

ALTAIR NANOTECHNOLOGIES INC
Form 10-Q
May 08, 2009

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

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13
OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934 FOR THE QUARTERLY PERIOD ENDED
MARCH 31, 2009
- 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 NO

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 NO

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

Edgar Filing: ALTAIR NANOTECHNOLOGIES INC - Form 10-Q

reporting company” in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer Accelerated
filer x

Non-accelerated filer Smaller reporting company

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

As of May 5, 2009 the registrant had 93,153,271 Common Shares outstanding.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	March 31, 2009	December 31, 2008
ASSETS		
Current assets		
Cash and cash equivalents	\$ 21,947	\$ 28,088
Restricted cash	450	-
Accounts receivable, net	488	955
Product inventories	108	98
Prepaid expenses and other current assets	529	572
Total current assets	23,522	29,713
Investment in available for sale securities	3,286	3,174
Property, plant and equipment, net held and used	11,353	11,637
Property, plant and equipment, net held and not used	2,193	2,377
Patents, net	614	636
Other assets	516	534
Total Assets	\$ 41,484	\$ 48,071
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Trade accounts payable	\$ 979	\$ 749
Accrued salaries and benefits	1,529	1,361
Accrued warranty	34	36
Accrued liabilities	446	765
Current portion of long-term debt	696	736
Total current liabilities	3,684	3,647
Long-term debt, less current portion	49	608
Stockholders' equity		
Common stock, no par value, unlimited shares authorized; 93,153,271 and 93,143,271 shares issued and outstanding at March 31, 2009 and December 31, 2008	180,127	180,105
Additional paid in capital	5,614	5,378

Edgar Filing: ALTAIR NANOTECHNOLOGIES INC - Form 10-Q

Accumulated deficit	(147,277)	(140,892)
Accumulated other comprehensive loss	(1,755)	(1,873)
Total Altair Nanotechnologies, Inc's stockholders' equity	36,709	42,718
Noncontrolling interest in subsidiary	1,042	1,098
Total stockholders' equity	37,751	43,816
Total liabilities and stockholders' equity	\$ 41,484	\$ 48,071

See notes to the unaudited condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2009	2008
Revenues		
Product sales	\$ 191	\$ 164
Commercial collaborations	699	521
Contracts and grants	12	384
Total revenues	902	1,069
Operating expenses		
Cost of sales - product	185	58
Research and development	3,028	5,258
Sales and marketing	611	666
General and administrative	2,817	3,263
Depreciation and amortization	733	573
Total operating expenses	7,374	9,818
Loss from operations	(6,472)	(8,749)
Other (expense) income		
Interest expense	(18)	(27)
Interest income	71	382
Realized loss on investment	(18)	-
Loss on foreign exchange	(4)	(3)
Total other income, net	31	352
Net loss	(6,441)	(8,397)
Less: Noncontrolling interests' share	56	109
Net Loss attributable to Altair Nanotechnologies, Inc.	\$ (6,385)	\$ (8,288)
Loss per common share - basic and diluted	\$ (0.07)	\$ (0.10)
Weighted average shares - basic and diluted	92,983,131	84,219,978

See notes to the unaudited condensed consolidated financial statements.

ALTAIR NANOTECHNOLOGIES INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE
LOSS

(Expressed in thousands of United States Dollars, except shares and per share amounts)
(Unaudited)

	Common Shares	Stock Amount	Additional Paid In Capital	Accumulated Deficit	Non-controlling Interest In Subsidiary	Accumulated Other Compre- hensive Loss	Total
Balance, January 1, 2009	93,143,271	\$ 180,105	\$ 5,378	\$ (140,892)	\$ 1,098	\$ (1,873)	\$ 43,816
Comprehensive loss:							
Net loss	-	-	-	(6,385)	(56)	-	(6,441)
Other comprehensive income net of taxes of \$0	-	-	-	-	-	118	118
Comprehensive loss							(6,323)
Issuance of restricted stock	10,000	-	-	-	-	-	-
Share-based compensation		22	236	-	-	-	258
Balance, March 31, 2009	93,153,271	\$ 180,127	\$ 5,614	\$ (147,277)	\$ 1,042	\$ (1,755)	\$ 37,751

See notes to the unaudited condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2009	2008
Cash flows from operating activities:		
Net loss	\$ (6,385)	\$ (8,288)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	733	573
Noncontrolling interest in operations	(56)	(109)
Share-based compensation	258	493
Loss on disposal of fixed assets	10	23
Accrued interest on notes receivable	-	(43)
Changes in operating assets and liabilities:		
Restricted cash	(450)	-
Accounts receivable, net	467	153
Accounts receivable from related party, net	-	94
Product inventories	(10)	-
Prepaid expenses and other current assets	43	(2)
Other assets	18	-
Trade accounts payable	304	(5,631)
Accrued salaries and benefits	168	(604)
Accrued warranty	(2)	-
Accrued liabilities	(393)	(162)
Net cash used in operating activities	(5,295)	(13,503)
Cash flows from investing activities:		
Purchase/Sale of available for sale securities	5	7
Purchase of property and equipment	(253)	(904)
Net cash used in investing activities	(248)	(897)

(continued)

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

	Three Months Ended March 31,	
	2009	2008
Cash flows from financing activities:		
Proceeds from exercise of stock options	\$ -	\$ 397
Proceeds from exercise of warrants	-	26
Payment of notes payable	(652)	(600)
Proceeds from long-term debt	58	-
Repayment of long-term debt	(4)	-
Net cash used in financing activities	(598)	(175)
Net decrease in cash and cash equivalents	(6,141)	(14,575)
Cash and cash equivalents, beginning of period	28,088	50,146
Cash and cash equivalents, end of period	\$ 21,947	\$ 35,571
Supplemental disclosures:		
Cash paid for interest	\$ 86	\$ 126
Cash paid for income taxes	None	None

Supplemental schedule of non-cash investing and financing activities:

For the three months ended March 31,
2009:

- We had an unrealized gain on available for sale securities of \$118.
- We issued 10,000 shares of restricted stock to directors having a fair value of approximately \$17 for which no cash will be received.

For the three months ended March 31,
2008:

- We made property and equipment purchases of \$338 which are included in trade accounts payable at March 31, 2008.
- We had an unrealized loss on available for sale securities of \$826.

See notes to the unaudited condensed consolidated financial statements.

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

Note 1. Basis of Preparation of Consolidated Financial Statements

These unaudited interim condensed 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 condensed 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, 2008, as filed with the Commission on March 16, 2009.

The results of operations for the three-month period ended March 31, 2009 are not necessarily indicative of the results to be expected for the full year.

Note 2. Summary of Significant Accounting Policies

Cash, Cash Equivalents and Investment in Available for Sale Securities (short-term) - Cash and cash equivalents consist principally of bank deposits and institutional money market funds. Short-term investments that are highly liquid have insignificant interest rate risk and maturities of 90 days or less are classified as cash and cash equivalents. Investments that do not meet the definition of cash equivalents are classified as held-to-maturity or available-for-sale.

Our cash balances are maintained in bank accounts that are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to a maximum of US \$250,000 and CN \$100,000. At March 31, 2009 and December 31, 2008 there were no cash deposits in excess of FDIC insurance. Additionally, we had \$2.0 million at March 31, 2009 and \$852,000 at December 31, 2008 in a U.S. government money market fund that is not insured. Funds from this account are swept out to the operating bank accounts as funds are expended each period.

Restricted Cash – In February 2009, we opened a \$450,000 certificate of deposit as collateral on our forward currency contract related to a forecasted transaction that was to be settled in Korean Won with an approximate value in US dollars of \$2.2 million. The transaction was not completed and the collateral was subsequently reduced to \$1,000 to maintain an open credit line for anticipated future transactions.

Investment in Available for Sale Securities (long-term) - Available for sale securities (long-term) includes publicly traded equity investments that are classified as available for sale and recorded at market using the specific identification method. Unrealized gains and losses (except for other than temporary impairments) are recorded in other comprehensive loss, which is reported as a component of stockholders’ equity. We evaluate our investments on a quarterly basis to determine if a potential other than temporary impairment exists. Our evaluation considers the investees’ specific business conditions as well as general industry and market conditions.

