current income tax expense of $2.6 million for the three months ended September 30, 2016, versus an expense of $2.2 million in the prior comparable quarter. For the six months ended September 30, 2016, the current income tax provision increased by 7% to $4.6 million.

During the three months ended September 30, 2016, a deferred tax expense of $2.3 million was recorded for the cumulative mark to market losses from financial instruments. In fiscal 2016, a deferred tax recovery of $11.4 million was recorded, primarily resulting from the change in fair value of derivative instruments. A deferred tax expense of $25.6 million and $8.3 million was recorded for the six months ended September 30, 2016 and September 30, 2015, respectively.

Under IFRS, Just Energy recognizes income tax assets and liabilities based on the estimated tax consequences attributable to temporary differences between the carrying value of the assets and liabilities on the consolidated financial statements and their respective tax bases, using substantively enacted income tax rates. A deferred tax asset will not be recognized if it is not anticipated that the asset will be realized in the foreseeable future. The effect of a change in the income tax rates used in calculating deferred income tax assets and liabilities is recognized in income during the period in which the change occurs.

Liquidity and capital resources

SUMMARY OF CASH FLOWS

(thousands of dollars)

	Three months ended Sept. 30, 2016	Three months ended Sept. 30, 2015	Six months ended Sept. 30, 2016	Six months ended Sept. 30, 2015
Operating activities	$ 61,091	$ 15,418	$ 80,138	$ 69,691
Investing activities	(7,643)	(8,359)	(11,994)	(11,646)
Financing activities, excluding dividends	(6,597)	(10,238)	(38,000)	(14,198)
Effect of foreign currency translation	3,347	5,400	(1,391)	3,325
Increase in cash before dividends	50,198	2,221	28,753	47,172
Dividends (cash payments)	(18,806)	(18,685)	(37,590)	(37,362)
Increase (decrease) in cash	31,392	(16,464)	(8,837)	9,810
Cash and cash equivalents – beginning of period	87,367	105,088	127,596	78,814
Cash and cash equivalents – end of period	$ 118,759	$ 88,624	$ 118,759	$ 88,624

OPERATING ACTIVITIES

Cash flow from operating activities for the three months ended September 30, 2016 was an inflow of $61.1 million, compared to $15.4 million in the prior comparable quarter. For the six months ended September 30, 2016, cash flow from operating activities was an inflow of $80.1 million, an increase of 15% from $69.7 million reported for the prior comparable period. Cash flow from operations was higher in the current period as a result of higher gross margin earned in the current period as well as the payment term extension negotiated with some key suppliers which resulted in a deferral of approximately $35.0 million of commodity payments from September 2016 to October 2016.

INVESTING ACTIVITIES

Investing activities for the three and six months ended September 30, 2016 included purchases of capital and intangible assets totalling $3.6 million and $8.5 million, respectively, compared with $4.9 million and $8.2 million, respectively, in fiscal 2016. Just Energy's capital spending related primarily to information technology-related purchases in support of the process improvement initiative.

FINANCING ACTIVITIES

Financing activities, excluding dividends, relates primarily to the issuance and repayment of long-term debt. During the three and six months ended September 30, 2016, Just Energy retired $0.8 million and $1.8 million, respectively, of its outstanding convertible debentures through the normal course issuer bid. As of September 30, 2016, Just Energy had not drawn on its $292.5 million credit facility, although letters of credit totalling $136.3 million remain outstanding.

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

Just Energy's annual dividend rate is $0.50 per share paid quarterly. The dividend policy states that shareholders of record on the 15th day of March, June, September and December, or the first business day thereafter, receive dividends at the end of that month. During the three months ended September 30, 2016, Just Energy paid cash dividends to its shareholders and distributions to holders of share-based awards in the amount of $18.8 million, compared to $18.7 million paid in the prior comparable period. For the six months ended September 30, 2016, Just Energy paid $37.6 million, compared to $37.4 million paid for the second half of fiscal 2016.

Balance sheet as at September 30, 2016, compared to March 31, 2016

Cash decreased from $127.6 million as at March 31, 2016 to $118.8 million. The decrease in cash is primarily attributable to the early repayment of $25.0 million of the senior unsecured note in June 2016. The repayment in June 2016 was offset by an increase in cash in September resulting from the payment term extension negotiated going forward for some of Just Energy's commodity suppliers for which approximately $35.0 million of commodity costs were due in October 2016 instead of September 2016.

As of September 30, 2016, trade receivables and unbilled revenue amounted to $399.5 million and $204.7 million, respectively, compared to March 31, 2016, when the trade receivables and unbilled revenue amounted to $362.3 million and $227.4 million, respectively. The accounts receivable balances increased as a result of normal seasonal consumption with higher electricity bills in the current quarter. Trade payables, which include gas and electricity commodity payables of $262.4 million, increased from $511.3 million to $542.6 million during the second quarter of the fiscal year, primarily due to the negotiation with some commodity suppliers for an extension of payment terms going forward with approximately $35.0 million in commodity costs payable in October 2016. Under the previous agreement, these costs would have been payable in September 2016.

In Michigan, 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 $18.6 million and $46.1 million, respectively, as of September 30, 2016. There is an additional $18.2 million of deferred revenue for the U.K. operations as a result of customers who pay a flat rate of commodity per period. In Ontario, Manitoba and Quebec, more gas was consumed by customers than Just Energy had delivered to the LDCs. As a result, Just Energy has recognized an accrued gas receivable and accrued gas payable for $0.5 million and $0.5 million, respectively, as of September 30, 2016. These amounts decreased from $13.6 million and $11.3 million, respectively, as of March 31, 2016, as a result of the normal seasonal changes in consumption.

Prepaid expenses and deposits decreased from $114.7 million at March 31, 2016 to $103.2 million as of September 30, 2016. Capitalized commissions increased to $16.6 million during the six months ended September 30, 2016, while green commodity purchases decreased by $9.4 million.

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 loss and, accordingly, shareholders' equity from year to year due to commodity price volatility. Given that Just Energy has purchased this supply to cover future customer usage at fixed prices, management believes that these non-cash changes are not meaningful and will not be experienced as future costs or cash outflows.

Long-term debt has decreased from $660.5 million as at March 31, 2016 to $278.5 million as at September 30, 2016. This decrease is a result of $365.5 million being reclassified to a current liability based on the early repayment of the $55 million senior unsecured note and the maturity date of June 30, 2017 for the remaining $330 million convertible debentures as well as the retirement of $1.8 million of convertible debentures for the first half of the year. The book value of net debt was 2.4x for the Base EBITDA, lower than both the 2.6x and 3.0x reported for March 31, 2016 and the prior comparable period, respectively.

Debt and financing for operations

(thousands of dollars)

	Sept. 30, 2016	March 31, 2016	Sept. 30, 2015
Senior unsecured note	**$ 55,000**	$ 80,000	$ 105,000
$330m convertible debentures	**313,452**	311,028	309,558
$100m convertible debentures	**94,804**	93,637	92,519
$150m convertible bonds	**186,107**	182,564	186,188

In addition to the debt outlined above, Just Energy has a credit facility to meet its working capital requirements as well as support operational and development opportunities. The various debt instruments are described as follows:

- A $292.5 million credit facility expiring on September 1, 2018, supported by guarantees and secured by, among other things, a general security agreement and an asset pledge excluding, primarily, the U.K. operations. No funds have been drawn against the credit facility as of September 30, 2016 or March 31, 2016. However, total letters of credit outstanding as at September 30, 2016 amounted to $136.3 million (March 31, 2016 – $130.0 million).
- A $55 million senior unsecured note that matures in June 2018. The remaining balance of $55.0 million was repaid on October 6, 2016.
- A $330 million convertible unsecured subordinated debenture in place until June 30, 2017 with interest payable semi-annually in arrears on June 30 and December 31, at a rate of 6% per annum. During the quarter ended September 30, 2016, the Company purchased and retired $0.8 million (March 31, 2016 – $7.0 million) of convertible debentures and has adjusted the net book value accordingly. Just Energy redeemed $225 million in principal on November 7, 2016.
- A $100 million convertible extendible unsecured subordinated debenture maturing on September 30, 2018 with interest payable semi-annually on March 31 and September 30, at a rate of 5.75% per annum.
- A $150 million European-focused senior unsecured convertible bond with a maturity date of July 29, 2019 and interest payable semi-annually in arrears on January 29 and July 29, at a rate of 6.5% per annum.

Just Energy is required to meet a number of financial covenants under the various debt agreements. As at September 30, 2016, all of the covenants have been met. See note 10 of the interim condensed consolidated financial statements for the three and six months ended September 30, 2016 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	$ 542,614	$ –	$ –	$ –	$ 542,614
Long-term debt (contractual cash flow)	374,652	100,000	196,755	–	671,407
Interest payments	34,006	23,624	–	–	57,630
Premises and equipment leasing	5,653	9,926	6,061	9,639	31,279
Long-term gas and electricity contracts	1,185,836	2,092,389	344,388	44,732	3,667,345
	$ 2,142,761	$ 2,225,939	$ 547,204	$ 54,371	$ 4,970,275

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 consolidated financial statements. In the normal course of business, Just Energy could be subject to certain contingent obligations that become payable only if certain events were to occur. The inherent uncertainty surrounding the timing and financial impact of any events prevents any meaningful measurement, which is necessary to assess any material impact on future liquidity. Such obligations include potential judgments, settlements, fines and other penalties resulting from actions, claims or proceedings.

