

Enertopia Corp.  
Form 10-Q  
July 15, 2011

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 2011 or

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-51866

**Enertopia Corporation**

*(Exact name of registrant as specified in its charter)*

**Nevada**

*(State or other jurisdiction of incorporation or organization)*

**20-1970188**

*(IRS Employer Identification No.)*

**950 1130 West Pender Street, Vancouver, BC**

*(Address of principal executive offices)*

**V6E 4A4**

*(Zip Code)*

**604-602-1633**

*(Registrant's telephone number, including area code)*

---

*(Former name, former address and former fiscal year, if changed since last report)*

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act

Edgar Filing: Enertopia Corp. - Form 10-Q

Large accelerated filer [ ]

Accelerated filer [ ]

Non-accelerated filer [ ] (Do not check if a smaller reporting company) Smaller reporting company [ X ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act

[ ] YES [ X ] NO

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS**

Check whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.

[ ] YES [ ] NO

**APPLICABLE ONLY TO CORPORATE ISSUERS**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

24,643,865 common shares issued and outstanding as of July 15, 2011

---

**PART 1 FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

Our unaudited interim consolidated financial statements for the six month period ended May 31, 2011 form part of this quarterly report. They are stated in United States Dollars (US\$) and are prepared in accordance with United States generally accepted accounting principles.

**ENERTOPIA CORP. (formerly Golden Aria Corp.)**  
**(A Development Stage Company)**  
**INTERIM CONSOLIDATED BALANCE SHEETS**  
**(Expressed in U.S. Dollars)**

|   | <b>May 31</b>       | <b>August 31,</b>  |
|---|---------------------|--------------------|
|   | <b>2011</b>         | <b>2010</b>        |
| <b>ASSETS</b>   |                     |                    |
| <b>Current</b>  |                     |                    |
| Cash and cash equivalents                                       | \$ 474,265          | \$ 34,506          |
| Owned securities (Note 4)                                       | 424,086             | 343,074            |
| Accounts receivable   | 37,057              | 16,903             |
| Prepaid expenses and deposit                                    | 7,325               | 4,191              |
| Assets held for sale (Note 6)                                   | -                   | 100,000            |
| <b>Total current assets</b>                                     | <b>942,733</b>      | <b>498,674</b>     |
| <b>Non-Current</b>  |                     |                    |
| Long term investment - Pro Eco & GSWPS (Note 5)                 | 257,295             | 220,986            |
| Mineral Property (Note 7)                                       | 180,330             | -                  |
| <b>Total Assets</b>   | <b>\$ 1,380,358</b> | <b>\$ 719,660</b>  |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                     |                     |                    |
| <b>LIABILITIES</b>  |                     |                    |
| <b>Current</b>  |                     |                    |
| Accounts payable  | \$ 11,961           | \$ 27,035          |
| Promissory notes - related party (Note 8)                       | 20,000              | 50,000             |
| Due to related parties (Note 9)                                 | 58,808              | 72,909             |
| <b>Total Current Liabilities</b>                                | <b>90,769</b>       | <b>149,944</b>     |
| Promissory notes - related party (Note 8)                       | -                   | 139,844            |
| Long term liabilities related to warrants (Note 11)             | 896,019             | -                  |
|   | <b>986,788</b>      | <b>289,788</b>     |
| <b>STOCKHOLDERS' EQUITY</b>                                     |                     |                    |
| <b>Share capital</b>  |                     |                    |
| Authorized:   |                     |                    |
| 200,000,000 common shares with a par value of \$0.001 per share |                     |                    |
| Issued and outstanding:   |                     |                    |
| 24,639,865 common shares at May 31, 2011 and August             |                     |                    |
| 31,2010:15,710,240  | 24,640              | 15,710             |
| <b>Additional paid-in capital</b>                               | <b>5,067,218</b>    | <b>4,632,777</b>   |
| <b>Deficit accumulated during the exploration stage</b>         | <b>(4,698,287)</b>  | <b>(4,218,614)</b> |
| <b>Total Stockholders' Equity</b>                               | <b>393,570</b>      | <b>429,873</b>     |
| <b>Total Liabilities and Stockholders' Equity</b>               | <b>\$ 1,380,358</b> | <b>\$ 719,660</b>  |

The accompanying notes are an integral part of these consolidated financial statements



**ENERTOPIA CORP. (formerly Golden Aria Corp.)**  
**(A Development Stage Company)**  
**INTERIM CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**NOVEMBER 24, 2004 (inception) TO MAY 31, 2011**  
**(Expressed in U.S. Dollars)**

|  | COMMON STOCK |        | ADDITIONAL | STOCK  | DEFICIT     | TOTAL         |
|--|--------------|--------|------------|--------|-------------|---------------|
|  | SHARES       | AMOUNT | PAID-IN    | TO BE  | ACCUMULATED | STOCKHOLDERS' |
|  |              |        | CAPITAL    | ISSUED | DURING      | EQUITY        |
|  |              |        |            |        | EXPLORATION |               |
|  |              |        |            |        | STAGE       |               |
| Balance<br>November 24,<br>2004<br>(Inception)   | -            | \$ -   | \$ -       | \$ -   | \$ -        | \$ -          |
| Issuance of<br>common stock<br>for cash at<br>\$0.02 per share<br>on March 22,<br>2005 | 5,467,500    | 5,468  | 103,882    | -      | -           | 109,350       |
| Issuance of<br>common stock<br>for cash at<br>\$0.30 per share<br>on April 6,<br>2005  | 1,112,500    | 1,112  | 332,638    | -      | -           | 333,750       |
| Stock to be<br>issued  | 125,000      | -      | 37,375     | 125    | -           | 37,500        |
| Comprehensive<br>income (loss):<br>(Loss) for the<br>period                            | -            | -      | -          | -      | (167,683)   | (167,683)     |
| Balance,<br>August 31,<br>2005   | 6,705,000    | 6,580  | 473,895    | 125    | (167,683)   | 312,917       |
| Stock issued<br>on September<br>29, 2005   | -            | 125    | -          | (125)  | -           | -             |
| Comprehensive<br>income (loss):<br>(Loss) for the<br>year                              | -            | -      | -          | -      | (200,091)   | (200,091)     |
| Balance,<br>August 31,   | 6,705,000    | 6,705  | 473,895    | -      | (367,774)   | 112,826       |

2006

|   |        |    |               |         |
|---|--------|----|---------------|---------|
| Units issued for cash at \$0.50 per unit to related parties on March 6, 2007 (included stock based compensation of \$116,959) | 92,740 | 93 | 163,236<br>F2 | 163,329 |
|---|--------|----|---------------|---------|

Edgar Filing: Enertopia Corp. - Form 10-Q

|  |            |           |              |      |                |              |
|--|------------|-----------|--------------|------|----------------|--------------|
| Stock issued for property on April 18, 2007                          | 250,000    | 250       | 274,750      | -    | -              | 275,000      |
| Units issued for cash at \$0.50 per unit on April 19, 2007           | 100,000    | 100       | 49,900       | -    | -              | 50,000       |
| Units issued for cash at \$0.50 per unit on August 31, 2007          | 600,000    | 600       | 299,400      | -    | -              | 300,000      |
| Imputed interest from non-interest bearing loan                      | -          | -         | 3,405        | -    | -              | 3,405        |
| Comprehensive income (loss):   |            |           |              |      |                |              |
| (Loss) for the year  | -          | -         | -            | -    | (607,397)      | (607,397)    |
| Balance, August 31, 2007   | 7,747,740  | \$ 7,748  | \$ 1,264,586 | \$ - | \$ (975,171)   | \$ 297,163   |
| Units issued for acquisition at \$0.42 per unit on November 30, 2007 | 6,905,000  | 6,905     | 2,893,195    | -    | -              | 2,900,100    |
| Imputed interest from non-interest bearing loan                      | -          | -         | 7,139        | -    | -              | 7,139        |
| Stock-based compensation on 1,785,000 options granted                | -          | -         | 104,257      | -    | -              | 104,257      |
| Comprehensive income (loss):   |            |           |              |      |                |              |
| (Loss) for the year  | -          | -         | -            | -    | (372,535)      | (372,535)    |
| Balance, August 31, 2008   | 14,652,740 | \$ 14,653 | \$ 4,269,177 | \$ - | \$ (1,347,706) | \$ 2,936,124 |
| Imputed interest for non-interest bearing loan                       | -          | -         | 4,410        | -    | -              | 4,410        |
| Stock-based compensation   | -          | -         | 35,780       | -    | -              | 35,780       |

F3



Edgar Filing: Enertopia Corp. - Form 10-Q

Comprehensive income (loss):

|                     |   |   |   |   |        |        |
|---------------------|---|---|---|---|--------|--------|
| (Loss) for the year | - | - | - | - | 84,233 | 84,233 |
|---------------------|---|---|---|---|--------|--------|

|                          |            |           |              |      |                |              |
|--------------------------|------------|-----------|--------------|------|----------------|--------------|
| Balance, August 31, 2009 | 14,652,740 | \$ 14,653 | \$ 4,309,367 | \$ - | \$ (1,263,473) | \$ 3,060,547 |
|--------------------------|------------|-----------|--------------|------|----------------|--------------|

|  |  |  |       |  |  |       |
|--|--|--|-------|--|--|-------|
| Imputed interest for non-interest bearing loan |  |  | 2,442 |  |  | 2,442 |
|--|--|--|-------|--|--|-------|

|                          |  |  |        |  |  |        |
|--------------------------|--|--|--------|--|--|--------|
| Stock-based compensation |  |  | 78,858 |  |  | 78,858 |
|--------------------------|--|--|--------|--|--|--------|

|   |         |     |         |  |  |         |
|---|---------|-----|---------|--|--|---------|
| Stock issued for acquisition at \$0.20 per share on February 28, 2010 | 500,000 | 500 | 124,500 |  |  | 125,000 |
|---|---------|-----|---------|--|--|---------|

|  |         |     |        |  |  |        |
|--|---------|-----|--------|--|--|--------|
| Units issued for cash at \$0.15 per unit on May 31, 2010 | 557,500 | 557 | 83,068 |  |  | 83,625 |
|--|---------|-----|--------|--|--|--------|

|   |  |  |        |  |  |        |
|---|--|--|--------|--|--|--------|
| Gain on settlement of the amount due to related parties |  |  | 34,542 |  |  | 34,542 |
|---|--|--|--------|--|--|--------|

Comprehensive income (loss):

|                     |   |   |   |   |             |             |
|---------------------|---|---|---|---|-------------|-------------|
| (Loss) for the year | - | - | - | - | (2,955,141) | (2,955,141) |
|---------------------|---|---|---|---|-------------|-------------|

|                          |            |        |           |   |             |         |
|--------------------------|------------|--------|-----------|---|-------------|---------|
| Balance, August 31, 2010 | 15,710,240 | 15,710 | 4,632,777 | - | (4,218,614) | 429,873 |
|--------------------------|------------|--------|-----------|---|-------------|---------|

|                                      |        |    |       |  |  |       |
|--------------------------------------|--------|----|-------|--|--|-------|
| Debt settlement on November 16, 2010 | 62,500 | 63 | 9,312 |  |  | 9,375 |
|--------------------------------------|--------|----|-------|--|--|-------|

|                                      |         |     |        |  |  |        |
|--------------------------------------|---------|-----|--------|--|--|--------|
| Debt settlement on November 19, 2010 | 100,000 | 100 | 14,900 |  |  | 15,000 |
|--------------------------------------|---------|-----|--------|--|--|--------|

|                          |  |  |         |  |  |         |
|--------------------------|--|--|---------|--|--|---------|
| Stock-based compensation |  |  | 178,679 |  |  | 178,679 |
|--------------------------|--|--|---------|--|--|---------|

|                                      |           |       |         |   |  |         |
|--------------------------------------|-----------|-------|---------|---|--|---------|
| Share Subscriptions on March 3, 2011 | 8,729,000 | 8,729 | 885,264 | - |  | 893,993 |
|--------------------------------------|-----------|-------|---------|---|--|---------|

|                      |  |  |          |  |  |          |
|----------------------|--|--|----------|--|--|----------|
| Share issuance costs |  |  | (96,490) |  |  | (96,490) |
|----------------------|--|--|----------|--|--|----------|

|                                  |  |  |           |  |  |           |
|----------------------------------|--|--|-----------|--|--|-----------|
| Warrants issued on March 3, 2011 |  |  | (848,459) |  |  | (848,459) |
|----------------------------------|--|--|-----------|--|--|-----------|