Accumulated Other Comprehensive Loss - Accumulated other comprehensive loss consists entirely of unrealized loss on the investment in available for sale securities. The components of comprehensive loss for the three-month periods ended March 31, 2009 and 2008 are as follows (in thousands):

	Three months ended March 31,	
	2009	2008
Net loss	\$ 6,441	\$ 8,397
Unrealized (gain)/loss on investment in available for sale securities, net of taxes of \$0	(118)	826
Comprehensive loss	6,323	9,223
Comprehensive loss attributable to noncontrolling interest	(56)	(109)
Comprehensive loss attributable to Altair Nanotechnologies, Inc.	\$ 6,267	\$ 9,114

Long-Lived Assets - We evaluate the carrying value of long-term assets, including intangible assets, when events or circumstance indicate the existence of a possible impairment, based on projected undiscounted cash flows, and recognize impairment when such cash flows will be less than the carrying values. Measurement of the amounts of impairments, if any, is based upon the difference between carrying value and fair value. Events or circumstances that could indicate the existence of a possible impairment include obsolescence of the technology, an absence of market demand for the product, and/or continuing technology rights protection.

Deferred Income Taxes - We use the asset and liability approach for financial accounting and reporting for income taxes. Deferred income taxes are provided for temporary differences on the basis of assets and liabilities as reported for financial statement purposes and income tax purposes. We have recorded a valuation allowance against all net deferred tax assets. The valuation allowance reduces deferred tax assets to an amount that represents management's best estimate of the amount of such deferred tax assets that more likely than not will be realized.

Revenue Recognition - We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred or service has been performed, the fee is fixed and determinable, and collectability is probable. Our revenues were derived from product sales, commercial collaborations and contracts and grants. Revenue from product sales is recognized upon delivery of the product, unless specific contractual terms dictate otherwise. Based on the specific terms and conditions of each contract/grant, revenues are recognized on a time and materials basis, a percentage of completion basis and/or a completed contract basis. Revenue under contracts based on time and materials is recognized at contractually billable rates as labor hours and expenses are incurred. Revenue under contracts based on a fixed fee arrangement is recognized based on various performance measures, such as stipulated milestones. As these milestones are achieved, revenue is recognized. From time to time, facts develop that may require us to revise our estimated total costs or revenues expected. The cumulative effect of revised estimates is recorded in the period in which the facts requiring revisions become known. The full amount of anticipated losses on any type of contract is recognized in the period in which it becomes known. Payments received in advance relating to the future performance of services or deliveries of products are deferred until the performance of the service is complete or the product is shipped. Upfront payments received in connection with certain rights granted in contractual arrangements are deferred and amortized over the related time period over which the benefits are received. Based on specific customer bill and hold agreements, revenue is recognized when the inventory is shipped to a third party storage warehouse, the inventory is segregated and marked as sold, the customer takes the full rights of ownership and title to the inventory upon shipment to the warehouse per the bill and hold agreement. When contract terms include multiple components that are considered separate units of accounting, the revenue is attributed to each component and revenue recognition may occur at different points in time for product shipment, installation, and service contracts based on substantial completion of the earnings process.

Accrued Warranty - We provide a limited warranty for battery packs and energy storage systems. A liability is recorded for estimated warranty obligations at the date products are sold. Since these are new products, the estimated cost of warranty coverage is based on cell and module life cycle testing and compared for reasonableness to warranty rates on competing battery products. As sufficient actual historical data is collected on the new product, the estimated cost of warranty coverage will be adjusted accordingly. The liability for estimated warranty obligations may also be adjusted based on specific warranty issues identified.

Overhead Allocation - Facilities overhead, which is comprised primarily of occupancy and related expenses, and fringe benefit expenses are initially recorded in general and administrative expenses and then allocated to research and development and product inventories based on relative labor costs.

Derivatives and Hedging – Derivatives are held for purposes other than trading. We account for hedges of foreign currency exposures and certain forecasted transactions as cash flow hedges. The fair value of the derivatives is recorded in other current and noncurrent assets or liabilities in the consolidated balance sheet. The effective portions of the changes in the fair values of these derivatives are recorded in other comprehensive income/(loss) and are reclassified to sales, cost of goods sold, or other income in the period in which earnings are impacted by the hedged items or in the period that the transaction no longer qualifies as a cash flow hedge.

In the first quarter of 2009, we entered a forward currency contract related to a forecasted transaction that was to be settled in Korean Won. The transaction was not completed as forecasted and we terminated the related currency contract without incurring a gain or loss.

Noncontrolling Interest – In April 2007, The Sherwin-Williams Company (“Sherwin”) entered into an agreement with us to form AlSher Titania LLC, a Delaware limited liability company (“AlSher”). AlSher is a joint venture combining certain technologies of ours and Sherwin in order to develop and produce titanium dioxide pigment for use in paint and coatings and nano titanium dioxide materials for use in a variety of applications, including those related to removing contaminants from air and water. Pursuant to a Contribution Agreement dated April 24, 2007 among Sherwin, AlSher, and us, we contributed to AlSher an exclusive license to use our technology (including our hydrochloride pigment process) for the production of titanium dioxide pigment and other titanium containing materials (other than battery or nanoelectrode materials) and certain pilot plant assets with a net book value of \$3.1 million. We received no consideration for the license granted to AlSher other than our ownership interest in AlSher. Sherwin agreed to contribute to AlSher cash and a license agreement related to a technology for the manufacture of titanium dioxide using the digestion of ilmenite in hydrochloric acid. As a condition to enter into the second phase of the joint venture, we agreed to complete the pigment pilot processing plant and related development activities by January 2008. The 100 ton pigment pilot processing plant was commissioned in February 2008 and the costs associated with this effort were partially reimbursed by AlSher. We contribute any work in process and fixed assets associated with completion of the pigment pilot processing plant to the AlSher joint venture. For each reporting period, AlSher is consolidated with our subsidiaries because we have a controlling interest in AlSher and any inter-company transactions are eliminated (refer to Note 1 – Basis of Preparation of Consolidated Financial Statements). The noncontrolling shareholder’s interest in the net assets and net income or loss of AlSher are reported as noncontrolling interest in subsidiary on the condensed consolidated balance sheet and as noncontrolling interest share in the condensed consolidated statement of operations, respectively.

Net Loss Per Common Share - Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share is computed using the weighted average number of common and potentially dilutive shares outstanding during the period. Potentially dilutive shares consist of the incremental common shares issuable upon the exercise of stock options and warrants, as well as unvested restricted stock. Potentially dilutive shares are excluded from the computation if their effect is anti-dilutive. We had a net loss for all periods presented herein; therefore, none of the stock options and warrants outstanding during each of the periods presented or unvested restricted stock were included in the computation of diluted loss per share as they were anti-dilutive.

Recent Accounting Pronouncements - In April 2008, the FASB issued Financial Staff Position (“FSP”) No. FAS 142-3, Determination of the Useful Life of Intangible Assets. FSP No FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142. “Goodwill and Other Intangible Assets.” The intent of the position is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of

expected cash flows used to measure the fair value of the asset under SFAS No. 141R, and other U.S. generally accepted accounting principles. The provisions of FSP No. FAS 142-3 are effective for fiscal years beginning after December 15, 2008. FSP No. FAS 142-3 is effective for our fiscal year beginning January 1, 2009. The adoption of FSP No. FAS 142-3 did not have a material impact on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133". SFAS 161 requires enhanced disclosures about an entity's derivative and hedging activities, including (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended (SFAS 133), and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. The provisions of SFAS No. 161 are effective for fiscal years and interim periods beginning after November 15, 2008. SFAS No. 161 is effective for our fiscal year beginning January 1, 2009. The adoption of SFAS No. 161 did not materially impact our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" (SFAS No. 141(R)). Under SFAS No. 141(R), an entity is required to recognize the assets acquired, liabilities assumed, contractual contingencies, and contingent consideration at their fair value on the acquisition date. It further requires that acquisition-related costs be recognized separately from the acquisition and expensed as incurred, restructuring costs generally be expensed in periods subsequent to the acquisition date, and changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period impact income tax expense. In addition, acquired in-process research and development (IPR&D) is capitalized as an intangible asset and amortized over its estimated useful life. The adoption of SFAS No. 141(R) will change our accounting treatment for business combinations on a prospective basis beginning in the first quarter of fiscal year 2009.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51". SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. This Statement also changes the way the consolidated statement of operations is presented. It requires consolidated net income or loss to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. It also requires disclosure, on the face of the consolidated statement of operations, of the amounts of the consolidated net income or loss attributable to the parent and to the noncontrolling interest. SFAS No. 160 was effective for our Company on January 1, 2009. The adoption of SFAS No. 160 is reflected in our 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

On October 10, 2008, the FASB issued FSP FAS 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active. The FSP clarifies the application of FASB Statement No. 157, Fair Value Measurements, in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. The FSP is effective immediately, and includes prior period financial statements that have not yet been issued, and therefore the Company was subject to the provision of the FSP effective September 30, 2008.

