ALTAIR NANOTECHNOLOGIES INC
Form 10-Q
November 04, 2011

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED September 30, 2011

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _________________ TO _________________

ALTAIR NANOTECHNOLOGIES INC.

(Exact name of registrant as specified in its charter)

Canada	1-12497	33-1084375
(State or other jurisdiction of incorporation)	(Commission File No.)	(IRS Employer Identification No.)

204 Edison Way
Reno, Nevada 89502
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (775) 856-2500

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 x NO o.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES x NO o.

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

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act): YES [ ] NO [X]

As of November 3, 2011 the registrant had 69,452,487 Common Shares outstanding.

1

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

ALTAIR NANOTECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of United States Dollars, except shares)
(Unaudited)

	September 30, 2011	December 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	$53,441	$4,695
Accounts receivable, net	839	1,318
Product inventories	6,842	6,825
Prepaid expenses and other current assets	2,233	2,269
Total current assets	63,355	15,107
Property, plant and equipment, net	7,866	8,727
Patents, net	369	426
Total Assets	$71,590	$24,260
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade accounts payable	$6,196	$2,873
Accrued salaries and benefits	1,437	743
Accrued warranty	279	211
Accrued liabilities	485	387
Deferred revenues	1,487	2,516
Warrant liabilities	1,582	-
Current portion of long-term debt	1,517	216
Total current liabilities	12,983	6,946
Long Term Liabilities		
Long-term debt, less current portion	-	16
Total long term liabilities	-	16
Total Liabilities	12,983	6,962
Stockholders' equity		
Common stock, no par value, unlimited shares authorized; 69,452,487 and 27,015,680 shares issued and outstanding at September 30, 2011 and December 31, 2010	245,617	189,491
Additional paid in capital	12,289	12,297
Accumulated deficit	(199,299)	(184,490)
Total Stockholders' Equity	58,607	17,298

Total Liabilities and Stockholders' Equity	$71,590	$24,260

See notes to the consolidated financial statements.

2

ALTAIR NANOTECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Expressed in thousands of United States Dollars, except shares and per share amounts)
(Unaudited)

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Revenues				
Product sales	$795	$1,102	$3,335	$1,234
License fees	60	-	180	-
Commercial collaborations	-	12	80	332
Contracts and grants	-	915	287	3,155
Total revenues	855	2,029	3,882	4,721
Cost of goods sold				
Product	559	764	3,484	823
Commercial collaborations	(124)	3	73	194
Contracts and grants	-	592	296	2,187
Warranty and inventory reserves	97	125	155	253
Total cost of goods sold	532	1,484	4,008	3,457
Gross profit (loss)	323	545	(126)	1,264
Operating expenses				
Research and development	1,594	2,664	4,933	6,818
Sales and marketing	834	943	2,798	3,274
General and administrative	2,730	1,722	6,107	6,102
Depreciation and amortization	259	518	1,013	1,450
Loss on disposal of assets	2	-	18	86
Total operating expenses	5,419	5,847	14,869	17,730
Loss from operations	(5,096)	(5,302)	(14,995)	(16,466)
Other (expense) income				
Interest expense	(97)	(3)	(155)	(13)
Interest income	-	27	-	79
Change in market value of warrants	(676)	-	346	-
Loss on foreign exchange	(4)	(3)	(5)	(2)
Total other (loss) income, net	(777)	21	186	64
Loss from continuing operations	(5,873)	(5,281)	(14,809)	(16,402)
Gain from discontinued operations	-	-	-	124
Net loss	(5,873)	(5,281)	(14,809)	(16,278)
Less: Net loss attributable to non-controlling interest	-	-	-	5
Net loss attributable to Altair Nanotechnologies Inc.	$(5,873)	$(5,281)	$(14,809)	$(16,273)
Net loss attributable to Altair Nanotechnologies Inc. shareholders:				
Loss from continuing operations	$(5,873)	$(5,281)	$(14,809)	$(16,402)
Gain from discontinued operations	-	-	-	129

Net loss	$(5,873)	$(5,281)	$(14,809)	$(16,273)
Earnings per share attributable to Altair Nanotechnologies Inc. shareholders:				
Basic and diluted:				
Loss from continuing operations	$(0.10)	$(0.20)	$(0.38)	$(0.61)
Gain from discontinued operations	$-	$-	$-	$-
Loss per common share - basic and diluted	$(0.10)	$(0.20)	$(0.38)	$(0.61)
Weighted average shares - basic and diluted	60,222,433	26,800,553	39,286,178	26,464,591

See notes to the consolidated financial statements.

ALTAIR NANOTECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE LOSS
(Expressed in thousands of United States Dollars, except share amounts)
(Unaudited)

	Altair Nanotechnologies Inc. Shareholders						Non-controlling Interest in Subsidiary			
	Common Stock		Additional Paid In	Accumulated	Accumulated Other Compre-hensive		Interest In	Accumulated Other Compre-hensive Gain		
	Shares	Amount	Capital	Deficit	Loss	Subtotal	Subsidiary	(Loss)	Subtotal	Total
Balance, July 1, 2010	26,993,363	$ 189,225	$ 11,526	$ (173,196)	$ (1,648)	$ 25,907	$ -	$ -	$ -	$ 25,907
Comprehensive loss:										
Investment from non-controlling interest	-	-	-	-	-	-	-	-	-	-
Net loss	-	-	-	(5,281)	-	(5,281)	-	-	-	(5,281)
Other comprehensive loss	-	-	-	-	(47)	(47)	-	-	-	(47)
Comprehensive loss:						(5,328)			-	(5,328)
Share-based compensation	-	77	199	-	-	276	-	-	-	276
Issuance of restricted stock	-	-	-	-	-	-	-	-	-	-
At the Market Raise	22,317	128	-	-	-	128	-	-	-	128
Balance, September 30, 2010	27,015,680	$ 189,430	$ 11,725	$ (178,477)	$ (1,695)	$ 20,983	$ -	$ -	$ -	$ 20,983

	Altair Nanotechnologies Inc. Shareholders						Non-controlling Interest in Subsidiary			
	Common Stock		Additional Paid In	Accumulated	Accumulated Other Compre-hensive		Interest In	Accumulated Other Compre-hensive Gain		
	Shares	Amount	Capital	Deficit	Loss	Subtotal	Subsidiary	(Loss)	Subtotal	Total
Balance, July 1, 2011	30,615,680	$ 193,436	$ 12,510	$ (193,426)	$ -	$ 12,520	$ -	$ -	$ -	$ 12,520

Comprehensive loss:										
Net loss	-	-	-	(5,873)	-	(5,873)	-	-	-	(5,873)
Comprehensive loss:						(5,873)				(5,873)
Share-based compensation	-	78	309	-	-	387	-	-	-	387
Common stock issued	1,800,000	-	-	-	-	-	-	-	-	-
Common stock issued, net of issuance costs of $5.4M	37,036,807	52,103	-	-	-	52,103	-	-	-	52,103
Warrant redemption	-	-	(530)	-	-	(530)	-	-	-	(530)
Balance, September 30, 2011	69,452,487	$ 245,617	$ 12,289	$ (199,299)	$ -	$ 58,607	$ -	$ -	$ -	$ 58,607

	Altair Nanotechnologies Inc. Shareholders						Non-controlling Interest in Subsidiary			
	Common Stock		Additional Paid In	Accumulated	Accumulated Other Compre-hensive		Interest In	Accumulated Other Compre-hensive Gain		
	Shares	Amount	Capital	Deficit	Loss	Subtotal	Subsidiary	(Loss)	Subtotal	Total
Balance, January 1, 2010	26,350,282	$188,515	$10,933	$(162,204)	$(1,560)	$35,684	$541	$-	$541	$36,225
Comprehensive loss:										
Investment from non-controlling interest	-	-	-	-	-	-	(536)	-	(536)	(536)
Net loss	-	-	-	(16,273)	-	(16,273)	(5)	-	(5)	(16,278)
Other comprehensive loss	-	-	-	-	(135)	(135)	-	-	-	(135)
Comprehensive loss:						(16,408)			(5)	(16,413)
Share-based compensation	-	206	792	-	-	998	-	-	-	998
Issuance of restricted stock	177,744	-	-	-	-	-	-	-	-	-
At the Market Raise	487,654	709	-	-	-	709	-	-	-	709
	27,015,680	$189,430	$11,725	$(178,477)	$(1,695)	$20,983	$-	$-	$-	$20,983

Balance, September 30, 2010

	Altair Nanotechnologies Inc. Shareholders						Non-controlling Interest in Subsidiary			
	Common Stock		Additional Paid In	Accumulated	Accumulated Other Compre-hensive		Interest In	Accumulated Other Compre-hensive Gain		
	Shares	Amount	Capital	Deficit	Loss	Subtotal	Subsidiary	(Loss)	Subtotal	Total
Balance, January 1, 2011	27,015,680	$ 189,491	$ 12,297	$ (184,490)	$ -	$ 17,298	$ -	$ -	$ -	$ 17,298
Comprehensive loss:										
Net loss	-	-	-	(14,809)	-	(14,809)	-	-	-	(14,809)
Comprehensive loss:						(14,809)				(14,809)
Share-based compensation	-	228	522	-	-	750	-	-	-	750
Common stock issued, net of issuance costs of $698 and warrant liabilities	3,600,000	3,795	-	-	-	3,795	-	-	-	3,795
Common stock issued	1,800,000	-	-	-	-	-	-	-	-	-
Common stock issued, net of issuance costs of $5.4M	37,036,807	52,103	-	-	-	52,103	-	-	-	52,103
Warrant redemption	-	-	(530)	-	-	(530)	-	-	-	(530)
Balance, September 30, 2011	69,452,487	$ 245,617	$ 12,289	$ (199,299)	$ -	$ 58,607	$ -	$ -	$ -	$ 58,607

See notes to the consolidated financial statements.

4

ALTAIR NANOTECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of United States Dollars)
(Unaudited)

	Nine Months Ended September 30,	
	2011	2010
Cash flows from operating activities:		
Net loss	$(14,809)	$(16,278)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,013	1,450
Gain on discontinued operations	-	(129)
Securities received in payment of license fees	-	5
Share-based compensation	750	998
Change in market value of warrants	(346)	-
Loss on disposal of fixed assets	18	39
Impairment of patents	-	47
Changes in operating assets and liabilities:		
Accounts receivable, net	479	(195)
Product inventories	246	(1,400)
Prepaid expenses and other current assets	36	(477)
Other assets	-	125
Trade accounts payable	(740)	1,835
Accrued salaries and benefits	694	939
Accrued warranty	68	52
Deferred revenues	(1,029)	3,153
Accrued liabilities	98	(14)
Net cash used in operating activities	(13,522)	(9,850)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(343)	(955)
Proceeds from disposition of assets	5	8
Net cash used in investing activities	(338)	(947)
Cash flows from financing activities:		
Issuance of common shares for cash, net of issuance costs paid	61,851	709
Payment of warrant redemptions	(530)	-
Proceeds from notes payable	1,500	122
Payment of notes payable	(198)	(600)
Repayment of long-term debt	(17)	(14)
Net cash provided by financing activities	62,606	217
Net increase (decrease) in cash and cash equivalents	48,746	(10,580)
Cash and cash equivalents, beginning of period	4,695	18,122
Cash and cash equivalents, end of period	$53,441	$7,542
Supplemental disclosures:		

Cash paid for interest	$153	$45
Cash paid for income taxes	None	None
NON-CASH TRANSACTIONS:		
Acquisition of assets included in accounts payable	$38	$7
Issuance of 710,976 shares of restricted stock to directors	$-	$320
Unrealized loss on available for sale securities	$-	$(133)

See notes to the consolidated financial statements.

ALTAIR NANOTECHNOLOGIES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1. Basis of Presentation and Going Concern

These unaudited interim consolidated financial statements of Altair Nanotechnologies Inc. and its subsidiaries (collectively, "Altair" "we" or the "Company") have been prepared in accordance with the rules and regulations of the United States Securities and Exchange Commission (the "Commission"). Such rules and regulations allow the omission of certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, so long as the statements are not misleading. In the opinion of Company management, these consolidated financial statements and accompanying notes contain all adjustments (consisting of only normal recurring items) necessary to present fairly the financial position and results of operations for the periods shown. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2010, as filed with the Commission on February 28, 2011.

The results of operations for the three- and nine-month periods ended September 30, 2011 are not necessarily indicative of the results to be expected for the full year.

Note 2. Recently Adopted and Recently Issued Accounting Guidance

Adopted

On January 1, 2011, Altair adopted changes issued by the Financial Accounting Standards Board (FASB) to revenue recognition for multiple-deliverable arrangements. These changes (a) require separation of consideration received in such arrangements by establishing a selling price hierarchy (not the same as fair value) for determining the selling price of a deliverable, which will be based on available information in the following order: vendor-specific objective evidence, third-party evidence, or estimated selling price; (b) eliminate the residual method of allocation and require that the consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method, which allocates any discount in the arrangement to each deliverable on the basis of each deliverable's selling price; (c) require that a vendor determine its best estimate of selling price in a manner that is consistent with that used to determine the price to sell the deliverable on a standalone basis; and (d) expand the disclosures related to multiple-deliverable revenue arrangements. The adoption of these changes had no impact on the Consolidated Financial Statements, as Altair does not currently have any such arrangements with its customers.

On January 1, 2011, Altair adopted changes issued by the FASB to disclosure requirements for fair value measurements. Specifically, the changes require a reporting entity to disclose, in the reconciliation of fair value measurements using significant unobservable inputs (Level 3), separate information about purchases, sales, issuances, and settlements (that is, on a gross basis rather than as one net number). These changes were applied to the disclosures in Note 3 to the Consolidated Financial Statements.

On January 1, 2011, Altair adopted changes issued by the FASB to the testing of goodwill for impairment. These changes require an entity to perform all steps in the test for a reporting unit whose carrying value is zero or negative if it is more likely than not (more than 50%) that a goodwill impairment exists based on qualitative factors. This will result in the elimination of an entity's ability to assert that such a reporting unit's goodwill is not impaired and additional testing is not necessary despite the existence of qualitative factors that indicate otherwise. The adoption of these changes had no impact on the Consolidated Financial Statements.