F4

Edgar Filing: Enertopia Corp. - Form 10-Q

|  |             |         |           |                       |
|--|-------------|---------|-----------|-----------------------|
| Common Shares cancelled on January 1, 2011             | (1,000,000) | (1,000) | 1,000     | -                     |
| Debt settlement on March 16, 2011                      | 78,125      | 78      | 12,422    | 12,500                |
| Debt settlement on April 27, 2011                      | 460,000     | 460     | 125,897   | 126,35                |
| Debt settlement on April 27, 2011                      |             |         | 77,415    | 77,415                |
| Shares issued for Wildhorse property on April 11, 2011 | 500,000     | 500     | 74,500    | 75,000                |
| <b>Comprehensive income (loss):</b>                    |             |         |           |                       |
| (Loss) for the period                                  |             |         |           | (479,673) (479,673)   |
| Balance, May 31, 2011                                  | 24,639,865  | 24,640  | 5,067,217 | - (4,698,287) 393,570 |

The accompanying notes are an integral part of these consolidated financial statements

**ENERTOPIA CORP. (formerly Golden Aria Corp.)**  
**(A Development Stage Company)**  
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Expressed in U.S. Dollars)**

|  | <b>THREE MONTHS ENDED</b> |                         | <b>NINE MONTHS ENDED</b> |                         | <b>CUMULATIVE<br/>PERIOD FROM<br/>INCEPTION<br/>NOVEMBER 24, 2004<br/>TO<br/>May 31,<br/>2011</b> |
|--|---------------------------|-------------------------|--------------------------|-------------------------|---|
|  | <b>May 31,<br/>2011</b>   | <b>May 31,<br/>2010</b> | <b>May 31,<br/>2011</b>  | <b>May 31,<br/>2010</b> |   |
| <b>Revenue</b>                                       |                           |                         |                          |                         |   |
| Non-renewal energy - natural gas and oil revenue     | \$ -                      | \$ -                    | \$ -                     | \$ 254                  | \$ 374,342  |
| Renewal energy - service revenue                     | -                         | 11,607                  | -                        | 11,607                  | 11,607  |
|  | -                         | 11,607                  | -                        | 11,861                  | 385,950   |
| <b>Cost of revenue</b>                               |                           |                         |                          |                         |   |
| <b>Non-renewal energy:</b>                           |                           |                         |                          |                         |   |
| Natural gas and oil operating costs and royalties    | -                         | -                       | -                        | -                       | 141,197   |
| Depletion  | -                         | -                       | -                        | -                       | 298,489   |
| Write-down in carrying value of oil and gas property | -                         | -                       | -                        | -                       | 293,436   |
| <b>Renewal energy</b>                                | <b>2,311</b>              | <b>10,546</b>           | <b>(4,317)</b>           | <b>10,546</b>           | <b>28,652</b>   |
|  | <b>2,311</b>              | <b>10,546</b>           | <b>(4,317)</b>           | <b>10,546</b>           | <b>761,774</b>  |
| <b>Gross Profit</b>                                  | <b>(2,311)</b>            | <b>1,061</b>            | <b>4,317</b>             | <b>1,315</b>            | <b>(375,824)</b>  |
| <b>Expenses</b>                                      |                           |                         |                          |                         |   |
| Accounting and audit                                 | 4,233                     | 3,977                   | 46,378                   | 27,590                  | 284,845   |
| Sales & Marketing                                    | -                         | -                       | 846                      | -                       | 846   |
| Advertising & Promotions                             | 17,830                    | 6,140                   | 19,018                   | 7,321                   | 41,396  |
|  | <b>5,472</b>              | <b>1,304</b>            | <b>22,555</b>            | <b>3,754</b>            | <b>53,160</b>   |

## Edgar Filing: Enertopia Corp. - Form 10-Q

|   |                    |                       |                     |                       |                       |
|---|--------------------|-----------------------|---------------------|-----------------------|-----------------------|
| Bank charges and interest expense               |                    |                       |                     |                       |                       |
| Consulting                                      | 101,538            | 60,053                | 369,861             | 207,294               | 1,152,515             |
| Exploration costs and option payment            | -                  | -                     | -                   | -                     | 318,292               |
| Fees and dues                                   | 7,038              | 7,843                 | 22,594              | 16,858                | 84,930                |
| Insurance                                       | 2,095              | 2,095                 | 10,688              | 6,228                 | 34,215                |
| Investor relations                              | 10,050             | -                     | 10,050              | 12,840                | 36,055                |
| Legal and professional                          | 15,245             | 8,844                 | 29,156              | 28,250                | 182,882               |
| Office and miscellaneous                        | 1,453              | 690                   | 2,686               | (264)                 | 42,131                |
| Rent  | 3,805              | 2,299                 | 11,010              | 5,234                 | 63,143                |
| Telephone                                       | 600                | 895                   | 3,046               | 2,340                 | 11,383                |
| Training & Conferences                          | -                  | 1,456                 | -                   | 4,249                 | 10,248                |
| Travel  | 12,398             | 4,896                 | 21,922              | 11,289                | 58,201                |
| <b>Total expenses</b>                           | <b>181,759</b>     | <b>100,493</b>        | <b>569,812</b>      | <b>332,983</b>        | <b>2,374,243</b>      |
| <b>(Loss) for the period before other items</b> | <b>(184,069)</b>   | <b>(99,431)</b>       | <b>(565,494)</b>    | <b>(331,668)</b>      | <b>(2,750,067)</b>    |
| <b>Other income (expense)</b>                   |                    |                       |                     |                       |                       |
| Interest income                                 | -                  | -                     | -                   | -                     | 9,433                 |
| Write down of debt                              | -                  | -                     | -                   | -                     | 25,732                |
| Equity interest pick up                         | 20,788             | (98)                  | 4,809               | (2,390)               | (5,706)               |
| Gain on owned securities                        | 135,157            | -                     | 81,012              | -                     | 603,987               |
| Write down of oil and gas properties            | -                  | (2,654,536)           | -                   | (2,654,536)           | (3,344,372)           |
| <b>Income (loss) before income taxes</b>        | <b>(28,124)</b>    | <b>(2,754,065)</b>    | <b>(479,673)</b>    | <b>(2,988,594)</b>    | <b>(5,460,992)</b>    |
| Income tax recovery - deferred                  | -                  | 703,858               | -                   | 703,858               | 762,704               |
| <b>Net Income (loss) for the period</b>         | <b>\$ (28,124)</b> | <b>\$ (2,050,207)</b> | <b>\$ (479,673)</b> | <b>\$ (2,284,736)</b> | <b>\$ (4,698,287)</b> |

|   |            |            |            |            |
|---|------------|------------|------------|------------|
| <b>Basic and diluted income (loss) per share</b>                                | \$ (0.00)  | \$ (0.14)  | \$ (0.03)  | \$ (0.15)  |
| <b>Weighted average number of common shares outstanding - basic and diluted</b> | 23,823,376 | 15,158,866 | 18,292,689 | 14,823,907 |

The accompanying notes are an integral part of these consolidated financial statements

**ENERTOPIA CORP. (formerly Golden Aria Corp.)**  
**(A Development Stage Company)**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Expressed in U.S. Dollars)**

|   | NINE MONTHS ENDED |                  | CUMULATIVE<br>PERIOD FROM<br>INCEPTION<br>November 24, 2004<br>TO |
|---|-------------------|------------------|---|
|   | May 31,<br>2011   | May 31,<br>2010  | May 31,<br>2011   |
| <b>Cash flows used in operating activities</b>                                    |                   |                  |   |
| Net Income (loss)   | \$ (479,673)      | \$ (2,284,736)   | \$ (4,698,287)  |
| <b>Changes to reconcile net loss to net cash used<br/>in operating activities</b> |                   |                  |   |
| Consulting - Stock based compensation   | 178,679           | 58,946           | 514,533   |
| Depletion   | -                 | -                | 298,489   |
| Write down in carrying value of oil and gas<br>properties                         | -                 | -                | 293,437   |
| Stock issued for mineral resource and oil and<br>gas property                     | -                 | -                | 37,500  |
| Write down of oil and gas properties  | -                 | 2,654,536        | 3,344,371   |
| Gain on owned securities  | (81,012)          | -                | (603,988)   |
| Equity pick-up  | (4,809)           | 2,390            | 5,706   |
| Imputed interest  | 17,928            | 2,442            | 35,323  |
| Income tax recovery   | -                 | (703,858)        | (762,704)   |
| Others  | -                 | (187)            | -   |
| <b>Change in non-cash working capital items:</b>                                  |                   |                  |   |
| Accounts receivable   | (20,154)          | (2,083)          | (26,349)  |
| Prepaid expenses and deposit  | (3,134)           | (3,429)          | 16,959  |
| Accounts payable and accrued liabilities  | (4,698)           | 12,559           | (5,583)   |
| Due to related parties  | 58,399            | 69,918           | 129,137   |
| <b>Net cash (used in) operating activities</b>                                    | <b>(338,474)</b>  | <b>(193,502)</b> | <b>(1,421,456)</b>  |
| <b>Cash flows from (used in) investing activities</b>                             |                   |                  |   |
| Oil and gas properties acquisition and<br>divestment                              | 100,000           | (2,231)          | (245,179)   |
| Proceeds from sale of oil and gas interests                                       | -                 | -                | 421,545   |
| Mineral resource properties acquisition   | (105,330)         | -                | (105,330)   |
| Investment in GSWPS   | (31,500)          | (51,000)         | (93,000)  |
| Investment in Pro Eco   | -                 | -                | (45,000)  |
| Cash provided in connection with business<br>acquisition                          | -                 | (45,000)         | 201,028   |

Edgar Filing: Enertopia Corp. - Form 10-Q

|   |                   |                  |                   |
|---|-------------------|------------------|-------------------|
| <b>Net cash from (used in) investing activities</b>     | <b>(36,830)</b>   | (98,231)         | <b>134,062</b>    |
| <b>Cash flows from financing activities</b>             |                   |                  |                   |
| Promissory notes - related party                        | <b>(30,000)</b>   | -                | <b>20,000</b>     |
| Proceeds from subscriptions received                    | <b>845,063</b>    | 81,531           | <b>1,768,158</b>  |
| <b>Net cash from financing activities</b>               | <b>815,063</b>    | 81,531           | <b>1,788,158</b>  |
| <b>Increase (Decrease) in cash and cash equivalents</b> | <b>439,759</b>    | (210,202)        | <b>500,764</b>    |
| <b>Cash and cash equivalents, beginning of period</b>   | <b>34,506</b>     | 282,948          | -                 |
| <b>Cash and cash equivalents, end of period</b>         | <b>\$ 474,265</b> | <b>\$ 72,746</b> | <b>\$ 500,764</b> |
| <b>Supplemental information of cash flows</b>           |                   |                  |                   |
| Interest paid in cash                                   | <b>\$ -</b>       | <b>\$ -</b>      | <b>\$ -</b>       |
| Income taxes paid in cash                               | <b>\$ -</b>       | <b>\$ -</b>      | <b>\$ -</b>       |

The accompanying notes are an integral part of these consolidated financial statements

F-7

**ENERTOPIA CORP.**  
**(A Development Stage Company)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**May 31, 2011**  
**(Expressed in U.S. Dollars)**

**1. ORGANIZATION**

The unaudited interim consolidated financial statements for the quarter ended May 31, 2011 included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with United States generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These unaudited interim consolidated financial statements should be read in conjunction with the August 31, 2010 audited annual consolidated financial statements and notes thereto.

The Company was formed on November 24, 2004 under the laws of the State of Nevada and commenced operations on November 24, 2004. The Company was an independent natural gas and oil company engaged in the exploration, development and acquisition of natural gas and oil properties in the United States and Canada. During the fiscal year 2010, the Company shifted its strategic plan from its non-renewal energy operations to its planned renewal energy operations and considered as a development stage company. The Company has offices in Vancouver and Kelowna, B.C., Canada.

Effective September 25, 2009, we effected a one (1) for two (2) share consolidation of our authorized and issued and outstanding common stock.

On February 8, 2010, the Company changed its name from Golden Aria Corp. to Enertopia Corp.

On February 22, 2010, the Company increased its authorized share capital to 200,000,000 common shares.

**2. GOING CONCERN UNCERTAINTY**

The accompanying consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business for the foreseeable future. The Company incurred a net loss of \$479,673 for the nine months ended May 31, 2011 [loss \$2,284,736 for the nine months ended May 31, 2010] and as at May 31, 2011 has incurred cumulative losses of \$4, 698,287 that raises substantial doubt about its ability to continue as a going concern. Management has been able, thus far, to finance the operations through equity financing and cash on hand. There is no assurance that the Company will be able to continue to finance the Company on this basis.