Effective January 1, 2008, we adopted SFAS 157, Fair Value Measurements, for all financial instruments accounted for at fair value on a recurring basis. SFAS 157 establishes a new framework for measuring fair value and expands related disclosures. Broadly, the SFAS 157 framework requires fair value to be 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. SFAS 157 establishes market or observable inputs as the preferred source of values, followed by assumptions based on hypothetical transactions in the absence of market inputs.

The valuation techniques required by SFAS 157 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 - Significant inputs to the valuation model are unobservable.

The following table summarizes the valuation of our assets by the SFAS 157 fair value hierarchy at March 31, 2009 (in thousands):

Assets at fair value :	Total	Level 1	Level 2	Level 3
Auction rate corporate notes	\$ 2,866	\$ -	\$ -	\$ 2,866
Spectrum Pharmaceuticals, Inc.	420	420	-	-
Investment in available for sale securities	\$ 3,286	\$ 420	\$ -	\$ 2,866

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 investments 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

Investment in available for sale securities (long-term) includes auction rate corporate notes and investments in common stock as discussed below.

The auction rate corporate notes are long-term instruments with expiration dates through 2017. Through the third quarter of 2007, the interest was settled and the rate reset every 7 to 28 days and historically these investments were classified as short-term investments. However, in the fourth quarter of 2007 due to a change in the liquidity of the auction rate market, sell orders have exceeded bid orders in that market, and the interest rate relating to these investments was reset to a contractual rate of London Interbank Offering Rate plus 50 basis points. The auction rate markets have not yet recovered. As such, we evaluated these investments at March 31, 2009 to determine if they were impaired. 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 bonds that are the underlying collateral, prices of similar instruments, our ability to hold the notes to maturity, and a probability-weighted discounted cash flow analysis. Based on this analysis, we estimate that at March 31, 2009 their fair value was \$2.9 million, representing a cumulative unrealized holding loss of approximately \$1.0 million. Based on our evaluation and our ability and intent to hold the investment for a reasonable period of time sufficient for an expected recovery of fair value, we do not consider this investment to be other than temporarily impaired at March 31, 2009.

Investment in available for sale securities (long-term) includes 240,000 shares of Spectrum Pharmaceuticals, Inc. ("Spectrum") common stock. Although the Spectrum shares are eligible for resale under Rule 144, we currently intend to hold them indefinitely. The shares were received as partial payment of licensing fees when Spectrum entered into a

license agreement for RenaZorb in January 2005 and in payment of the first milestone achieved in June 2006. On receipt, the shares were recorded at their market value of \$1.1 million as measured by their closing price on the NASDAQ Capital Market. At March 31, 2009, their fair value was approximately \$420,000, representing a cumulative unrealized holding loss of \$718,000. We evaluated this investment to determine if there is an other than temporary impairment at March 31, 2009. Our evaluation took into consideration published investment analysis, status of drug candidates in development, analysts' recommendations, insider trading activity, and other factors. Based on our evaluation and our ability and intent to hold the investment for a reasonable period of time sufficient for an expected recovery of fair value, we do not consider the remaining investment to be other than temporarily impaired at March 31, 2009.

Note 5. 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 March 31, 2009 and December 31, 2008 were:

In thousands of dollars

	March 31, 2009	December 31, 2008
Patents and patent applications	\$ 1,518	\$ 1,518
Less accumulated amortization	(904)	(882)
Total patents and patent applications	\$ 614	\$ 636

The weighted average amortization period for patents is approximately 16.5 years. Amortization expense, which represents the amortization relating to the identified amortizable patents, for the three months ended March 31, 2009 and March 31, 2008, was \$21,000 in each period. For each of the next five years, amortization expense relating to patents is expected to be approximately \$85,000 per year. Management believes the net carrying amount of patents will be recovered by future cash flows generated by commercialization of the titanium processing technology.

Note 6. Note Payable and Capital Leases

The current and long term amounts of the note payable and capital leases are as follows:

In thousands of dollars

	March 31, 2009	December 31, 2008
Note payable to BHP Minerals International, Inc.	\$ 600	\$ 1,200
Note payable to AICCO, Inc.	79	132
Capital leases	66	12
Less current portion	(696)	(736)
Long-term portion of notes payable and capital leases	\$ 49	\$ 608

On August 8, 2002, we entered into a purchase and sale agreement with BHP Minerals International, Inc. ("BHP"), wherein we purchased the land, building and fixtures in Reno, Nevada where our titanium processing assets are located. In connection with this transaction, BHP also agreed to terminate our obligation to pay royalties associated with the sale or use of the titanium processing technology. In return, we issued to BHP a note in the amount of \$3 million, at an interest rate of 7%, secured by the property we acquired. Interest did not begin to accrue until August 8, 2005. As a result, we imputed interest and reduced the face amount of the note payable by \$567,000, which was then amortized to interest expense from inception of the note through August 8, 2005. Payments are due in February of each year beginning in 2006. All payments have been made through February 8, 2009. A final payment of \$600,000 plus accrued interest is due on February 8, 2010.

Note 7. Stock-Based Compensation

We have a stock incentive plan, administered by the Board of Directors, which provides for the granting of options and restricted shares to employees, officers, directors and other service providers of ours.

The total compensation cost charged in connection with the stock incentive plan was \$418,000 and \$487,000 for the three-months ended March 31, 2009 and 2008, respectively. During the three-months ended March 31, 2009, 523,773 options vested at a weighted average price of \$3.18. During the three-months ended March 31, 2008, 518,973 options vested at a weighted average price of \$2.92. There was no cash received from stock option and warrant exercises during the three-months ended March 31, 2009 and \$423,000 during the three-months ended March 31, 2008.

Compensation expense of \$418,000 was recognized for the first quarter of 2009, which is included in general and administrative expenses in the accompanying Consolidated Statements of Operations. This expense consisted of \$160,000 related to the stock grant awards accrual of the "2009 Annual Incentive Bonus Plan", amortized expense of stock options and restricted stock of \$236,000 and \$22,000, respectively, the offset of which is additional paid in capital of stockholders' equity. For the first quarter of 2008, compensation expense of \$487,000 consisted of amortized stock options and restricted stock expense of \$441,000 and \$46,000, respectively

Stock Options

The total number of shares authorized for issuance under our 2005 stock incentive plan is 9 million shares. Prior stock option plans, which are now terminated, authorized a total of 6.6 million shares, of which options for 5,745,500 were granted and options for 445,900 are outstanding and unexercised at March 31, 2009. The total number of options relating to the 2005 stock incentive plan that are outstanding and unexercised at March 31, 2009 is 4,605,985.

Total options granted for the three-month periods ended March 31, 2009 and 2008 were 1,331,000 and 1,420,000, respectively. The weighted average grant date fair value of options granted during the three months ended March 31, 2009 and March 31, 2008 was \$1.18 and \$2.92, respectively.

As of March 31, 2009, there was \$1.7 million 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 1 year as of March 31, 2009.

Restricted Stock

During the three-months ended March 31, 2009, the Board of Directors granted 10,000 shares of restricted stock under the plan with a weighted average fair value of \$1.71 per share. During the three-months ended March 31, 2008, the Board of Directors did not grant any shares of restricted stock under the plan.

As of March 31, 2009 we had \$382,000 of total unrecognized compensation expense related to restricted stock which will be recognized over the weighted average period of 1.5 years.

Note 8. Related Party Transactions

On April 20, 2008, we executed an Amended and Restated Agreement to recover Short-Swing Profits with Al Yousuf LLC, a United Arab Emirates limited liability company ("Al Yousuf"). Section 16 of the Securities and Exchange Act of 1934 requires directors, officers and 10% beneficial owners of ours to disgorge any short-swing profits realized on a non-exempt purchase and sale of our securities within any six-month period. Consistent with the terms of the Recovery Agreement, we received wire transfers (less wire transfer fees) in the amount of \$177,210.