On January 1, 2011, Altair adopted changes issued by the FASB to the disclosure of pro forma information for business combinations. These changes clarify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. Also, the existing supplemental pro forma disclosures were expanded to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The adoption of these changes had no impact on the Consolidated Financial Statements.

Issued

In June 2011, the FASB issued changes to the presentation of comprehensive income. These changes give an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements; the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity was eliminated. The items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income were not changed. Additionally, no changes were made to the calculation and presentation of earnings per share. These changes become effective for Altair on January 1, 2012. Management is currently evaluating these changes to determine which option will be chosen for the presentation of comprehensive income. Other than the change in presentation, management has determined these changes will not have an impact on the Consolidated Financial Statements.

In September 2011, the FASB issued changes to the testing of goodwill for impairment. These changes provide an entity the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (more than 50%) that the fair value of a reporting unit is less than its carrying amount. Such qualitative factors may include the following: macroeconomic conditions; industry and market considerations; cost factors; overall financial performance; and other relevant entity-specific events. If an entity elects to perform a qualitative assessment and determines that an impairment is more likely than not, the entity is then required to perform the existing two-step quantitative impairment test, otherwise no further analysis is required. An entity also may elect not to perform the qualitative assessment and, instead, go directly to the two-step quantitative impairment test. These changes become effective for Altair for any goodwill impairment test performed on January 1, 2012 or later, although early adoption is permitted. Management has determined these changes will not have an impact on the Consolidated Financial Statements, as Altair has not recognized any goodwill on its Consolidated Financial Statements.

Reclassifications - Certain reclassifications have been made to prior period amounts to conform to classifications adopted in the current period.

Note 3. Fair Value Measurements

The following are the methods and assumptions we use to estimate the fair value of our financial instruments.

Cash and cash equivalents
Due to their short term nature, carrying amount approximates fair value.

Accounts receivable
Due to their short term nature, carrying amount approximates fair value.

Investment in available for sale securities
For investment in available for sale securities, fair values are based on quoted market prices, quoted market prices for similar securities and indications of value provided by brokers.

Trade accounts payable
Due to their short term nature, carrying amount approximates fair value.

Warrant liabilities
Fair values are determined using the Black-Scholes-Merton option-pricing model, a Level 3 input.

Long-term debt

Due to the short term nature of the current portion of long-term debt, the carrying amount approximates fair value. The non-current portion of long-term debt is not material and the carrying amount approximates fair value.

Our financial instruments are accounted for at fair value on a recurring basis. We have no financial instruments accounted for on a non-recurring basis as of September 30, 2011 or 2010. Fair value is determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. A market or observable input is the preferred source of value, followed by assumptions based on hypothetical transactions in the absence of market inputs.

The valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 - Quoted prices for identical instruments in active markets.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 - Model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the Company's estimates of assumptions that market participants would use on pricing the asset or liability. Valuation techniques include management judgment and estimation which may be significant.

The following table summarizes the valuation of our liabilities by the fair value hierarchy at September 30, 2011:

In thousands of dollars

Liabilities at fair value:	Total	Level 1	Level 2	Level 3
Warrant liabilities	$ 1,582	$ -	$ -	$ 1,582
Total	$ 1,582	$ -	$ -	$ 1,582

No assets or liabilities were recorded at fair value on a recurring basis at December 31, 2010.

The activity relating to financial instruments valued on a recurring basis utilizing Level 3 inputs for the three months ended September 30, 2011 and 2010 is summarized below:

	Warrant liabilities 2011	Auction rate corporate notes 2010
Beginning Balance, July 1	$ 906	$ 2,558
Issuances	-	-
Realized (gains)	676	-
Unrealized gains	-	(76)
Ending Balance, September 30	$ 1,582	$ 2,482

The activity relating to financial instruments valued on a recurring basis utilizing Level 3 inputs for the nine months ended September 30, 2011 and 2010 is summarized below:

	Warrant liabilities 2011	Auction rate corporate notes 2010
Beginning Balance, January 1	$ -	$ 2,587
Issuances	1,928	-
Realized (gains)	(346)	-
Unrealized (losses)	-	(105)
Ending Balance, September 30	$ 1,582	$ 2,482

Financial instruments that trade in less liquid markets with limited pricing information generally include both observable and unobservable inputs. In instances where observable data is unavailable, we consider the assumptions that market participants would use in valuing the asset. Such instruments are categorized in Level 3 as the inputs generally are not observable. Our evaluation included consultation with our investment advisors, assessment of the strength of the financial institution paying the interest on these investments, ratings of the underlying collateral, and a probability-weighted discounted cash flow analysis.

Note 4. Investment in Available for Sale Securities

We sold all auction rate corporate notes and all shares of Spectrum Pharmaceuticals, Inc. in the fourth quarter of 2010. The sales resulted in $2.61 million in cash received and a $2.05 million realized loss on investments.

The following table summarizes current and non-current marketable securities, accounted for as "available for sale" securities at September 30, 2011 and December 31, 2010:

In thousands of dollars

	September 30, 2011				December 31, 2010			
	Cost	Fair Value	Carrying Value	Unrealized (loss)/gain accumulated	Cost	Fair Value	Carrying Value	Unrealized loss accumulated
Current marketable securities:								
Spectrum Pharmaceuticals, Inc.	-	-	-	-	755	480	480	(275)
Total current	$-	$-	$-	$ -	$755	$480	$480	$ (275)
Non-current marketable securities:								
Auction rate corporate notes	-	-	-	-	3,902	2,482	2,482	(1,420)
Total non-current	$-	$-	$-	$ -	$3,902	$2,482	$2,482	$ (1,420)

The Spectrum Pharmaceuticals shares listed above at September 30, 2010 were acquired from Spectrum on August 4, 2009 when we entered into an amended agreement with Spectrum in which we transferred them the rights to RenalanTM in addition to RenaZorbTM. A component of this agreement was the payment to us of an additional 113,809 shares of Spectrum common stock. On December 10, 2010, Altair sold 113,809 shares of Spectrum stock at $5.752 per share for a gross amount of $655,000. After charges and fees, net proceeds were $649,000. Altair realized a loss on sale of investment of $95,000.

Note 5. Product Inventories

Product inventories consist of the following:

In thousands of dollars

	September 30, 2011	December 31, 2010
Raw materials	$ 3,009	$ 2,979
Work in process	1,844	920
Finished goods	1,989	2,926
Total product inventories	$ 6,842	$ 6,825

Once products reach the commercialization stage, the related inventory is recorded. The costs associated with products undergoing research and development are expensed as incurred. As of September 30, 2011 and December 31, 2010, inventory relates to the production of batteries targeted at the electric grid, commercial vehicle, and Industrial OEM markets.

We recorded an inventory valuation allowance on raw materials of $630,000 and $623,000 at September 30, 2011 and December 31, 2010, respectively.

Note 6. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following:

In thousands of dollars

		September 30, 2011		December 31, 2010
Prepaid inventory purchases	$	1,015	$	568
Prepaid insurance		370		269
Deposits		341		340
Prepaid financing costs		-		831
Deferred contract costs		341		87
Other prepaid expenses and current assets		167		174
Total prepaid expenses and other current assets	$	2,233	$	2,269

Prepaid financing costs relate to the Canon transaction which closed July 22, 2011. The financing costs were moved from prepaid to equity in the third quarter of 2011. Other prepaid expenses and current assets consist primarily of prepaid property taxes, service contracts, marketing expenses and rent.

Note 7. Patents

Our patents are associated with the nanomaterials and titanium dioxide pigment technology. We are amortizing these assets on a straight-line basis over their useful lives. The amortized patents' balances as of September 30, 2011 and December 31, 2010 were:

In thousands of dollars

	September 30, 2011	December 31, 2010
Patents and patent applications	$ 1,366	$ 1,366
Less accumulated amortization	(997)	(940)
Total patents and patent applications	$ 369	$ 426

The weighted average amortization period for patents is approximately 16.7 years. Amortization expense, which represents the amortization relating to the identified amortizable patents, for the nine months ended September 30, 2011 and September 30, 2010, was $57,000 and $59,000, respectively. For each of the next four years, amortization expense relating to patents is expected to be approximately $76,000 per year, with $65,000 expected in the fifth year.

Note 8. Notes Payable and Long-Term Debt

The current and long-term amounts of the notes payable and capital leases as of September 30, 2011 and December 31, 2010 are as follows:

In thousands of dollars

	September 30, 2011	December 31, 2010
Note payable to Imperial Credit Corporation	$ -	$ 196
Note payable - building mortgage	1,500	-
Capital leases	17	36
Subtotal	1,517	232
Less current portion	(1,517)	(216)
Long-term portion	$ -	$ 16

On April 27, 2011, we entered into a Note Secured by a Deed of Trust, Guaranty and a Hazardous Materials Indemnity Agreement (collectively, the "Loan Documents") for a $1,500,000 loan (the "Loan") secured by the Company's headquarters located in Reno, Nevada. Under the terms of the Loan Documents, interest accrues on the outstanding principal balance at the rate of 11% per annum. We are obligated to make interest-only payments on a monthly basis during the term of the Loan and to repay all principal and any outstanding interest on or before May 1, 2012. We were obligated to pay a minimum of five months' interest. Proceeds of the Loan were used for general working capital requirements. On October 3, 2011, we paid off the balance of the loan.

Note 9. Stock-Based Compensation

As of September 30, 2011, the Altair Nanotechnologies Inc. 2005 Stock Incentive Plan (the "Plan"), administered by the Board of Directors, provides for the granting of options and restricted shares to employees, officers, directors and other service providers of ours. This Plan is described in more detail below. The compensation cost that has been charged against income for this Plan was $387,000 and $276,000, for the three months ended September 30, 2011, and 2010, respectively, and $750,000 and $998,000 for the nine months ended September 30, 2011 and 2010, respectively. Of this amount, $78,000 and $77,000 was recognized in connection with restricted stock and options granted to non-employees for the three months ended September 30, 2011 and 2010, respectively and $228,000 and $206,000 for the nine months ended September 30, 2011 and 2010, respectively.

The total number of shares authorized to be granted under the Plan was increased from 750,000 to an aggregate of 2,250,000 based on the proposal approved at the annual and special meeting of shareholders on May 30, 2007. On June 23, 2011, we held an annual and special meeting of shareholders. The proposal to increase the number of authorized shares under the Plan from 2,250,000 to 7,250,000 shares was approved at this meeting. Prior stock option plans, under which we may not make future grants, authorized a total of 1,650,000 shares, of which options for 1,047,475 common shares were granted (net of expirations) and options for 34,125 common shares are outstanding and unexercised at September 30, 2011. Options granted under the plans are granted with an exercise price equal to the market value of a common share at the date of grant, have five-year or ten-year terms and typically vest over periods ranging from immediately to four years from the date of grant. The estimated fair value of equity-based awards, less expected forfeitures, is amortized over the awards' vesting period utilizing the graded vesting method. Under this method, unvested amounts begin amortizing at the beginning of the month in which the options are granted.

For the nine months ended September 30, 2011 and 2010, there were 600,000 and 15,500 shares granted, respectively, under the Plan. In calculating compensation related to stock option grants for the nine months ended September 30, 2011 and 2010, the fair value of each stock option is estimated on the date of grant using the Black-Scholes-Merton option-pricing model and the following weighted average assumptions:

	2011	2010
Dividend yield	None	None
Expected volatility	94%	82%
Risk-free interest rate	1.02%	1.47%
Expected life (years)	7.10	7.10

The computation of expected volatility used in the Black-Scholes Merton option-pricing model is based on the historical volatility of our share price. The expected term is estimated based on a review of historical and future expectations of employee exercise behavior.

A summary of option activity under our equity-based compensation plans as of September 30, 2011 and 2010 and changes during the nine months then ended is presented below:

	2011				2010			
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1,	1,514,025	$7.93	7.5	$ -	1,230,034	$9.60	7.8	$ -
Granted	600,000	$1.34			407,562	$4.07		
Exercised	-	-			-	-		
Forfeited/expired	(145,496)	$7.39			(147,198)	$9.82		
Outstanding at Sept 30,	1,968,529	$5.96	7.8	$ -	1,490,398	$8.05	7.7	$ -
Exercisable at Sept 30,	1,181,970	$8.48	6.6	$ -	658,102	$10.91	6.5	$ -
Vested or expected to vest at Sept 30,	1,870,103	$5.96	7.8	$ -	1,415,878	$8.05	7.7	$ -

Shares issued to non-employees reflected in the table above include 93,416 shares outstanding at January 1, 2011, with no shares granted, no shares exercised, and 25,000 shares forfeited or expired during the nine months ended September 30, 2011, resulting in 68,416 shares outstanding to non-employees of which 65,292 shares were exercisable as of September 30, 2011. Shares issued to non-employees reflected in the table above include 133,417 shares outstanding at January 1, 2010, with no shares granted, no shares exercised, and 40,001 forfeited or expired during the nine months ended September 30, 2010, resulting in 93,416 shares outstanding to non-employees, of which 76,229 shares were exercisable as of September 30, 2010.

The weighted-average grant-date fair value of options granted during the three and nine months ended September 30, 2011 was $1.07 and was $1.59 and $2.34 for the three and nine months ended September 30, 2010, respectively. The total intrinsic value of options exercised during the three and nine months ended September 30, 2011 and 2010 was $0.

11

A summary of the status of non-vested shares at September 30, 2011, and 2010 and changes during the nine months then ended, is presented below:

	2011		2010	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Non-vested shares at January 1,	844,153	$ 5.17	675,180	$ 7.52
Granted	600,000	1.07	407,562	4.07
Vested	(602,860)	3.58	(185,360)	8.22
Forfeited/Expired	(54,734)	5.23	(65,098)	5.88
Non-vested shares at September 30,	786,559	$ 3.92	832,284	$ 5.25

Non-vested shares relating to non-employees reflected in the table above include 17,187 shares outstanding at January 1, 2011, no shares granted, no shares exercised, and 7,813 shares vested, and 6,250 shares expired during the nine months ended September 30, 2011, resulting in 3,124 non-vested shares outstanding to non-employees at September 30, 2011. Non-vested shares relating to non-employees reflected in the table above include 29,583 shares outstanding at January 1, 2010, no shares granted, no shares exercised, and 12,396 shares vested during the nine months ended September 30, 2010, resulting in 17,187 non-vested shares outstanding to non-employees at September 30, 2010.