In view of these conditions, the ability of the Company to continue as a going concern is in substantial doubt and dependent upon its ability to generate sufficient cash flow to meet its obligations on a timely basis, to obtain additional financing as may be required, to receive the continued support of the Company's shareholders, and ultimately to obtain successful operations. These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying unaudited interim consolidated financial statements.





### 3. SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiary, Target Energy, Inc., and its equity interest of Pro Eco Energy Inc. and Global Solar Water Power Systems Inc. All significant inter-company balances and transactions have been eliminated.

#### b) New Accounting Pronouncements

In January 2010, the FASB issued an update to the Fair Value topic. This update requires new disclosures for (1) transfers in and out of levels 1 and 2, and (2) activity in level 3, by requiring the reconciliation to present separate information about purchases, sales, issuance, and settlements. Also, this update clarifies the disclosures related to the fair value of each class of assets and liabilities and the input and valuation techniques for both recurring and nonrecurring fair value measurements in levels 2 and 3. the effective date for the disclosures and clarifications is for the interim and annual reporting periods beginning after December 15, 2009 except for the disclosures about purchases, sales, issuances and settlements, which is effective for fiscal years beginning after December 15, 2010. This update is not expected to have a material impact on the Company's financial statements.

In February 2010, the FASB issued ASC No. 2010-09, *Amendments to Certain Recognition and Disclosure Requirements*, which eliminates the requirement for SEC filers to disclose the date through which an entity has evaluated subsequent events. ASC No. 2010-09 is effective for its fiscal quarter beginning after 15 December 2010. The adoption of ASC No. 2010-09 is not expected to have a material impact on the Company's financial statements ASU No. 2010-13 was issued in April 2010, and clarified the classification of an employee share based payment award with an exercise price denominated in the currency of a market in which the underlying security trades. This ASU will be effective for the first fiscal quarter beginning after December 15, 2010, with early adoption permitted. The adoption of ASU No. 2010-13 is not expected to have a material impact on the Company's financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Company's financial statements upon adoption.

### 4. OWNED SECURITIES

Owned securities include, 375,000 common shares and 375,000 warrants of Cheetah Oil & Gas Ltd. and 499,893 common shares and 499,893 warrants of Lexaria Corp, obtained through the disposal of the Company's oil and gas properties in Mississippi in 2010. The Company classified the securities owned as held-for-trade and recorded at fair value. The Chairman of the Company is a Director and Officer of Lexaria Corp; and the President of the Company is a Director and Officer of Cheetah Oil & Gas Ltd.

The fair values of the common shares of Cheetah Oil & Gas Ltd. and Lexaria Corp. as at May 31, 2011 were \$0.14 and \$0.42 per share, respectively. The fair values of warrants of Cheetah Oil & Gas Ltd. and Lexaria Corp. as at May 31, 2011 were \$0.14 and \$0.40 per share, respectively. The above fair values of warrants have been estimated as of May 31, 2011 by using the Black-Scholes option pricing model with the following assumptions:

|             |               |
|-------------|---------------|
| Cheetah Oil | Lexaria Corp. |
| & Gas Ltd.  |               |

Edgar Filing: Enertopia Corp. - Form 10-Q

|                         |            |            |
|-------------------------|------------|------------|
| Expected volatility     | 301.76%    | 118.64%    |
| Risk-free interest rate | 1.57%      | 1.57%      |
| Expected life           | 1.00 years | 1.00 years |
| Dividend yield          | 0.00%      | 0.00%      |

F-9

---

**5. LONG TERM INVESTMENT Pro Eco Energy USA Ltd.**

On April 21, 2008, the Company purchased 900,000 shares for \$45,000 in Pro Eco Energy USA Ltd. ( Pro Eco Energy ) which represented 8.25% ownership. The Chairman of the Company is a director in Pro Eco Energy which established the existence of significant influence in Pro Eco Energy and accordingly the equity method of accounting is adopted for the investment.

During the nine months ended May 31, 2011, the Company recorded an equity gain of \$4,060 (2010 (\$2,293)), which resulted in a net investment of \$43,385 (August 31, 2010 - \$39,325).

**Global Solar Water Power Systems Inc.**

On May 31, 2011, the Company has purchased 7.72% (August 31, 2010 6.46%) investment in Global Solar Water Power Systems Inc. ( GSWPS ). This was made by a cash contribution of \$93,000 and an issuance of 500,000 shares of Enertopia Corp. at \$0.25 for a combined value of \$207,500. GSWPS is owned by an executive officer of the Company.

During the quarter ended May 31, 2011, the Company increased the investment in GSWPS by cash contribution of \$10,500, which resulted in a net investment of \$213,910 (August 31, 2010 - \$181,661). During the nine months ended May 31, 2011, the Company recorded an equity gain of \$749 (2010 loss of \$4,839).

**6. ASSETS HELD FOR SALE / UNPROVEN OIL AND GAS PROPERTIES**

During the year ended August 31, 2010, the Company's oil and gas properties became available for sale as the result of the Company shifted its focus from its non-renewable energy operations to renewable energy plan. Pursuant to Accounting Standards Codification 360 Accounting for the Impairment or Disposal of long-Lived Assets , the Company reclassified the remaining oil and gas properties to be sold as assets held for sale and recorded at their recoverable amount on August 31, 2010. In the quarter ended November 30, 2010, the Company received the cash payment of \$100,000 from the sale.

Followings are the descriptions and movement of the Company's remaining oil and gas properties as at May 31, 2011:

| Property | August 31, 2010 | Additions | Disposal / write<br>down | May 31, 2011 |
|----------|-----------------|-----------|--------------------------|--------------|
| Canada   | \$ 100,000      | \$ -      | \$ (100,000)             | \$ -         |
|          | \$ 100,000      | \$ -      | \$ (100,000)             | \$ -         |

**Coteau Lake, Saskatchewan**

Through the Company's subsidiary, Target Energy Inc. ( Target ), the Company owns certain working interest in Coteau Lake, Saskatchewan.

Coteau Lake is an exploration property and the Company has no producing oil or gas wells on this land at this time. The Coteau Lake exploration project covers 1,280 acres of land. The Company's gross and net interest in this project is 50%. There has been historic oil production on the Coteau Lake project lands.

On November 7, 2007, Target entered into a Letter of Intent (the LOI ) with Primrose Drilling Ventures Ltd. ( Primrose ), a body corporate, having an office in the city of Calgary, in the Province of Alberta. Pursuant to the LOI, Target is the interest title holder of Saskatchewan Crown Land parcels 124, 125 and 126.

Edgar Filing: Enertopia Corp. - Form 10-Q

Primrose elected to proceed with a 50/50 joint venture with Target by reimbursing Target for 50% of its land cost on parcels 124, 125 and 126 for CAD\$26,590 which is payable on signing within 15 days of the LOI. Primrose would become operator of the project upon its acceptance of such appointment and agreement to assume the duties, obligations and rights of the operator. A formal Participation Agreement ( Agreement ) which included the provisions of LOI has been entered between Target and Primrose. Included in the Participation Agreement would be the Area of Mutual Interest (AMI) which would govern future land acquisitions and timeline set out in the LOI. On December 31, 2008, an additional \$22,270 was spent on land acquisitions with Primrose Drilling Ventures.

F-10

---

On October 25, 2010, the Company disposed the Coteau Lake interests for a cash consideration of \$100,000 plus an additional potential payout which shall be based on a 10% profit interest on any and all productive wells drilled on the property up to \$150,000. No receivable was recorded as the future potential payout cannot be reasonably determined.

### **Belmont Lake, Mississippi**

Effective September 1, 2009, the Company entered into an assignment agreement with Cheetah Oil & Gas Ltd. ( Cheetah ). The assignment agreement dated August 28, 2009, provides for the purchase by the Company of a revenue interest of 40.432% of an 8% share of Cheetah 's net revenue after field operating expenses from the Belmont Lake PP F-12-4 horizontal well, located in Belmont Lake Field, Wilkinson County, Mississippi. As consideration, the Company agreed to pay to Cheetah 57.76% of Cheetah 's costs currently budgeted at \$77,905.36, subject to revision and 57.76% of Cheetah 's 8% share of PP F-12-4 well costs from time to time for infrastructure, pipes, tanks, compressors, trucking, etc.

In connection with the management 's decision to shift its non-renewal energy operations to its renewal energy plan, the Company disposed its related working interest for a consideration of 375,000 units in the capital of Cheetah at \$0.12 per unit which included 375,000 restricted shares and 375,000 share purchase warrants which entitle the Company to acquire 375,000 restricted shares in the capital of Cheetah at a purchase price of US\$0.20 per share for a period of two years.

On August 28, 2009, the Company entered into an assignment agreement with Lexaria Corp. The assignment agreement dated August 28, 2009, provides for the purchase by the Company of a revenue interest of 13.475% of a 32% share of Lexaria 's net revenue after field operating expenses from the Belmont Lake PP F-12-4 horizontal well, located in Belmont Lake Field, Wilkinson County, Mississippi. As consideration, the Company agreed to pay to Lexaria 19.25% of Lexaria 's costs currently budgeted at \$311,621.44, subject to revision and 19.25% of Lexaria 's 32% share of PP F-12-4 well costs from time to time for infrastructure, pipes, tanks, compressors, trucking, etc.

In connection with the management 's shift its non-renewal energy operations to its renewal energy plan, the Company disposed its related working interest for a consideration of 499,893 units in the capital of Lexaria at \$0.12 per unit which included 499,983 restricted shares and 499,983 share purchase warrants which entitle the Company to acquire 499,983 restricted shares in the capital of Lexaria at a purchase price of US\$0.20 per share for a period of two years.

On May 31, 2011, the fair values of Cheetah and Lexaria shares, based on market value, and warrants, using Black-Scholes pricing model, were \$96,874 and \$327,212 respectively.

## **7. MINERAL PROPERTY**

On January 31, 2011, the Company entered into a letter of intent and paid US\$7,500 deposit to the Optionor. On April 11, 2011, the Company signed a Mineral Purchase Option Agreement with Wildhorse Copper Inc. and its wholly owned subsidiary Wildhorse Copper (AZ) Inc. (collectively, the Optionors ) respecting an option to earn a 100% interest, subject to a 1% NSR capped to a maximum of \$2,000,000 on one claim, in a property known as the Copper Hills property. The Copper Hills property is comprised of 56 located mining claims covering a total of 1,150 acres located in New Mexico, USA. The Optionors hold the Copper Hills property directly and indirectly through property purchase agreements between the Optionors and third parties (collectively, the Indirect Agreements ). Pursuant to the Agreement the Optionors have assigned the Indirect Agreements to Enertopia. In order to earn the interest in the Copper Hills property, Enertopia is required to make aggregate cash payments of \$591,650 over an eight year period and issue an aggregate of 1,000,000 shares of its common stock over a three year period. On April 11, 2011, Enertopia made aggregate cash payments of \$54,150, issued 500,000 shares to the Optionors, and incurred exploration expenses of \$43,680 thereafter. The securities issued in the acquisition are subject to a hold period in Canada expiring on August 12, 2011.



As at May 31, 2011 total consideration paid including cash and common stock was \$180,330.

## 8. PROMISSORY NOTES

On May 31, 2010, the Company settled the amount due to related parties into two promissory notes of \$80,320 (CAD\$84,655) and \$90,000. Both promissory notes were unsecured, non-interest bearing and due on May 31, 2012 with a present value of \$64,031 (CAD\$67,486) and \$71,747 at an effective interest rate of 12% per annum upon the settlement. In connection with the settlement of the amount due to related parties, the Company recorded \$34,542 in additional paid in capital for the gain on settlement of debt. On August 31, 2010, the two promissory note balances were \$66,006 and \$73,838, respectively.