On October 6, 2008, we entered into a Stock Purchase and Settlement Agreement dated as of September 30, 2008 with Al Yousuf, LLC. Pursuant to the agreement, we agreed to issue an aggregate of 8.0 million common shares to Al Yousuf. Of such shares, 5,882,353 shares were acquired on October 14, 2008 by Al Yousuf at a purchase price of \$1.70 per share, for an aggregate purchase price of \$10 million. The remaining 2,117,647 shares were issued upon execution of the agreement in exchange for a release by Al Yousuf of all potential claims arising from design concerns related to battery packs delivered to Phoenix Motorcars, Inc. in 2007, our related offer of a warranty replacement and inventory write-off, and any other known claims existing as of the date of the Agreement. Under the Purchase Agreement dated November 29, 2007 between us and Al Yousuf, pursuant to which Al Yousuf purchased \$40 million in common shares, we made certain representations and warranties related to our inventory, warranty reserve and similar matters that were affected by the write-off of battery inventories and warranty offer announced in March 2008.

In January 2007, we entered into a multi-year purchase and supply agreement with Phoenix Motorcars, Inc., succeeded by Phoenix MC, Inc. (“Phoenix”) for lithium Titanate battery pack systems. Pursuant to two letter agreements with Phoenix effective in July 2008, the 2007 purchase and supply agreement was cancelled. Both parties also agreed that all representations, warranties, covenants and obligations arising under the 2007 agreement were terminated and further that each party holds the other party harmless from any and all claims, liabilities, charges, demands, grievances, and causes of action of any kind or nature. These new agreements resulted in:

13

1. Altair agreed to ship 47 Generation 1 prototype batteries back to Phoenix for exclusive use in Phoenix demonstration vehicles. The batteries are provided to Phoenix “as is” without explicit or implied warranties.
2. A commitment on the part of Phoenix to provide Altair with ten percent of the monetized value of any California Air Resources Board ZEV credits for each vehicle for which it receives them.
3. The forgiveness of the Phoenix notes payable, associated accrued interest, and remaining accounts receivable balance.
4. The reversal of the warranty accrual associated with the 47 recalled batteries.

Additionally in January 2007, Phoenix issued 1.0 million shares of its common stock in consideration for the three-year exclusivity agreement within the United States of America included in the contract. Phoenix did not make the minimum battery pack purchases required to retain their exclusivity in 2007. The common stock shares received represented a 16.6% ownership interest in Phoenix. The investment was recorded at \$107,000 with the offset to deferred revenue, which was recognized on a straight-line basis until our agreement was terminated in July 2008.

In March 2008, Phoenix Motorcars, Inc. completed a merger, wherein the surviving corporation, Phoenix MC, Inc. became a wholly owned subsidiary of All Electric, LLC (“AELLC”). On March 19, 2008, Phoenix MC, Inc. announced receipt of their next round of funding provided by Al Yousuf, LLC and The AES Corporation. These changes resulted in conversion of our 1.0 million common share investment in Phoenix Motorcars, Inc. to ownership of 2,000 units in AELLC and diluted our ownership percentage in Phoenix to 1.56%. At December 31, 2008, there was no deferred revenue relating to the unamortized investment. We concluded that the investment is other-than-temporarily-impaired. Consequently, a realized loss on the investment of \$89,000 was recognized in December 2008. The remaining investment was valued at \$18,000. During the first quarter of 2009 Phoenix suffered a significant adverse arbitration judgment that prompted management to recognize further impairment of \$18,000 which is deemed to be other-than-temporarily impaired.

On July 20, 2007, we entered into a multi-year Joint Development and Equipment Purchase Agreement with AES Energy Storage, LLC (“AES”), a subsidiary of global power leader The AES Corporation. A member of the executive management team of AES also serves on our board of directors. Under the terms of the agreement we will work jointly with AES to develop a suite of energy storage solutions for purchase by AES and potentially third parties. On August 3, 2007, we received an initial \$1,000,000 order, of which \$500,000 was prepaid, in connection with the AES Joint Development and Equipment Purchase Agreement for a 500 kilowatt-hour energy storage product. This product was designed and manufactured at our Indiana facilities, and was completed in December 2007. The final installment of \$500,000 was billed in June 2008 upon substantial completion of the testing of the prototype packs, of which payment was received in July 2008.

Note 9. Business Segment Information

Management views the Company as operating in two major business segments: Power and Energy Group, and All Others.

The Power and Energy Group develops, produces, and sells nano-structured LTO, nano lithium Titanate, battery cells, battery packs, and provides related design and test services. The All Others group consists of the remaining portions of the previous Life Sciences and Performance Materials groups plus corporate general expenses. Management completed a thorough review of operations and strategies and determined that it was in the best interests of the shareholders for the Company to focus solely 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 significant development is being pursued in those areas by the Company.

The accounting policies of these business segments are the same as described in Note 2 to the unaudited condensed consolidated financial statements. Reportable segment data reconciled to the consolidated financial statements as of the three-month periods ended March 31, 2009 and March 31, 2008 is as follows:

In thousands of dollars

Three Months Ended	Net Sales	Loss From Operations	Depreciation and Amortization	Assets
March 31, 2009:				
Power and Energy Group	\$ 848	\$ 2,337	\$ 356	\$ 6,800
All Other	54	4,135	377	34,684
Consolidated Total	\$ 902	\$ 6,472	\$ 733	\$ 41,484
March 31, 2008:				
Power and Energy Group	\$ 330	\$ 3,581	\$ 265	\$ 9,036
All Other	739	5,168	308	49,858
Consolidated Total	\$ 1,069	\$ 8,749	\$ 573	\$ 58,894

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

For the three months ended March 31, 2009, we had sales to two major customers, each of which accounted for 10% or more of revenues. Total sales to these customers for the three months ended March 31, 2009 and the balance of their accounts receivable at March 31, 2009 were as follows:

In thousands of dollars

Customer	Sales Three Months Ended March 31, 2009	Accounts Receivable and Notes Receivable at March 31, 2009
Power and Energy Group:		
BAE Systems Science & Technology Inc	\$ 482	\$ 202
BAE Systems Marine Limited	215	59
Amperex Technology Limited	103	103

For the three months ended March 31, 2008, we had sales to five major customers, each of which accounted for 10% or more of revenues. Total sales to these customers for the three months ended March 31, 2008 and the balance of their accounts receivable at March 31, 2008 were as follows:

In thousands of dollars

Customer	Sales Three Months Ended March 31, 2008	Accounts Receivable and Notes Receivable at March 31, 2008
Power and Energy Group:		

Edgar Filing: ALTAIR NANOTECHNOLOGIES INC - Form 10-Q

Office of Naval Research	\$	113	\$	75
Department of Energy		45		10
All Other:				
Boeing		148		117
Western Oil Sands		146		91
Department of Energy		113		41
Elanco Animal Health/Eli Lilly		246		175

15

Sales for the three-month periods ended March 31, 2009 and 2008 by geographic area were as follows:

In thousands of dollars

Geographic information (a):	Sales Three Months Ended March 31, 2009	Sales Three Months Ended March 31, 2008
United States	\$ 572	\$ 874
Canada	-	146
Other foreign countries	330	49
Total	\$ 902	\$ 1,069

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

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, Mineral Recovery Systems, Inc., a Nevada corporation ("MRS"), and Fine Gold Recovery Systems, Inc., a Nevada corporation ("Fine Gold") which was dissolved on December 30, 2008. AISher Titania LLC, a Delaware limited liability company, is 70% owned by Altairnano, Inc. We have registered or are in the process of registering the following trademarks: Altair Nanotechnologies Inc.®, Altair Nanomaterials, Inc.®, Altairnano®, TiNano®, Nanocheck® and RenaZorb®. Any other trademarks and service marks used in this Report are the property of their respective holders.

Overview

The following discussion summarizes the material changes in our financial condition between December 31, 2008 and March 31, 2009 and the material changes in our results of operations and financial condition between the three-month periods ended March 31, 2009 and March 31, 2008. This discussion should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2008.

We are a Canadian corporation, with principal assets and operations in the United States, whose primary business is developing and commercializing nanomaterial and titanium dioxide pigment technologies. We are organized into two divisions, a Power and Energy Group, and all other operations, which consists of the remaining portions of the previous Life Sciences and Performance Materials groups. Management completed a thorough review of operations and strategies and determined that it was in the best interests of the shareholders for the Company to focus solely on the Power and Energy Group. As a result of this assessment resources devoted to the Performance Materials Group and Life Sciences Group were significantly reduced and no new development is being pursued in those areas.