As of September 30, 2011 and 2010, there was $641,000 and $1.1 million respectively, of total unrecognized compensation cost related to non-vested options granted under the plans. That cost is expected to be recognized over a weighted average period of 3.9 years and 1.2 years, respectively, for the nine months ended September 30, 2011 and 2010. The total fair value of options that vested during the nine months ended September 30, 2011 and 2010, was $2.2 million and $949,000, respectively. There was no cash received from stock option exercises for the nine months ended September 30, 2011 and 2010.

Restricted Stock

Our stock incentive plan provides for the granting of other incentive awards in addition to stock options. During the nine months ended September 30, 2011 the Board of Directors did not approve the grant of any new restricted stock under the plan. However, due to the completion of the Share Subscription Agreement with Canon and the change in control, the vesting for the remaining 88,872 shares was accelerated. During the nine months ended September 30, 2010 the Board of Directors approved the grant of 177,744 shares of restricted stock under the plan. Restricted shares have the same voting and dividend rights as our unrestricted common shares, vest over a two-year period and are subject to the employee's or director's continued service. Compensation cost for restricted stock is recognized in the financial statements on a pro rata basis over the vesting period.

A summary of the changes in restricted stock outstanding during the nine months ended September 30, 2011 and 2010:

	2011		2010	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value

Non-vested shares at January 1,	210,996		$	2.16	76,624		$	4.64
Granted	-			-	177,744			1.80
Vested	(210,996	)		2.16	(43,372	)		5.10
Forfeited/Expired	-			-	-			-
Non-vested shares at September 30,	-		$	-	210,996		$	2.16

As of September 30, 2011, the remaining total unrecognized compensation expense was $0 because of the acceleration of vesting for the restricted stock. This was due to the change in control resulting from the completion of the Share Subscription Agreement with Canon. As of September 30, 2010, the remaining total unrecognized compensation expense was $304,827, net of estimated forfeitures, related to restricted stock which will be recognized over the weighted average period for September 30, 2010 of 1.2 years.

Note 10. Warrants

Warrants Issued to Investors

The warrants issued in the March 30, 2011 offering are considered financial liabilities due primarily to their anti-dilution protection provisions that allow for the automatic reset of the exercise price upon any future sale of common stock instruments at or below the current exercise price of the warrants. As such the warrants are required to be adjusted to fair value each reporting period and the change in fair value of the warrant liabilities is classified in other (expense)/income in the statement of operations. The warrants are classified as short-term warrant liabilities in the balance sheet.

The fair value of the warrants was determined using the Black-Scholes-Merton option-pricing model and the following weighted average assumptions were used:

	September 30, 2011	June 30, 2011	March 31, 2011
Stock Price	$ 1.34	$ 0.86	$ 1.58
Exercise Price	$ 2.56	$ 2.56	$ 2.56
Expected Volatility	101 %	96 %	94 %
Expected Dividend Yield	None	None	None
Expected Term (in years)	5.0	5.3	5.5
Risk-free Interest Rate	0.38 %	1.84 %	2.26 %

As of September 30, 2011, the value of the warrant liability was $1.6 million and the change in fair value during the three and nine months ended September 30, 2011 was a loss of $676,000 and a gain of $346,000, respectively. The gain/(loss) was recorded as other (expense) income in the statement of operations.

The completion of the Share Subscription Agreement with Canon on July 22, 2011 resulted in a change in control. As such, the company was obligated to pay warrant holders who requested redemption a total of $530,000 for warrants containing the change in control provision.

Warrant activity for the six months ended September 30, 2011 and 2010 is summarized as follows:

In thousands of dollars

	2011		2010	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Outstanding at January 1,	1,757,115	$ 4.61	1,757,115	$ 4.61
Issued	1,800,000	2.56	-	-
Expired	(50,000)	14.56	-	-
Warrant Redemption	(972,590)	3.28	-	-
Exercised	-	-	-	-
Outstanding at September 30,	2,534,525	$ 2.74	1,757,115	$ 4.61
Currently exercisable	2,534,525	$ 2.74	1,757,115	$ 4.61

The following table summarizes information about warrants outstanding at September 30, 2011:

Warrants Outstanding and Exercisable

Range of Exercise Prices	Warrants	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
$1.00 to $2.30	676,654	4.7	$ 2.30
$2.31 to $4.00	1,800,000	5.0	2.56
$4.01 to $13.50	57,871	0.2	13.50
	2,534,525	4.8	

Of the 2,534,525 warrants that are outstanding, a total of 1,800,000 are classified as liability warrants.

Note 11. Related Party Transactions

On July 22, 2011, we completed the sale and the purchase by an affiliate of Canon, of 37,036,807 common shares of the Company (the “Shares”) at a purchase price of $1.5528 per share, or $57.5 million in the aggregate, pursuant to the Share Subscription Agreement. Canon designated its indirect partially-owned subsidiary, Energy Storage Technology (China) Group Limited, a company organized under the laws of Hong Kong (“Energy Storage”), as the purchaser of the Shares. Immediately after the closing, through Energy Storage, Canon held 53.3% of the 69,452,487 common shares outstanding.

Since the Share Subscription Agreement with Canon was completed on July 22, 2011, they are now considered a related party. As a related party, there were no sales recorded with YTE (an affiliate of Canon) during the three and nine months ended September 30, 2011. There was revenue recognized in July 2011 for YTE, however it was before the Share Subscription Agreement with Canon was completed so is not considered a related party transaction. The accounts receivable balance for YTE as of September 30, 2011 was $0.

Note 12. Business Segment Information

Management views the Company as operating in two major business segments, the Power and Energy Group and All Other operations. We also have Corporate expenses which are not allocated to the business segments.

The Power and Energy Group develops, produces, and sells nano-structured lithium titanate spinel, battery cells, battery modules, battery packs, and battery systems. The All Others group consists of the remaining portions of the previous Life Sciences and Performance Materials groups. Management completed a thorough review of operations and strategies in 2008 and determined that it was in the best interests of the shareholders for the Company to focus primarily on the Power and Energy Group. As a result of this assessment resources devoted to the Performance Materials Group and Life Sciences Group were considerably reduced and no new development is being pursued in those areas by the Company. For all years presented, the activity relating to the Performance Materials and Life Sciences divisions have been reclassified into All Other operations.

Corporate assets consist primarily of cash, short term investments, and long-lived assets. Since the Power and Energy Group has not yet reached cash flow break-even, cash funding is provided at the corporate level. The long-lived assets primarily consist of the corporate headquarters building, building improvements, and land. As such, these assets are reported at the corporate level and are not allocated to the business segments.

Corporate expenses include overall company support costs as follows: research and development expenses; general and administrative expenses; and depreciation and amortization of the Reno headquarters building and improvements.

The accounting policies of these business segments are the same as described in Note 2 to the unaudited consolidated financial statements. Reportable segment data reconciled to the consolidated financial statements as of three and nine-month periods ended September 30, 2011 and September 30, 2010 is as follows:

In thousands of dollars:

Three Months:	Net Sales	Loss (Gain) From Operations	Depreciation and Amortization	Assets
September 30, 2011				
Power & Energy Group	$ 795	$ 2,343	$ 150	$ 12,087
All Other	60	(40)	19	424
Corporate	-	3,570	90	59,079
Consolidated Total	$ 855	$ 5,873	$ 259	$ 71,590
September 30, 2010				
Power & Energy Group	$ 1,617	$ 1,886	$ 395	$ 13,552
All Other	412	(25)	19	1,093
Corporate	-	3,420	104	15,909
Consolidated Total	$ 2,029	$ 5,281	$ 518	$ 30,554

Nine Months:	Net Sales	Loss (Gain) From Operations	Depreciation and Amortization	Assets
September 30, 2011				
Power & Energy Group	$ 3,219	$ 8,588	$ 673	$ 12,087
All Other	663	(33)	57	424
Corporate	-	6,254	283	59,079
Consolidated Total	$ 3,882	$ 14,809	$ 1,013	$ 71,590
September 30, 2010				
Power & Energy Group	$ 3,545	$ 4,363	$ 1,021	$ 13,552
All Other	1,176	(95)	202	1,093
Corporate	-	12,005	227	15,909
Consolidated Total	$ 4,721	$ 16,273	$ 1,450	$ 30,554

In the table above, corporate expense in the Loss from Operations column includes such expenses as business consulting, general legal expense, accounting and audit, general insurance expense, stock-based compensation expense, shareholder information expense, investor relations, and general office expense.

Additions to long-lived assets in the nine months ending September 30, 2011 consisted of $388,000 for additional LTO production capacity in the Power and Energy Group. During the nine months ended September 30, 2010, long-lived asset additions consisted of $89,000 for Corporate and $871,000 primarily for battery manufacturing equipment for the Power and Energy Group.

For the nine months ended September 30, 2011, we had sales to the following major customers, each of which accounted for 10% or more of revenues. Total sales to these customers for the nine months ended September 30, 2011 and the balance of their accounts receivable at September, 2011 were as follows:

In thousands of dollars:

Customer	Sales Nine Months Ended September 30, 2011		Accounts Receivable Balance at September 30, 2011	
Power and Energy Group:				
Yintong Energy (YTE)	$	1,779	$	-
Proterra, LLC	$	1,045	$	6
All Other Division:	$	-	$	-

For the nine months ended September 30, 2010, we had sales to three major customers, each of which accounted for 10% or more of revenues. Total sales to these customers for the nine months ended September 30, 2010 and the balance of their accounts receivable at September 30, 2010 were as follows:

In thousands of dollars:

Customer	Sales Nine Months Ended September 30, 2010	Accounts Receivable Balance at September 30, 2010
Power and Energy Group:		
Office of Naval Research	$ 2,064	$ 96
Proterra LLC	$ 1,131	$ 302
All Other Division:		
US Army RDECOM	$ 1,047	$ 133

Revenues for the nine-month periods ended September 30, 2011, and 2010 by geographic area were as follows:

Geographic information (a):	Sales Nine Months Ended September 30, 2011	Sales Nine Months Ended September 30, 2010
United States	$ 1,861	$ 4,720
China	1,779	-
Other foreign countries	242	1
Total	$ 3,882	$ 4,721

(a) Revenues are attributed to countries based on location of customer.

Note 13. Subsequent Events

We have evaluated all events that occurred after the balance sheet date through the date when the financial statements were issued to determine if they must be reported. We determined that there were no reportable subsequent events to be disclosed.

Note 14. Income Taxes

As of September 30, 2011, we currently have approximately $U.S.18 million in U.S. net operating loss carryforwards and negligible Canadian equivalents to net operating loss carryforwards. Our stock issuance to Canon constitutes a change of control resulting in a substantial reduction in the value of, and limits on the availability of any net operating loss carryforwards. We anticipate that the available U.S. net operating loss carryforwards may be significantly limited and the Canadian equivalents will be forfeited in total. If we are profitable in the future, the loss of such net operating loss carryforwards will lead to higher income taxes than we would have paid absent the change of control.

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q (this “Report”) contains various forward-looking statements. Such statements can be identified by the use of the forward-looking words "anticipate," "estimate," "project," "likely," "believe," "intend," "expect," or similar words. These statements discuss future expectations, contain projections regarding future developments, operations, or financial conditions, or state other forward-looking information. When considering such forward-looking statements, you should keep in mind the risk factors noted in Part II – Other Information, “Item 1A. Risk Factors” and other cautionary statements throughout this Report and our other filings with the Securities and Exchange Commission. You should also keep in mind that all forward-looking statements are based on management’s existing beliefs about present and future events outside of management’s control and on assumptions that may prove to be incorrect. If one or more risks identified in this Report or any other applicable filings materializes, or any other underlying assumptions prove incorrect, our actual results may vary materially from those anticipated, estimated, projected, or intended.

Unless the context requires otherwise, all references to “Altair,” “we,” “Altair Nanotechnologies Inc,” or the “Company” in this Report refer to Altair Nanotechnologies Inc. and all of its consolidated subsidiaries. Altair currently has one wholly owned subsidiary, Altair US Holdings, Inc., a Nevada corporation. Altair US Holdings, Inc. directly or indirectly wholly owns Altairnano, Inc., a Nevada corporation, and Mineral Recovery Systems, Inc., a Nevada corporation. AlSher Titania LLC, a Delaware limited liability company, was 70% owned by Altairnano, Inc. until we sold our interest to Sherwin-Williams on April 30, 2010. We have registered the following trademarks: Altair Nanotechnologies Inc® and Altairnano®. Any other trademarks and service marks used in this Report are the property of their respective holders.

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto.

Overview

We are a Canadian corporation, with principal assets and operations in the United States, whose primary business is developing, manufacturing and selling our nano-lithium titanate battery cells, batteries, battery packs, battery systems, and providing related design, installation and test services. Our primary focus is marketing our large-scale energy storage solutions to power companies and electric grid operators throughout the world. In addition, we market our batteries to commercial vehicle manufacturers, which include electric and hybrid-electric buses, and began expanding in 2010 into new industrial OEM markets.

At the present time, we perceive no dominant provider and we believe that as a result of our significant differentiated product attributes, the overall strength of our management team, and the recognition we are receiving in the marketplace, that we have a very good chance of becoming one of the successful suppliers. Direct product costs are relatively high compared to certain competitor solutions and as mentioned above, we are working on bringing down our direct product costs to become more competitive in each of our targeted markets. Our proprietary technology platform gives our products a number of unique, highly sought after attributes that clearly differentiate our products from their alternatives. Included in these attributes are substantially longer cycle and calendar lives, a rapid recharge time, the ability to provide instantaneous high power, a wide operating temperature range and increased operational safety.

Starting in 2010 we began looking at additional opportunities to expand the application of our battery technology into various industrial markets that our battery technology would have a distinct competitive advantage. We believe that in the aggregate, our target markets are multi-billion dollar emerging markets with room for a number of successful suppliers.

Since 2010, we have been in a period of transition. As of December 31, 2010 we had completely exited the life sciences and performance materials markets to focus exclusively on selling products in our power and energy systems business segment to the electric grid market, the commercial vehicles market, and select industrial OEM markets with a need for the attributes of our batteries. As a condition to the Canon transaction we exited all defense markets as of the end of 2010. We anticipate gaining important traction in the sale of our various battery products into our targeted markets during 2012. We are already seeing interest from Fortune 500 companies including elevator manufacturers, electric fork lift suppliers and certain commercial vehicle OEMs. As a result of the change of control resulting from our closing of the Common Share Issuance with Canon, we are working toward setting up operations in China and selling into China and other Asian markets.