On August 23, 2010, the Company entered into an unsecured, one year promissory note of US\$50,000 with a 12% interest rate with the Chairman of the Company. The promissory note is due August 23, 2011.

|   | May 31, 2011 | August 31,<br>2010 |
|---|--------------|--------------------|
| Promissory note of \$50,000, interest rate of 12% per annum, uncollateralized and due on August 23, 2011, (a) | 20,000       | 50,000             |
| Promissory note of \$80,320, non-interest bearing, uncollateralized and due on May 31, 2012, (b)              | -            | 66,006             |
| Promissory note of \$90,000, non-interest bearing, uncollateralized and due on May 31, 2012, (c)              | -            | 73,838             |
|   | 20,000       | 189,444            |
| Less: current maturities  | 20,000       | 50,000             |
|   | -            | 139,844            |

- a) During the three months period ended May 31, 2011, the Company repaid total of \$30,000 in cash to the holder of the promissory note;
- b) On April 27, 2011, the Company entered into a debt settlement agreement with the holder of the promissory note, whereby the present value of the debt of \$77,415 (CAD\$75,603) was forgiven by the promissory note holder. In connection with the forgiveness of the debt, the Company recorded \$77,415 in additional paid in capital for the gain on settlement of debt.
- c) On April 27, 2011, the Company entered into a debt settlement agreement with the holder of the promissory note, whereby the present value of the debt of \$80,357 was settled by issuing common stock of



360,000 to the holder of the promissory note. In connection with the settlement of the debt, the Company recorded \$79,997 in additional paid in capital for the gain on settlement of debt.

F-12

---

## 9. RELATED PARTIES TRANSACTION

For the nine months ended May 31, 2011, the Company was party to the following related party transactions:

- Paid / accrued \$45,000 (May 31, 2010: \$46,200) to the President of the Company in consulting fees.
- Paid / accrued \$45,000 (May 31, 2010: \$51,316) and \$Nil (May 31, 2010: \$4,095); of consulting fees and office rent, respectively, to a company controlled by a Director/CEO of the Company.
- Paid \$42,660 (May 31, 2010: \$31,696) in consulting fees to a company controlled by the CFO of the Company.
- Paid \$9,000 (May 31, 2010; \$8,000) in consulting fees to an Officer of the Company.
- Paid / accrued \$31,500 fees related to an ongoing stock purchase agreement of a renewable energy company (GSWPS) to an executive officer of the Company and a company controlled by the executive officer.
- Paid / accrued \$28,711 (May 31, 2010: \$Nil) in consulting fee to the Senior VP, Business Development.
- See Notes 5, 8 and 11.

On April 27, 2011, the Company entered into a debt settlement agreement with the president of the Company, whereby the amount of \$46,000 Company debt was settled by issuing 100,000 common stock. In connection with the debt settlement, the Company recorded \$45,900 in additional paid in capital for the gain on the settlement of the debt.

On March 16, 2011, the Company entered into a debt settlement agreement with an officer of the company, whereby the Company issued 78,125 common stock in connection with the settlement of debt of \$12,500 at a deemed price of \$0.16 per share pursuant to a consulting agreement. The Company recorded \$12,422 in additional paid in capital for the gain on the settlement of the debt.

The related party transactions are recorded at the exchange amount established and agreed to between the related parties. On May 31, 2011, an amount due to related parties are unsecured, non-interest bearing and due on demand.

Also see Note 8, 10 and 12.

## 10. COMMON STOCK

### Common Stock

On February 22, 2010, the Company had increased its authorized share capital from 37,500,000 common shares to 200,000,000 common shares.

On February 28, 2010, the Company entered into a stock purchase agreement with Mr. Mark Snyder to acquire up to 20% of ownership in Global Solar Water Power Systems Inc. ( GSWPS ), a private US corporation that is solely owned by an Officer of the Company. The Company issued 500,000 common stocks at a fair value of \$0.25 per share to Mr. Mark Snyder in exchange to acquire a percentage minority ownership in GSWPS.

On May 31, 2010, the Company closed a private placement financing of 557,500 units at a price of \$0.15 per unit for gross proceeds of \$83,625. Each unit consisted of one common share in the capital of the Company and one non-transferable share purchase warrant, each full warrant entitling the holder to purchase one additional common share in the capital of the Company until May 31, 2012, at a purchase price of \$0.30 per share.

On November 19, 2010, the Company issued 100,000 common shares to Mercury Media pursuant to the Media Relation Agreement (See Note 12 (g)) for services at \$0.15 per common share.

On November 22, 2010, the Company issued 62,500 common shares in connection with the settlement of debt of \$9,375 at a price of \$0.15 per common share pursuant to consulting agreement (See Note 12 (h)).

During the month of January 2011, 1,000,000 common shares were cancelled by the Company.

On March 3, 2011, the Company closed a private placement of 8,729,000 units at a price of CAD\$0.10 per unit for gross proceeds of CAD\$872,900, US\$893,993. Each unit consisted of one common share in the capital of the Company and one non-transferable share purchase warrant (Subscribers Warrants), each full warrant entitling the holder to purchase one additional common share in the capital of the Company until March 3, 2013, subject to accelerated expiry as set out in the warrant certificate, at a purchase price of CAD\$0.20. As per the terms of the Subscription Agreement, the Company grants to the Subscribers a participation right to participate in future offerings of the Company's securities as to their pro rata shares for a period of 12 months from the closing of the Private Placement (the Participation Right). The Company paid broker commissions of \$48,930 in cash and issued 489,300 brokers warrants (Broker's Warrants). Each full warrant entitling the holder to purchase one additional common share in the capital of the Company until March 3, 2013, subject to accelerated expiry as set out in the warrant certificate, at a purchase price of CAD\$0.20.

On March 16, 2011, the Company issued 78,125 common shares in connection with the settlement of debt of \$12,500 at a deemed price of \$0.16 per common share pursuant to a consulting agreement (See Note 9 and 12 (h)).

On April 11, 2011, the Company issued 500,000 common shares in connection with the Wildhorse Copper (AZ) Copper Hills property (See Note 7) for an amount of \$75,000 at a price of \$0.15 per common share.

On April 27, 2011, the Company issued 360,000 common shares to CAB Financial Services Ltd. in connection with a debt settlement for promissory note of \$90,000 (balance immediately before settlement was \$80,357) at a price of \$0.15 per common share.

On April 27, 2011, the Company issued 100,000 common shares to the president of the Company in connection with a debt settlement for consulting fees of \$46,000, refer to Note 9.

As at May 31, 2011, the Company had 24,639,865 shares issued and outstanding.

## 11. STOCK OPTIONS AND WARRANTS

### Stock options

On October 22, 2009, the Company re-priced the stock options to directors, officers and consultants with the exercise price of \$0.20.

The vesting dates of options are as below:

| Vesting Dates     | Percentage of options granted |
|-------------------|-------------------------------|
| December 14, 2007 | 25%                           |
| December 14, 2008 |                               |

|                   |     |
|-------------------|-----|
|                   | 25% |
| December 14, 2009 |     |
|                   | 25% |
| December 14, 2010 |     |

25%

On October 22, 2009, the Company granted 500,000 stock options to directors and officers of the Company with the exercise price of \$0.10 per share, expiring over 5 years. These options were vested immediately.

On December 30, 2009, the Company adopted the 2010 Equity Incentive Plan that was ultimately approved at the Annual General Meeting that occurred on February 5, 2010.

Edgar Filing: Enertopia Corp. - Form 10-Q

On December 30, 2009, the Company granted 650,000 stock options to directors and officers of the Company with the exercise price of \$0.10 per share, expiring over 5 years. These options vested immediately.

On March 5, 2010, the Company granted 100,000 stock options to a consultant of the Company with the exercise price of \$0.20, which vested 50% on March 5, 2010 and 50% on August 31, 2010 and expires on March 5, 2015.

On May 14, 2010, the Company dismissed certain directors and consultants by which 125,000 unvested stock options were cancelled on May 14, 2010 and 377,500 vested stock options expired on August 14, 2010.

On August 23, 2010, the Company granted 150,000 stock options to an executive of the Company with the exercise price of \$0.20, which are vested 50% on August 23, 2010 and 50% on August 23, 2011 and expires on August 23, 2015.

On November 9, 2010, the Company granted 100,000 stock options to an advisor of the Company exercisable at \$0.20 per share, which are vested immediately and expired on November 9, 2015.

On November 15, 2010, the Company dismissed a consultant by which 50,000 vested options were cancelled on November 15, 2010 and another 50,000 vested stock options expired on February 15, 2011 unexercised.

On February 14, 2011 the Company granted 1,010,000 stock options to directors, officers, and consultants of the Company with the exercise price of \$0.15, which are vested immediately and expire on February 14, 2016.

On March 10, 2011, the Company granted 150,000 stock options to a director of the Company with an exercise price of \$0.15, which are vested immediately and expire on March 10, 2016.

On March 16, 2011, the Company granted 150,000 stock options to an advisor of the Company with an exercise price of \$0.18, which are vested immediately and expire on March 16, 2016.

For the quarter ended May 31, 2011, the Company recorded \$178,679 (May 31, 2010 \$58,946) stock based compensation expenses which has been included in consulting fees.

A summary of the changes in stock options for the quarter ended May 31, 2011 is presented below:

|                          | Number of<br>Shares | Options<br>Outstanding<br>Weighted<br>Average<br>Exercise<br>Price |
|--------------------------|---------------------|--|
| Balance, August 31, 2010 | 1,790,000           | \$ 0.14  |
| Granted                  | 1,110,000           | \$ 0.15  |
| Granted                  | 150,000             | \$ 0.15  |
| Granted                  | 150,000             | \$ 0.18  |
| Cancelled                | 240,000             | \$ 0.20  |
| Balance, May 31, 2011    | 2,960,000           | \$ 0.14  |

The fair value of options granted has been estimated as of the date of the grant by using the Black-Scholes option pricing model with the following assumptions (weighted average):

|                         | Period ended May 31, 2011 |
|-------------------------|---------------------------|
| Expected volatility     | 142.25%                   |
| Risk-free interest rate | 2.71%                     |

|                |            |
|----------------|------------|
| Expected life  | 5.00 years |
| Dividend yield | 0.00%      |

F-15

---

The Company has the following options outstanding and exercisable.

| May 31 2011     |                  | Options outstanding                         |                                 | Options exercisable |                                 |
|-----------------|------------------|---|---------------------------------|---------------------|---------------------------------|
| Exercise prices | Number of shares | Weighted average remaining contractual life | Weighted Average Exercise Price | Number of shares    | Weighted Average Exercise Price |
| \$0.10          | 500,000          | 3.39 years                                  | \$ 0.10                         | 500,000             | \$ 0.10                         |
| \$0.10          | 650,000          | 3.58 years                                  | \$ 0.10                         | 650,000             | \$ 0.10                         |
| \$0.20          | 350,000          | 1.54 years                                  | \$ 0.20                         | 390,000             | \$ 0.20                         |
| \$0.20          | 150,000          | 4.23 years                                  | \$ 0.20                         | 75,000              | \$ 0.20                         |
| \$0.20          | 100,000          | 4.44 years                                  | \$ 0.20                         | 100,000             | \$ 0.20                         |
| \$0.15          | 910,000          | 4.71 years                                  | \$ 0.15                         | 910,000             | \$ 0.15                         |
| \$0.15          | 150,000          | 4.78 years                                  | \$ 0.15                         | 100,000             | \$ 0.15                         |
| \$0.18          | 150,000          | 4.79 years                                  | \$ 0.18                         | 150,000             | \$ 0.18                         |
|                 | 2,960,000        | 3.84 years                                  | \$ 0.14                         | 2,885,000           | \$ 0.14                         |

## Warrants

8,729,000 Subscribers Warrants and 489,300 Broker s Warrants issued in association with the private placement on March 3, 2011 meet the definition of a derivative. Since the exercise price of these warrants is denominated in Canadian dollars, which is different from the Company s functional currency, the Subscribers Warrants and Broker s Warrants are not considered indexed to the Company s common shares and they cannot be classified within equity. Therefore the Subscribers Warrants and the Broker s Warrants, which expire in March 2013, are classified as a long-term liability on the Company s consolidated balance sheet.

The fair value of the Subscribers Warrants and the Broker s Warrants was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions:

|  | Period ended May 31, 2011 |
|--|---------------------------|
| Exercise price (CDN dollars per warrant)       | 0.20                      |
| Expected volatility                            | 143.20%                   |
| Risk-free interest rate                        | 1.77%                     |
| Expected life                                  | 2 years                   |
| Dividend yield                                 | 0.00%                     |
| Estimated fair value per warrant (CDN dollars) | 0.0972                    |

## 12. COMMITMENTS OTHER

- (a) The Company has a month-to-month rental arrangement for office space in Kelowna, British Columbia, Canada for CAD\$500 plus HST per month.
- (b) The Company has a consulting agreement with CAB Financial Services Ltd. ( CAB ), a corporation organized under the laws of the Province of British Columbia. CAB is a consulting company controlled by the chairman of the board and chief executive officer of the Company. CAB Financial Services Ltd. is to provide management consulting services for \$5,000 per month plus HST on a continuing basis.