Transactions with related parties

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

Off balance sheet items

The Company has issued letters of credit in accordance with its credit facility totalling $136.3 million to various counterparties, primarily utilities in the markets where it operates, 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 September 30, 2016 were $46.7 million.

Critical accounting estimates

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

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

RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Energy revenues are recorded when energy is delivered to customers, which is determined 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.

The allowance for doubtful accounts reflects Just Energy's best estimates of losses on the accounts receivable balances. Just Energy determines the allowance on customer receivables by applying loss rates derived from historical results to the outstanding receivable balance. Just Energy is exposed to credit risk on residential and commercial direct-billed accounts in various markets across Canada and the U.S. Credit review processes have been implemented to perform customer credit evaluations 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 applicable markets.

DEFERRED TAXES

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

Preparation of the consolidated financial statements involves determining an estimate of, or provision for, income taxes in each of the jurisdictions in which Just Energy operates. The process also involves making an estimate of taxes currently payable and taxes expected to be payable or recoverable in future periods, referred to as deferred income taxes. Deferred income taxes result from the effects of temporary differences due to items that are treated differently for tax and accounting purposes. The tax effects of these differences are reflected in the consolidated statements of financial position as deferred income tax assets and liabilities. An assessment must also be made to determine the likelihood that our future taxable income will be sufficient to permit the recovery of deferred income tax assets. To the extent that such recovery is not probable, deferred income tax assets must be reduced. The reduction of the deferred income tax asset can be reversed if the estimated future taxable income improves. No assurances can be given as to whether any reversal will occur or as to the amount or timing of any such reversal. Management must exercise judgment in its assessment of continually changing tax interpretations, regulations and legislation to ensure deferred income tax assets and liabilities are complete and fairly presented. Assessments and applications differing from our estimates could materially impact the amount recognized for deferred income tax assets and liabilities.

Deferred income tax assets of $19.2 million and $41.0 million have been recorded on the interim condensed and consolidated statements of financial position as at September 30, 2016 and March 31, 2016, respectively. These assets primarily relate to mark to market losses on our derivative financial instruments. Management believes there will be sufficient taxable income that will permit the use of these future tax assets in the tax jurisdictions where they exist. When evaluating the future tax position, Just Energy assesses its ability to use deferred tax assets based on expected taxable income in future periods. As at September 30, 2016, no deferred tax assets were recognized in the U.S.

Deferred income tax liabilities of $5.3 million and $1.4 million have been recorded on the interim condensed and consolidated statements of financial position as at September 30, 2016 and March 31, 2016, respectively. These liabilities are primarily due to mark to market losses on the derivative financial instruments and unrealized foreign exchange gain which, when realized, will be recognized for tax purposes.

SUBSIDIARIES

Subsidiaries that are not wholly owned by Just Energy require judgment in determining the amount of control that Just Energy has over that entity and the appropriate accounting treatments. In these consolidated financial statements, management has determined that Just Energy controls Just Ventures and, therefore, has treated the 50% that is not owned by Just Energy as a non-controlling interest.

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

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

Depreciation and amortization expense from operations for the three and six months ended September 30, 2016 recorded in the interim condensed consolidated statements of cash flows was $5.5 million and $10.0 million, respectively, compared with $10.8 million and $27.2 million for the three and six months ended September 30, 2015.

FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

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

The consolidated financial statements are in compliance with IAS 32, Financial Instruments: Presentation; IAS 39, Financial Instruments: Recognition and Measurement; and IFRS 7, Financial Instruments: Disclosure. All the mark to market changes on Just Energy's derivative instruments are recorded on a single line on the consolidated income statement. Due to commodity volatility and to the size of Just Energy, the swings in mark to market on these positions will increase the volatility in Just Energy's earnings.

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

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

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

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

The main cause of changes in the fair value of derivative instruments is changes in the forward curve prices used for the fair value calculations. For a sensitivity analysis of these forward curves, see note 7 of the interim condensed consolidated financial statements for the quarter ended September 30, 2016. Other inputs, including volatility and correlations, are driven off historical settlements.

Just Energy common shares

As at November 9, 2016, there were 147,792,961 common shares of Just Energy outstanding.

Normal course issuer bid

Just Energy has the ability to make a normal course issuer bid ("NCIB") to purchase for cancellation a portion of the outstanding $330m convertible debentures, $100m convertible debentures as well as the Just Energy common shares up to March 16, 2017. Under each NCIB, Just Energy may purchase debentures and common shares representing 10% of the outstanding public float at close of business February 29, 2016 up to daily and total limits. For the three and six months ended September 30, 2016, Just Energy had purchased $0.8 million and $1.8 million, respectively, of the $330m convertible debentures.

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

Legal proceedings

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

The State of California has filed a number of complaints with the Federal Energy Regulatory Commission ("FERC") against many suppliers of electricity, including Commerce Energy Inc. ("CEI"), a subsidiary of the Company, with respect to events stemming from the 2001 energy crisis in California. On March 18, 2010, the assigned Administrative Law Judge granted a motion to strike the claim for all parties in one of the complaints (in favour of the suppliers), holding that California did not prove that the reporting errors masked the accumulation of market power. California has appealed the decision. On June 13, 2012, FERC denied the plaintiffs' request for a rehearing, affirming its initial decision. California appealed to the United States District Courts for the Ninth Circuit and oral arguments were heard on February 26, 2015. On April 29, 2015, the appeals court remanded the case back to FERC on grounds that the agency erred in assessing whether market power had resulted in unjust and unreasonable prices, when it considered power generation market share only. FERC extended the time period to conduct settlement conferences and reset the next status conference for August 15, 2016 to schedule hearings and discuss next steps. On August 23, 2016, the parties entered a settlement agreement for US$3.5 million which requires FERC approval. The settlement was approved by FERC on October 27, 2016.

In March 2012, Davina Hurt and Dominic Hill filed a lawsuit against Commerce Energy Inc., Just Energy Marketing Corp. and the Company (collectively referred to as "Just Energy") in the Ohio Federal Court claiming entitlement to payment of minimum wage and overtime under Ohio wage claim laws and the federal Fair Labor Standards Act ("FLSA") on their own behalf and similarly situated door-to-door sales representatives who sold for Commerce in certain regions of the United States. The Court granted the plaintiffs' request to certify the lawsuit as a class action. Approximately 1,800 plaintiffs opted into the federal minimum wage and overtime claims, and approximately 8,000 plaintiffs were certified as part of the Ohio state overtime claims. A jury trial on the liability phase was completed on October 6, 2014. The jury refused to find a wilful violation by Just Energy but reached a verdict that supports the plaintiffs' class and collective action that certain individuals were not properly classified as outside salespeople in order to qualify for an exemption under the minimum wage and overtime requirements pursuant to the FLSA and Ohio wage and hour laws. Just Energy disagrees with the result of the October 2014 trial and is of the opinion that it is not supported by existing law and precedent. On January 9, 2015, the Court struck the plaintiffs' damage expert report. Potential amounts owing have yet to be determined and will be subject to a separate damage phase proceeding. Just Energy made a request for an early appeal of the liability phase decision (before the damage phase was completed), referred to as an interlocutory appeal. The trial judge granted Just Energy's request. But in November 2015, the United States Court of Appeals for the Sixth Circuit refused the early appeal indicating the issues did not warrant early review. Just Energy's appeal opportunities remain open after conclusion of the damages phase, which still remains unscheduled by the Court. Just Energy strongly believes it complied with the law and continues to vigorously defend against the claims.

In August 2013, Levonna Wilkins, a former door-to-door independent contractor for Just Energy Marketing Corp. ("JEMC"), filed a lawsuit against Just Energy Illinois Corp., Commerce Energy Inc., JEMC and the Company (collectively referred to as "Just Energy") in the Illinois Federal District Court claiming entitlement to payment of minimum wage and overtime under Illinois wage claim laws and the FLSA on her own behalf and similarly situated door-to-door sales representatives who sold in Illinois. On March 13, 2015, the Court granted Wilkins' request to certify the lawsuit as a class action to include a class made up of Illinois sales representatives who sold for Just Energy Illinois and Commerce. On March 22, 2016, Just Energy's summary judgment motion to dismiss Wilkins' claims was denied. On June 16, 2016, the Court granted Just Energy's motion for reconsideration which objected to Wilkins' class definition and revised the definition to exclude sales representatives who sold for Commerce. Wilkins decided not to seek leave to file an interlocutory appeal of the Court's June 16 order. No trial date has been scheduled. Just Energy continues to vigorously contest this matter.

In March 2015, Kevin Flood, a former door-to-door independent contractor for Just Energy Marketing Corp., filed a lawsuit against JEMC, Just Energy New York Corp. and the Company (collectively referred to as "Just Energy") in New York Federal District Court (Southern District) claiming entitlement to payment of minimum wage and overtime under New York wage claim laws and the FLSA on his own behalf and similarly situated door-to-door sales representatives who sold in New York. On January 25, 2016, the Court granted Flood's request to certify the lawsuit as a class action for the FLSA claims to include a class made up of New York sales representatives who sold for Just Energy New York. 167 individuals opted in to the FLSA class. Flood also filed a request to certify the lawsuit as a class action for alleged violations of the New York wage claim laws, and Just Energy filed responsive papers. Flood's request for a certified class action for New York wage and hour claims remains pending with the Court. Just Energy filed a motion for summary judgment for dismissal of all of Flood's claims, which still remains pending. Just Energy continues to vigorously contest this matter.