Our research, development, production and marketing efforts are currently directed toward one primary market, the Power and Energy Storage market, with efforts in other areas being directed at supporting existing initiatives rather than developing any new products. We are still, however, engaged in the following ongoing development and production efforts:

Power and Energy Group

- The design, development, and production of our nano-lithium Titanate battery cells, batteries, and battery packs as well as related design and test services.
- The development, production and sale for testing purposes of electrode materials for use in a new class of high performance lithium ion batteries called nano-lithium Titanate batteries.

All Other Operations

- Continuing support for AlSher Titania, in the development and production of high quality titanium dioxide pigment for use in paint and coatings, and nano titanium dioxide materials for use in a variety of applications including those related to removing contaminants from air and water. We are currently working with Sherwin-Williams and AlSher to identify and qualify an interested third party to purchase our interest in the AlSher joint venture.
- The co-development of RenaZorb, a test-stage active pharmaceutical ingredient, which is designed to be useful in the treatment of elevated serum phosphate levels in human patients undergoing kidney dialysis.
- The development of a manufacturing process related to a test-stage active pharmaceutical ingredient, designed to be useful in the treatment of companion animals.

We also provide contract research services on select projects where we can utilize our resources to develop intellectual property and/or new products and technology.

Our revenues have been, and we expect them to continue to be, generated by license fees, product sales, commercial collaborations and contracts and grants. We currently have agreements in place to (1) provide research to further develop battery electrode materials, nanosensors, and nanomaterials characterization, (2) participate in a joint venture combining the technologies of the partners in order to develop and produce titanium dioxide pigment for use in a variety of applications, (3) develop a suite of energy storage solutions for the stationary power market, (4) develop battery backup power systems for Naval applications and (5) develop power and energy systems for other military applications. In addition, we have entered into a licensing agreement for RenaZorb, our pharmaceutical candidate for treatment of chronic renal failure in humans. We have made product sales consisting principally of battery packs and nano lithium titanate. Future revenues will depend on the success of our contracted projects, the results of our other research and development work, the success of the RenaZorb application licensee in obtaining regulatory approval for the drugs, or other products, and the success of our marketing efforts with respect to both product sales and technology licenses.

The current financial markets and general economic environment are substantially weaker at present than they were during the first quarter of 2008. New credit availability is severely constrained and those companies producing products for individual consumer use have seen their sales negatively impacted. Although Altair's products are targeted primarily at the military and large power producers, our anticipated sales volume has also been negatively impacted. To further exacerbate the situation, companies that were financially able to make purchases from us have delayed many of their purchase decisions to see if they can first qualify for portions of the money being dispensed in accordance with the American Recovery and Reinvestment Act of 2009.

General Outlook

We have generated net losses in each fiscal year since incorporation and the first quarter of 2009 was no different. Revenues from product sales, commercial collaborations and contracts and grants decreased significantly in

2008 compared to 2007. Operating expenses also declined significantly. These trends have continued through the first three months of 2009 as well. The revenue decrease was due almost entirely to the reduced level of product sales in the automotive sector as a result of the difficulties encountered by Phoenix MC in launching their electric vehicle. We also experienced delays in customer commitments in the stationary power frequency regulation market. The operating expense decline was primarily the result of decreases in Research and Development expenses due to the completion of a number of grants as well as the shift in Company focus away from Life Sciences and Performance Materials. General and Administration in the first quarter of 2008 included accrual of the former CEO's severance payment, which did not appear in the first quarter of 2009. Our gross profit margins on customer contracts for research and development work are very low, leading us to shift our focus away from these opportunities. Our current focus is on the development of products and technologies in energy storage that we anticipate will eventually bring a substantial amount of higher-margin revenues from licensing, manufacturing, product sales and other sources. We expect our nano lithium titanate batteries and battery materials to be a source of such higher-margin revenues. Consequently, during the first three months of 2009, we continued to expand the scope of our Power and Energy Group by (1) hiring additional staff and increasing temporary personnel to handle the conversion from a prototype to a commercial product, (2) adding additional marketing personnel to focus on this market, and (3) acquiring test and production equipment.

Recent Business Developments and Status Updates

Power and Energy Group

In September 2008, we accepted a purchase order from DesignLine International USA (DLI) for the delivery of four complete battery module sets. These hybrid electric vehicle (HEV) battery packs will be used in demonstration buses for three city transit customers, and one for a modular testing program. The DLI HEV bus operates in an electric-only mode for as much as 30 percent of its range and provides a 100 percent improvement in fuel economy over a diesel bus, with fuel savings of up to 6,000 gallons per year. Due to a number of problems related to components outside of the battery cells and a disagreement on payment terms, this program is currently on hold and not expected to continue until all outstanding issues have been resolved.

In August 2007, we received an initial \$1.0 million order in connection with the AES Joint Development and Equipment Purchase Agreement for a 500 kilowatt-hour energy storage product. In accordance with this purchase order, two one-megawatt stationary battery packs (energy equivalent for each pack based on anticipated operational time is 250 kilowatt-hours of energy) were completed according to the delivery schedule in December 2007. A testing program was developed and validated by KEMA, Inc., an independent agency and executed by AES personnel and subcontractors. KEMA's testing completed during the second quarter of 2008 showed the battery system successfully met the program's specifications. The demonstration also suggests that the technology could be used for several other utility applications. Of these two one-megawatt battery packs, one has been relocated to Pennsylvania and hooked into the commercial electric grid providing ongoing ancillary services. The second unit is in the process of being relocated to the New York area and similarly connected to the electric grid in that area. We expect our development relationship with AES to continue through 2009 and beyond. Also as a result of the impartial successful test results reported by KEMA, we have made inroads into other potential customer opportunities that we expect to develop over the next 12 months.

As a result of the American Recovery and Reinvestment Act of 2009, the Federal Government has earmarked \$2 billion for near-term alternate energy projects to construct the manufacturing capability in the U.S. for producing advanced batteries for the automotive market. Another \$4.5 billion has been earmarked for electric grid modernization projects. We are currently exploring the viability of submitting proposals under each of these programs with a number of different companies.

In June 2008, we received an order from BAE Systems for \$349,000 to develop 32 batteries in support of the US Army's artillery upgrade program. These batteries were delivered and accepted by the customer on March 31, 2009. We are in advanced negotiations with BAE Systems Marine Limited and the UK Ministry of Defense (MoD) to develop a battery system for use in a British naval application. We have successfully completed phase 1a of the project and are awaiting finalization of the contract for phase 1b which we anticipate starting during the second quarter of 2009. It is anticipated that the successful completion of this initial work will lead to subsequent production orders from the MoD.

All Other Areas

In August 2008, we and Elanco Animal Health, a division of Eli Lilly and Company ("Elanco"), terminated the Development Services Agreement entered into by them in September 2007 and related license agreements. Because all rights granted to Elanco under the original agreements reverted to us with the termination of those agreements, we have since explored licensing this technology and product to other interested parties and are in advanced discussions with an interested new party. We are also continuing to work with Spectrum under the terms of our agreement with them.

- In April 2007, a new company, called AlSher Titania LLC was formed. AlSher Titania represents a joint venture with Sherwin-Williams, one of the world's leading manufacturers of paint and durable coatings. Construction of the 100 ton pigment processing pilot plant in connection with the joint venture agreement was completed, and the plant was commissioned in February 2008. Testing under the piloting program commenced, and although results to date have been positive, we have curtailed full operations at this time. We are currently working with Sherwin-Williams and AlSher to identify and qualify an interested third party to purchase our interest in the AlSher joint venture. Considerable data has been generated and compiled into an engineering data package analysis and recommendation on the next steps. AlSher is actively seeking a partner or partners to participate in the next phase which will include the construction of a 5,000 ton annual capacity processing plant. Several companies with raw materials resources have indicated interest in the technology, but none has been willing to make any commitment up to now. Without additional capital, it is unlikely that AlSher will be able to independently fund this effort.

We were recently awarded a \$1.8 million grant by the Department of Defense to pursue development of a nano-sensor project with Western Michigan University. This project and similar activities will continue into the foreseeable future as long as they are able to make a positive contribution to our financial position, however they are not the focus area of the Company.