Historically, we have provided contract research services on select projects where we can utilize our resources to develop intellectual property and/or new products and technology. Although contract services revenue comprised a significant portion of our total revenues in recent years accounting for 50%, 65%, and 87%, respectively in 2010, 2009 and 2008, this percentage diminished significantly in 2011 and we expect this trend to continue as our battery sales expand and due to discontinuing military contracts as of December 31, 2010.

17

Our revenues have been generated by product sales, license fees, commercial collaborations, and government contracts and grants. We expect future revenues to consist primarily of product sales. We currently have agreements in place to (1) provide battery modules to a U.S. based bus manufacturer and are negotiating agreements to develop battery modules for various other industrial applications, (2) supply a one-megawatt ALTI-ESS energy storage system for a test of wind energy integration into the electric grid (3) supply a one-megawatt ALTI-ESS energy storage system for a test of solar energy integration into the electric grid and (4) lease a 1.8 megawatt ALTI-ESS Advantage system to a subsidiary of a major U.S. utility for a frequency regulation project.

We have generated recurring losses from operations resulting in an accumulated deficit of $199 million. Additionally, we experienced $9.5 million in negative cash flows from operations during the nine months ended September 30, 2011.

General Outlook

We have generated net losses in each fiscal year since incorporation. Revenues from product sales increased from $1.2 million for the nine months ending September 30, 2010 to $3.3 million for the nine months ending September 30, 2011 primarily from LTO, battery cells and an ALTI-ESS system sold to Zhuhai Yingtong Energy Company ("YTE"). Contracts and grant revenues dropped from $3.2 million to $287,000 during the nine months ending September 30, 2010 and 2011 respectively. This drop resulted from the wind-down of our military contracts as a condition to the closing of the Common Share Issuance with Canon.

Our current focus is on the development of products in energy storage that we anticipate will eventually bring a substantial amount of higher-margin revenues from product sales. We expect our nano lithium titanate batteries and battery systems to be the source of such higher-margin revenues.

As we attempt to significantly expand our revenues from licensing, manufacturing and other sources, some of the key near-term events that will affect our long-term success prospects include the following:

- Based on the success of the 2008 AES 2-megawatt frequency regulation trial, as validated in the KEMA, Inc. analysis and report, and more importantly, based on three years of successful commercial operation of the ALTI-ESS system installed at PJM Interconnect in Southeast Pennsylvania we have experienced a substantial amount of interest in our large scale battery systems from other entities and we are in active sales development discussions with a number of them. On February 4, 2011, we accepted a $1.6 million purchase order to supply the University of Hawaii - Hawaii Natural Energy Institute ("HNEI") a one megawatt ALTI-ESS energy storage system for a test of wind energy integration. We anticipate installing this system for HNEI during the first quarter of 2012. On August 12, 2011, we accepted a similar $1.6 million purchase order to supply HNEI a one megawatt ALTI-ESS energy storage system for a test of wind energy integration. We anticipate installing this system for HNEI during the second quarter of 2012.

- On February 9, 2011, we entered into a purchase contract with Inversiones Energeticas, S.A. de C.V. ("INE ") related to the purchase of a turn-key 10 Megawatt ALTI-ESS advanced battery system for $18 million. Projected revenue under this agreement represented a substantial portion of our expected revenue in 2011. On April 15, 2011, as a result of unexpected regulatory issues, INE notified us that they needed to cancel the contract in accordance with the terms of the agreement. INE subsequently stated that such letter was not intended to effect a termination of the contract, but merely to provide notice of its initial failure to obtain regulatory approval, which would automatically effect a termination of the contract if the issue was not resolved within 120 days, subject to extension by the parties. On June 7, 2011, we entered into a 90-day extension of an automatic termination provision of the contract, and on September 12, 2011, we entered into a 120 day extension of the automatic termination provisions of the contract, in each case in order to allow the various parties additional time to resolve these regulatory issues. We are uncertain whether the regulatory issues will be resolved.

- In May 2011 we signed a three-year lease agreement with Energy Storage Holdings, LLC, a unit of a major U.S. utility, to provide them with a 1.8 megawatt energy storage system. This project marks the debut of the ALTI-ESS Advantage, a 1.8 MW system targeted toward frequency regulation and fast response applications demanding high power.

- In June 2010, we signed a contract with Proterra, LLC, a Golden, Colorado-based leading designer and manufacturer of heavy-duty drive systems, energy storage systems, vehicle control systems and transit buses to sell battery modules for Proterra's all-electric and hybrid-electric buses. Proterra's systems are scalable to all forms of commercial buses and Class 6-8 trucks. During 2010 we sold battery modules to Proterra valued in the aggregate at $2.4 million. Although Proterra experienced financial challenges with its primary investor during the first half of 2011, in June 2011 they received additional financing from a new investment group led by Kleiner, Perkins, Caufield and Byers. We started selling additional battery modules to Proterra during September 2011 and anticipate substantial growth starting in late 2012 and future years as they resume the scale-up of their business.

- Based on the demonstrated success of our battery in the Proterra bus application, we have also entered into discussions with a number of other commercial vehicle manufacturers and systems integrators regarding the purchase of our battery products for their specific applications.

- We are in discussions with a number of industrial manufacturers of fork lifts, elevators and other equipment in which the long-life, rapid recharge, high power requirements, extreme operating temperature range, or other differentiating attributes of our battery technology are required.

- In September of 2010 we signed a supply agreement with YTE, an affiliate of Canon, to provide 122 metric tons of nano-lithium titanate powder by the end of 2011. Purchasing under the agreement was suspended in February 2011. We and YTE are reviewing this agreement in connection with our plan to expand operations into China, and we are uncertain whether purchasing under the agreement will be reinstated

Although it is not essential that all of these markets become successful for our battery technology in order to permit substantial long-term revenue growth, we believe that full commercialization of several of our battery products will be necessary in order to expand our revenues enough to create a likelihood of our business becoming profitable in the long-term. We remain optimistic with respect to our current key projects, as well as others we are pursuing, but recognize that, with respect to each, there are development, marketing, financing, partnering and other risks to overcome.

Contracts and Grants

We completed our $3.7 million ONR II contract as of December 31, 2010.

We completed our $1.7 million U.S. Army nanosensor grant on June 30, 2011. We earned $303,000 in pass-through revenue on this contract during the six months ending June 30, 2011. This 2011 activity was the residual work completed by Western Michigan University under this grant. The work directly performed by us was completed as of December 31, 2010.

Liquidity and Capital Resources

Current and Expected Liquidity

Our cash increased by a net $48.7 million, from $4.7 million at December 31, 2010 to $53.4 million at September 30, 2011, due primarily to our $57.5 million capital raise with Canon. The primary use of funds related to net cash used in operations of $13.5 million.

Net cash used in operating activities was $13.5 million for the nine months ended September 30, 2011 and $9.9 million for the nine months ended September 30, 2010. For the nine months ending September 30, 2011 deferred revenues decreased by $1.0 million. For the nine months ending September 30, 2010 deferred revenues increased by $3.2 million. This $4.2 million swing is the primary reason for our increased cash burn of $3.7 million from 2010 to 2011.

The decrease of $609,000 in investing activities for the nine months ended September 30, 2011, as compared to the nine-month period ended September 30, 2010, primarily reflects the purchase of $343,000 in production equipment during the nine months ended September 30, 2011 versus $852,000 in purchases made for production equipment during the nine months ended September 30, 2010.

On March 30, 2011 we issued common shares and warrants to purchase common shares for net proceeds of $5.7 million. We initially recorded a $1.9 million warrant liability related to this capital raise and adjusted this warrant liability's fair value down to $1.6 million as of September 30, 2011. We also received net cash proceeds of $1.4 million on a note payable secured by our Reno, NV facility during April 2011. During the nine months ending September 30, 2010 we made the last $600,000 payment on our original Reno building mortgage. On July 22, 2011 we issued 37,036,807 shares at $1.55 each to Canon for gross proceeds of $57.5 million. As of September 30, 2011 we had paid $1.4 million in related expenses. In addition, we are required to pay a placement agent fee of between $978,000 and $2.3 million, the amount of which is subject to pending litigation, and we are disputing an additional claimed finder's fee of $1.7 million, which is also subject to pending litigation. See Part II, Item 1. Legal Proceedings.

After closing the Common Share Issuance on July 22, 2011, we believe we will have enough cash on hand to fund our operations through 2012 and to provide a portion of the capital needed to expand operations into China. If we construct a manufacturing facility in China, we will most likely seek project financing or other capital specifically for the construction of the facility. Additionally we may need to raise more capital for our general operations.

We evaluate our capital needs and the availability of capital on an ongoing basis and, consistent with past practice, expect to seek capital when and on such terms as we deem appropriate based upon our assessment of our current liquidity, capital needs and the availability of capital. Given that we are not yet in a positive cash flow position, the options available to us are fewer than to a positive cash flow company. Specifically, we would not generally qualify for long-term institutional debt financing. The cost of capital, and our ability to raise capital in the near term, will be affected by certain covenants in the Securities Purchase Agreement dated March 28, 2011, including a 15-month right of first offer in favor of the purchasers under that agreement and restrictions on subsequent equity sales by us at a price below $2.23 per share for a two-year period. Consistent with past practice we expect to raise additional capital through the sale of common shares, convertible notes, stock options, and warrants. We do not expect the current economic environment to preclude our ability to raise capital; however, we do expect that the cost of capital will be high.

Over the long-term, we anticipate substantially increasing revenues by entering into new contracts and increasing product sales in the electric grid, commercial vehicle, and industrial OEM markets. However, this increase in revenues will be dependent on our ability to find customers willing to use our technology in their product applications.

We do not expect to build up our inventory for anticipated sales significantly more than its current level. With regard to inventory decisions, we also consider the lengthy manufacturing cycle of approximately six months required to produce our large battery systems. Depending on the time lag between the initial inventory buildup and the actual sales, our cash balance will be negatively impacted. Since actual sales and production volumes for the full year of 2011 are unknown at this time, we are not able to currently estimate our anticipated inventory purchases through December 31, 2011. We expect that we will end 2011, however, with an inventory level, excluding inventory specifically tied to identified customer sales, in the same range or lower than we ended 2010. Liquidity will be a consideration in our final determination of production volumes. Our objective is to manage cash expenditures in a manner consistent with rapid product development that leads to the generation of revenues with adequate gross margins in the shortest possible time.

Capital Commitments and Expenditures

The following table discloses aggregate information about our contractual obligations and the periods in which payments are due as of September 30, 2011:

In thousands of dollars Contractual Obligations		Total		< 1 yr		1-3 yrs		3-5 yrs		> 5 yrs
Notes payable	$	1,500	$	1,500	$	-	$	-	$	-
Interest on notes payable		69		69		-		-		-
Contractual service agreements		536		536		-		-		-
Capital leases		17		17		-		-		-
Operating leases		290		290		-		-		-
Purchase obligations		4,512		4,512		-		-		-
Total	$	6,924	$	6,924	$	-	$	-	$	-

The Share Subscription Agreement with Canon contemplates the potential use of up to $32.5 million of the proceeds from the Common Share Issuance toward expansion of our operations into China. Given the early stage of this project, we are uncertain when and at what level we will invest, the total costs, and the type and amount of financing we will seek.

Off-Balance Sheet Arrangements

The company did not have any off-balance sheet transactions during the nine months ending September 30, 2011.

Critical Accounting Policies and Estimates

Management based the preceding and following discussion and analysis of our financial condition and results of operations on our consolidated financial statements. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our critical accounting policies and estimates, including those related to long-lived assets, share-based compensation, revenue recognition, accrued warranty, overhead allocation, allowance for doubtful accounts, inventory, and deferred income tax. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the critical accounting policies set forth in our Annual Report on Form 10-K for the year ended December 31, 2010 affect the more significant judgments and estimates used in the preparation of our consolidated financial statements. These judgments and estimates affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting periods. Changes to these judgments and estimates could adversely affect the Company’s future results of operations and cash flows.

Results of Operations

Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

In thousands of dollars

ALTAIR NANOTECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Expressed in thousands of United States Dollars)
(Unaudited)

	Power and Energy Group		All Other		Corporate		Consolidated	
	Three Months Ended September 30,		Three Months Ended September 30,		Three Months Ended September 30,		Three Months Ended September 30,	
	2011	2010	2011	2010	2011	2010	2011	2010
Revenues								
Product sales	$ 795	$ 1,102	$ -	$ -	$ -	$ -	$ 795	$ 1,102
License fees	-	-	60	-	-	-	60	-
Commercial collaborations	-	9	-	3	-	-	-	12
Contracts and grants	-	506	-	409	-	-	-	915
Total revenues	795	1,617	60	412	-	-	855	2,029
Cost of goods sold								
Product	559	764	-	-	-	-	559	764
Commercial collaborations	(124)	-	-	3	-	-	(124)	3
Contracts and grants	-	264	-	328	-	-	-	592
Warranty and inventory reserves	97	125	-	-	-	-	97	125
Total cost of goods sold	532	1,153	-	331	-	-	532	1,484
Gross profit	263	464	60	81	-	-	323	545
Operating expenses								
Research and development	1,325	1,858	1	37	268	769	1,594	2,664
Sales and marketing	834	-	-	-	-	943	834	943
General and administrative	294	96	-	-	2,436	1,626	2,730	1,722
Depreciation and amortization	150	395	19	19	90	104	259	518
Loss on disposal of assets	2	-	-	-	-	-	2	-
Total operating expenses	2,605	2,349	20	56	2,794	3,442	5,419	5,847
(Loss) income from operations	(2,342)	(1,885)	40	25	(2,794)	(3,442)	(5,096)	(5,302)

Other income (expense)								
Interest expense	(1)	(1)	-	-	(96)	(2)	(97)	(3)
Interest income	-	-	-	-	-	27	-	27
Change in market value of warrants	-	-	-	-	(676)	-	(676)	-
Loss on foreign exchange	-	-	-	-	(4)	(3)	(4)	(3)
Total (expense) other income, net	(1)	(1)	-	-	(776)	22	(777)	21
(Loss) income from continuing operations	(2,343)	(1,886)	40	25	(3,570)	(3,420)	(5,873)	(5,281)
Gain from discontinued operations	-	-	-	-	-	-	-	-
Net (loss) gain	(2,343)	(1,886)	40	25	(3,570)	(3,420)	(5,873)	(5,281)
Less: Net gain attributable to noncontrolling interests	-	-	-	-	-	-	-	-
Net (loss) income attributable to Altair Nanotechnologies Inc.	$ (2,343)	$ (1,886)	$ 40	$ 25	$ (3,570)	$ (3,420)	$ (5,873)	$ (5,281)
Amounts attributable to Altair Nanotechnologies Inc. shareholders:								
(Loss) income from continuing operations	$ (2,343)	$ (1,886)	$ 40	$ 25	$ (3,570)	$ (3,420)	$ (5,873)	$ (5,281)
Gain from discontinued operations	-	-	-	-	-	-	-	-
Net (loss) income	$ (2,343)	$ (1,886)	$ 40	$ 25	$ (3,570)	$ (3,420)	$ (5,873)	$ (5,281)

Revenues

Power and Energy Group revenue for the three months ending September 30, 2011 was $795,000 compared to $1.6 million for the three months ending September 30, 2010. This decrease is primarily from the completion of our ONR II contract in 2010 without the renewal of or entry into any similar contracts. Contracts and grants revenue decreased from $506,000 for the three months ending September 30, 2010 to zero for the three months ending September 30, 2011 due to completion of our defense contract with the U.S. Office of Naval Research. Product sales decreased from $1.1 million to $795,000 primarily due to a $316,000 decrease in battery modules sold to Proterra.