In May 2015, Kia Kordestani, a former door-to-door independent contractor ("IC") sales representative for Just Energy Corp. filed a lawsuit against Just Corp., Just Energy Ontario L.P. and the Company (collectively referred to as "Just Energy") in the Superior Court of Justice, Ontario, claiming status as an employee and seeking benefits and protections of the Employment Standards Act such as minimum wage, overtime pay, and vacation and public holiday pay on his own behalf and similarly situated door-to-door sales representatives who sold in Ontario. On Just Energy's request, Mr. Kordestani was removed as a plaintiff but replaced with Haidar Omarali, also a former door-to-door sales representative. In August 2015, Omarali filed a motion to certify a proposed class action of door-to-door sales representatives, and the Court set a hearing for June 21, 2016. The Court issued its certification decision on July 27, 2016, which granted Omarali's request for certification with certain changes. Importantly, the Court refused to certify Omarali's request for damages on an aggregate basis, finding that any alleged class member damages "cannot be determined without proof by individual class members", and the Court left any further resolution on this issue to the common issues trial judge. The Court also refused to certify Omarali's request for the option of punitive damages against Just Energy and found that there was no evidence that Just Energy's conduct justified a punitive damages question, largely because the evidence presented showed that over the years Just Energy was "reassured that their sales agents were indeed ICs, not employees" by "various administrative agencies including the Canada Revenue Agency, the Workplace Safety and Insurance Board, and at least on one occasion before an employment officer of the Employment Standards Act". At Just Energy's request, the Court also certified a common issue on limitations which presents the question of whether claims for services provided before May 2013 are barred by the two-year limitations period set by statute. On September 16, 2016, Just Energy filed a motion for leave to appeal the class certification. The court's decision on the appeal motion is not expected to be delivered until late winter/early spring 2017. No trial date has been scheduled. Just Energy continues to vigorously contest this matter.

Controls and procedures

INTERNAL CONTROLS FOR DISCLOSURE AND FINANCIAL REPORTING

As of September 30, 2016, the Co-Chief Executive Officers ("Co-CEOs") and Chief Financial Officer ("CFO") of the Company, along with the assistance of senior management, have designed disclosure controls and procedures to provide reasonable assurance that material information relating to Just Energy is made known to the Co-CEOs and CFO, and have designed internal controls over financial reporting based on the criteria established in the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with IFRS.

During the six months ended September 30, 2016, there were no changes in Just Energy's internal controls over financial reporting that occurred that have significantly affected, or are reasonably likely to significantly affect, the Company's internal controls over financial reporting.

Corporate governance

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

Outlook

Just Energy continues to deploy its strategy to become a world-class consumer enterprise delivering superior value to its customers through a range of energy management solutions and a multi-channel approach. Growth plans centre on geographic expansion, structuring superior value product propositions, and enhancing the portfolio of energy management offerings. The Company's geographic expansion is centred on Europe, where the Company expects to expand into two new European markets in fiscal 2017 and remains committed to evaluating further potential expansion in continental Europe and beyond over the longer term. Superior value propositions such as Just Energy's new flat-bill product; solar energy management solutions; its new commercial energy storage pilot; and recently launched Just Energy Perks customer loyalty program are generating great interest and are expected to contribute towards its double-digit percentage Base EBITDA target in fiscal year 2017. Based on the strong first-half performance, management believes that the Company will achieve its previously provided fiscal 2017 Base EBITDA guidance range of $223 million to $233 million, reflecting continued double-digit percentage growth year over year. Fiscal 2017 guidance includes deductions to Base EBITDA of approximately $30.0 million to $35.0 million for prepaid commercial commissions, which would previously have been included as amortization within selling and marketing expenses. This represents a $12.0 million to $17.0 million increase over fiscal 2016. Just Energy expects to offset this headwind with continued strong gross margin performance.

Just Energy's solar program commenced its initial pilot phases in California and New York during fiscal 2016, with expansion to New Jersey in fiscal 2017. Management's initial estimates were that Solar and TerraPass would contribute $10 million towards the double-digit percentage Base EBITDA target in fiscal 2017. Given the sectoral challenges facing the solar industry today, management deems it prudent to remove these expectations for the current fiscal year. Management expects any shortfall to previous Base EBITDA contribution estimates will be fully absorbed by the ongoing outperformance of its core energy business for the remainder of the fiscal year.

Just Energy's results reflect seasonality, as traditionally 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). The main impact of this will normally be higher Base EBITDA in the third and fourth quarters (assuming consumption based on normal winter weather) and lower Base EBITDA in the first and second quarters. However, this impact is lessening as current net customer additions are concentrated in electricity, which traditionally experiences less seasonality than natural gas.

The margin per customer improvements in both the residential and commercial business are directly related to our ongoing commitment to Just Energy's margin improvement initiative as well as the impact from the stronger U.S. dollar. While competition is certain to come and go from the space over time, we believe Just Energy can continue to drive sustainable margin improvement over the long term as a result of the Company's innovative new products, which have more appeal and value for customers. This improved profitability per customer will add to our future margins over and above any growth in the customer base.

Just Energy's ability to drive profitability and cash generation is inherent to the repositioned business model, and thus provides management with the confidence and freedom to commit to future dividend distributions and balance sheet restructuring. On November 7, 2016, Just Energy redeemed a principal amount of $225 million of its 6.0% convertible debentures scheduled to mature on June 30, 2017 at a redemption price of $229.8 million. Just Energy also redeemed the remaining principal amount of $55 million of its 9.75% senior unsecured notes due June 2018 at a redemption price of $59.1 million on October 6, 2016. The Company intends to address the remaining balance of the $330m convertible debentures in the near term through considerations including working capital financing options, senior notes, and cash on hand. Management's balance sheet improvement initiative has resulted in significantly improved debt ratios, and management remains committed to further reducing and refinancing its debt in a shareholder-friendly manner.

We strive to deliver outstanding financial results, and have made significant progress towards achieving our objective of becoming a premier, world-class provider of energy management solutions. We are encouraged by the stronger profitability in the business and remain confident Just Energy is delivering the appropriate dividend strategy, one that is supported by our continued ability to generate strong cash flows consistently. We foresee continued, sustainable growth that will be driven by an expanded geographical footprint, continued product innovation and bringing new energy management solutions to market that align with customer demands.

Interim condensed consolidated statements of financial position

(unaudited in thousands of Canadian dollars)

	Notes	**As at Sept. 30, 2016**	As at March 31, 2016	As at Sept. 30, 2015
ASSETS				
Current assets				
Cash and cash equivalents		**$ 118,759**	$ 127,596	$ 88,624
Restricted cash		**6,033**	7,495	20,955
Trade and other receivables	5	**399,526**	362,255	395,637
Unbilled revenues		**204,694**	227,366	255,421
Accrued gas receivables		**502**	13,617	2,893
Gas delivered in excess of consumption		**18,645**	6,338	17,488
Gas in storage		**31,324**	3,068	20,969
Prepaid expenses, deposits and other current assets	6	**103,246**	114,684	83,886
Fair value of derivative financial assets	7	**23,845**	4,990	6,291
Corporate tax recoverable		**7,766**	10,079	13,692
		914,340	877,488	905,856
Non-current assets				
Investments		**11,432**	7,049	9,797
Property, plant and equipment		**25,240**	25,045	23,856
Intangible assets		**347,996**	345,873	354,352
Contract initiation costs		**–**	–	4,847
Fair value of derivative financial assets	7	**3,189**	3,384	4,365
Deferred tax asset		**19,245**	40,950	19,615
		407,102	422,301	416,832
TOTAL ASSETS		**$ 1,321,442**	$ 1,299,789	$ 1,322,688
LIABILITIES AND DEFICIT				
Current liabilities				
Trade and other payables		**$ 542,614**	$ 511,276	$ 546,478
Accrued gas payable		**501**	11,253	495
Deferred revenue		**46,146**	22,953	23,915
Income taxes payable		**3,205**	9,287	11,579
Fair value of derivative financial liabilities	7	**232,071**	427,862	357,744
Provisions		**13,441**	13,573	13,603
Current portion of long-term debt	10	**365,465**	–	–
		1,203,443	996,204	953,814
Non-current liabilities				
Long-term debt	10	**278,548**	660,543	685,451
Provisions		**–**	4,416	4,730
Deferred lease inducements		**1,246**	1,394	1,551
Fair value of derivative financial liabilities	7	**209,744**	286,952	325,087
Deferred tax liability		**5,253**	1,367	2,477
		494,791	954,672	1,019,296
TOTAL LIABILITIES		**1,698,234**	1,950,876	1,973,110
Deficit attributable to equity holders of the parent				
Shareholders' capital	9	**1,075,818**	1,069,434	1,066,588
Equity component of convertible debentures		**25,795**	25,795	25,795
Contributed surplus		**37,971**	43,459	43,657
Deficit		**(1,566,318)**	(1,838,683)	(1,830,704)
Accumulated other comprehensive income	8	**49,942**	48,908	44,242
TOTAL DEFICIT		**(376,792)**	(651,087)	(650,422)
TOTAL LIABILITIES AND DEFICIT		**$ 1,321,442**	$ 1,299,789	$ 1,322,688

Commitments and Guarantees (Note 16)

See accompanying notes to the interim condensed consolidated financial statements