- (c) The Company has a consulting agreement with the President of the Company for corporate administration and consulting services for \$5,000 per month plus HST on a continuing basis.
- (d) On October 9, 2009, the Company entered into consulting agreement with BKB Management Ltd., a corporation organized under the laws of the Province of British Columbia. BKB Management Ltd. is a consulting company controlled by the chief financial officer of the Company. BKB Management provides management consulting services for CAD\$4,500 per month plus HST. Effective April 1, 2011, the consulting services are CAD\$5,500 per month plus HST.
- (e) On October 9, 2009, the Company entered into a consulting agreement with the chief technical officer of the Company for \$1,000 per month.
- (f) On February 28, 2010, the Company entered into an Asset and Share Purchase Agreement with the Company's chief technical officer - Mr. Mark Snyder to acquire up to 20% ownership interest of GSWPS. As at May 31, 2011, the Company has acquired 7.72% (August 31, 2010 - 6.46%) (see Note 5) with the remaining 13.54% ownership payable by issuance of 500,000 common shares of the Company and cash of \$93,000 paid on a minimum monthly basis of \$3,500.
- (g) On March 12, 2010, the Company entered into a Media Relations Agreement (the Agreement) with Mercury Media. The term of the Agreement is for an initial period of 12 (twelve) months with a consideration of 25,000 common restricted shares of stock paid each quarter, effective beginning the date of signing and paid in advance of each quarter. Thus it would be expected that additional payments of 25,000 shares of restricted common stock will be payable on each of June 12, 2010, September 12, 2010, and December 12, 2010 if this Agreement is not terminated prior to its natural term. As at May 31, 2011, the Company has issued total 100,000 common shares.
- (h) On August 23, 2010, the Company entered into a consulting agreement with the Senior Vice-President, Business Development for \$3,125 per month. On November 17, 2010, the Company renewed the agreement into a month to month consulting agreement with the Senior Vice-President, Business Development for \$3,125.
- (i) On September 8, 2010, the Company entered into a non-exclusive six month consulting agreement with Creston Capital (Consultant). The Company is intending to raise capital, in which Consultant will be assisting and earning a consultant fee of up to 10% (ten percent) of the gross proceeds raised in a Financing consummated by the Company with any Financier introduced to the Company by Consultant, provided that such introduction was made during the Term and in the event that there are no other fees or commissions payable by the Company to the source(s) of capital who may arrange and/or participate in such financing, but who were introduced by the Consultant. This agreement expired on February 8, 2011.
- (j) On April 6, 2011, the Company entered into a contract for investor relations service with World Talk Radio LLC for 13 weeks period for US \$10,000.

See Note 7.

### 13. SEGMENTED INFORMATION

The Company's business is considered as operating in one segment (Canada) based upon the Company's organizational structure, the way in which the operation is managed and evaluated, the availability of separate financial results and materiality considerations.





#### **14. COMPARATIVE FIGURES**

Certain 2010 comparative figures have been reclassified to conform with the financial statements presentation adopted for 2011.

#### **15. SUBSEQUENT EVENTS**

- (a) On June 2, 2011, the Company's Board has appointed Mr. Donald Findlay and Mr. Greg Dawson as Directors of the Company. Mr. Dawson will receive an honorarium of CAD \$2,000 for the first year of his participation on the Board. On June 2, 2011, the Company has granted an additional 300,000 stock options to Directors of the Company. The exercise price of the stock options is \$0.25, of which 100,000 options vest immediately, 50,000 options vest on August 31, 2011, 100,000 options vest on February 28, 2012, and 50,000 options vest on August 31, 2012. The options expire June 2, 2016.
- (b) On June 8, 2011, the Company issued 4,000 shares from the May 31, 2010 private placement that were inadvertently not originally issued correctly.
- (c) On March 15, 2011, the Company accepted an advisors resignation by which 140,000 vested options expired on June 15, 2011.
- (d) On June 27, 2011, the Company entered into a non-exclusive 12 month agreement with a third party, IBK Capital Corp. to assist with raising capital of up to \$3million. IBK Capital Corp. will be paid a work fee of \$25,000 plus \$3,500 on out of pocket costs. IBK Capital Corp. will be paid 8.5% cash commission and 8.5% common share purchase warrants on funds raised.

F-18

---

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### *Forward-Looking Statements*

This quarterly report contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors", that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our unaudited interim consolidated financial statements are stated in United States Dollars (US\$) and are prepared in accordance with United States Generally Accepted Accounting Principles. The following discussion should be read in conjunction with our unaudited interim consolidated financial statements and the related notes that appear elsewhere in this quarterly report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this quarterly report, particularly in the section entitled "Risk Factors" of this quarterly report.

In this quarterly report, unless otherwise specified, all dollar amounts are expressed in United States dollars. All references to "CDN\$" refer to Canadian dollars and all references to "common shares" refer to the common shares in our capital stock.

As used in this quarterly report, the terms "we", "us", "our" and "Company" mean Company and/or our subsidiaries, unless otherwise indicated.

## Overview

Enertopia Corp. was formed on November 24, 2004 under the laws of the State of Nevada and commenced operations on November 24, 2004.

From inception until April 2008, the Company was primarily engaged in the acquisition and exploration of natural resource properties. Beginning in April 2008, the Company began its entry into the clean energy sector by purchasing an interest in a solar thermal design and installation company.

The Company is a renewable energy company that is pursuing business opportunities in several cleantech sectors, including: Solar PV (Photovoltaic), Solar Thermal (Hot Water), Energy Retrofits and Recovery, and Solar powered Filtered Drinking Water. The Company currently has oil and gas resources properties and the Company intends to dispose of those assets in the near future. The Company has also created a new business division that will be dedicated with natural resource acquisitions and exploration.

The address of our principal executive office is Suite 950, 1130 West Pender Street, Vancouver, British Columbia V6E 4A4. Our telephone number is (604) 602-1633. We have another office located in Kelowna. Our current locations provide adequate office space for our purposes at this stage of our development.

Due to the implementation of British Columbia Instrument 51-509 on September 30, 2008 by the British Columbia Securities Commission, we have been deemed to be a British Columbia based reporting issuer. As such, we are required to file certain information and documents at [www.sedar.com](http://www.sedar.com).

Effective September 25, 2009, we effected a one (1) for two (2) share consolidation of our authorized and issued and outstanding common stock. As a result, our authorized capital decreased from 75,000,000 shares of common stock with a par value of \$0.001 to 37,500,000 shares of common stock with a par value of \$0.001 and our issued and outstanding shares decreased from 29,305,480 shares of common stock to 14,652,740 shares of common stock. The consolidation became effective with the Over-the-Counter Bulletin Board at the opening for trading on September 25, 2009 under the new stock symbol **GLCP**. Our new CUSIP number at that time was **38079Q207**.

On October 9, 2009, we appointed Bal Bhullar as our chief financial officer. Concurrent with the appointment of Ms. Bhullar, we entered into an initial six-month management agreement, thereafter month to month, with BKB Management Ltd., a consulting company controlled by Bal Bhullar.

On October 9, 2009, we entered into a month to month management agreement with Mark Snyder, whereby Mark Snyder will act as the Chief Technical Officer of the Company.

On January 31, 2010, the Company entered into an Independent Sales and Marketing Representative Agreement with Global Solar Water Power Systems Inc. ("GSWPS"), a private company beneficially owned by Mark Snyder, the Company's Chief Technical Officer.

On February 5, 2010, the Company held its Annual and Special Meeting of Shareholders for the following purposes:

1. To approve the change of the Company's name from Golden Aria Corp. to Enertopia Corporation.
2. To approve an increase in the Company's authorized capital from 37,500,000 to 200,000,000.
3. To approve the Company's proposed 2010 Equity Compensation Plan.
4. To elect Robert McAllister, Dr. Gerald Carlson and Chris Bunka as directors of the Company for the ensuing year.
5. To appoint Chang Lee LLP, Chartered Accountants, as the auditors of the Company for the ensuing year, at a remuneration to be fixed by the directors.



## Edgar Filing: Enertopia Corp. - Form 10-Q

All proposals were approved by the shareholders. The proposals are described in detail in the Company's definitive proxy statement filed with the Securities and Exchange Commission on January 12, 2010.

On February 8, 2010, the Company changed its name from Golden Aria Corp. to Enertopia Corp. Our new CUSIP number is **29277Q1047**. On February 22, 2010, the Company increased its authorized share capital to 200,000,000 common shares.

On February 28, 2010, the Company entered into an Asset and Share Purchase Agreement with Mr. Mark Snyder to acquire up to 20% ownership interest of Global Solar Water Power Systems Inc. ( GSWPS ).

Effective March 26, 2010, Enertopia Corp. (the Company ) had its stock quotation under the symbol GLCP deleted from the OTC Bulletin Board. The symbol was deleted for factors beyond the Company's control due to various market makers electing to shift their orders from the OTCBB to the Pink OTC Markets Inc. As a result of these market makers not providing a quote on the OTCBB for four consecutive days the Company was deemed to be deficient in maintaining a listing standard at the OTCBB pursuant to Rule 15c2-11. That determination was made entirely without the Company's knowledge.

On April 7, 2010, FINRA confirmed the name change from Golden Aria Corp. to Enertopia Corp., and approved the Company's new symbol as ENRT. On February 5, 2010, the Company's shareholders approved an amendment to the Company's articles of incorporation to change its name from Golden Aria Corp. to Enertopia Corp. The name change was effected with the Nevada Secretary of State on February 8, 2010.

On May 31, 2010, the Company closed a private placement financing of 557,500 units at a price of \$0.15 per unit for gross proceeds of \$83,625. Each unit consisted of one common share in the capital of the Company and one non-transferable share purchase warrant, each full warrant entitling the holder to purchase one additional common share in the capital of the Company until May 31, 2012, at a purchase price of \$0.30 per share.

On August 12, 2010, the Company got approved for listing on the Canadian National Stock Exchange ( CNSX ). Trading date commenced on August 13, 2010 with the symbol **TOP**.

On August 23, 2010, the Company entered into a three month consulting agreement with Tom Ihrke to act as the Company's Senior Vice-President, Business Development and then on November 17, 2011, the Company entered into a month to month consulting agreement.

### **Our Current Business**

The Company is a renewable energy company that is pursuing business opportunities in several cleantech sectors, including: Solar PV (Photovoltaic), Solar Thermal (Hot Water), Energy Retrofits and Recovery, and Solar powered Filtered Drinking Water. The Company currently has oil and gas resources properties and the Company intends to dispose of those assets in the near future. The Company has also created a new business division that is dedicated with natural resource acquisitions and exploration.

We have disposed the following interests:

#### The Coteau Lake light oil exploration project, South Eastern Saskatchewan, Canada

Coteau Lake is an exploration property and we have no producing oil or gas wells on this property at this time. Coteau Lake covers 1,280 acres of land. Enertopia's gross and net interest in this project is 50%. There has been historic oil production on the Coteau Lake project lands. Our internal geological and geophysical work to date indicates our lands could be prospective for oil & gas accumulations to have taken place.



On October 25, 2010 Company disposed of the Coteau Lake interests for cash consideration of \$100,000 plus an additional potential payout which shall be based on a 10% profit interest on any and all productive wells drilled on the property, up to \$150,000. No receivable was recorded as the future potential payout cannot be reasonably determined.

We currently hold the following interests:

The Glen Park light oil exploration prospect, Central Alberta, Canada

Glen Park prospect covers 160 acres that is believed to be prospective for reef development and the potential accumulation of oil deposits. Productive wells in the area have production rates in excess of 200 bop/d and in some cases with little associated water. We currently have a 50% interest in the Glen Park prospect.

On August 31, 2010, the Company had written off the Glen Park property as the Company has shifted its focus to the renewal energy sector with no intention to further develop this property and the future recoverable amount from this property is not determinable.

Equity Investment in Pro Eco Energy, Inc.

On April 21, 2008, we announced that we had made an 8.25% equity investment into Pro Eco Energy USA Ltd., a clean tech energy company involved in designing, developing and installing solar energy solutions for commercial and residential customers. We also welcomed the President of Pro Eco Energy, Mr. Roger Huber, as the first member of our Clean Tech Advisory board. Mr. Huber has a long career in optimizing energy solutions and his knowledge and wide industry contacts are expected to help us develop our alternative energy solutions.

Pro Eco Energy USA Ltd. owns 100% of the shares of a wholly-owned subsidiary company in Canada called Pro Eco Energy Ltd. (together, Pro Eco ). The Chairman of our Company is a director and shareholder of Pro Eco Energy USA Ltd.