Contracts and grants revenue in our All Other category decreased by $409,000 to zero due to completion of our contract with the U.S. Army in 2010.

22

Cost of Goods Sold

Contracts and Grants cost of goods sold credit of $124,000 for the three months ending September 30, 2011 was due to an over-allocation from R&D costs to COGS in the prior quarter for our initial contract with a customer.

Overall cost of goods sold decreased as a percentage of revenue from 73% for the three months ending September 30, 2010 to 62% for the same period in 2011. This was due to a shift in revenue mix from lower-margin contracts and grants revenue to product sales and license fees.

It is important to note that our gross margins in any quarter are not indicative of future gross margins. At this early stage of development, our product mix, volume, per-unit pricing and cost structure may change significantly from quarter to quarter, and our margins may expand or contract depending upon the mix and timing of orders in future quarters. In general, we expect our margins to increase as our volume of business increases and we transition from product prototypes to commercial, scalable manufacturing processes.

Operating Expenses

General and Administrative costs were up $1 million, from $1.7 million in three months ended September 30, 2010 to $2.7 million for the three months ended September 30, 2011 mostly due to change in control which accelerated the vesting for stock options and restricted stock for officers and directors ($316,000), and severance expense accruals for our exiting CEO and CFO ($929,000), offset by the reversal of our year-to-date bonus accrual of $231,000. Consolidated operating expenses were down $428,000 or 7% during the three months ending September 30, 2011 compared to the three months ending September 30, 2010. This reduction is the result of constrained spending in all areas of the company, except for the accrual adjustments noted above, that do not affect current or near-term customer contracts.

Other Expense

During the three months ending September 30, 2011 we had a $676,000 increase in market value of our warrant liability, primarily as the result of an increase in the market price of our common shares during the third quarter. This change in market value resulted in a corresponding expense reflected in the statement of operations.

Net Loss

The net loss attributable to Altair Nanotechnologies Inc. for the three months ended September 30, 2011 totaled $5.9 million ($0.10 per share) compared to a net loss of $5.3 million ($0.20 per share) for the three months ended September 30, 2010.

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

In thousands of dollars

ALTAIR NANOTECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Expressed in thousands of United States Dollars)
(Unaudited)

	Power and Energy Group		All Other		Corporate		Consolidated	
	Nine Months Ended September 30		Nine Months Ended September 30		Nine Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010	2011	2010	2011	2010
Revenues								
Product sales	$ 3,258	$ 1,124	$ 77	$ 110	$ -	$ -	$ 3,335	$ 1,234
Less: Sales returns	-	-	-	-	-	-	-	-
License fees	-	-	180	-	-	-	180	-
Commercial collaborations	77	313	3	19	-	-	80	332
Contracts and grants	(116)	2,108	403	1,047	-	-	287	3,155
Total revenues	3,219	3,545	663	1,176	-	-	3,882	4,721
Cost of goods sold								
Product	3,467	788	17	35	-	-	3,484	823
Commercial collaborations	73	179	-	15	-	-	73	194
Contracts and grants	-	1,392	296	795	-	-	296	2,187
Warranty and inventory reserves	152	253	3	-	-	-	155	253
Total cost of goods sold	3,692	2,612	316	845	-	-	4,008	3,457
Gross (loss) profit	(473)	933	347	331	-	-	(126)	1,264
Operating expenses								
Research and development	4,035	3,922	257	66	641	2,830	4,933	6,818
Sales and marketing	2,798	-	-	-	-	3,274	2,798	3,274
General and administrative	588	334	-	29	5,519	5,739	6,107	6,102
Depreciation and amortization	673	1,021	57	202	283	227	1,013	1,450
Loss on disposal of assets	18	18	-	68	-	-	18	86
Total operating expenses	8,112	5,295	314	365	6,443	12,070	14,869	17,730
	(8,585)	(4,362)	33	(34)	(6,443)	(12,070)	(14,995)	(16,466)

(Loss) income from operations								
Other income (expense)								
Interest expense	(3)	(1)	-	-	(152)	(12)	(155)	(13)
Interest income	-	-	-	-	-	79	-	79
Change in market value of warrants	-	-	-	-	346	-	346	-
Loss on foreign exchange	-	-	-	-	(5)	(2)	(5)	(2)
Total (expense) other income, net	(3)	(1)	-	-	189	65	186	64
(Loss) income from continuing operations	(8,588)	(4,363)	33	(34)	(6,254)	(12,005)	(14,809)	(16,402)
Gain from discontinued operations	-	-	-	124	-	-	-	124
Net (loss) income	(8,588)	(4,363)	33	90	(6,254)	(12,005)	(14,809)	(16,278)
Less: Net gain attributable to noncontrolling interests	-	-	-	5	-	-	-	5
Net (loss) income attributable to Altair Nanotechnologies Inc.	$ (8,588)	$ (4,363)	$ 33	$ 95	$ (6,254)	$ (12,005)	$ (14,809)	$ (16,273)
Amounts attributable to Altair Nanotechnologies Inc. shareholders:								
(Loss) income from continuing operations	$ (8,588)	$ (4,363)	$ 33	$ (34)	$ (6,254)	$ (12,005)	$ (14,809)	$ (16,402)
Gain from discontinued operations	-	-	-	129	-	-	-	129
Net (loss) income	$ (8,588)	$ (4,363)	$ 33	$ 95	$ (6,254)	$ (12,005)	$ (14,809)	$ (16,273)

Revenues

Power and Energy Group revenue for the nine months ending September 30, 2011 was $3.2 million compared to $1.1 million for the nine months ending September 30, 2010. This increase is primarily due to an increase of $2.1 million in product sales, offset by a decrease of $2.2 million in contracts and grants revenue. The increase in product sales was due primarily to the sale of $1.7 million of product to YTE during 2011. Contracts and grants revenue decreased from $2.1 million during the nine months ending September 30, 2010 to ($116,000) in the nine months ending September 30, 2011 as a result of the completion of our ONR II contract in 2010.

All Other contracts and grants revenue for the nine months ending September 30, 2010 and 2011 was from our ARO nanosensor grant with the U.S. Army. Our portion of this contract was completed as of December 31, 2010, with pass-through revenues from a subcontractor continuing through June 30, 2011.

Cost of Goods Sold

In the Power and Energy Group the product cost of goods sold increased to $3.7 million for the nine months ended September 30, 2011 as compared to $2.6 million for the same period in 2010, due primarily to the product sales to YTE during 2011. The cost of goods sold associated with the YTE product sales during the first quarter of 2011 was higher than the revenue generated by those product sales. This was the primary reason for the gross loss of $473,000 in the first nine months of 2011, as compared to a gross profit of $933,000 during the same period in 2010. We sold this product to YTE at less than our cost in order to expose our products to the potentially large China economic market.

It is important to note that our gross margins in any quarter are not indicative of future gross margins. At this early stage of development, our product mix, volume, per-unit pricing and cost structure may change significantly from quarter to quarter, and our margins may expand or contract depending upon the mix and timing of orders in future quarters. In general, we expect our margins to increase as our volume of business increases and we completely transition from product prototypes to commercial, scalable manufacturing processes.

Operating Expenses

Consolidated operating expenses were down $2.9 million or 16%, to $14.9 million during the nine months ending September 30, 2011 as compared to $14.9 million in the nine months ending September 30, 2010. This reduction is the result of constrained spending in all areas of the company that do not affect current or near-term customer contracts.

Other Income

During the nine months ending September 30, 2011 we had a $346,000 decrease in market value of our warrant liability originally recorded on March 30, 2011. This change resulted in a corresponding gain reflected in the statement of operations.

Net Loss

The net loss attributable to Altair Nanotechnologies, Inc. for the nine months ended September 30, 2011 totaled $14.8 million ($0.38 per share) compared to a net loss of $16.3 million ($0.61 per share) in the first nine months of 2010.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable

Item 4. Controls and Procedures

(a) Based on their evaluation as of September 30, 2011, which is the end of the period covered by this Quarterly Report on Form 10-Q, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Exchange Act) are effective, based upon an evaluation of those controls and procedures required by paragraph (b) of Rule 13a-15 or Rule 15d-15 of the Exchange Act.

(b) There have been no changes in our internal controls over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

JMP Dispute. On or about September 9, 2011, JMP Securities LLC ("JMP") filed a complaint against the Company in the United States District Court in the Northern District of California. JMP alleges breach of contract, promissory estoppel, fraud and negligence misrepresentation and seeks damages and punitive damages in an unspecified amount. This dispute arises from JMP's engagement as the Company's financial advisor in July 2010, and the key issue in this dispute is the amount of the fee JMP is entitled to receive as a result of the closing of the common share issuance to an affiliate of Canon Investment Holdings, Ltd ("Canon"). Under governing agreements, the amount of JMP's fee differs depending upon whether the common share issuance is a "Sale or Merger" (defined to include an acquisition of a majority of voting securities of the Company) or whether it is a "Strategic Investment", and whether certain gross up provisions apply. The Company asserts that the correct fee amount is approximately $1.0 million, while JMP asserts that the correct fee amount is approximately $2.3 million. The Company filed an answer to JMP's complaint, and the parties are entering into the early stages of discovery.

Charles Cheng Fee Dispute. On or about October 12, 2011, Altairnano, Inc. ("Altairnano") filed a complaint against Zhiyuan (Charles) Cheng in the United States District Court in the Northern District of Nevada. Altairnano seeks a declaratory judgment that it owes Mr. Cheng no fee and seeks damages for breach of contract in an unspecified amount. The dispute arises from Mr. Cheng's engagement as a consultant to seek customers and strategic partners for Altairnano in China. Mr. Cheng has asserted in various communications that his efforts were significant in the arranging of the common share issuance with Canon and that, as a result, he is entitled to a $1.7 million fee in consideration of the closing of such transaction. Altairnano claims that Mr. Cheng is entitled to no fee, and that Altairnano is entitled to damages, as a result of Mr. Cheng's numerous breaches of material provisions of the agreement. Altairnano has filed the complaint and is awaiting Mr. Cheng's answer and any counterclaims.

Item 1A. Risk Factors

Material Changes in Risk Factors

The Risk Factors set forth below do not reflect any material changes from the “Risk Factors” identified in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, except updating of financial statement references to the current period and the significant amendment of the descriptions of the following risks:

We may not be able to enter a new agreement with, or obtain approval for our existing agreement with, Inversiones Energeticas.

In February 2011, we entered into a purchase contract with Inversiones Energeticas, S.A. de C.V., or INE, related to the purchase of a turn-key 10 Megawatt ALTI-ESS advanced battery system for $18 million. Projected revenue under this agreement represented a substantial portion of our expected revenue in 2011. On April 15, 2011, as a result of unexpected regulatory issues, INE notified us that they needed to cancel the contract in accordance with its terms. INE subsequently stated that such letter was not intended to effect a termination of the contract, but merely to provide notice of its initial failure to obtain regulatory approval, which would automatically effect a termination of the contract if the issue was not resolved within 120 days, subject to extension by the parties. On June 7, 2011, we entered into a 90-day extension of an automatic termination provision of the contract, and on September 12, 2011, we entered into a 120-day extension of the automatic termination provisions of the contract, in each case in order to allow the various parties additional time to resolve these regulatory issues. We may be unable to resolve the regulatory issues with the existing agreement or may otherwise be unable to enter into a new agreement with INE. If not, we will lose anticipated revenue and lose the expected marketing benefits we expected following the completion of the installation of the ALTI-ESS system. This will harm our short-term revenue projections and possibly our long-term revenue potential.

We may not be able to raise sufficient capital to finance our operations.

We recently raised $57.5 million in the Common Share Issuance with Canon; however a significant portion of this capital is earmarked for expansion of operations into China. As a result, we expect that in the future we will again need to raise capital. With respect to any such capital raise, we may be unable to raise the amount of capital needed and may be forced to pay an extremely high price for capital. Factors affecting the availability and price of capital may include the following:

- market factors affecting the availability and cost of capital generally, including increases or decreases in major stock market indexes, the stability of the banking and investment banking systems and general economic stability or instability;
- the price, volatility and trading volume of our common shares;
- our ability to provide collateral or a purchase agreement to support project financing or similar debt;

our financial results, particularly the amount of revenue we are generating from product sales;

the market's perception of our ability to execute our business plan and any specific projects identified as uses of proceeds;

our ownership structure and recent or anticipated dilution;

the amount of our capital needs;

the market's perception of our company and companies in our line of business; and

the economics of projects being pursued.

In addition, we are subject to contractual restrictions prohibiting our sale of equity securities at a price below $2.23 per share prior to March 28, 2013.

Since Canon acquired a majority ownership interest, we face risks associated with having a majority shareholder and experiencing a change of control.