Interim condensed consolidated statements of income

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

	Notes	**Three months ended Sept. 30, 2016**	Three months ended Sept. 30, 2015	**Six months ended Sept. 30, 2016**	Six months ended Sept. 30, 2015
OPERATIONS					
Sales	13	**$ 992,828**	$ 1,087,256	**$ 1,891,237**	$ 2,020,271
Cost of sales		**809,294**	920,101	**1,545,031**	1,702,209
GROSS MARGIN		**183,534**	167,155	**346,206**	318,062
EXPENSES					
Administrative		**46,717**	40,294	**91,418**	77,892
Selling and marketing		**59,454**	65,248	**117,244**	128,029
Other operating expenses	12(a)	**21,044**	24,718	**39,869**	49,442
		127,215	130,260	**248,531**	255,363
Operating profit before the following		**56,319**	36,895	**97,675**	62,699
Finance costs	10	**(17,882)**	(17,641)	**(35,855)**	(34,497)
Change in fair value of derivative instruments	7	**(194,389)**	(116,786)	**290,948**	27,714
Other income (loss)		**(775)**	76	**(1,527)**	(1,854)
Profit (loss) before income taxes		**(156,727)**	(97,456)	**351,241**	54,062
Provision for (recovery of) income taxes	11	**4,881**	(9,198)	**30,178**	12,649
PROFIT (LOSS) FOR THE PERIOD		**$ (161,608)**	$ (88,258)	**$ 321,063**	$ 41,413
Attributable to:					
Shareholders of Just Energy		**$ (167,262)**	$ (91,721)	**$ 309,972**	$ 35,191
Non-controlling interest		**5,654**	3,463	**11,091**	6,222
PROFIT (LOSS) FOR THE PERIOD		**$ (161,608)**	$ (88,258)	**$ 321,063**	$ 41,413
Earnings (loss) per share available to shareholders	14				
Basic		**$ (1.13)**	$ (0.62)	**$ 2.10**	$ 0.24
Diluted		**$ (1.13)**	$ (0.62)	**$ 1.71**	$ 0.23

See accompanying notes to the interim condensed consolidated financial statements

Interim condensed consolidated statements of comprehensive income

(unaudited in thousands of Canadian dollars)

	Notes	**Three months ended Sept. 30, 2016**	Three months ended Sept. 30, 2015	**Six months ended Sept. 30, 2016**	Six months ended Sept. 30, 2015
PROFIT (LOSS) FOR THE PERIOD		**$ (161,608)**	$ (88,258)	**$ 321,063**	$ 41,413
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:	8				
Unrealized gain (loss) on translation of foreign operations		**(342)**	(13,183)	**1,034**	(12,151)
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods, net of tax		**(342)**	(13,183)	**1,034**	(12,151)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX		**$ (161,950)**	$ (101,441)	**$ 322,097**	$ 29,262
Total comprehensive income (loss) attributable to:					
Shareholders of Just Energy		**$ (167,604)**	$ (104,904)	**$ 311,006**	$ 23,040
Non-controlling interest		**5,654**	3,463	**11,091**	6,222
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX		**$ (161,950)**	$ (101,441)	**$ 322,097**	$ 29,262

See accompanying notes to the interim condensed consolidated financial statements

Interim condensed consolidated statements of changes in shareholders' deficit

For the six months ended September 30
(unaudited in thousands of Canadian dollars)

	Notes	**2016**	2015
ATTRIBUTABLE TO THE SHAREHOLDERS			
Accumulated earnings (deficit)			
Accumulated deficit, beginning of period		**$ (165,963)**	$ (230,567)
Profit for the period, attributable to shareholders		**309,972**	35,191
Accumulated earnings (deficit), end of period		**144,009**	(195,376)
DIVIDENDS			
Dividends, beginning of period		**(1,672,720)**	(1,597,928)
Dividends declared and paid	15	**(37,607)**	(37,400)
Dividends, end of period		**(1,710,327)**	(1,635,328)
DEFICIT		**$ (1,566,318)**	$ (1,830,704)
ACCUMULATED OTHER COMPREHENSIVE INCOME	8		
Accumulated other comprehensive income, beginning of period		**$ 48,908**	$ 56,393
Other comprehensive income (loss)		**1,034**	(12,151)
Accumulated other comprehensive income, end of period		**$ 49,942**	$ 44,242
SHAREHOLDERS' CAPITAL	9		
Shareholders' capital, beginning of period		**$ 1,069,434**	$ 1,063,423
Share-based units exercised		**6,384**	3,165
Shareholders' capital, end of period		**$ 1,075,818**	$ 1,066,588
EQUITY COMPONENT OF CONVERTIBLE DEBENTURES			
Balance, beginning of period		**$ 25,795**	$ 25,795
Balance, end of period		**$ 25,795**	$ 25,795
CONTRIBUTED SURPLUS			
Balance, beginning of period		**$ 43,459**	$ 44,062
Add: Share-based compensation expense	12(a)	**2,902**	2,722
Non-cash deferred share grant distributions		**18**	38
Less: Share-based compensation units exercised		**(6,384)**	(3,165)
Share-based compensation adjustment		**(2,024)**	–
Balance, end of period		**$ 37,971**	$ 43,657
NON-CONTROLLING INTEREST			
Distributions to non-controlling shareholders		**(11,091)**	(6,222)
Profit attributable to non-controlling interest		**11,091**	6,222
Balance, end of period		**$ –**	$ –
TOTAL DEFICIT		**$ (376,792)**	$ (650,422)

See accompanying notes to the interim condensed consolidated financial statements

Interim condensed consolidated statements of cash flows

(unaudited in thousands of Canadian dollars)

	Notes	**Three months ended Sept. 30, 2016**	Three months ended Sept. 30, 2015	**Six months ended Sept. 30, 2016**	Six months ended Sept. 30, 2015
Net inflow (outflow) of cash related to the following activities					
OPERATING					
Profit (loss) before income taxes		**$ (156,727)**	$ (97,456)	**$ 351,241**	$ 54,062
Items not affecting cash					
Amortization of intangible assets and related supply contracts	12(a)	**3,802**	3,826	**6,720**	8,733
Amortization of contract initiation costs		**–**	5,431	**–**	15,548
Amortization of property, plant and equipment	12(a)	**999**	919	**1,859**	1,756
Amortization included in cost of sales		**735**	625	**1,454**	1,178
Share-based compensation	12(a)	**1,425**	1,376	**2,902**	2,722
Financing charges, non-cash portion		**5,177**	3,865	**8,901**	7,360
Other		**(90)**	(90)	**(180)**	(171)
Change in fair value of derivative instruments		**194,389**	116,786	**(290,948)**	(27,714)
		206,437	132,738	**(269,292)**	9,412
Adjustment required to reflect net cash receipts from gas sales		**14,269**	11,848	**19,525**	20,231
Net change in non-cash working capital balances		**2,361**	(31,365)	**(9,572)**	(7,250)
		66,340	15,765	**91,902**	76,455
Income taxes paid		**(5,249)**	(347)	**(11,764)**	(6,764)
Cash inflow from operating activities		**61,091**	15,418	**80,138**	69,691
INVESTING					
Purchase of property, plant and equipment		**(1,934)**	(1,594)	**(3,656)**	(2,641)
Purchase of intangible assets		**(1,686)**	(3,339)	**(4,828)**	(5,579)
Investments		**(4,972)**	–	**(4,972)**	–
Restricted cash		**949**	(3,426)	**1,462**	(3,426)
Cash outflow from investing activities		**(7,643)**	(8,359)	**(11,994)**	(11,646)
FINANCING					
Dividends paid		**(18,806)**	(18,685)	**(37,590)**	(37,362)
Repayment of long-term debt		**(943)**	(3,257)	**(26,909)**	(4,458)
Debt issuance costs		**–**	(3,518)	**–**	(3,518)
Distributions to minority shareholder		**(5,654)**	(3,463)	**(11,091)**	(6,222)
Cash outflow from financing activities		**(25,403)**	(28,923)	**(75,590)**	(51,560)
Effect of foreign currency translation on cash balances		**3,347**	5,400	**(1,391)**	3,325
Net cash inflow (outflow)		**31,392**	(16,464)	**(8,837)**	9,810
Cash and cash equivalents, beginning of period		**87,367**	105,088	**127,596**	78,814
Cash and cash equivalents, end of period		**$ 118,759**	$ 88,624	**$ 118,759**	$ 88,624
Supplemental cash flow information:					
Interest paid		**$ 11,253**	$ 13,867	**$ 26,276**	$ 30,329

See accompanying notes to the interim condensed consolidated financial statements

Notes to the interim condensed consolidated financial statements

For the six months ended September 30, 2016
(unaudited in thousands of Canadian dollars, except where indicated and per share amounts)

1 ORGANIZATION

Just Energy Group Inc. ("JEGI", "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 interim condensed consolidated financial statements consist of Just Energy and its subsidiaries and affiliates. The interim condensed consolidated financial statements were approved by the Board of Directors on November 9, 2016.

2 OPERATIONS

Just Energy is a leading retail energy provider specializing in electricity and natural gas commodities, energy efficiency solutions, and renewable energy options. With offices located across the United States, Canada and the United Kingdom, Just Energy serves approximately two million residential and commercial customers, providing homes and businesses with a broad range of energy solutions that deliver comfort, convenience and control. Just Energy is the parent company of Amigo Energy, Commerce Energy, Green Star Energy, Hudson Energy, Just Energy Solar, Tara Energy and TerraPass.