We continue our support of Spectrum related to their efforts to receive FDA approval of RenaZorb and related products. Spectrum is currently doing an in vitro competitive study to determine the efficacy of the alternate high surface area product they requested from us compared to Fosrenol. This will take approximately two months to complete. Then, if RenaZorb performs well against Fosrenol, Spectrum has indicated that it will begin the pre-clinical work which originally was expected to take about one year to complete. Consequently, we now do not expect the application to be filed until mid 2010.

Liquidity and Capital Resources

Current and Expected Liquidity

Historically, we have financed operations primarily through the issuance of equity securities (common shares, convertible notes, stock options and warrants) and by the issuance of debt. In order to finance our existing operations and development plans, as well as to respond to any new business or acquisition opportunity, we will be required to raise capital in the near future. We evaluate our capital needs and the availability of capital on an ongoing basis and, consistent with past practice, expect to seek to raise 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. We do not have any commitments from any party to provide required capital and may, or may not, be able to obtain such capital on reasonable terms, or at all. We have a single note payable in the original principal amount of \$3 million that does not contain any restrictive covenants with respect to the issuance of additional debt or equity securities by Altair. The first four payments of \$600,000 of principal plus accrued interest were due and paid on February 8, 2006, 2007, 2008 and 2009. The total outstanding note payable balance is \$600,000. The final payment of principal and interest is due on February 8, 2010.

Our cash and short-term investments decreased by \$6.1 million, from \$28.1 million at December 31, 2008 to \$21.9 million at March 31, 2009, due primarily to net cash used in operations (approximately \$5.3 million), purchases of property and equipment (\$253,000) and payment of notes payable (\$652,000).

Our objective is to manage cash expenditures in a manner consistent with rapid product development that leads to the generation of revenues in the shortest possible time. At this time our sales volume is low and we are averaging a monthly cash outlay of \$2.2 million. We anticipate beginning to close significant contracts and ramping up production by late 2009. These events are expected to move us closer to cash flow breakeven, expanding our options

for external financing to sustain our growth.

At May 5, 2009, we had 93,153,271 common shares issued and outstanding. As of that same date, there were outstanding warrants to purchase up to 431,482 common shares and options to purchase up to 4,968,185 common shares.

19

Capital Commitments

The following table discloses aggregate information about our contractual obligations and the periods in which payments are due as of March 31, 2009:

In thousands of dollars

Contractual Obligations	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Notes Payable	\$ 680	\$ 680	\$ -	\$ -	\$ -
Interest on notes payable	42	42	-	-	-
Contractual Service Agreements	407	407	-	-	-
Facilities and Property Leases	1,074	360	714	-	-
Unfulfilled Purchase Orders	1,420	1,420	-	-	-
Total Contractual Obligations	\$ 3,623	\$ 2,909	\$ 714	\$ -	\$ -

Beginning in the second quarter of 2008, we revised our capital acquisition policy to lease capital purchases that meet our business case criteria. Since the Company is not yet in a cash flow positive state, we have had limited opportunity to implement this change in policy.

Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements at March 31, 2009.

Critical Accounting Policies and Estimates

Management based the 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, 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.

- Long-Lived Assets.** Our long-lived assets consist principally of the nanomaterials and titanium dioxide pigment assets, the intellectual property (patents and patent applications) associated with them, and a building. Included in these long-lived assets are those that relate to our research and development process. These assets are initially evaluated for capitalization based on Statement of Financial Accounting Standards (“SFAS”) No. 2, Accounting for Research and Development Costs. If the assets have alternative future uses (in research and development projects or otherwise), they are capitalized when acquired or constructed; if they do not have alternative future uses, they are expensed as incurred. At March 31, 2009, the carrying value of these assets was \$14.2 million, or 34% of total assets. We evaluate the carrying value of long-lived assets when events or circumstances indicate that impairment may exist. In our evaluation, we estimate the net undiscounted cash flows expected to be generated by the assets and recognize impairment when such cash

flows will be less than the carrying values. Events or circumstances that could indicate the existence of a possible impairment include obsolescence of the technology, an absence of market demand for the product, and/or the partial or complete lapse of technology rights protection.

- **Share-Based Compensation.** We have a stock incentive plan that provides for the issuance of stock options, restricted stock and other awards to employees and service providers. We calculate compensation expense under SFAS 123R using a Black-Scholes Merton option pricing model. In so doing, we estimate certain key assumptions used in the model. We believe the estimates we use are appropriate and reasonable.

- **Revenue Recognition.** We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred or service has been performed, the fee is fixed and determinable, and collectability is probable. Historically, our revenues were derived from three sources: product sales, commercial collaborations, and contract research and development. License fees are recognized when the agreement is signed; we have performed all material obligations related to the particular milestone payment or other revenue component and the earnings process is complete. Revenue for product sales is recognized upon delivery of the product, unless specific contractual terms dictate otherwise. Based on the specific terms and conditions of each contract/grant, revenues are recognized on a time and materials basis, a percentage of completion basis and/or a completed contract basis. Revenue under contracts based on time and materials is recognized at contractually billable rates as labor hours and expenses are incurred. Revenue under contracts based on a fixed fee arrangement is recognized based on various performance measures, such as stipulated milestones. As these milestones are achieved, revenue is recognized. From time to time, facts develop that may require us to revise our estimated total costs or revenues expected. The cumulative effect of revised estimates is recorded in the period in which the facts requiring revisions become known. The full amount of anticipated losses on any type of contract is recognized in the period in which it becomes known. Payments received in advance relating to future performance of services or delivery of products are deferred until the performance of the service is complete or the product is shipped. Upfront payments received in connection with certain rights granted in contractual arrangements are deferred and amortized over the related time period over which the benefits are received. Based on specific customer bill and hold agreements, revenue is recognized when the inventory is shipped to a third party storage warehouse, the inventory is segregated and marked as sold, and the customer takes the full rights of ownership and title to the inventory upon shipment to the warehouse per the bill and hold agreement. When contract terms include multiple components that are considered separate units of accounting, the revenue is attributed to each component and revenue recognition may occur at different points in time for product shipment, installation, and service contracts based on substantial completion of the earnings process.
- **Accrued Warranty.** We provide a limited warranty for battery packs and energy storage systems. A liability is recorded for estimated warranty obligations at the date products are sold. Since these are new products, the estimated cost of warranty coverage is based on cell and module life cycle testing and compared for reasonableness to warranty rates on competing battery products. As sufficient actual historical data is collected on the new product, the estimated cost of warranty coverage will be adjusted accordingly. The liability for estimated warranty obligations may also be adjusted based on specific warranty issues identified.
- **Overhead Allocation.** Facilities overheads, which are comprised primarily of occupancy and related expenses, and fringe benefit expenses, are initially recorded in general and administrative expenses and then allocated monthly to research and development expense based on labor costs. Facilities overheads and fringe benefits allocated to research and development projects may be chargeable when invoicing customers under certain research and development contracts.
- **Allowance for Doubtful Accounts.** The allowance for doubtful accounts is based on our assessment of the collectability of specific customer accounts and the aging of accounts receivable. We analyze historical bad debts, the aging of customer accounts, customer concentrations, customer credit-worthiness, current economic trends and changes in our customer payment patterns when evaluating the adequacy of the allowance for doubtful accounts. From period to period, differences in judgments or estimates utilized may result in material differences in the amount and timing of our bad debt expenses.
- **Inventory.** The Company values its inventories generally at the lower of cost (first-in, first-out method) or market. We employ a full absorption procedure using standard cost techniques. The standards are customarily reviewed and adjusted annually. Overhead rates are recorded to inventory based on normal capacity. Any idle facility costs or excessive spoilage are recorded as current period charges.

- **Deferred Income Tax.** Income taxes are accounted for using the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Future tax benefits are subject to a valuation allowance when management is unable to conclude that its deferred income tax assets will more likely than not be realized from the results of operations. We have recorded a valuation allowance to reflect the estimated amount of deferred income tax assets that may not be realized. The ultimate realization of deferred income tax assets is dependent upon generation of future taxable income during the periods in which those temporary differences become deductible. Management considers projected future taxable income and tax planning strategies in making this assessment. Based on the historical taxable income and projections for future taxable income over the periods in which the deferred income tax assets become deductible, management believes it more likely than not that the Company will not realize benefits of these deductible differences as of March 31, 2009. Management has, therefore, established a full valuation allowance against its net deferred income tax assets as of March 31, 2009. Due to the significant increase in common shares issued and outstanding from 2005 through 2008, Section 382 of the Internal Revenue Code may provide significant limitations on the utilization of our net operating loss carry forwards. As a result of these limitations, a portion of these loss and credit carryovers may expire without being utilized.