As a result of the closing of the Share Subscription Agreement, Canon now owns a majority of our outstanding common shares and has the right to appoint, and has appointed, a majority of our Board of Directors. This majority acquisition presents certain risks to us, including the following:

Certain of our existing or potential customers or suppliers may be reluctant to do business with a company controlled by a single shareholder, or a China-based affiliate of a battery manufacturer, and, as a result, may cancel or choose not to make, orders.

We have experienced, and may continue to experience, significant turnover in key management, technical or other employees;

Because of the physical distance, cultural differences and language difference between the United States and China, we may experience conflicts or inefficiencies in Board-management communication, management-employee communication, strategy formation and other parts of our business; this risk may be exacerbated by the fact that most of the nominees proposed by Canon do not speak English;

We plan to spend a portion, possibly a substantial portion, of the proceeds from the Canon transaction on a sales office, and eventually manufacturing and/or assembly facilities, in China; this project may divert management attention and consume a significant amount of capital;

As a majority shareholder, Canon may be able to influence our Board of Directors to enter into transactions with Canon affiliates that are more favorable to such Canon affiliate than would be negotiated by an independent Board of Directors. A particular risk in this area relates to the protection of trade secrets if, and as, employees of Canon affiliates, such as YTE, are hired by our company and/or we participate in joint development or technology development and sharing arrangements with YTE or other Canon affiliates; and

Our new Board of Directors may direct us to abandon significant existing initiatives and direct technical, manufacturing and sales resources toward new products or projects. Any significant change in direction of the business may delay an expected increase in revenues as we start a new development or sales cycle for one or more new products or services.

If one or more of these risks, or other risks, materializes, our business will be harmed, and it may be harmed materially.

As a result of the closing of the Common Share Issuance with Canon, we will lose certain net operating loss carryforwards, which may increase our tax burden if we become profitable in the future.

We currently have approximately $18 million in U.S. net operating loss carryforwards and negligible Canadian equivalents to net operating loss carryforwards. Our stock issuance to Canon constitutes a change of control resulting in a substantial reduction in the value of, and limits on the availability of any net operating loss carryforwards. We anticipate that the available U.S. net operating loss carryforwards may be significantly limited and the Canadian equivalents will be forfeited in total. If we are profitable in the future, the loss of such net operating loss carryforwards will lead to higher income taxes than we would have paid absent the change of control.

27

We may be unable to adequately prevent disclosure of trade secrets and other proprietary information.

We rely on trade secrets to protect our proprietary technologies, especially where we do not believe patent protection is appropriate or obtainable. Trade secrets are difficult to protect. We rely in part on confidentiality agreements with our employees, contractors, consultants, outside scientific collaborators and other advisors to protect our trade secrets and other proprietary information. Parties to the confidentiality agreements may have such agreements declared unenforceable or, even if the agreements are enforceable, may breach such agreements. Remedies available in connection with the breach of such agreements may not be adequate, or enforcing such agreement may be cost prohibitive. Courts outside the United States may be less willing to protect trade secrets. In addition, others may independently discover our trade secrets or independently develop processes or products that are similar or identical to our trade secrets. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection would harm our competitive business position. Given the recent Canon investment and control of our Board, protection of our trade secrets from YTE and other Canon affiliates may be particularly challenging.

Certain of our experts and directors reside in Canada or China and may be able to avoid civil liability.

We are a Canadian corporation, and seven of our directors reside outside the United States in Canada or China. As a result, investors may be unable to effect service of process upon such persons within the United States and may be unable to enforce court judgments against such persons predicated upon civil liability provisions of the U.S. securities laws. It is uncertain whether Canadian or Chinese courts would enforce judgments of U.S. courts obtained against us or such directors, officers or experts predicated upon the civil liability provisions of U.S. securities laws or impose liability in original actions against us or our directors, officers or experts predicated upon U.S. securities laws.

In addition, we have deleted the risk factors entitled “The amendment to the Share Subscription Agreement includes limits on our ability to raise capital” and “Our significant losses and negative cash flow raise questions about our ability to continue as a going concern” following closing of the Common Share Issuance with Canon . We have deleted the risk factor entitled “Proterra, Inc. may have investment funding issues that might prohibit them from purchasing additional battery modules from us on a timely basis or at all”, as a result of Proterra having entered into a new financing arrangement. We have also deleted the risk factor entitled “We may not realize anticipated benefits from our agreement with Inversiones Energenticas” based upon the uncertain status of the agreement, as described it the related risk factor added above.

Risk Factors

An investment in our common shares and related derivative securities involves significant risks. You should carefully consider the risks described in this Report before making an investment decision. Any of these risks could materially and adversely affect our business, financial condition or results of operations. In such case, you may lose all or part of your investment. Some factors in this section are forward-looking statements.

We may not be able to raise sufficient capital to finance our operations.

We recently raised $57.5 million in the Common Share Issuance with Canon; however, a significant portion of this capital is earmarked for expansion of operations into China. As a result, we expect that in the future we will again need to raise capital. With respect to any such capital raise, we may be unable to raise the amount of capital needed and may be forced to pay an extremely high price for capital. Factors affecting the availability and price of capital may include the following:

market factors affecting the availability and cost of capital generally, including increases or decreases in major stock market indexes, the stability of the banking and investment banking systems and general economic stability or instability;

the price, volatility and trading volume of our common shares;

our ability to provide collateral or a purchase agreement to support project financing or similar debt;

our financial results, particularly the amount of revenue we are generating from product sales;

the market's perception of our ability to execute our business plan and any specific projects identified as uses of proceeds;

our ownership structure and recent or anticipated dilution;

the amount of our capital needs;

the market's perception of our company and companies in our line of business; and

the economics of projects being pursued.

In addition, we are subject to contractual restrictions prohibiting our sale of equity securities at a price below $2.23 per share prior to March 28, 2013.

We may continue to experience significant losses from operations.

We have experienced a net loss in every fiscal year since our inception. Our loss from operations was $14.8 million for the nine months ended September 30, 2011. We may never be profitable in the future. Even if we are profitable in one or more future years, subsequent developments in the economy, our industry, customer base, business or cost structure, or an event such as significant litigation or a significant transaction, may cause us to again experience losses.

We may not be able to enter a new agreement with, or obtain approval for our existing agreement with, Inversiones Energeticas.

In February 2011, we entered into a purchase contract with Inversiones Energeticas, S.A. de C.V., or INE, related to the purchase of a turn-key 10 Megawatt ALTI-ESS advanced battery system for $18 million. Projected revenue under this agreement represented a substantial portion of our expected revenue in 2011. On April 15, 2011, as a result of unexpected regulatory issues, INE notified us that they needed to cancel the contract in accordance with its terms. INE subsequently stated that such letter was not intended to effect a termination of the contract, but merely to provide notice of its initial failure to obtain regulatory approval, which would automatically effect a termination of the contract if the issue was not resolved within 120 days, subject to extension by the parties. On June 7, 2011, we entered into a 90-day extension of an automatic termination provision of the contract, and on September 12, 2011, we entered into a 120-day extension of the automatic termination provisions of the contract, in each case in order to allow the various parties additional time to resolve these regulatory issues. We may be unable to resolve the regulatory issues with the existing agreement or may otherwise be unable to enter into a new agreement with INE. If not, we will lose anticipated revenue and lose the expected marketing benefits we expected following the completion of the installation of the ALTI-ESS system. This will harm our short-term revenue projections and possibly our long-term revenue potential.

We may not realize the anticipated benefits of the Canon transaction.

We have identified various potential benefits, in addition to the receipt of capital, from the share issuance to Canon. Examples include the possibility that a Canon affiliate, Zhuhai Yingtong Energy Company, or YTE, would be a significant long-term customer for us and that, together with or as a result of our relationship with Canon or YTE, we would have better access to the Chinese markets than we do today. We may not realize expected benefits for various reasons, including without limitation, the following:

YTE may be unable to use our nano-lithium titanate or battery technology in its products and, as a result, may not purchase products from us long term;

Even if YTE is able to integrate our nano-lithium titanate and/or technology into its products, it may not be able to achieve significant sales with its products;

We may be unable to continue to reach agreement with YTE on the pricing of any products or services we supply them or may, as a result of market or other circumstances, be compelled to agree to prices that are not consistent with profitability;

As a result of the terms of the Conditional Supply and Technology Licensing Agreement, subsequent agreements or gaps in our intellectual property protection, Canon or YTE may be able to exploit our technology under circumstances in which we do not receive significant economic benefits;

Canon may not be able to, or exert significant efforts to, provide us access to the Chinese markets, particularly if our products could compete with products produced by YTE.

If one or more of these risks materializes in a significant manner, we may not experience the anticipated benefits from our relationship with Canon or YTE, which may harm our business and operations.

Since Canon acquired a majority ownership interest, we face risks associated with having a majority shareholder and experiencing a change of control.

As a result of the closing of the Share Subscription Agreement, Canon now owns a majority of our outstanding common shares and has the right to appoint, and has appointed, a majority of our Board of Directors. This majority acquisition presents certain risks to us, including the following:

Certain of our existing or potential customers or suppliers may be reluctant to do business with a company controlled by a single shareholder, or a China-based affiliate of a battery manufacturer, and, as a result, may cancel or choose not to make, orders.

We may experience significant turnover in key management, technical or other employees;

Because of the physical distance, cultural differences and language difference between the United States and China, we may experience conflicts or inefficiencies in Board-management communication, management-employee communication, strategy formation and other parts of our business; this risk may be exacerbated by the fact that most of the nominees proposed by Canon do not speak English;

We plan to spend a portion, possibly a substantial portion, of the proceeds from the Canon transaction on a sales office, and eventually manufacturing and/or assembly facilities, in China; this project may divert management attention and consume a significant amount of capital;

As a majority shareholder, Canon may be able to influence our Board of Directors to enter into transactions with Canon affiliates that are more favorable to such Canon affiliate than would be negotiated by an independent Board of Directors. A particular risk in this area relates to the protection of trade secrets if, and as, employees of Canon affiliates, such as YTE, are hired by our company and/or we participate in joint development or technology development and sharing arrangements with YTE or other Canon affiliates; and

Our new Board of Directors may direct us to abandon significant existing initiatives and direct technical, manufacturing and sales resources toward new products or projects. Any significant change in direction of the business may delay an expected increase in revenues as we start a new development or sales cycle for one or more new products or services.

If one or more of these risks, or other risks, materializes, our business will be harmed, and it may be harmed materially.

As a result of the closing of the Common Share Issuance with Canon, we will lose certain net operating loss carryforwards, which may increase our tax burden if we become profitable in the future.

We currently have approximately $U.S.18 million in U.S. net operating loss carryforwards and negligible Canadian equivalents to net operating loss carryforwards. Our stock issuance to Canon constitutes a change of control resulting in a substantial reduction in the value of, and limits on the availability of any net operating loss carryforwards. We anticipate that the available U.S. net operating loss carryforwards may be significantly limited and the Canadian equivalents will be forfeited in total. If we are profitable in the future, the loss of such net operating loss carryforwards will lead to higher income taxes than we would have paid absent the change of control.

Sherwin-Williams may elect not to, or be unable to, finance and continue AlSher Titania LLC or a related enterprise using our pigment production technology; in this case, we would not receive any revenues or royalties related to such technology.

We transferred to Sherwin-Williams our 70% interest in AlSher Titania LLC, which holds an exclusive license to use our intellectual property relating to the Altairnano Hydrochloride Process for the production of pigments and similar powders or materials. Under agreements related to the transfer, we received no upfront consideration, and our right to receive a percentage of revenue over time is capped at $3,000,000 in the aggregate. Our receipt of any revenue under our agreement is tied to Sherwin-Williams or AlSher continuing to develop and exploit the technology, over which we have no control or influence. It is uncertain that we will receive any proceeds related to our pigment technology, and it is unlikely that total revenues will be significant in the long term.

We may be obligated to pay a royalty on sales into the stationary power market.

In a joint development agreement we entered into in 2007 to develop a collection of advanced lithium based battery systems to provide frequency regulation and other services to the electricity generations and transmission markets, we granted a royalty of 5% of the gross revenue we realize from the sale of certain battery systems through July 20, 2012. It is uncertain whether the battery systems we are marketing are within the scope of the royalty provisions. As we begin generating revenue from the sale of large scale stationary batteries for use in connection with electrical transmission and regulation, there is a reasonable likelihood that we will be required to pay this royalty. This would harm our gross margins on such sales. We may also incur litigation expenses, and management attention may be diverted from the operation of our business.

We depend upon several sole-source and limited-source third-party suppliers.

We rely on certain suppliers as the sole-source, or as a primary source, of certain services, raw materials and other components of our products. We do not yet have long-term supply or service agreements engaged with any such suppliers. As a result, the providers of such services and components could terminate or alter the terms of service or supply with little or no advance notice. If our arrangements with any sole-source supplier were terminated, or if such a supplier failed to provide essential services or deliver essential components on a timely basis, failed to meet our product specifications and/or quality standards, or introduced unacceptable price increases, our production schedule would be delayed, possibly by as long as six months. Any such delay in our production schedule would result in delayed product delivery and may also result in additional production costs, customer losses and litigation.

An area in which our dependence upon a limited number of sources creates significant vulnerability is the manufacturing of our nano-lithium titanate cells. Prior to the fourth quarter of 2010, we relied upon a single supplier of nano-lithium titanate cells. We experienced significant quality issues with this supplier in early 2010 and continue to have quality issues with this supplier. In late 2010, we completed validation for a second supplier and began receiving shipments from that second supplier without any quality issues to date. Our nano-lithium titanate battery cells are the building blocks of all of our products (other than our nano-lithium titanate powder). If we continue to experience quality issues with our initial supplier, or begin to experience them with our second supplier, we may be unable to meet our deadlines, or quality specifications, with respect to existing or future orders. This would harm our reputation and our ability to grow our business.

Our operating results have fluctuated significantly in the past and will continue to fluctuate in the future, which could cause our stock price to decline.