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

In addition, Just Energy markets smart thermostats, offering the thermostats as a stand-alone unit or bundled with certain commodity products. The smart thermostats are manufactured and distributed by ecobee Inc. ("ecobee"), a company in which Just Energy holds a 10% 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 markets its product offerings through a number of sales channels including door-to-door marketing, broker and affinity relationships, and online marketing. The online marketing of gas and electricity contracts is primarily conducted through Just Ventures LLC and Just Ventures L.P. (collectively, "Just Ventures"), a joint venture in which Just Energy holds a 50% equity interest. Just Energy has also entered into a partnership to act as an originator of residential solar deals that are financed and installed by Spruce Finance Inc. (formerly Clean Power Finance).

3 FINANCIAL STATEMENT PREPARATION

(a) Statement of compliance with IFRS

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed.

(b) Basis of presentation and interim reporting

These interim condensed consolidated financial statements should be read in conjunction with and follow the same accounting policies and methods of application as those used in the audited consolidated financial statements for the years ended March 31, 2016 and 2015.

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

The interim operating results are not necessarily indicative of the results that may be expected for the full year ending March 31, 2017, due to seasonal variations resulting in fluctuations in quarterly results. Gas consumption by customers is typically highest in October through March and lowest in April through September. Electricity consumption is typically highest in January through March and July through September. Electricity consumption is lowest in October through December and April through June. For the 12 months ended September 30, 2016, Just Energy reported gross margin of $730,432 (2015 – $662,226) and profit of $362,144 (2015 – loss of $228,221).

(c) Principles of consolidation

The interim condensed consolidated financial statements include the accounts of Just Energy and its directly or indirectly owned subsidiaries and affiliates as at September 30, 2016. 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 STANDARDS ISSUED BUT NOT YET APPLIED

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the interim condensed consolidated financial statements are disclosed below. Just Energy intends to adopt these standards, if applicable, when they become effective.

IFRS 9, Financial Instruments ("IFRS 9"), was issued by the IASB on July 24, 2014, and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held for trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is only applied to financial liabilities. IFRS 9 uses a new expected loss impairment model and also uses a new model for hedge accounting aligning the accounting treatment with risk management activities. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Management is currently evaluating the impact of IFRS 9 on the consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or industry. The standard will also provide guidance on the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. The standard also outlines increased disclosures that will be required, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgments and estimates made. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Management is currently evaluating the impact of IFRS 15 on the consolidated financial statements.

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

IAS 7, Statement of Cash Flows ("IAS 7"), has been amended by the IASB to introduce additional disclosure that will allow users to understand changes in liabilities arising from financing activities. This amendment to IAS 7 is effective for annual periods beginning or after January 1, 2017. Management is currently evaluating the impact of this amendment on the consolidated financial statements.

5 TRADE AND OTHER RECEIVABLES

	As at Sept. 30, 2016	As at March 31, 2016	As at Sept. 30, 2015
Trade account receivables, net	**$ 323,146**	$ 274,365	$ 322,687
Other	**76,380**	87,890	72,950
	$ 399,526	$ 362,255	$ 395,637

6 PREPAID EXPENSES, DEPOSITS AND OTHER CURRENT ASSETS

	As at Sept. 30, 2016	As at March 31, 2016	As at Sept. 30, 2015
Prepaid expenses and deposits	**$ 60,267**	$ 62,330	$ 43,007
Green certificates	**42,979**	52,354	40,879
	$ 103,246	$ 114,684	$ 83,886

7 FINANCIAL INSTRUMENTS

(a) Fair value of derivative financial instruments

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

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

Change in fair value of derivative instruments

	Three months ended Sept. 30, 2016	Three months ended Sept. 30, 2015	**Six months ended Sept. 30, 2016**	Six months ended Sept. 30, 2015
Physical forward contracts and options (i)	**$ (179,132)**	$ (78,377)	**$ 175,380**	$ 5,900
Financial swap contracts and options (ii)	**(9,952)**	(32,550)	**99,333**	23,324
Foreign exchange forward contracts	**45**	(1,146)	**(1,769)**	1,091
Share swap	**(2,720)**	2,616	**(2,310)**	3,502
Liability associated with exchangeable shares and equity-based compensation	**39**	44	**109**	158
Eurobond conversion feature	**5,411**	(9,111)	**18,119**	(8,045)
Other derivative options	**(8,080)**	1,738	**2,086**	1,784
Change in fair value of derivative instruments	**$ (194,389)**	$ (116,786)	**$ 290,948**	$ 27,714

The following table summarizes certain aspects of the fair value of derivative financial assets and liabilities recorded in the interim condensed consolidated statements of financial position as at September 30, 2016:

	Financial assets (current)	**Financial assets (non-current)**	**Financial liabilities (current)**	**Financial liabilities (non-current)**
Physical forward contracts and options (i)	**$ 20,846**	**$ 2,533**	**$ 145,483**	**$ 124,833**
Financial swap contracts and options (ii)	**–**	**448**	**86,418**	**64,392**
Foreign exchange forward contracts	**497**	**–**	**–**	**240**
Share swap	**–**	**–**	**–**	**16,128**
Eurobond conversion feature	**–**	**–**	**–**	**4,151**
Other derivative options	**2,502**	**208**	**170**	**–**
As at September 30, 2016	**$ 23,845**	**$ 3,189**	**$ 232,071**	**$ 209,744**

The following table summarizes certain aspects of the fair value of derivative financial assets and liabilities recorded in the interim condensed consolidated statements of financial position as at March 31, 2016:

	Financial assets (current)	Financial assets (non-current)	Financial liabilities (current)	Financial liabilities (non-current)
Physical forward contracts and options (i)	$ 1,109	$ 1,752	$ 276,211	$ 149,478
Financial swap contracts and options (ii)	1,269	1,269	151,371	100,915
Foreign exchange forward contracts	2,496	–	–	470
Share swap	–	–	–	13,818
Eurobond conversion feature	–	–	–	22,271
Other derivative options	116	363	280	–
As at March 31, 2016	$ 4,990	$ 3,384	$ 427,862	$ 286,952

The following table summarizes certain aspects of the fair value of derivative financial assets and liabilities recorded in the interim condensed consolidated statements of financial position as at September 30, 2015:

	Financial assets (current)	Financial assets (non-current)	Financial liabilities (current)	Financial liabilities (non-current)
Physical forward contracts and options (i)	$ 3,224	$ 589	$ 255,142	$ 201,759
Financial swap contracts and options (ii)	2,868	1,114	101,048	94,343
Foreign exchange forward contracts	–	–	1,284	–
Share swap	–	–	–	14,049
Eurobond conversion feature	–	–	–	14,936
Other derivative options	199	2,662	270	–
As at September 30, 2015	$ 6,291	$ 4,365	$ 357,744	$ 325,087

Below is a summary of the financial instruments classified through profit and loss as at September 30, 2016, to which Just Energy has committed:

(i) Physical forward contracts and options consist of:

- Electricity contracts with a total remaining volume of 34,040,645 MWh, a weighted average price of $47.71/MWh and expiry dates up to December 31, 2021.
- Natural gas contracts with a total remaining volume of 65,523,283 GJs, a weighted average price of $3.97/GJ and expiry dates up to March 31, 2021.
- Renewable energy certificates ("REC") and emission-reduction credit contracts with a total remaining volume of 9,053,486 MWh and 1,542,500 tonnes, respectively, a weighted average price of $19.51/REC and $3.06/tonne, respectively, and expiry dates up to December 31, 2028.
- Electricity generation capacity contracts with a total remaining volume of 9,714 MWCap, a weighted average price of $7,951.53/MWCap and expiry dates up to October 31, 2020.

(ii) Financial swap contracts and options consist of:

- Electricity contracts with a total remaining volume of 24,526,190 MWh, an average price of $40.12/MWh and expiry dates up to December 31, 2021.
- Natural gas contracts with a total remaining volume of 134,461,328 GJs, an average price of $4.00/GJ and expiry dates up to October 31, 2021.
- Electricity generation capacity contracts with a total remaining volume of 953 MWCap, a weighted average price of $3,735.08/MWCap and expiry dates up to October 31, 2020.

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

Share swap agreement

The Company has entered into a share swap agreement to manage the statements of income volatility associated with the Company's restricted share grant and deferred share grant plans. The value, on inception, of the 2,500,000 shares under this share swap agreement was approximately $33,803. Net monthly settlements received under the share swap agreement are recorded in other income. The Company marks to market the fair value of the share swap agreement and has included that value 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 income as a change in fair value of derivative instruments.

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, inputs must be directly or indirectly observable in the market. Just Energy values its New York Mercantile Exchange ("NYMEX") financial gas fixed-for-floating swaps under Level 2.

Level 3
Fair value measurements that require unobservable market data or use statistical techniques to derive forward curves from observable market data and unobservable inputs are classified as Level 3 in the FV hierarchy. For the supply contracts, Just Energy uses quoted market prices as per available market forward data and applies a price-shaping profile to calculate the monthly prices from annual strips and hourly prices from block strips for the purposes of mark to market calculations. The profile is based on historical settlements with counterparties or with the system operator and is considered an unobservable input for the purposes of establishing the level in the FV hierarchy. For the natural gas supply contracts, Just Energy uses three different market observable curves: i) Commodity (predominately NYMEX), ii) Basis and iii) Foreign exchange. NYMEX curves extend for over five years (thereby covering the length of Just Energy's contracts); however, most basis curves only extend 12 to 15 months into the future. In order to calculate basis curves for the remaining years, Just Energy uses extrapolation, which leads natural gas supply contracts to be classified under Level 3.