Results of Operations

Three Months Ended March 31, 2009 Compared to Three Months Ended March 31, 2008

The net loss for the quarter ended March 31, 2009, which was the first quarter of our 2009 fiscal year, totaled \$6.4 million (\$0.07 per share) compared to a net loss of \$8.3 million (\$0.10 per share) in the first quarter of 2008.

Total revenues for the quarter ended March 31, 2009 were \$902,000 compared to \$1.1 million for the same period of 2008. The decrease in revenue is primarily due to a reduction of \$372,000 in contracts and grants as Office of Naval Research grant concluded during the fourth quarter of 2008.

Cost of sales – product increased by \$127,000, from \$58,000 compared to \$185,000 in the same quarter of 2009. This change is driven by a shift from sales of the more profitable prototype cells and modules in the first quarter of 2008 to less profitable lithium Titanate powder in the same quarter of 2009.

Research and development, expense decreased by \$2.2 million, from \$5.3 million in the first quarter of 2008 to \$3.0 million in the same quarter of 2008. Costs decreased \$1.1 million associated with grant activity in the first quarter of 2009. Additional cost decreases of \$992,000 are attributable to a shift in focus and realignment of resources from Life Sciences and Performance Materials to the battery production arena.

General and administrative expenses decreased by \$446,000, from \$3.3 million in the first quarter of 2008 to \$2.8 million in the same quarter of 2009. This decrease is primarily related to the separation expenses related to our former President and Chief Executive Officer that were incurred in February 2008.

Depreciation and amortization increased by \$160,000, from \$573,000 in the first quarter of 2008 to \$733,000 in the same quarter of 2009. The increase in depreciation reflects the addition of approximately \$1.4 million of production equipment and facility improvements from April 1, 2008 through March 31, 2009.

Interest income decreased by \$311,000, from \$382,000 in the first quarter 2007 to \$71,000 in the same quarter of 2008. On average, a higher average level of cash during 2008 than in 2009 and lower interest rates in 2009 drove this reduction.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We do not have any derivative instruments, commodity instruments, or other financial instruments for trading or speculative purposes, nor are we presently at material risk for changes in interest rates on foreign currency exchange rates. Although we do not speculate on the currency markets, we will on occasion enter into currency hedging contracts to minimize our risk associated with currency rate fluctuations when purchasing from a foreign supplier in a foreign currency. During the first quarter of 2009, we entered into one such contract which has since been unwound at no cost or gain to us.

Item 4. Controls and Procedures

(a) Based on the evaluation of our "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) or 15d-15(e)) required by paragraph (b) of Rules 13a-15 or 15d-15, our chief executive officer and our chief financial officer have concluded that, as of March 31, 2009, our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods required by governing rules and forms.

(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.

22

PART II – OTHER INFORMATION

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, 2008, except as follows:

- We have added the following risk factor to more clearly articulate risks to our company arising from the economic slowdown and government initiatives:

Adverse economic conditions and government initiatives could reduce, delay or harm demand for our products.

The current financial markets and general economic environment are substantially weaker at present than they were during the first quarter of 2008. Our products are targeted primarily at large power producers, the U.S. and British military, military contractors and, to a lesser extent, automobile manufacturers. Due to declining revenues and concerns about liquidity, companies and branches of the military in our target market have reduced, delayed or eliminated many research and development initiatives, including those related to energy storage. This reduction or delay in development spending is harming our development and production efforts and will continue to harm such efforts until development spending increases to prior levels.

In addition, certain of our customers or potential customers who have the liquidity to fund development projects have deferred orders in anticipation of qualifying for funds dispensed in accordance with the American Recovery and Reinvestment Act of 2009. We are likely to experience reduced product demand until companies seeking funding under these energy initiatives within the American Recovery and Reinvestment Act of 2009 receive funding and/or learn that they will not receive funding.

- We have made immaterial edits and updated the financial and other data referenced in the risk factors as of a recent practicable date.

Risk Factors

An investment in our common shares 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 continue to experience significant losses from operations.

We have experienced a net loss in every fiscal year since our inception. Our losses from operations were \$30.1 million in 2008, and \$6.4 million for the three months ended March 31, 2009. Even if we do generate operating income in one or more quarters in the future, 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 operating losses. We may never become profitable.

Our quarterly 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 quarterly 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, our stock price may fall. Factors that may affect our quarterly operating results include the following:

- fluctuations in the size and timing of customer orders from one quarter to the next;
 - 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 our key customers;
 - our ability to commercialize and obtain orders for products we are developing;
 - costs associated with developing our manufacturing capabilities;
- 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;
 - technology and intellectual property issues associated with our products; and
 - general political, social, geopolitical and economic trends and events.

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, 2008, 2007 and 2006, contract service revenues comprised 87%, 55% and 67% respectively, of our operating revenues. Contract services revenue is low margin, or has negative margins, and is unlikely to grow at a rapid pace. 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, or if we are forced to accept low or negative margins in order to achieve revenue growth, we may fail to reach profitability in the future.

Adverse economic conditions and government initiatives could reduce or delay the demand for our products.

The current financial markets and general economic environment are substantially weaker at present than they were during the first quarter of 2008. Our products are targeted primarily at large power producers, the U.S. and British military, military contractors and, to a lesser extent, automobile manufacturers. Due to declining revenues and concerns about liquidity, companies and branches of the military in our target market have reduced, delayed or eliminated many research and development initiatives, including those related to energy storage. This reduction or delay in development spending is harming our development and productions efforts and will continue to harm such efforts until development spending increases to prior levels.

In addition, certain of our customers or potential customers who have the liquidity to fund development projects have deferred orders in anticipation of qualifying for funds dispensed in accordance with the American Recovery and Reinvestment Act of 2009. We are likely to experienced reduced product demand until companies seeking funding under these energy initiatives within the American Recovery and Reinvestment Act of 2009 receive funding and/or learn that they will not receive funding.

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

We rely on certain suppliers as the sole-source of certain services, raw materials and other components of our products. We do not have long-term supply or service agreements 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 such a supplier failed to provide essential services or deliver essential components on a timely basis 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.

Our patents and other protective measures may not adequately protect our proprietary intellectual property, and we may be infringing on the rights of others.

We regard our intellectual property, particularly our proprietary rights in our nanomaterials technology, as critical to our success. We have received various patents, and filed other patent applications, for various applications and aspects of our nanomaterials technology and other intellectual property. In addition, we generally enter into confidentiality and invention agreements with our employees and consultants. 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;
- The patents we have been granted may be challenged, invalidated or circumvented because of the pre-existence of similar patented or unpatented intellectual property rights or for other reasons;
- Parties to the confidentiality and invention agreements may have such agreements declared unenforceable or, even if the agreements are enforceable, may breach such agreements;
- The costs associated with enforcing patents, confidentiality and invention agreements or other intellectual property rights may make aggressive enforcement cost prohibitive;
- 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 our patented or unpatented proprietary rights.

Because the value of our company and common shares is rooted primarily in our proprietary intellectual property 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.

In addition, we may inadvertently be infringing on the proprietary rights of other persons and may be required to obtain licenses to certain intellectual property or other proprietary rights from third parties. Such licenses or proprietary rights may not be made available under acceptable terms, if at all. If we do not obtain required licenses or proprietary rights, we could encounter delays in product development or find that the development or sale of products requiring such licenses is foreclosed.

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

We do not have the expertise or resources to commercialize all potential applications of our nanomaterials and titanium dioxide pigment technology. For example, we do not have the resources necessary to complete the testing of, and obtain FDA approval for, RenaZorb and other potential life sciences products or to construct a commercial facility to use our titanium dioxide pigment production technology. Other potential applications of our technology, such as those related to our nano-structure LTO electrode materials, are likely to be developed in collaboration with third parties, if at all. With respect to these and substantially all other applications of our technology, the commercialization of a potential application of our technology is 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-structured LTO battery materials and 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 transportation, military and stationary power applications. In the transportation and military markets, batteries containing our nano-structured LTO 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 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 anticipated or actual funding, or elimination of funding, for programs that support renewable energy programs, electric grid improvements, certain military electric vehicle initiatives and related programs;
- 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.