Our operating results have fluctuated significantly in the past, and we believe that they will continue to fluctuate in the future, due to a number of factors, many of which are beyond our control. If in future periods our operating results do not meet the expectations of investors or analysts who choose to follow our company, the price of our common shares may fall. Factors that may affect our operating results include the following:

- fluctuations in the size, quantity and timing of customer orders;
- timing of delivery of our services and products;
- additions of new customers or losses of existing customers;
- positive or negative business or financial developments announced by us or our key customers;
- our ability to commercialize and obtain orders for products we are developing;

costs associated with developing our manufacturing capabilities;

the retention of our key employees;

new product announcements or introductions by our competitors or potential competitors;

the effect of variations in the market price of our common shares on our equity-based compensation expenses;

disruptions in the supply of raw materials or components used in the manufacture of our products;

the pace of adoption of regulation facilitating our ability to sell our products in our target markets;

technology and intellectual property issues associated with our products;

general political, social, geopolitical and economic trends and events; and

availability of components sourced from Korea if tensions between North Korea and South Korea erupt into a greater military conflict.

Our patents and other protective measures may not adequately protect our proprietary intellectual property.

We regard our intellectual property, particularly our proprietary rights in our nano-lithium titanate technology, as critical to our success. We have received various patents, and filed other patent applications, for various applications and aspects of our nano-lithium titanate technology and other intellectual property. Such patents and agreements and various other measures we take to protect our intellectual property from use by others may not be effective for various reasons, including the following:

Our pending patent applications may not be granted for various reasons, including the existence of conflicting patents or defects in our applications, if there was in existence relevant prior art or the invention was deemed by the examiner to be obvious to a person skilled in the art whether or not there were other existing patents. Risks associated with patent applications are enhanced because patent applications of others remain confidential for a period of approximately 18 months after filing; as a result, our belief that we are the first creator of an invention or the first to patent it may prove incorrect, as information related to conflicting patents is first published or first brought to our attention;

The patents we have been granted may be challenged, invalidated, narrowed or circumvented because of the pre-existence of similar patented or unpatented intellectual property rights or for other reasons;

The costs associated with enforcing patents, confidentiality and invention agreements or other intellectual property rights may make aggressive enforcement cost prohibitive;

We have not filed for patent protection in many countries in which we are currently selling produce or seek to sell product; as a result, we may be unable to prevent competitors in such markets from selling infringing products;

Even if we enforce our rights aggressively, injunctions, fines and other penalties may be insufficient to deter violations of our intellectual property rights; and

Other persons may independently develop proprietary information and techniques that, although functionally equivalent or superior to our intellectual proprietary information and techniques, do not breach proprietary rights.

Our inability to protect our proprietary intellectual property rights or gain a competitive advantage from such rights could harm our ability to generate revenues and, as a result, our business and operations.

We may be involved in lawsuits to protect or enforce our patents, which could be expensive, time consuming and involve adverse publicity and adverse results.

Competitors or others may infringe our patents. To counter infringement or unauthorized use, we may be required to file patent infringement claims, which can be expensive and time-consuming. Interference proceedings brought by the United States Patent and Trademark Office may be necessary to determine the priority of inventions with respect to our patent applications. Litigation or interference proceedings may result in substantial costs and be a distraction to our management.

Because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure. In addition, during the course of this litigation (even if ultimately successful), there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common shares.

In addition, in an infringement proceeding, a court may decide that a patent of ours is not valid or is unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover that technology. An adverse determination of any litigation or defense proceedings could put one or more of our patents at risk of being invalidated or interpreted narrowly and could put our patent applications at risk of not issuing.

We may not prevail in any litigation or interference proceeding in which we are involved. Even if we do prevail, these proceedings can be expensive, result in adverse publicity and distract our management.

Other parties may bring intellectual property infringement claims against us, which would be time-consuming and expensive to defend, and if any of our products or processes is found to be infringing, we may not be able to procure licenses to use patents necessary to our business at reasonable terms, if at all.

Our success depends in part on avoiding the infringement of other parties' patents and proprietary rights. We may inadvertently infringe existing third-party patents or third-party patents issued on existing patent applications. Third party holders of such patents or patent applications could bring claims against us that, even if resolved in our favor, could cause us to incur substantial expenses and, if resolved against us, could cause us to pay substantial damages. Under some circumstances in the United States, these damages could be triple the actual damages the patent holder incurs.

If we have supplied infringing products to third parties for marketing or licensed third parties to manufacture, use or market infringing products, we may be obligated to indemnify these third parties for any damages they may be required to pay to the patent holder and for any losses the third parties may sustain themselves as the result of lost sales or damages paid to the patent holder. In addition, we have, and may be required to, make representations as to our right to supply and/or license intellectual property and to our compliance with laws. Such representations are usually supported by indemnification provisions requiring us to defend our customers and otherwise make them whole if we license or supply products that infringe on third party technologies or violate government regulations. Further, if a patent infringement suit were brought against us, we and our customers, development partners and licensees could be forced to stop or delay research, development, manufacturing or sales of products based on our technologies in the country or countries covered by the patent we infringe, unless we can obtain a license from the patent holder. Such a license may not be available on acceptable terms, or at all, particularly if the third party is developing or marketing a product competitive with products based on our technologies. Even if we were able to obtain a license, the rights may be nonexclusive, which would give our competitors access to the same intellectual property.

Any successful infringement action brought against us may also adversely affect marketing of products based on our technologies in other markets not covered by the infringement action. Furthermore, we may suffer adverse consequences from a successful infringement action against us even if the action is subsequently reversed on appeal, nullified through another action or resolved by settlement with the patent holder. As a result, any infringement action against us would likely harm our competitive position, be costly and require significant time and attention of our key management and technical personnel.

We may be unable to adequately prevent disclosure of trade secrets and other proprietary information.

We rely on trade secrets to protect our proprietary technologies, especially where we do not believe patent protection is appropriate or obtainable. Trade secrets are difficult to protect. We rely in part on confidentiality agreements with our employees, contractors, consultants, outside scientific collaborators and other advisors to protect our trade secrets and other proprietary information. Parties to the confidentiality agreements may have such agreements declared unenforceable or, even if the agreements are enforceable, may breach such agreements. Remedies available in connection with the breach of such agreements may not be adequate, or enforcing such agreement may be cost prohibitive. Courts outside the United States may be less willing to protect trade secrets. In addition, others may independently discover our trade secrets or independently develop processes or products that are similar or identical to our trade secrets. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection would harm our competitive business position. Given the recent Canon investment and control of our Board, protection of our trade secrets from YTE and other Canon affiliates may be particularly challenging.

If we are sued on a product liability claim, our insurance policies may not be sufficient.

Although we maintain general liability insurance and product liability insurance, our insurance may not cover all potential types of product liability claims to which manufacturers are exposed or may not be adequate to indemnify us for all liability that may be imposed. Any imposition of liability that is not covered by insurance or is in excess of our insurance coverage could harm our business, including our relationships with current customers and our ability to attract and retain new customers. In addition, if the liability were substantial relative to the size of our business, any uncovered liability could harm our liquidity and ability to continue as a going concern.

Laws regulating the manufacture or transportation of batteries may be enacted which could result in a delay in the production of our batteries or the imposition of additional costs that could harm our ability to be profitable.

At the present time, international, federal, state and local laws do not directly regulate the storage, use and disposal of the component parts of our batteries. However, laws and regulations may be enacted in the future which could impose environmental, health and safety controls on the storage, use and disposal of certain chemicals and metals used in the manufacture of lithium and lithium-ion batteries. Satisfying any future laws or regulations could require significant time and resources from our technical staff, including those related to possible redesign which may result in substantial expenditures and delays in the production of our product, all of which could harm our business and reduce our future profitability.

The transportation of lithium and lithium-ion batteries is regulated both domestically and internationally. Under recently revised United Nations recommendations and as adopted by the International Air Transport Association, our batteries and battery systems currently fall within the level such that they are not exempt and require a Class 9 designation for transportation. The revised United Nations recommendations and other recommendations are not U.S. law until such time as they are incorporated into the Hazardous Material Regulations of the U.S. Department of Transportation, or DOT. However, DOT has proposed new regulations harmonizing with the U.N. guidelines and is reviewing other proposed changes under consideration for inclusion. At present it is not known if or when the proposed regulations would be adopted by the United States. Although we fall under the equivalency levels for the United States and comply with all safety packaging requirements worldwide, future DOT or IATA approval process could require significant time and resources from out technical staff and, if redesign were necessary, could delay the introduction of new products.

If our warranty expense estimates differ materially from our actual claims, or if we are unable to estimate future warranty expense for new products, our business and financial results could be harmed.

Our warranty for our products ranges from one to three years from the date of sale, depending on the type of product and its application. We expect that in the future some of our warranties may extend for longer periods. Because our supply arrangements are negotiated, the scope of our product warranties differ substantially depending upon the product, the purchaser and the intended use; however, we have granted and may grant broad warranties, addressing such issues as leakage, cycle life and decline in power. We have a limited product history on which to base our warranty estimates. Because of the limited operating history of our batteries and battery systems, our management is required to make assumptions and to apply judgment regarding a number of factors, including anticipated rate of warranty claims, the durability and reliability of our products, and service delivery costs. Our assumptions could prove to be materially different from the actual performance of our batteries and battery systems, which could cause us to incur substantial expense to repair or replace defective products in the future and may exceed expected levels against which we have reserved. If our estimates prove incorrect, we could be required to accrue additional expenses from the time we realize our estimates are incorrect and also face a significant unplanned cash burden at the time our customers make a warranty claim, which could harm our operating results.

In addition, with our new products and products that remain under development, we will be required to base our warranty estimates on historical experience of similar products, testing of our batteries under laboratory conditions and limited performance information learned during our development activities with the customer. As a result, actual warranty claims may be significantly different from our estimates and our financial results could vary significantly from period-to-period.

Product liability or other claims could cause us to incur losses or damage our reputation.

The risk of product liability claims and associated adverse publicity is inherent in the development, manufacturing and sale of batteries and battery system. Certain materials we use in our batteries, as well as our battery systems, could, if used improperly, cause injuries to others. Improperly charging or discharging our batteries could cause fires. Any accident involving our batteries or other products could decrease or even eliminate demand for our products. Because some of our batteries are designed to be used in electric and hybrid electric buses, and because vehicle accidents can cause injury to persons and damage to property, we are subject to a risk of claims for such injuries and damages. In addition, we could be harmed by adverse publicity resulting from problems or accidents caused by third party products that incorporate our batteries. We could even be harmed by problems or accidents involving competing battery systems, if the market viewed our batteries as being vulnerable to similar problems. Any such claims, loss of customers or reputation harm would harm our financial results and ability to continue as a going concern.

A majority of our revenue has historically been generated from low-margin contract research and development services; if we cannot expand revenues from other products and services, our business will fail.

Historically, a majority of our revenue has come from contract research and development services for businesses and government agencies. During the years ended December 31, 2010, 2009 and 2008, contract service revenues comprised 50%, 65% and 87% respectively, of our operating revenues. Contract services revenue is low margin, and is unlikely to grow at a rapid pace. In addition, a majority of our contract services revenue has historically been under contracts with, or related to, the U.S. military, which contracts we terminated and stopped bidding for in connection with the Share Subscription Agreement. Our business plan anticipates revenues from product sales and licensing, both of which have potential for higher margins than contract services and have potential for rapid growth, increasing in coming years. If we are not successful in significantly expanding our revenues from licensing and product sales, or if we are forced to continue to accept low or negative margins in order to achieve revenue growth, we may fail to reach profitability in the future.

Continuing adverse economic conditions could reduce, or delay demand for our products.

Although improving compared to recent years, the financial markets and general economic conditions are still relatively weak in certain geographic markets worldwide. Our products are targeted primarily at large power producers worldwide bus manufacturers and other industrial parties. Due to declining revenues and concerns about liquidity, companies and government agencies in some of our target markets have reduced, delayed or eliminated many research and development initiatives, including those related to energy storage. This reduction or delay in development spending by targeted key customers is hindering our development and production efforts and will continue to do so until development spending increases from current depressed levels.

The commercialization of many of our products is dependent upon the efforts of commercial partners and other third parties over which we have no or little control.

The commercialization of our principal products requires the cooperation and efforts of commercial partners and customers. For example, because completion and testing of our large-scale stationary batteries for power suppliers requires input from utilities and connection to a power network, commercialization of such batteries can only be done in conjunction with a power or utility company. The commercialization of transportation and other applications of our technology are also dependent, in part, upon the expertise, resources and efforts of our commercial partners. This presents certain risks, including the following:

we may not be able to enter into development, licensing, supply and other agreements with commercial partners with appropriate resources, technology and expertise on reasonable terms or at all;

our commercial partners may not place the same priority on a project as we do, may fail to honor contractual commitments, may not have the level of resources, expertise, market strength or other characteristics necessary for the success of the project, may dedicate only limited resources to, and/or may abandon, a development project for reasons, including reasons such as a shift in corporate focus, unrelated to its merits;

our commercial partners may be in the early stages of development and may not have sufficient liquidity to invest in joint development projects, expand their businesses and purchase our products as expected or honor contractual commitments;

our commercial partners may terminate joint testing, development or marketing projects on the merits of the projects for various reasons, including determinations that a project is not feasible, cost-effective or likely to lead to a marketable end product;

at various stages in the testing, development, marketing or production process, we may have disputes with our commercial partners, which may inhibit development, lead to an abandonment of the project or have other negative consequences; and

even if the commercialization and marketing of jointly developed products is successful, our revenue share may be limited and may not exceed our associated development and operating costs.

As a result of the actions or omissions of our commercial partners, or our inability to identify and enter into suitable arrangements with qualified commercial partners, we may be unable to commercialize apparently viable products on a timely and cost-effective basis, or at all.

Interest in our nano-lithium titanate batteries is affected by energy supply and pricing, political events, popular consciousness and other factors over which we have no control.

Currently, our marketing and development efforts for our batteries and battery materials are focused primarily on stationary power and transportation applications. In the transportation market, batteries containing our nano-lithium titanate materials are designed to replace or supplement gasoline and diesel engines. In the stationary power applications, our batteries are designed to conserve and regulate the stable supply of electricity, including from renewable sources. The interest of our potential customers and business partners in our products and services is affected by a number of factors beyond our control, including:

economic conditions and capital financing and liquidity constraints;

short-term and long-term trends in the supply and price of natural gas, gasoline, diesel, coal and other fuels;

the anticipated or actual granting or elimination by governments of tax and other financial incentives favoring electric or hybrid electric vehicles and renewable energy production;

the ability of the various regulatory bodies to define the rules and procedures under which this new technology can be deployed into the electric grid;

the anticipated or actual funding, or elimination of funding, for programs that support renewable energy programs and electric grid improvements;

changes in public and investor interest for financial and/or environmental reasons, in supporting or adopting alternatives to gasoline and diesel for transportation and other purposes;

the overall economic environment and the availability of credit to assist customers in purchasing our large battery systems;

the expansion or contraction of private and public research and development budgets as a result of global and U.S. economic trends; and

the speed of incorporation of renewable energy generating sources into the electric grid.