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

The Company's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There was no transfer into or out of Level 1, Level 2 or Level 3 during the six months ended September 30, 2016 or the year ended March 31, 2016.

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 September 30, 2016:

	Level 1	**Level 2**	**Level 3**	**Total**
Derivative financial assets	**$ –**	**$ –**	**$ 27,034**	**$ 27,034**
Derivative financial liabilities	**–**	**(32,805)**	**(409,010)**	**(441,815)**
Total net derivative liabilities	**$ –**	**$ (32,805)**	**$ (381,976)**	**$ (414,781)**

The following table illustrates the classification of derivative financial assets (liabilities) in the FV hierarchy as at March 31, 2016:

	Level 1	Level 2	Level 3	Total
Derivative financial assets	$ –	$ –	$ 8,374	$ 8,374
Derivative financial liabilities	–	(68,209)	(646,605)	(714,814)
Total net derivative liabilities	$ –	$ (68,209)	$ (638,231)	$ (706,440)

The following table illustrates the classification of derivative financial assets (liabilities) in the FV hierarchy as at September 30, 2015:

	Level 1	Level 2	Level 3	Total
Derivative financial assets	$ –	$ –	$ 10,656	$ 10,656
Derivative financial liabilities	–	(71,625)	(611,206)	(682,831)
Total net derivative liabilities	$ –	$ (71,625)	$ (600,550)	$ (672,175)

Key assumptions used when determining the significant unobservable inputs included in Level 3 of the FV hierarchy consist of:

(i) up to 5% price extrapolation to calculate monthly prices that extend beyond the market observable 12- to 15-month forward curve,

(ii) discount for counterparty non-performance risk up to 5%, and

(iii) discount rate in the range of 6% to 8%.

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:

	Six months ended Sept. 30, 2016	Year ended March 31, 2016	Six months ended Sept. 30, 2015
Balance, beginning of period	**$ (638,231)**	$ (623,924)	$ (623,924)
Total gains (losses)	**33,542**	(252,062)	(153,602)
Purchases	**(14,139)**	(116,916)	(50,328)
Sales	**2,648**	2,717	1,665
Settlements	**234,204**	351,954	225,639
Balance, end of period	**$ (381,976)**	$ (638,231)	$ (600,550)

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

As at September 30, 2016 and March 31, 2016, the carrying value of cash and cash equivalents, restricted cash, current trade and other receivables, unbilled revenues 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 September 30, 2016 of $655,332 (March 31, 2016 – $689,714) 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 following exceptions:

(i) the $320 million, $100 million and US$150 million convertible debentures, which are fair valued based on market value; and

(ii) the fair value of the senior unsecured note is based on discounting future cash flows using a discount rate consistent with the above convertible debentures.

The $320 million, $100 million and US$150 million convertible debentures are classified as Level 1 and the senior unsecured note is classified as Level 2 in the FV hierarchy.

(c) Management of risks arising from financial instruments

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

(i) Market risk

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

Foreign currency risk

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

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

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

With respect to translation exposure, if the Canadian dollar had been 5% stronger or weaker against the U.S. dollar for the six months ended September 30, 2016, assuming that all the other variables had remained constant, profit for the period would have been $17,607 higher/lower and other comprehensive income would have been $22,391 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. The Company's exposure to interest rate risk is relatively immaterial and temporary in nature. Just Energy does not currently believe that long-term debt exposes it to material interest rate risks but has set out parameters to actively manage this risk within its Risk Management Policy.

A 1% increase (decrease) in interest rates would have resulted in a decrease (increase) of approximately $23 in profit before income taxes for the six months ended September 30, 2016 (2015 – $21).

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

Commodity price sensitivity – all derivative financial instruments
If all the energy prices associated with derivative financial instruments including natural gas, electricity, verified emission-reduction credits and renewable energy certificates had risen (fallen) by 10%, assuming that all of the other variables had remained constant, profit before income taxes for the six months ended September 30, 2016 would have increased (decreased) by $143,341 ($142,712) primarily as a result of the change in fair value of Just Energy's derivative financial instruments.

Commodity price sensitivity – Level 3 derivative financial instruments
If the energy prices associated with only Level 3 derivative financial instruments including natural gas, electricity, verified emission-reduction credits and renewable energy certificates had risen (fallen) by 10%, assuming that all of the other variables had remained constant, profit before income taxes for the six months ended September 30, 2016 would have increased (decreased) by $149,902 ($149,273) primarily as a result of the change in fair value of Just Energy's derivative financial instruments.

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

Customer credit risk
In Alberta, Texas, Illinois, British Columbia, California, Michigan, Delaware, Ohio, Georgia and the United Kingdom, 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:

	Sept. 30, 2016	March 31, 2016	Sept. 30, 2015
Current	**$ 132,018**	$ 104,275	$ 134,574
1–30 days	**38,168**	33,984	39,213
31–60 days	**15,047**	13,129	13,290
61–90 days	**9,062**	6,603	7,870
Over 90 days	**32,715**	48,382	58,348
	$ 227,010	$ 206,373	$ 253,295

Changes in the allowance for doubtful accounts were as follows:

	Sept. 30, 2016	March 31, 2016	Sept. 30, 2015
Balance, beginning of period	**$ 58,789**	$ 58,314	$ 58,314
Provision for doubtful accounts	**28,388**	68,531	36,231
Bad debts written off	**(43,280)**	(60,304)	(22,877)
Other	**(210)**	(7,752)	(3,333)
Balance, end of period	**$ 43,687**	$ 58,789	$ 68,335

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

Counterparty credit risk

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

As at September 30, 2016, the estimated counterparty credit risk exposure amounted to $27,034 (2015 – $10,656), representing the risk relating to the Company's exposure to derivatives that are in an asset position.

(iii) Liquidity risk

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

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

As at September 30, 2016:

	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**1–3 years**	**4–5 years**	**More than 5 years**
Trade and other payables	**$ 542,614**	**$ 542,614**	**$ 542,614**	**$ –**	**$ –**	**$ –**
Long-term debt[1]	**644,013**	**671,407**	**374,652**	**100,000**	**196,755**	**–**
Derivative instruments	**441,815**	**3,667,345**	**1,185,836**	**2,092,389**	**344,388**	**44,732**
	$ 1,628,442	**$ 4,881,366**	**$ 2,103,102**	**$ 2,192,389**	**$ 541,143**	**$ 44,732**

As at March 31, 2016:

	Carrying amount	Contractual cash flows	Less than 1 year	1–3 years	4–5 years	More than 5 years
Trade and other payables	$ 511,276	$ 511,276	$ 511,276	$ –	$ –	$ –
Long-term debt[1]	660,543	696,221	–	501,416	194,805	–
Derivative instruments	714,814	3,808,888	2,099,984	1,442,238	231,227	35,439
	$ 1,886,633	$ 5,016,385	$ 2,611,260	$ 1,943,654	$ 426,032	$ 35,439

As at September 30, 2015:

	Carrying amount	Contractual cash flows	Less than 1 year	1–3 years	4–5 years	More than 5 years
Trade and other payables	$ 546,478	$ 546,478	$ 546,478	$ –	$ –	$ –
Long-term debt[1]	685,451	729,190	–	529,015	200,175	–
Derivative instruments	682,831	4,008,312	1,976,174	1,674,665	311,540	45,933
	$ 1,914,760	$ 5,283,980	$ 2,522,652	$ 2,203,680	$ 511,715	$ 45,933

1 Included in long-term debt are the $319,652 and $100,000 relating to convertible debentures and US$150,000 relating to convertible bonds, 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 September 30, 2016, 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	$ 34,006	$ 23,624	$ –	$ –

(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 September 30, 2016, Just Energy has applied a discount factor to determine the fair value of its financial assets in the amount of $5,625 (2015 – $2,211) to accommodate for its counterparties' risk of default.

8 ACCUMULATED OTHER COMPREHENSIVE INCOME

For the six months ended September 30, 2016

	Foreign currency translation adjustments
Balance, beginning of period	**$ 48,908**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:	
Unrealized foreign currency translation adjustment	**1,034**
Balance, end of period	**$ 49,942**

For the six months ended September 30, 2015

	Foreign currency translation adjustments
Balance, beginning of period	$ 56,393
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:	
Unrealized foreign currency translation adjustment	(12,151)
Balance, end of period	$ 44,242

9 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:

	Six months ended Sept. 30, 2016		Year ended March 31, 2016		Six months ended Sept. 30, 2015	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Issued and outstanding						
Balance, beginning of period	**147,183,778**	**$ 1,069,434**	146,559,176	$ 1,063,423	146,559,176	$ 1,063,423
Share-based awards exercised	**609,183**	**6,384**	624,602	6,011	355,314	3,165
Balance, end of period	**147,792,961**	**$ 1,075,818**	147,183,778	$ 1,069,434	146,914,490	$ 1,066,588

Dividend reinvestment plan

Under Just Energy's dividend reinvestment plan ("DRIP"), prior to suspension on January 1, 2015, Canadian shareholders holding a minimum of 100 common shares can elect to receive their dividends in common shares rather than cash at a 2% discount to the simple average closing price of the common shares for the five trading days preceding the applicable dividend payment date, providing that the common shares are issued from treasury and not purchased on the open market.