Mr. Roger Huber has been active in the fields of clean energy design and installations for many years. Through his private consulting and construction companies, he has helped to design and construct many of the largest solar thermal projects in Western Canada, These include the Best Western Hotel in Kelowna, British Columbia; the North Vancouver Public Library; the Comfort Inn in Red Deer, Alberta, and others. Pro Eco primarily services commercial clients and is both an installation and consulting company.

Pro Eco s range of services includes:

1. Consulting. Pro Eco evaluates customer s current energy needs and helps recommend ways that can optimize savings and energy efficiency; and
2. Design. Pro Eco designs personalized, custom systems to take the greatest advantage of the customer s unique geographical setting, fuel costs and availability, and building construction; and
3. Installation. Pro Eco s experts install and support a wide variety of commercial and residential systems including solar thermal, ground-source heat pumps, and heat recovery.

Pro Eco specializes in both energy retrofits of commercial buildings, and systems for new commercial construction.

Pro Eco has mainly focused its activities throughout British Columbia, Alberta and Saskatchewan. Pro Eco s prior projects included a number of large and small companies, including hotels and apartment buildings, and residential installations. Some of Pro Eco s recent projects include:

1. North Vancouver Library



2. Listel Hotel
3. Singer Specialized Trucking
4. Gateway Bonavista

5. Burrowing Owl Winery
6. Renaissance Retirement Residences
7. Strata Corporation
8. Best Western Inn
9. Comfort Inn & Suites
10. Inn at Big White

The Company has signed a non binding letter of intent ( LOI ) with a potential client to design and build an energy recovery and retrofit system, which LOI has since expired. It is unknown whether project financing can be obtained to build this project.

#### Equity Investment in Global Solar Water Power Systems Inc.

Effective February 28, 2010, we entered into an asset and share purchase agreement with Mr. Mark Snyder to acquire up to 20% ownership of Global Solar Water Power Systems Inc. ( GSWPS ), a private company beneficially owned by Mark Snyder, our company s Chief Technical Officer. GSWPS owns certain technology invented and developed by Mark Snyder for the design and manufacture of certain water filtration equipment. Under the terms of the agreement, we may acquire up to a 20% equitable ownership interest in GSWPS payable as follows:

- (a) for the initial 10% equity interest, by the issuance of 500,000 restricted shares of our common stock at a deemed price of US \$0.20 per share, payable within 10 days of signing the agreement (paid);
- (b) for the initial 10% equity interest, cash payments and/or deferred commissions totaling \$150,000 payable in installments of \$3,500 per month (payment ongoing);
- (c) for the additional 10% equity interest, the issuance of 500,000 restricted shares of our common stock at any time up to December 31, 2011; and
- (d) for the additional 10% equity interest, cash payments and/or deferred commissions totaling \$250,000 paid a minimum of \$3,500 per month and beginning not later than December 31, 2011, as further described in the agreement.

Pursuant to the terms of the agreement, GSWPS is required to pay to us our proportionate interest in any after tax profits on a quarterly basis. Our management obtained an independent valuation dated February 5, 2010 in support of the value ascribed to the proposed equity interest in GSWPS. As at May 31, 2011, we have paid \$93,000 in US dollars and issued 500,000 restricted shares of our common stock, following which we have acquired a 7.72% equity interest in GSWPS.

Also on January 31, 2010, the Company entered into an Independent Sales and Marketing Representative Agreement with GSWPS. Pursuant to the terms of the agreement, GSWPS agreed to appoint the Company as its independent sales representative to solicit orders for those solar and/or wind turbine powered water filtration products marketed from time to time by GSWPS and/or the Company on an exclusive basis in Africa and non-exclusive basis throughout the rest of the world, with the exception of Iraq. In consideration for services to be rendered by the Company under the agreement, the Company will receive a minimum of 5% of the net invoice price from any product orders and not more than 12% of the net invoice price. The Company and GSWPS have the right to jointly determine specific sales cases individually to generate unique commissions by their joint agreement on a case by case basis. The agreement expires on January 31, 2015.

One of GSWPS s business lines is the business of developing and manufacturing a portable solar powered trailer mounted water purification units (the System ) that can be delivered and operated nearly anywhere in the world and can provide a village, resort, or remote work-camps with all their drinking water and domestic water requirements. The technology was developed in 2009 by Mark Snyder, Chief Technology Officer of the Company, and Mark Snyder

is the President of GSWPS. Over 300 locations in war-torn Iraq are now benefiting from clean drinking water as a result of the deployment of these systems, which were delivered to Iraq during 2009, prior to the Company's involvement.

On June 5, 2008, Mr. Mark Snyder, a long time clean energy expert in California, also joined our Clean Tech Advisory board. Mr. Snyder is an expert in alternative energy systems. Mr. Snyder's focus is on complete "net zero" home solutions – homes that generate through alternative energy systems such as solar thermal, solar PV etc, as much energy as they consume.

#### Belmont Lake Field, Wilkinson County, Mississippi

Effective September 1, 2009, the Company entered into an assignment agreement with Cheetah Oil & Gas Ltd. The assignment agreement dated August 28, 2009, provides for the purchase by the Company of a revenue interest of 40.432% of an 8% share of Cheetah's net revenue after field operating expenses from the Belmont Lake PP F-12-4 horizontal well, located in Belmont Lake Field, Wilkinson County, Mississippi. As consideration, the Company agreed to pay to Cheetah 57.76% of Cheetah's costs currently budgeted at \$77,905.36, subject to revision and 57.76% of Cheetah's 8% share of PP F-12-4 well costs from time to time for infrastructure, pipes, tanks, compressors, trucking, etc. On May 31, 2010, this assigned interest was converted into common shares and warrants of Cheetah Oil & Gas Ltd, leaving the Company with no direct interest in this well. As a result, the Company has 375,000 restricted shares in the capital of Cheetah and 375,000 share purchase warrants which entitle the Company to acquire 375,000 restricted shares in the capital of Cheetah at a purchase price of US\$0.20 per share for a period of two years.

Effective September 1, 2009, the Company entered into an assignment agreement with Lexaria Corp. The assignment agreement dated August 28, 2009, provides for the purchase by the Company of a revenue interest of 13.475% of a 32% share of Lexaria's net revenue after field operating expenses from the Belmont Lake PP F-12-4 horizontal well, located in Belmont Lake Field, Wilkinson County, Mississippi. As consideration, the Company agreed to pay to Lexaria 19.25% of Lexaria's costs currently budgeted at \$311,621.44, subject to revision and 19.25% of Lexaria's 32% share of PP F-12-4 well costs from time to time for infrastructure, pipes, tanks, compressors, trucking, etc. On May 31, 2010, this assigned interest was converted into common shares and warrants of Lexaria Corp, leaving the Company with no direct interest in this well. As a result, the Company has 499,893 restricted shares in the capital of Lexaria and 499,983 share purchase warrants which entitle the Company to acquire 499,983 restricted shares in the capital of Lexaria at a purchase price of US\$0.20 per share for a period of two years.

#### Copper Hills Project, New Mexico

On January 31, 2011, the Company entered into a letter of intent and paid US\$7,500 deposit to the Optionor. On April 11, 2011, the Company signed a Mineral Purchase Option Agreement with Wildhorse Copper Inc. and its wholly owned subsidiary Wildhorse Copper (AZ) Inc. (collectively, the "Optionors") respecting an option to earn a 100% interest, subject to a 1% NSR capped to a maximum of \$2,000,000 on one claim, in a property known as the Copper Hills property. The Copper Hills property is comprised of 56 located mining claims covering a total of 1,150 acres located in New Mexico, USA. The Optionors hold the Copper Hills property directly and indirectly through property purchase agreements between the Optionors and third parties (collectively, the "Indirect Agreements"). Pursuant to the Agreement the Optionors have assigned the Indirect Agreements to Enertopia. In order to earn the interest in the Copper Hills property, Enertopia is required to make aggregate cash payments of \$591,650 over an eight year period and issue an aggregate of 1,000,000 shares of its common stock over a three year period. On April 11, 2011, Enertopia made aggregate cash payments of \$54,150, issued 500,000 shares to the Optionors, and incurred exploration expenses of \$43,680. The securities issued in the acquisition are subject to a hold period in Canada expiring on August 12, 2011.

During the quarter ended May 31, 2011 total consideration including cash and common stock was \$180, 330.

The continuation of our business is dependent upon obtaining further financing, a successful program of exploration and/or development, and, finally, achieving a profitable level of operations. The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.



There are no assurances that we will be able to obtain further funds required for our continued operations. As noted herein, we are pursuing various financing alternatives to meet our immediate and long-term financial requirements. There can be no assurance that additional financing will be available to us when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain the additional financing on a timely basis, we will be unable to conduct our operations as planned, and we will not be able to meet our other obligations as they become due. In such event, we will be forced to scale down or perhaps even cease our operations.

#### *Purchase of Significant Equipment*

We do not intend to purchase any significant equipment (excluding oil and gas activities) over the twelve months ending May 31, 2012 other than office computers, furnishings, and communication equipment as required.

#### *Corporate Offices*

The address of our principal executive office is Suite 950, 1130 West Pender Street, Vancouver, British Columbia V6E 4A4. Our telephone number is (604) 602-1633. We have another office located in Kelowna. Our current locations provide adequate office space for our purposes at this stage of our development.

#### *Employees*

We primarily used the services of sub-contractors and consultants for our intended business operations. Our only technical employee is Mr. McAllister, our president and a director.

The Company had entered into a consulting agreement with Dr. Gerald G. Carlson's company, KGE Management Ltd. from March 1, 2005 to November 30, 2007. During the term of this agreement, Dr. Carlson, provided geological and corporate administration consulting services to our company, such duties and responsibilities included the provision of geological consulting services, strategic corporate and financial planning, management of the overall business operations of our company, and the supervision of office staff and exploration and mining consultants. Dr. Carlson, through KGE Management Ltd., was reimbursed at the rate of \$2,000 per month. This agreement was terminated on November 30, 2007, but Dr. Carlson does remain on the Board as a Director.

We entered into a consulting agreement with Mr. Robert McAllister on December 1, 2007. During the term of this agreement, Mr. McAllister is to provide corporate administration and consulting services, such duties and responsibilities to include provision of oil and gas industry consulting services, strategic corporate and financial planning, management of the overall business operations of the Company, and supervising office staff and exploration and oil & gas consultants. Mr. McAllister is reimbursed at the rate of \$2,000 per month. On December 1, 2008, the consulting fee was increased to \$5,000 per month. We may terminate this agreement without prior notice based on a number of conditions. Mr. McAllister may terminate the agreement at any time by giving 30 days written notice of his intention to do so.

On March 2, 2008, the Company entered into a controller agreement with CAB Financial Services, a corporation organized under the laws of the Province of British Columbia. CAB Financial Services is a consulting company controlled by the chairman of the board and chief executive officer of the Company. Pursuant to the controller agreement, CAB Financial Services will provide corporate accounting and controller services to the Company in consideration for the payment of CAD\$3,675 (including \$175 GST) per month. This agreement was terminated on October 9, 2009.

On December 1, 2008, the Company entered into a consulting agreement with CAB Financial Services, a corporation organized under the laws of the Province of British Columbia. CAB Financial Services is a consulting company controlled by the chairman of the board and the chief executive officer of the Company. A fee of \$5,000 per month is accrued. We may terminate this agreement without prior notice based on a number of conditions. CAB Financial

Services Ltd. may terminate the agreement at any time by giving 30 days written notice of his intention to do so.

On October 9, 2009, the Company entered into a consulting agreement with BKB Management Ltd, a corporation organized under the laws of the Province of British Columbia. BKB Management controlled by the chief financial officer of the Company. A fee of CAD\$4,675 including GST is paid per month. We may terminate this agreement without prior notice based on a number of conditions. BKB Management Ltd. may terminate the agreement at any time by giving 30 days written notice of his intention to do so. Effective April 1, 2011, the fee is CAD\$5,500 plus HST.

On October 9, 2009, the Company entered into a consulting agreement with Mark Snyder as the Chief Technical Officer. A fee of \$1,000 is paid per month.

On August 23, 2010, the Company entered into a consulting agreement with the Senior Vice-President of Business Development for \$3,125 per month. Effective November 17, 2010, the Company has entered into a month to month consulting contract.

We do not expect any material changes in the number of employees over the next 12 month period. We do and will continue to outsource contract employment as needed. However, with project advancement and if we are successful in our initial and any subsequent drilling programs we may retain additional employees.