Adverse trends in one or more of these factors may inhibit our ability to commercialize our products and expand revenues from our battery materials and batteries.

Our nano-lithium titanate battery materials and battery business is currently dependent upon a few customers and potential customers, which presents various risks.

Our nano-lithium titanate battery materials and battery business is dependent upon a few current or potential customers, including a small number of electric grid power generators, an affiliate of Canon and smaller companies developing electric or hybrid electric buses. In addition, many of these customers are, or are expected to be, development partners who are subsidizing the research and development of products for which they may be the sole, or one of a few, potential purchasers. As a result of the small number of potential customers and partners, our existing or potential customers and partners may have significant leverage on pricing terms, exclusivity terms and other economic and noneconomic terms. This may harm our attempts to sell products at prices that reflect desired gross margins. In addition, the decision by a single customer to abandon use or development of a product, budget cutbacks, funding reductions, liquidity shortages and other events may harm the ability of a single customer to continue to purchase products or continue development and may significantly harm both our financial results and the development track of one or more products.

If we combine with other companies, we may be unable to successfully integrate our business, technology, management or other aspects of our business with the other party to the transaction.

As evidenced by our signing the Share Subscription Agreement with Canon and related agreements with YTE, we routinely consider entering into acquisition, strategic or combination transactions with other companies for strategic and/or financial reasons. We do not have extensive experience in conducting diligence on, evaluating, purchasing, merging with, selling to or integrating new businesses or technologies with other entities. If we do succeed in closing a combination with another company, we will be exposed to a number of risks, including:

we may have difficulty integrating our assets, technologies, operations and personnel in connection with a business combination;

our ongoing business and management's attention may be disrupted or diverted by transition or integration issues and the complexity of managing, or being a part of, a geographically or culturally diverse enterprises;

we may find that the transaction does not further our business strategy or that the economic and strategic assumptions underlying the transaction have proved inaccurate;

we may encounter difficulty entering and competing in new product or geographic markets;

we may face business, product, structural or other limitations or prohibitions as our business becomes subject to the laws or customs of other jurisdictions; and

we may experience significant problems or liabilities associated with product quality, technology and legal contingencies relating to the integrated business or technology, such as intellectual property or employment matters.

In addition, from time to time we may enter into negotiations for acquisitions, dispositions, mergers or other transactions that are not ultimately consummated. These negotiations could result in significant diversion of management time, substantial out-of-pocket costs and, while such transactions are pending, limitations on the operation of our business (including negotiation of alternative business combinations and capital raising transactions). To the extent we issue shares of capital stock or other rights to purchase capital stock in any such transactions, including options and warrants, existing stockholders would be diluted. Any of these issues will harm our business and financial condition.

We intend to expand our operations and increase our expenditures in an effort to grow our business. If we are unable to achieve or manage significant growth and expansion, or if our business does not grow as we expect, our operating results may suffer.

During the past several years, we have increased our research and development expenditures in an attempt to accelerate the commercialization of certain products, particularly our nano-lithium titanate batteries. Our business plan anticipates continued expenditure on development, manufacturing and other growth initiatives. We may fail to achieve significant growth despite such expenditures.

If achieved, significant growth would place increased demands on our management, accounting systems, quality control and internal controls. We may be unable to expand associated resources and refine associated systems fast enough to keep pace with expansion, especially as we expand into multiple facilities at distant locations. If we fail to ensure that our management, control and other systems keep pace with growth, we may experience a decline in the effectiveness and focus of our management team, problems with timely or accurate reporting, issues with costs and quality controls and other problems associated with a failure to manage rapid growth, all of which would harm our results of operations.

Our competitors have more resources than we do, and may be supported by more prominent partners, which may give them a competitive advantage.

We have limited financial, personnel and other resources and, because of our early stage of development, have limited access to capital. We compete or may compete against entities that are much larger than we are, have more extensive resources than we do and have an established reputation and operating history. In addition, certain of our early stage competitors, including A123 Systems, are partnered with, associated with or supported by larger business or financial partners. This may increase their ability to raise capital, attract media attention, develop products and attract customers. Because of their size, resources, reputation and history (or that of their business and financial partners), certain of our competitors may be able to exploit acquisition, development and joint venture opportunities more rapidly, easily or thoroughly than we can. In addition, potential customers may choose to do business with our more established competitors, without regard to the comparative quality of our products, because of their perception that our competitors are more stable, are more likely to complete various projects, are more likely to continue as a going concern and lend greater credibility to any joint venture.

As manufacturing becomes a larger part of our operations, we will become exposed to accompanying risks and liabilities.

In-house and outsourced manufacturing is becoming an increasingly significant part of our business. As a result, we expect to become increasingly subject to various risks associated with the manufacturing and supply of products, including the following:

- If we fail to supply products in accordance with contractual terms, including terms related to time of delivery and performance specifications, we may be required to repair or replace defective products and may become liable for direct, special, consequential and other damages, even if manufacturing or delivery was outsourced;

Raw materials used in the manufacturing process, labor and other key inputs may become scarce and expensive, causing our costs to exceed cost projections and associated revenues;

Manufacturing processes typically involve large machinery, fuels and chemicals, any or all of which may lead to accidents involving bodily harm, destruction of facilities and environmental contamination and associated liabilities;

As our manufacturing operations expand, we expect that a significant portion of our manufacturing will be done overseas, either by third-party contractors or in a plant owned by the company. Any manufacturing done overseas presents risks associated with quality control, currency exchange rates, foreign laws and customs, timing and loss risks associated with overseas transportation and potential adverse changes in the political, legal and social environment in the host county; and

We have made, and may be required to make, representations as to our right to supply and/or license intellectual property and to our compliance with laws. Such representations are usually supported by indemnification provisions requiring us to defend our customers and otherwise make them whole if we license or supply products that infringe on third-party technologies or violate government regulations.

Any failure to adequately manage risks associated with the manufacture and supply of materials and products could lead to losses (or small gross profits) from that segment of our business and/or significant liabilities, which would harm our business, operations and financial condition.

Our past and future operations may lead to substantial environmental liability.

Virtually any prior or future use of our nanomaterials and titanium dioxide pigment technology is subject to federal, state and local environmental laws. Under such laws, we may be jointly and severally liable with prior property owners for the treatment, cleanup, remediation and/or removal of any hazardous substances discovered at any property we use. In addition, courts or government agencies may impose liability for, among other things, the improper release, discharge, storage, use, disposal or transportation of hazardous substances. If we incur any significant environmental liabilities, our ability to execute our business plan and our financial condition would be harmed.

Certain of our experts and directors reside in Canada or China and may be able to avoid civil liability.

We are a Canadian corporation, and seven of our directors reside outside the United States in Canada or China. As a result, investors may be unable to effect service of process upon such persons within the United States and may be unable to enforce court judgments against such persons predicated upon civil liability provisions of the U.S. securities laws. It is uncertain whether Canadian or Chinese courts would enforce judgments of U.S. courts obtained against us or such directors, officers or experts predicated upon the civil liability provisions of U.S. securities laws or impose liability in original actions against us or our directors, officers or experts predicated upon U.S. securities laws.

We are dependent on key personnel.

Our continued success will depend, to a significant extent, on the services of our executive management team and certain key scientists and engineers. We do not have key man insurance on any of these individuals. Nor do we have agreements requiring any of our key personnel to remain with our company. The loss or unavailability of any or all of these individuals could harm our ability to execute our business plan, maintain important business relationships and complete certain product development initiatives, which would harm our business.

We may issue substantial amounts of additional shares without stockholder approval.

Our articles of incorporation authorize the issuance of an unlimited number of common shares that may be issued without any action or approval by our stockholders. In addition, we have various stock option plans that have potential for diluting the ownership interests of our stockholders. The issuance of any additional common shares would further dilute the percentage ownership of our company held by existing stockholders.

The market price of our common shares is highly volatile and may increase or decrease dramatically at any time.

The market price of our common shares is highly volatile. Our stock price may change dramatically as the result of announcements of product developments, new products or innovations by us or our competitors, uncertainty regarding the viability of our technology or our product initiatives, significant customer contracts, significant litigation, our liquidity situation, revenues or losses, or other factors or events that would be expected to affect our business, financial condition, results of operations and future prospects.

The market price for our common shares may be affected by various factors not directly related to our business or future prospects, including the following:

- intentional manipulation of our stock price by existing or future shareholders or a reaction by investors to trends in our stock rather than the fundamentals of our business;

a single acquisition or disposition, or several related acquisitions or dispositions, of a large number of our shares, including by short sellers covering their position;

the interest of the market in our business sector, without regard to our financial condition, results of operations or business prospects;

positive or negative statements or projections about our company or our industry, by analysts, stock gurus and other persons;

the adoption of governmental regulations or government grant programs and similar developments in the United States or abroad that may enhance or detract from our ability to offer our products and services or affect our cost structure; and

economic and other external market factors, such as a general decline in market prices due to poor economic conditions, investor distrust or a financial crisis.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they change their recommendations regarding our common shares, our stock price and trading volume could decline.

The trading market for our common shares is influenced by the research and reports that industry or securities analysts may publish about us, our business, our market or our competitors. If any of the analysts who may cover us change their recommendation regarding our common shares adversely, or provide more favorable relative recommendations about our competitors, the price of our common shares would likely decline. If any analyst who may cover us were to cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial market, which in turn could cause the price or trading volume of our common shares to decline.

We have never declared a cash dividend and do not intend to declare a cash dividend in the foreseeable future.

We have never declared or paid cash dividends on our common shares. We currently intend to retain any future earnings, if any, for use in our business and, therefore, do not anticipate paying dividends on our common shares in the foreseeable future.

We are subject to various regulatory regimes, and may be adversely affected by inquiries, investigations and allegations that we have not complied with governing rules and laws.

In light of our status as a public company and our lines of business, we are subject to a variety of laws and regulatory regimes in addition to those applicable to all businesses generally. For example, we are subject to the reporting requirements applicable to Canadian and United States reporting issuers, such as the Sarbanes-Oxley Act of 2002, the rules of the NASDAQ Capital Market and certain state and provincial securities laws. We are also subject to state and federal environmental, health and safety laws, and rules governing department of defense contracts. Such laws and rules change frequently and are often complex. In connection with such laws, we are subject to periodic audits, inquiries and investigations. Any such audits, inquiries and investigations may divert considerable financial and human resources and adversely affect the execution of our business plan.

Through such audits, inquiries and investigations, we or a regulator may determine that we are out of compliance with one or more governing rules or laws. Remedying such non-compliance diverts additional financial and human resources. In addition, in the future, we may be subject to a formal charge or determination that we have materially violated a governing law, rule or regulation. We may also be subject to lawsuits as a result of alleged violation of the securities laws or governing corporate laws. Any charge or allegation, and particularly any determination, that we had materially violated a governing law would harm our ability to enter into business relationships, recruit qualified officers and employees and raise capital.

Item 6. Exhibits

a) See Exhibit Index attached hereto following the signature page.

SIGNATURES

Pursuant to the requirements 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.

Altair Nanotechnologies Inc.

November 4, 2011 Date	By: /s/ H. Frank Gibbard H. Frank Gibbard, President, Chief Executive Officer and Director (Principal Executive Officer)
November 4, 2011 Date	By: /s/ Stephen B. Huang Stephen B. Huang, Chief Financial Officer and Secretary (Principal Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Exhibit	Incorporated by Reference/ Filed Herewith
3.1	Articles of Continuance Certificate of Amendment	Incorporated by reference to the Quarterly Report on Form 10-Q filed with the SEC on October 3, 2011, File No. 001-12497
3.2	Amended and Restated Bylaws	Incorporated by reference to the Quarterly Report on Form 10-Q filed with the SEC on October 3, 2011, File No. 001-12497
4.1	Form of Common Stock Certificate	Incorporated by reference to the Annual Report on Form 10-K filed with the SEC on February 28, 2011, File No. 001-12497
4.2	Amended and Restated Shareholder Rights Plan dated October 15, 1999, with Equity Transfer Services, Inc.	Incorporated by reference to the Company’s Current Report on Form 8-K filed with the SEC on November 19, 1999. **
4.2.1	Amendment No. 1 to Shareholders Rights Plan Agreement dated October 6, 2008, with Equity Transfer Services, Inc.	Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on October 6, 2008. **
4.2.2	Amendment No. 2 to Amended and Restated Shareholder Rights Plan Agreement with Equity Transfer Services	Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on September 20, 2010. **
4.2.3	Restated Amendment No. 2 to Amendment and Restated Shareholder Rights Plan Agreement with Equity Transfer Services	Incorporated by reference to the Quarterly Report on Form 10-Q filed with the SEC on October 3, 2011, File No. 001-12497
10.1	INE EXTENSION SEPTEMBER 12	Filed herewith
10.2	Employment Agreement dated as of September 18, 2011 with H. Frank Gibbard	Filed herewith
10.3	Employment Agreement dated as of September 18, 2011 with Stephen B. Huang	Filed herewith
31.1		Filed herewith

	Section 302 Certification of Chief Executive Officer	
31.2	Section 302 Certification of Chief Financial Officer	Filed herewith
32.1	Section 906 Certification of Chief Executive Officer	Filed herewith
32.2	Section 906 Certification of Chief Financial Officer	Filed herewith
101	XBRL (eXtensible Business Reporting Language). The following materials from Altair Nanotechnologies, Inc's Quarterly Report on Form 10-Q for the period ended September 30, 2011, formatted in XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Cash Flows, and (iv) Consolidated Statements of Stockholders’ Equity, and (v) Notes to Consolidated Financial Statements, tagged as blocks of text. As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purpose of Sections 11 and 12 of the Securities Act and Section 18 of the Exchange Act.	Filed herewith