10 LONG-TERM DEBT AND FINANCING

	Sept. 30, 2016	March 31, 2016	Sept. 30, 2015
Credit facility (a)	**$ –**	$ –	$ –
Less: Debt issue costs (a)	**(2,363)**	(2,980)	(3,420)
Senior unsecured note (b)	**55,000**	80,000	105,000
Less: Debt issue costs (b)	**(2,987)**	(3,706)	(4,394)
$330 million convertible debentures (c)	**313,452**	311,028	309,558
$100 million convertible debentures (d)	**94,804**	93,637	92,519
US$150 million convertible bonds (e)	**186,107**	182,564	186,188
	644,013	660,543	685,451
Less: Current portion	**(365,465)**	–	–
	$ 278,548	$ 660,543	$ 685,451

Future annual minimum repayments are as follows:

	Less than 1 year	1–3 years	4–5 years	More than 5 years	Total
Senior unsecured note (b)	$ 55,000	$ –	$ –	$ –	$ 55,000
$330 million convertible debentures (c)	319,652	–	–	–	319,652
$100 million convertible debentures (d)	–	100,000	–	–	100,000
US$150 million convertible bonds (e)	–	–	196,755	–	196,755
	$ 374,652	$ 100,000	$ 196,755	$ –	$ 671,407

Interest is expensed based on the effective interest rate. The following table details the finance costs for the indicated periods:

	Three months ended Sept. 30, 2016	Three months ended Sept. 30, 2015	Six months ended Sept. 30, 2016	Six months ended Sept. 30, 2015
Credit facility (a)	**$ 2,229**	$ 1,680	**$ 4,220**	$ 3,152
Senior unsecured note (b)	**1,808**	2,892	**5,227**	5,775
$330 million convertible debentures (c)	**6,950**	7,019	**13,846**	13,739
$100 million convertible debentures (d)	**2,438**	1,974	**4,042**	3,948
US$150 million convertible bonds (e)	**4,144**	3,980	**8,113**	7,700
Unwinding of discount and other	**313**	96	**407**	183
	$ 17,882	$ 17,641	**$ 35,855**	$ 34,497

(a) As at September 30, 2016, Just Energy has a credit facility of $292.5 million to meet working capital requirements. The current syndicate of lenders includes Shell Energy North America (Canada) Inc./Shell Energy North America (U.S.), L.P., Canadian Imperial Bank of Commerce, National Bank of Canada, HSBC Bank Canada, Alberta Treasury Branches, JP Morgan Chase Bank N.A. and Canadian Western Bank. The term of the credit facility expires on September 1, 2018.

Under the terms of the credit facility, Just Energy is able to make use of Bankers' Acceptances and LIBOR advances at stamping fees of 3.40%, prime rate advances at rates of interest of bank prime plus 2.40%, and letters of credit at 3.40%. Interest rates are adjusted quarterly based on certain financial performance indicators.

As at September 30, 2016, the Canadian prime rate was 2.70% and the U.S. prime rate was 3.50%. As at September 30, 2016 and March 31, 2016, no amount has been drawn against the facility. Total letters of credit outstanding as of September 30, 2016 amounted to $136.3 million (March 31, 2016 – $130.0 million). As at September 30, 2016, Just Energy has $151.2 million of the facility remaining for future working capital and security requirements. Just Energy's obligations under the credit facility are supported by guarantees of certain subsidiaries and affiliates and secured by a general security agreement and a pledge of the assets and securities of Just Energy and the majority of its operating subsidiaries and affiliates excluding, primarily, the U.K. operations. Just Energy is required to meet a number of financial covenants under the credit facility agreement. As at September 30, 2016, the Company was compliant with all of these covenants.

(b) The senior unsecured note bears interest at 9.75% and matures in June 2018. The senior unsecured note is subject to certain financial and other covenants and as of September 30, 2016, all of the covenants had been met.

(c) In May 2010, Just Energy issued $330 million of convertible extendible unsecured subordinated debentures (the "$330 million convertible debentures"). The $330 million convertible debentures bear interest at a rate of 6% per annum payable semi-annually in arrears on June 30 and December 31, with a maturity date of June 30, 2017. Each $1,000 principal amount of the $330 million convertible debentures is convertible at any time prior to maturity or on the date fixed for redemption, at the option of the holder, into approximately 55.6 common shares of the Company, representing a conversion price of $18 per share. During the six months ended September 30, 2016, interest expense amounted to $13,846. The $330 million convertible debentures may be redeemed by Just Energy, in whole or in part, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest.

The Company may, at its own option, on not more than 60 days' and not less than 40 days' prior notice, subject to applicable regulatory approval and provided that no event of default has occurred and is continuing, elect to satisfy its obligation to repay all or any portion of the principal amount of the $330 million convertible debentures that are to be redeemed or that are to mature, by issuing and delivering to the holders thereof that number of freely tradable common shares determined by dividing the principal amount of the $330 million convertible debentures being repaid by 95% of the current market price on the date of redemption or maturity, as applicable.

The conversion feature of the $330 million convertible debentures has been accounted for as a separate component of shareholders' deficit in the amount of $33,914. Upon initial recognition of the convertible debentures, Just Energy recorded a deferred tax liability of $15,728 and reduced the value of the equity component of convertible debentures by this amount. The remainder of the net proceeds of the $330 million convertible debentures has been recorded as long-term debt, which is being accreted up to the face value of $330,000 over the term of the $330 million convertible debentures using an effective interest rate of 8.8%. If the $330 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.

During the three and six months ended September 30, 2016, the Company purchased and retired $819 and $1,764 (2015 – $3,260 and $4,486), respectively, of these convertible debentures. During the period, the Company paid $1,909 (2015 – $3,257), reducing the net book value by $1,712 (2015 – $3,095), and the loss was recorded as an increase to interest expense. As at September 30, 2016, the face value of this debenture was $319,652 (2015 – $324,015).

(d) In September 2011, Just Energy issued $100 million of convertible unsecured subordinated debentures (the "$100 million convertible debentures"), which was used to fund an acquisition. The $100 million convertible debentures bear interest at an annual rate of 5.75%, payable semi-annually on March 31 and September 30 in each year and have a maturity date of September 30, 2018. Each $1,000 principal amount of the $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 56.0 common shares of Just Energy, representing a conversion price of $17.85. Prior to September 30, 2016, the $100 million convertible debentures may be redeemed by the Company, in whole or in part, 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 is at least 125% of the conversion price. On or after September 30, 2016, the $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 Company may, at its option, on not more than 60 days' and not less than 30 days' prior notice, subject to applicable regulatory approval and provided no event of default has occurred and is continuing, elect to satisfy its obligation to repay all or any portion of the principal amount of the $100 million convertible debentures that are to be redeemed or that are to mature, by issuing and delivering to the holders thereof that number of freely tradable common shares determined by dividing the principal amount of the $100 million convertible debentures being repaid by 95% of the current market price on the date of redemption or maturity, as applicable.

The conversion feature of the $100 million convertible debentures has been accounted for as a separate component of shareholders' deficit in the amount of $10,188. Upon initial recognition of the convertible debentures, Just Energy recorded a deferred tax liability of $2,579 and reduced the equity component of the convertible debentures by this amount. The remainder of the net proceeds of the $100 million convertible debentures has been recorded as long-term debt, which is being accreted up to the face value of $100,000 over the term of the $100 million convertible debentures using an effective interest rate of 8.6%. If the $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.

(e) On January 29, 2014, Just Energy issued US$150 million of European-focused senior convertible unsecured convertible bonds (the "$150 million convertible bonds"). The $150 million 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 with a maturity date of July 29, 2019. The Company incurred transaction costs of $5,215 and has shown these costs net of the $150 million convertible bonds.

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 $150 million 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 $150 million convertible bonds has been recorded as long-term debt, which is being accreted up to the face value of $150,000 over the term of the $150 million 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. As at September 30, 2016, the fair value of this conversion feature is US$3,165 and is included in other non-current financial liabilities.

11 INCOME TAXES

	Three months ended Sept. 30, 2016	Three months ended Sept. 30, 2015	**Six months ended Sept. 30, 2016**	Six months ended Sept. 30, 2015
Current income tax expense	**$ 2,571**	$ 2,221	**$ 4,626**	$ 4,340
Deferred tax expense (recovery)	**2,310**	(11,419)	**25,552**	8,309
Provision for (recovery of) income taxes	**$ 4,881**	$ (9,198)	**$ 30,178**	$ 12,649

12 OTHER EXPENSES

(a) Other operating expenses

	Three months ended Sept. 30, 2016	Three months ended Sept. 30, 2015	**Six months ended Sept. 30, 2016**	Six months ended Sept. 30, 2015
Amortization of other intangible assets	**$ 3,802**	$ 3,826	**$ 6,720**	$ 8,733
Amortization of property, plant and equipment	**999**	919	**1,859**	1,756
Bad debt expense	**14,818**	18,597	**28,388**	36,231
Share-based compensation	**1,425**	1,376	**2,902**	2,722
	$ 21,044	$ 24,718	**$ 39,869**	$ 49,442

(b) Employee benefits expense

	Three months ended Sept. 30, 2016	Three months ended Sept. 30, 2015	**Six months ended Sept. 30, 2016**	Six months ended Sept. 30, 2015
Wages, salaries and commissions	**$ 54,773**	$ 57,261	**$ 108,528**	$ 106,592
Benefits	**8,238**	6,388	**16,291**	14,275
	$ 63,011	$ 63,649	**$ 124,819**	$ 120,867

13 REPORTABLE BUSINESS SEGMENTS

Just Energy's reportable segments include the following: Consumer Energy and Commercial Energy.