### **Off-Balance Sheet Arrangements**

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to stockholders.

### **Critical Accounting Policies**

Our financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles used in the United States of America. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. We believe that understanding the basis and nature of the estimates and assumptions involved with the following aspects of our consolidated financial statements is critical to an understanding of our financials.

#### **Oil and Gas Properties**

The Company utilizes the full cost method to account for its investment in oil and gas properties. Accordingly, all costs associated with acquisition, exploration and development of oil and gas reserves, including such costs as leasehold acquisition costs, capitalized interest costs relating to unproved properties, geological expenditures, tangible and intangible development costs including direct internal costs are capitalized to the full cost pool. When the Company obtains proven oil and gas reserves, capitalized costs, including estimated future costs to develop the reserves and estimated abandonment costs, net of salvage, will be depleted on the units-of-production method using estimates of proved reserves.

Investments in unproved properties are not depleted pending determination of the existence of proved reserves. Unproved properties are assessed periodically to ascertain whether impairment has occurred. Unproved properties whose costs are individually significant are assessed individually by considering the primary lease terms of the properties, the holding period of the properties, and geographic and geologic data obtained relating to the properties. Where it is not practicable to assess individually the amount of impairment of properties for which costs are not individually significant, such properties are grouped for purposes of assessing impairment. The amount of impairment assessed is added to the costs to be amortized, or is reported as a period expense, as appropriate.





Pursuant to full cost accounting rules, the Company must perform a ceiling test each quarter on its proved oil and gas assets. The ceiling test provides that capitalized costs less related accumulated depletion and deferred income taxes for each cost center may not exceed the sum of (1) the present value of future net revenue from estimated production of proved oil and gas reserves using current prices, excluding the future cash outflows associated with settling asset retirement obligations that have been accrued on the balance sheet, at a discount factor of 10%; plus (2) the cost of properties not being amortized, if any; plus (3) the lower of cost or estimated fair value of unproved properties included in the costs being amortized, if any; less (4) income tax effects related to differences in the book and tax basis of oil and gas properties. Should the net capitalized costs for a cost center exceed the sum of the components noted above, an impairment charge would be recognized to the extent of the excess capitalized costs. Sales of proved and unproved properties are accounted for as adjustments of capitalized costs with no gain or loss recognized, unless such adjustments would significantly alter the relationship between capitalized costs and proved reserves of oil and gas, in which case the gain or loss is recognized in the statement of operations.

Exploration activities conducted jointly with others are reflected at the Company's proportionate interest in such activities.

Cost related to site restoration programs are accrued over the life of the project.

#### Long-Lived Assets

In accordance with SFAS No. 144 (ASC 360), "Accounting for the Impairment or Disposal of Long-Lived Assets", the carrying value of intangible assets and other long-lived assets is reviewed on a regular basis for the existence of facts or circumstances that may suggest impairment. We recognize impairment when the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. Impairment losses, if any, are measured as the excess of the carrying amount of the asset over its estimated fair value.

#### Revenue Recognition

Oil and natural gas revenues are recorded using the sales method whereby our Company recognizes oil and natural gas revenue based on the amount of oil and gas sold to purchasers when title passes, the amount is determinable and collection is reasonably assured. Actual sales of gas are based on sales, net of the associated volume charges for processing fees and for costs associated with delivery, transportation, marketing, and royalties in accordance with industry standards. Operating costs and taxes are recognized in the same period of which revenue is earned.

#### Going Concern

We have suffered recurring losses from operations. The continuation of our Company as a going concern is dependent upon our Company attaining and maintaining profitable operations and/or raising additional capital. The financial statements do not include any adjustment relating to the recovery and classification of recorded asset amounts or the amount and classification of liabilities that might be necessary should our Company discontinue operations.

The continuation of our business is dependent upon us raising additional financial support and/or attaining and maintaining profitable levels of internally generated revenue. The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

#### Recently Issued Accounting Standards

In June 2009, the FASB issued FASB No. 166(ASC 860), Accounting for Transfers of Financial Assets - an amendment of FASB Statement No. 140 ("SFAS 166"). SFAS 166(ASC 860) requires additional disclosures about the transfer and derecognition of financial assets and eliminates the concept of qualifying special-purpose entities under

SFAS 140(ASC 860). SFAS 166(ASC 860) is effective for fiscal years beginning after November 15, 2009. The adoption of this statement is not expected to have material impact on the Company's financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Company's financial statements upon adoption.

### Results of Operations Three Months Ended May 31, 2011 and 2010

The following summary of our results of operations should be read in conjunction with our financial statements for the quarter ended May 31, 2011, which are included herein.

Our operating results for the three months ended May 31, 2011, for the three months ended May 31, 2010 and the changes between those periods for the respective items are summarized as follows:

|  | Three Months<br>Ended<br>May 31,<br>2011 | Three Months<br>Ended<br>May 31,<br>2010 | Change Between<br>Three Month<br>Period<br>Ended<br>May 31, 2011<br>and May 31,<br>2010 |
|--|--|--|---|
| Revenue (cost recovery)                                | \$ -                                     | \$ (11,607)                              | \$ (11,607)   |
| Other income/expenses                                  | 155,945                                  | (2,654,634)                              | (2,2910,934)  |
| General and administrative                             | 181,759                                  | 100,493                                  | 113,217   |
| Interest expense                                       | 5,472                                    | 1,304                                    | 484   |
| Write down in carrying value of oil and gas properties | Nil                                      | (2,654,536)                              | (2,654,536)   |
| Consulting fees  | 101,538                                  | 60,053                                   | 29,224  |
| Exploration expenses                                   | Nil                                      | Nil                                      | Nil   |
| Professional Fees                                      | 19,478                                   | 12,821                                   | 6,657   |
| Net loss   | (28,124)                                 | (2,050,207)                              | (2,090,956)   |

Our accumulated losses increased to \$4,698,287 as of May 31, 2011. Our financial statements report a net loss of \$28,124 for the three-month period ended May 31, 2011 compared to a net loss of \$2,050,207 for the three-month period ended May 31, 2010. The huge loss incurred in the three-month period ended May 31, 2010 resulted from the write-down of oil and gas properties.

### Results of Operations Nine Months Ended May 31, 2011 and 2010

The following summary of our results of operations should be read in conjunction with our financial statements for the quarter ended May 31, 2011, which are included herein.

Our operating results for the nine months ended May 31, 2011, for the six months ended May 31, 2010 and the changes between those periods for the respective items are summarized as follows:

|  | <b>Nine Months Ended<br/>May 31, 2011</b> | <b>Nine Months Ended<br/>May 31, 2010</b> | <b>Change Between<br/>Nine Month<br/>Period<br/>Ended<br/>May 31, 2011<br/>and May 31,<br/>2010</b> |
|--|---|---|---|
| Revenue (cost recovery)                                | \$ (4,317)                                | \$ 11,861                                 | \$ 7,544  |
| Other income/expenses                                  | 85,821                                    | (2,656,926)                               | (2,843,483)   |
| General and administrative                             | 569,812                                   | 332,983                                   | 268,780   |
| Interest expense                                       | 22,555                                    | 3,754                                     | 15,137  |
| Write down in carrying value of oil and gas properties | Nil                                       | (2,654,536)                               | (2,654,536)   |
| Consulting fees  | 369,861                                   | 207,294                                   | 236,519   |
| Exploration Expenses                                   | Nil                                       | Nil                                       | Nil   |
| Professional Fees                                      | 75,534                                    | 55,840                                    | 19,694  |
| Net loss   | (479,673)                                 | (2,284,736)                               | (1,833,936)   |

As at May 31, 2011, we had \$90,769 in current liabilities. Our net cash used in operating activities for the nine months ended May 31, 2011 was \$338,474 compared to \$193,502 used in the nine months ended May 31, 2010. Our accumulated losses increased to \$4,698,287 as of May 31, 2011. Our financial statements report a net loss of \$479,673 for the nine month period ended May 31, 2011 compared to a net loss of \$2,284,736 for the nine month period ended May 31, 2010. Our losses have decreased primarily due to there was a write down of oil and gas assets in the prior period of May 31, 2010

Our total liabilities as of May 31, 2011 were \$986,788 as compared to total liabilities of \$289,788 as of August 31, 2010. The increase of the long-term liabilities is due to the liability accounting of the subscriber's warrants and agent's warrants in association with the private placement in March 2011. Because the exercise price of these warrants is denominated in Canadian dollars, which is different from the Company's functional currency, these warrants are not considered indexed to the Company's common shares and they cannot be classified within equity.

## Liquidity and Financial Condition

### Working Capital

|                     | At May 31,<br>2011 | At August 31,<br>2010 |
|---------------------|--------------------|-----------------------|
| Current assets      | \$ 942,733         | \$ 498,674            |
| Current liabilities | 90,769             | 149,944               |
| Working capital     | \$ 851,964         | \$ 348,730            |

### Cash Flows

|   | Nine Months Ended |                 |
|---|-------------------|-----------------|
|   | May<br>31, 2011   | May<br>31, 2010 |
| Cash flows (used in) operating activities | \$ (338,474)      | \$ (193,502)    |
| Cash flows (used in) investing activities | (36,830)          | (98,231)        |

Edgar Filing: Enertopia Corp. - Form 10-Q

|   |            |    |           |
|---|------------|----|-----------|
| Cash flows provided by (used in) financing activities | 815,063    |    | 81,531    |
| Net increase (decrease) in cash during period         | \$ 439,759 | \$ | (210,202) |

---

13

*Operating Activities*

Net cash used in operating activities was \$338,474 in the nine months ended May 31, 2011 compared with net cash used in operating activities of \$193,502 in the same period in 2010. The increase in cash used is mostly from professional fees, sales and marketing, advertising, investor relations and travel.

*Investing Activities*

Net cash provided in investing activities was \$36,830 in the nine months ended May 31, 2011, compared to net cash used by investing activities of \$98,231 in the same period in 2010. The change in cash from investing activities is mainly attributable to the sale of Coteau Lake property.

*Financing Activities*

Net cash provided by financing activities was \$815,063 in the nine months ended May 31, 2011 compared to \$81,531 in the same period in 2010. This increase is a result of funds received from a non-brokered private placement that closed on March 3, 2011.

***Revenue comparisons for the Quarter ended May 31, 2011 compared to the quarter ended May 31, 2010***

For the nine-month period ended May 31, 2011, the Company had \$4,317 in cost recovery compared to \$11,861 in revenues for the same nine-month period in the prior year. The Company has generated \$385,950 in revenues from inception on November 24, 2004 to May 31, 2011.

**Item 4. Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the *Securities Exchange Act of 1934*, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our president (also our principal executive officer) and our secretary, treasurer and chief financial officer (also our principal financial and accounting officer) to allow for timely decisions regarding required disclosure.

As of May 31, 2011, the end of our third quarter covered by this report, we carried out an evaluation, under the supervision and with the participation of our president (also our principal executive officer) and our secretary, treasurer and chief financial officer (also our principal financial and accounting officer), of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our president (also our principal executive officer) and our secretary, treasurer and chief financial officer (also our principal financial and accounting officer) concluded that our disclosure controls and procedures were effective in providing reasonable assurance in the reliability of our financial reports as of the end of the period covered by this quarterly report.

***Inherent limitations on effectiveness of controls***

Internal control over financial reporting has inherent limitations which include but is not limited to the use of independent professionals for advice and guidance, interpretation of existing and/or changing rules and principles, segregation of management duties, scale of organization, and personnel factors. Internal control over financial reporting is a process which involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis, however these inherent limitations are known features of the financial reporting process and it is possible to design into the process safeguards to reduce, though not

eliminate, this risk. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



***Changes in Internal Control over Financial Reporting***

There have been no changes in our internal controls over financial reporting that occurred during the quarter ended May 31, 2011 that have materially or are reasonably likely to materially affect, our internal controls over financial reporting.

**PART II**

**OTHER INFORMATION**

**Item 1. Legal Proceedings**

We know of no material, existing or pending legal proceedings against our company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, executive officers or affiliates, or any registered or beneficial stockholder, is an adverse party or has a material interest adverse to our interest.

**Item 1A. Risk Factors**

Much of the information included in this prospectus includes or is based upon estimates, projections or other "forward-looking statements". Such forward-looking statements include any projections or estimates made by us and our management in connection with our business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. We undertake no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Such estimates, projections or other "forward-looking statements" involve various risks and uncertainties as outlined below. We caution readers of this prospectus that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other "forward-looking statements". In evaluating us, our business and any investment in our business, readers should carefully consider the following factors.