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

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

For the three months ended September 30, 2016

	Consumer division	**Commercial division**	**Consolidated**
Sales	**$ 527,286**	**$ 465,542**	**$ 992,828**
Gross margin	**130,631**	**52,903**	**183,534**
Amortization of property, plant and equipment	**919**	**80**	**999**
Amortization of intangible assets	**3,409**	**393**	**3,802**
Administrative expenses	**32,905**	**13,812**	**46,717**
Selling and marketing expenses	**36,259**	**23,195**	**59,454**
Other operating expenses	**12,418**	**3,825**	**16,243**
Operating profit for the period	**$ 44,721**	**$ 11,598**	**$ 56,319**
Finance costs			**(17,882)**
Change in fair value of derivative instruments			**(194,389)**
Other expense			**(775)**
Provision for income taxes			**(4,881)**
Loss for the period			**$ (161,608)**
Capital expenditures	**$ 1,289**	**$ 645**	**$ 1,934**

For the three months ended September 30, 2015

	Consumer division	Commercial division	Consolidated
Sales	$ 560,351	$ 526,905	$ 1,087,256
Gross margin	121,320	45,835	167,155
Amortization of property, plant and equipment	860	59	919
Amortization of intangible assets	3,483	343	3,826
Administrative expenses	31,730	8,564	40,294
Selling and marketing expenses	41,280	23,968	65,248
Other operating expenses	17,439	2,534	19,973
Operating profit for the period	$ 26,528	$ 10,367	$ 36,895
Finance costs			(17,641)
Change in fair value of derivative instruments			(116,786)
Other expense			76
Recovery of income taxes			9,198
Loss for the period			$ (88,258)
Capital expenditures	$ 1,063	$ 531	$ 1,594

For the six months ended September 30, 2016

	Consumer division	**Commercial division**	**Consolidated**
Sales	**$ 991,352**	**$ 899,885**	**$ 1,891,237**
Gross margin	**255,379**	**90,827**	**346,206**
Amortization of property, plant and equipment	**1,716**	**143**	**1,859**
Amortization of intangible assets	**5,817**	**903**	**6,720**
Administrative expenses	**67,054**	**24,364**	**91,418**
Selling and marketing expenses	**71,661**	**45,583**	**117,244**
Other operating expenses	**23,670**	**7,620**	**31,290**
Operating profit for the period	**$ 85,461**	**$ 12,214**	**$ 97,675**
Finance costs			**(35,855)**
Change in fair value of derivative instruments			**290,948**
Other expense			**(1,527)**
Provision for income taxes			**(30,178)**
Profit for the period			**$ 321,063**
Capital expenditures	**$ 2,437**	**$ 1,219**	**$ 3,656**

As at September 30, 2016			
Total goodwill	**$ 143,629**	**$ 137,996**	**$ 281,625**
Total assets	**$ 961,404**	**$ 360,038**	**$ 1,321,442**
Total liabilities	**$ 1,537,597**	**$ 160,637**	**$ 1,698,234**

For the six months ended September 30, 2015

	Consumer division	Commercial division	Consolidated
Sales	$ 1,044,780	$ 975,491	$ 2,020,271
Gross margin	237,797	80,265	318,062
Amortization of property, plant and equipment	1,645	111	1,756
Amortization of intangible assets	6,004	2,729	8,733
Administrative expenses	59,669	18,223	77,892
Selling and marketing expenses	78,683	49,346	128,029
Other operating expenses	34,059	4,894	38,953
Operating profit for the period	$ 57,737	$ 4,962	$ 62,699
Finance costs			(34,497)
Change in fair value of derivative instruments			27,714
Other expense			(1,854)
Provision for income taxes			(12,649)
Profit for the period			$ 41,413
Capital expenditures	$ 1,761	$ 880	$ 2,641

As at September 30, 2015			
Total goodwill	$ 143,814	$ 139,761	$ 283,575
Total assets	$ 673,966	$ 648,722	$ 1,322,688
Total liabilities	$ 1,518,167	$ 454,943	$ 1,973,110

Sales from external customers

	Three months ended Sept. 30, 2016	Three months ended Sept. 30, 2015	**Six months ended Sept. 30, 2016**	Six months ended Sept. 30, 2015
Canada	**$ 97,584**	$ 107,835	**$ 198,307**	$ 241,528
United States	**793,291**	884,493	**1,471,849**	1,605,788
United Kingdom	**101,953**	94,928	**221,081**	172,955
Total	**$ 992,828**	$ 1,087,256	**$ 1,891,237**	$ 2,020,271

The revenue is based on the location of the customer.

Non-current assets

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

	As at Sept. 30, 2016	As at March 31, 2016	As at Sept. 30, 2015
Canada	**$ 195,357**	$ 194,236	$ 194,391
United States	**176,914**	175,758	183,297
United Kingdom	**965**	924	520
Total	**$ 373,236**	$ 370,918	$ 378,208

14 EARNINGS (LOSS) PER SHARE

	Three months ended Sept. 30, 2016	Three months ended Sept. 30, 2015	**Six months ended Sept. 30, 2016**	Six months ended Sept. 30, 2015
BASIC EARNINGS (LOSS) PER SHARE				
Earnings (loss) available to shareholders	**$ (167,262)**	$ (91,721)	**$ 309,972**	$ 35,191
Basic shares outstanding	**147,765,764**	146,834,950	**147,524,632**	146,719,259
Basic earnings (loss) per share available to shareholders	**$ (1.13)**	$ (0.62)	**$ 2.10**	$ 0.24
DILUTED EARNINGS (LOSS) PER SHARE				
Earnings (loss) available to shareholders	**$ (167,262)**	$ (91,721)	**$ 309,972**	$ 35,191
Adjustment for dilutive impact of convertible debentures	**15,293[1]**	16,231[1]	**15,499**	24,649
Adjusted earnings (loss) available to shareholders	**$ (151,969)**	$ (75,490)	**$ 325,471**	$ 59,840
Basic shares outstanding	**147,765,764**	146,834,950	**147,524,632**	146,719,259
Dilutive effect of:				
Restricted share grants	**2,910,112[1]**	3,162,967[1]	**3,016,332**	3,306,046
Deferred share grants	**84,946[1]**	104,592[1]	**73,613**	177,693
Convertible debentures	**39,933,526[1]**	39,745,767[1]	**39,933,526**	39,787,948
Shares outstanding on a diluted basis	**190,694,349**	189,848,276	**190,548,103**	189,990,946
Diluted earnings (loss) per share available to shareholders	**$ (1.13)**	$ (0.62)	**$ 1.71**	$ 0.23

1 The assumed conversion into shares results in an anti-dilutive position in the current year; therefore, these items have not been included in the computation of dilutive earnings (loss) per share.

15 DIVIDENDS PAID

For the three months ended September 30, 2016, a dividend of $0.125 (2015 – $0.125) per share was declared by Just Energy. This dividend amounted to $18,814 (2015 – $18,701), which was approved by the Board of Directors and paid out on September 30, 2016. For the six months ended September 30, 2016, dividends of $0.25 (2015 – $0.25) per share were declared and paid by Just Energy. This amounted to $37,607 (2015 – $37,400), which was approved by the Board of Directors and paid out during the period.

16 COMMITMENTS AND GUARANTEES

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

As at September 30, 2016

	Less than 1 year	1–3 years	4–5 years	More than 5 years	Total
Premises and equipment leasing	$ 5,653	$ 9,926	$ 6,061	$ 9,639	$ 31,279
Gas and electricity contracts	1,185,836	2,092,389	344,388	44,732	3,667,345
	$ 1,191,489	$ 2,102,315	$ 350,449	$ 54,371	$ 3,698,624

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

Guarantees

Pursuant to separate arrangements with Westchester Fire Insurance Company, Travelers Casualty and Surety Company of America, 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 September 30, 2016 amounted to $46.7 million.

As at September 30, 2016, Just Energy had total letters of credit outstanding in the amount of $136.3 million (Note 10(a)).

17 SUBSEQUENT EVENTS

On October 5, 2016, Just Energy redeemed the remaining principal amount of $55 million of its 9.75% senior unsecured notes due June 2018 (the “Notes”) at a redemption price of $59.1 million, which amount includes accrued interest and the early redemption premium, in accordance with the trust indenture governing the Notes.

On October 5, 2016, Just Energy announced that it has closed its previously announced $160 million public offering of convertible unsecured senior subordinated debentures (the “Debentures”) at a price of $1,000 per Debenture, bearing interest at 6.75% per annum and maturing on December 31, 2021 (the “Maturity Date”). Each $1,000 principal amount of the Debentures is convertible at the option of the holder at any time prior to the close of business on the last business day immediately preceding the earlier of the Maturity Date and 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 adjustments. The Debentures are listed on the Toronto Stock Exchange under the symbol JE.DB.C.

Also on October 5, 2016, Just Energy announced that it will redeem a principal amount of $225 million of its 6.0% convertible debentures scheduled to mature on June 30, 2017 (TSX: JE.DB) (the “Redemption Debentures”) on November 7, 2016 (the “Redemption Date”). On the Redemption Date, Just Energy will pay in cash to the holders of Redemption Debentures a redemption price equal to $1,021.3699 for each $1,000 principal amount of Redemption Debentures, being equal to the aggregate of $1,000 and all accrued plus unpaid interest thereon to but excluding the Redemption Date, in each case less any taxes required to be deducted or withheld. Formal notice of redemption is being delivered to the holders of Redemption Debentures in accordance with the terms of the trust indenture governing such debentures.

18 COMPARATIVE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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