Our common shares are considered speculative. Prospective investors should consider carefully the risk factors set out below.

**Risks Associated with Business**

*No Assurance of Profitability*

Our renewable energy business operations are in the start-up stage only, and are unproven. We may not be successful in implementing our business plan to become profitable. There may be less demand for our services than we anticipate. There is no assurance that this business will succeed.

*Changing Consumer Preferences*

The decision of a potential client to undergo an environmental audit or review may be based on ethical or commercial reasons. In some instances, or with certain businesses, there may be no assurance that an environmental review will result in any cost savings or increased revenues. As such, unless the ethical consideration is also a material factor, there may be no incentive for such businesses to undertake an environmental review. Changes in consumer and commercial preferences, or trends, toward or away from environmental issues may impact on businesses' decisions to

undergo environmental reviews.

### *General Economic Factors*

The willingness of businesses to spend time and money on energy efficiency may be dependent upon general economic conditions; and any material downturn may reduce the likelihood of businesses incurring costs toward what some businesses may consider a discretionary expense item.

### *Factors Affecting Operating Results*

Our operating results will be affected by a wide variety of factors that could materially affect revenues and profitability, including the timing and cancellation of customer orders and projects, competitive pressures on pricing, availability of personnel, and market acceptance of our services. As a result, we may experience material fluctuations in future operating results on a quarterly and annual basis which could materially affect our business, financial condition and operating results.

### *Competition*

There are virtually no barriers to entry in the solar PV, solar thermal and energy recovery business sectors. As it is largely unregulated, we may face growing competition from any number of persons or firms who are, or who hold themselves out to be, competitors in this field.

### *Quality of Service/Industry Practices*

Demand for our services may be adversely affected if consumers lose confidence in the quality of our services or the industry's practices. Adverse publicity may discourage businesses from buying our services and could have a material adverse effect on our financial condition and results of operations.

### *Unethical Business Practices*

We may suffer negative publicity if we, any third party contractors we may engage, or any of our customers for whom we have implemented changes, are found to engage in any environmentally insensitive practices or other business practices that are viewed as unethical.

### *No Significant Customers*

We currently have no long-term agreements with any customers. Many of our services may be provided on a "onetime" basis. Accordingly, we will require new customers on a continuous basis to sustain our operations.

### *Fixed Price Contracts*

Fixed price contracts require the service provider to perform all agreed services for a specified lump-sum amount. We anticipate a material percentage of our services will be performed on a fixed price basis. Fixed price contracts expose us to some significant risks, including under-estimation of costs, ambiguities in specifications, unforeseen costs or difficulties, and delays beyond our control. These risks could lead to losses on contracts which may be substantial and which could adversely affect the results of our operations.

### *Effectiveness and Efficiency of Advertising and Promotional Expenditures*

The future growth and profitability of our clean energy business sectors will be dependent in part on the effectiveness and efficiency of our advertising and promotional expenditures, including our ability to (i) create greater awareness of our services, (ii) determine the appropriate creative message and media mix for future advertising expenditures, and (iii) effectively manage advertising and promotional costs in order to maintain acceptable operating margins. There

can be no assurance that we will experience benefits from advertising and promotional expenditures in the future. In addition, no assurance can be given that our planned advertising and promotional expenditures will result in increased revenues, will generate levels of service and name awareness or that we will be able to manage such advertising and promotional expenditures on a cost-effective basis.

*Human Resources*

We will depend on our ability to attract, retain and motivate our management team, consultants and other employees. There is strong competition for qualified technical and management personnel in the renewable energy sector, and it is expected that such competition will increase. Our planned growth will place increased demands on our existing resources and will likely require the addition of technical personnel and the development of additional expertise by existing personnel. There can be no assurance that our compensation packages will be sufficient to ensure the continued availability of qualified personnel who are necessary for the development of our business.

*We have a limited operating history with losses and we expect the losses to continue, which raises concerns about our ability to continue as a going concern.*

We have generated minimal revenues since our inception and will, in all likelihood, continue to incur operating expenses with minimal revenues until we are able to successfully develop our business. Our business plan will require us to incur further expenses. We may not be able to ever become profitable. These circumstances raise concerns about our ability to continue as a going concern. We have a limited operating history and must be considered in the start-up stage.

*We will require additional financing to develop our business plan.*

Because we have generated only minimal revenue from our business and cannot anticipate when we will be able to generate meaningful revenue from our business, we will need to raise additional funds to conduct and grow our business. We do not currently have sufficient financial resources to completely fund the development of our business plan. We anticipate that we will need to raise further financing. We do not currently have any arrangements for financing and we can provide no assurance to investors that we will be able to find such financing if required. The most likely source of future funds presently available to us is through the sale of equity capital. Any sale of share capital will result in dilution to existing security-holders.

*We may not be able to obtain all of the licenses necessary to operate our business.*

Our operations may require licenses and permits from various governmental authorities to build and install alternative energy systems or to conduct energy retrofits. We believe that we will be able to obtain all necessary licenses and permits under applicable laws and regulations for our operations and believe we will be able to comply in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in various circumstances. There can be no guarantee that we will be able to obtain or maintain all necessary licenses and permits.

*Changes in environmental regulations.*

We believe that we currently comply with existing environmental laws and regulations affecting our proposed operations. While there are no currently known proposed changes in these laws or regulations, significant changes have affected the industry in the past and additional changes may occur in the future.

Our operations may be subject to environmental laws, regulations and rules promulgated from time to time by government. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner that means stricter standards and enforcement. Fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies, directors, officers and employees. The cost of compliance with changes in governmental regulations has potential to reduce the profitability of operations. We intend to comply with all environmental regulations in the United States and Canada.

*If we are unable to recruit or retain qualified personnel, it could have a material adverse effect on our operating results and stock price.*

Our success depends in large part on the continued services of our executive officers and third party relationships. We currently do not have key person insurance on these individuals. The loss of these people, especially without advance notice, could have a material adverse impact on our results of operations and our stock price. It is also very important that we be able to attract and retain highly skilled personnel, including technical personnel, to accommodate our exploration plans and to replace personnel who leave. Competition for qualified personnel can be intense, and there are a limited number of people with the requisite knowledge and experience. Under these conditions, we could be unable to recruit, train, and retain employees. If we cannot attract and retain qualified personnel, it could have a material adverse impact on our operating results and stock price.

## **Risks Associated with the Shares of Our Company**

*Trading on the Pink OTC may be volatile and sporadic, which could depress the market price of our common stock and make it difficult for our stockholders to resell their shares.*

Our common stock is quoted on the Pink OTC service of the Financial Industry Regulatory Authority. Trading in stock quoted on the Pink OTC is often thin and characterized by wide fluctuations in trading prices, due to many factors that may have little to do with our operations or business prospects. This volatility could depress the market price of our common stock for reasons unrelated to operating performance. Moreover, the Pink OTC is not a stock exchange, and trading of securities on the Pink OTC is often more sporadic than the trading of securities listed on a quotation system like Nasdaq or a stock exchange like Amex. Accordingly, shareholders may have difficulty reselling any of the shares.

*Because we do not intend to pay any dividends on our shares, investors seeking dividend income or liquidity should not purchase our shares.*

We have not declared or paid any dividends on our shares since inception, and do not anticipate paying any such dividends for the foreseeable future. Investors seeking dividend income or liquidity should not invest in our shares.

*Because we can issue additional shares, purchasers of our shares may incur immediate dilution and may experience further dilution.*

We are authorized to issue up to 200,000,000 shares. The board of directors of our company have the authority to cause us to issue additional shares, and to determine the rights, preferences and privileges of such shares, without consent of any of our stockholders. Consequently, our stockholders may experience more dilution in their ownership of our company in the future.

## **Other Risks**

*Our stock is a penny stock. Trading of our stock may be restricted by the Securities and Exchange Commission's penny stock regulations which may limit a stockholder's ability to buy and sell our stock.*

Our stock is a penny stock. The Securities and Exchange Commission has adopted Rule 15c-9 which generally defines "penny stock" to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and "accredited investors". The term "accredited investor" refers generally to institutions with assets in excess of \$5,000,000 or individuals with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the Securities and Exchange Commission which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of

broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of our common stock.



*The Financial Industry Regulatory Authority, or FINRA, has adopted sales practice requirements which may also limit a stockholder's ability to buy and sell our stock.*

In addition to the "penny stock" rules described above, FINRA has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

*We believe that our operations comply, in all material respects, with all applicable environmental regulations.*

Our operating partners maintain insurance coverage customary to the industry; however, we are not fully insured against all possible environmental risks.

*Any change to government regulation/administrative practices may have a negative impact on our ability to operate and our profitability.*

The laws, regulations, policies or current administrative practices of any government body, organization or regulatory agency in the United States, Canada, or any other jurisdiction, may be changed, applied or interpreted in a manner which will fundamentally alter the ability of our company to carry on our business.

The actions, policies or regulations, or changes thereto, of any government body or regulatory agency, or other special interest groups, may have a detrimental effect on us. Any or all of these situations may have a negative impact on our ability to operate and/or our profitability.

*Our By-laws contain provisions indemnifying our officers and directors against all costs, charges and expenses incurred by them.*

Our By-laws contain provisions with respect to the indemnification of our officers and directors against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, actually and reasonably incurred by him, including an amount paid to settle an action or satisfy a judgment in a civil, criminal or administrative action or proceeding to which he is made a party by reason of his being or having been one of our directors or officers.

*Investors' interests in our company will be diluted and investors may suffer dilution in their net book value per share if we issue additional shares or raise funds through the sale of equity securities.*

Our constating documents authorize the issuance of 200,000,000 shares of common stock with a par value of \$0.001. In the event that we are required to issue any additional shares or enter into private placements to raise financing through the sale of equity securities, investors' interests in our company will be diluted and investors may suffer dilution in their net book value per share depending on the price at which such securities are sold. If we issue any such additional shares, such issuances also will cause a reduction in the proportionate ownership and voting power of all other shareholders. Further, any such issuance may result in a change in our control.

*Our By-laws do not contain anti-takeover provisions, which could result in a change of our management and directors if there is a take-over of our company.*



We do not currently have a shareholder rights plan or any anti-takeover provisions in our By-laws. Without any anti-takeover provisions, there is no deterrent for a take-over of our company, which may result in a change in our management and directors.

*As a result of a majority of our directors and officers are residents of other countries other than the United States, investors may find it difficult to enforce, within the United States, any judgments obtained against our company or our directors and officers.*

Other than our operations offices in Vancouver and Kelowna, British Columbia, we do not currently maintain a permanent place of business within the United States. In addition, a majority of our directors and officers are nationals and/or residents of countries other than the United States, and all or a substantial portion of such persons' assets are located outside the United States. As a result, it may be difficult for investors to enforce within the United States any judgments obtained against our company or our officers or directors, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

## Item 3. Defaults Upon Senior Securities

None.

## Item 4. Submission of Matters to a Vote of Securities Holders

None.

## Item 5. Other Information

Due to the implementation of British Columbia Instrument 51-509 on September 30, 2008 by the British Columbia Securities Commission, we have been deemed to be a British Columbia based reporting issuer. As such, we are required to file certain information and documents at [www.sedar.com](http://www.sedar.com).

## Item 6. Exhibits

### Exhibit Description Number

#### (i) Articles of Incorporation; and (ii) Bylaws

|             |   |
|-------------|---|
| 3.1*        | Articles of Incorporation                               |
| 3.2*        | Bylaws  |
| 4.1*        | Specimen ordinary share certificate                     |
| <u>31.1</u> | <u>Rule 13(a) - 14 (a)/15(d) - 14(a) Certifications</u> |
| <u>31.2</u> | <u>Rule 13(a) - 14 (a)/15(d) - 14(a) Certifications</u> |
| <u>32.1</u> | <u>Section 1350 Certifications</u>                      |
| <u>32.2</u> | <u>Section 1350 Certifications</u>                      |

\*Incorporated by reference to same exhibit filed with the Company's Registration Statement on Form SB-2 dated January 10, 2006.

\*\*Certain parts of this document have not been disclosed and have been filed separately with the Secretary, Securities and Exchange Commission, and is subject to a confidential treatment request pursuant to Rule 24b-2 of the Securities

Exchange Act of 1934.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**ENERTOPIA CORP.**

By: /s/ "Robert McAllister "  
Robert McAllister,  
President (Principal Executive Officer)  
13/07/2011

By: /s/ "Bal Bhullar"  
Bal Bhullar,  
Chief Financial Officer  
13/07/2011