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

Our nano-structure LTO battery materials and battery business has historically been dependent upon a few customers, including the U.S. government, affiliates of AES Corporation and smaller companies developing electric or hybrid electric cars and buses. In addition, most of these customers are 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 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, or budget cutbacks and other events harming the ability of a single customer to continue to purchase products or continue development, may significantly harm both our financial results and the development track of one or more products.

If we acquire or invest in other companies, assets or technologies and we are not able to integrate them with our business, or we do not realize the anticipated financial and strategic goals for any of these transactions, our financial performance may be impaired.

As part of our growth strategy, we routinely consider acquiring or making investments in companies, assets or technologies that we believe are strategic to our business. We do not have extensive experience in conducting diligence on, evaluating, purchasing or integrating new businesses or technologies, and if we do succeed in acquiring or investing in a company or technology, we will be exposed to a number of risks, including:

- we may find that the acquired company or technology does not further our business strategy, that we overpaid for the company or technology or that the economic conditions underlying our acquisition decision have changed;
- we may have difficulty integrating the assets, technologies, operations or personnel of an acquired company, or retaining the key personnel of the acquired company;
- our ongoing business and management's attention may be disrupted or diverted by transition or integration issues and the complexity of managing geographically or culturally diverse enterprises;
- we may encounter difficulty entering and competing in new product or geographic markets or increased competition, including price competition or intellectual property litigation; and
- we may experience significant problems or liabilities associated with product quality, technology and legal contingencies relating to the acquired business or technology, such as intellectual property or employment matters.

In addition, from time to time we may enter into negotiations for acquisitions or investments that are not ultimately consummated. These negotiations could result in significant diversion of management time, as well as substantial out-of-pocket costs. If we were to proceed with one or more significant acquisitions or investments in which the consideration included cash, we could be required to use a substantial portion of our available cash. To the extent we issue shares of capital stock or other rights to purchase capital stock, including options and warrants, existing stockholders would be diluted. In addition, acquisitions and investments may result in the incurrence of debt, large one-time write-offs, such as acquired in-process research and development costs, and restructuring charges.

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-structured LTO electrode materials and battery systems. 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, network infrastructure and systems of financial 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 may be 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 despite their short operating history and small size. 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.

We will not generate substantial revenues from our life science products unless proposed products receive FDA approval and achieve substantial market penetration.

We have entered into development and license agreements with respect to RenaZorb, a potential drug candidate for humans with kidney disease, and may enter into similar agreements with respect to the other products. Most of the potential life sciences applications of our technologies are subject to regulation by the FDA and similar regulatory bodies. In general, license agreements in the life sciences area call for milestone payments as certain milestones related to the development of the products and the obtaining of regulatory approval are met; however, the receipt by the licensor of substantial recurring revenues is generally tied to the receipt of marketing approval from the FDA and the amount of revenue generated from the sale of end products. There are substantial risks associated with licensing arrangements, including the following:

- Further testing of potential life science products using our technology may indicate that such products are less effective than existing products, unsafe, have significant side effects or are otherwise not viable;
- The licensees may be unable to obtain FDA or other regulatory approval for technical, political or other reasons or, even if it obtains such approval, may not obtain such approval on a timely basis; in this regard, we note that Spectrum Pharmaceuticals, Inc., the licensee of RenaZorb, has been significantly delayed in testing on RenaZorb; and
- End products for which FDA approval is obtained, if any, may fail to obtain significant market share for various reasons, including questions about efficacy, need, safety and side effects or because of poor marketing by the licensee.

If any of the foregoing risks, or other risks associated with our life science products were to occur, we would not receive substantial, recurring revenue from our life science efforts, which would adversely affect our overall business, operations and financial condition.

We and Sherwin-Williams may be unable to find a new investor to participate in AlSher, and consequently terminate the joint venture disposing of its remaining assets.

We are currently working with Sherwin-Williams to identify an interested third party to invest in AlSher and undertake the next phase in the proposed development of our titanium dioxide pigment manufacturing process, which is the construction of an approximately 5,000 ton per year demonstration plant. Neither Sherwin nor Altair has indicated a willingness to fund this next phase of development. Should the parties be unable to find an acceptable third party investor, the AlSher joint venture will in all likelihood be terminated and its remaining assets written off or sold. If this joint venture is terminated, it is unlikely that we will realize any material revenue from its titanium dioxide pigment production process.

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

We have not produced any products using our nanomaterials and titanium dioxide pigment technology and equipment on a sustained commercial basis. In-house or outsourced manufacturing is expected to become an increasingly significant part of our business over the next few years. 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 may 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.

We may not be able to raise sufficient capital to meet future obligations.

As of March 31, 2009, we had approximately \$21.9 million in cash and cash equivalents. As we take additional steps to enhance our commercialization and marketing efforts, or respond to acquisition and joint venture opportunities or potential adverse events, our use of working capital may increase. In any such event, absent a comparatively significant increase in revenue, we will need to raise additional capital in order to sustain our ongoing operations, continue unfinished testing and additional development work and, if certain of our products are commercialized, construct and operate facilities for the production of those products.

We may not be able to obtain the amount of additional capital needed or 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 recent 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 financial results, particularly the amount of revenue we are generating from operations;
 - the amount of our capital needs;
- the market's perception of companies in our lines of business;
 - the economics of projects being pursued; and
- the market's perception of our ability to execute our business plan and any specific projects identified as uses of proceeds.

If we are unable to obtain sufficient capital or are forced to pay a high price for capital, we may be unable to meet future obligations or adequately exploit existing or future opportunities. If we are unable to obtain sufficient capital in the long run, we may be forced to curtail or discontinue operations.

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. In addition, we are in the process of reclaiming mineral property that we leased in Tennessee. Under applicable environmental 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 Dubai and may be able to avoid civil liability.

We are a Canadian corporation, and three of our directors and our Canadian legal counsel are residents of Canada. A fourth director is a resident of Dubai. 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 Dubai 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.

29

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 any of our product initiatives, significant customer contracts, significant litigation 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.

We may be delisted from the NASDAQ Capital Market if the price of our common shares does not remain above \$1.00 per share.

Under NASDAQ rules, a stock listed on NASDAQ Capital Market must maintain a minimum bid price of at least \$1.00 per share. During late 2008 and early 2009, the minimum bid price for our common shares has fallen below \$1.00 on several occasions. As a matter of practice, NASDAQ generally gives a company a notice of delisting if its common shares trades below \$1.00 for 30 consecutive trading days. After receiving the notice, the company will generally be delisted if the trading price for its common stock has not exceeded \$1.00 for 10 consecutive days within 90 days of the date of the notice. NASDAQ has temporarily suspended its minimum bid price requirements until July 2009 in light of recent declines in the value of equity securities overall. NASDAQ is not, however, required to extend

this rule suspension or give a company any grace period and may delist a company's stock immediately after violation of an applicable rule. Accordingly, if the price of our common shares trades below \$1.00 for a sustained period of time, or if NASDAQ decides to delist our common shares based upon a one-time violation of the bid-price rule or any other rule, we may be delisted from the NASDAQ Capital Market.

Following any such delisting, our common shares would likely be eligible for quotation on the OTC Bulletin Board or other quotation service. Nonetheless, even if our common shares are quoted on an alternative quotation service, the fact of being delisted from the NASDAQ Capital Market will likely harm the price and trading volume for our common shares. Once delisted, our common shares would not be eligible for relisting until, among other things, our common shares traded at or above \$4.00 per share.

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 5. Other Information

In February 2009, the Company's Compensation, Nominating and Governance Committee adopted the 2009 Annual Incentive Bonus Plan (the "Bonus Plan"). Pursuant to the Bonus Plan, each of the persons identified in the table that follows (the "named executive officers") is eligible for target annual incentive bonuses ranging from 60% to 80% of his base salary, depending on his position. Of these amounts, 100% is tied to the achievement of corporate goals as follows: a total revenue goal (25% weighting), a cash balance target at December 31, 2009 (40% weighting), an order backlog (30% weighting) and a safety OSHA incidence rate (5% weighting), all in line with the Company's board-approved budget. The incentive bonus is triggered when 100% of the corporate goals are achieved and increases linearly from 100% to 150% for 100% to 125% performance. Bonuses are paid 60% in cash and 40% in stock for each named executive officer. Set forth in the table that follows are the minimum/target and the maximum incentive bonus opportunity for each of the named executive officers, phrased as a percentage of base salary:

Name	Minimum/Target Incentive Bonus Opportunity (payout as a % of base salary)	Maximum Incentive Bonus Opportunity (payout as a % of base salary)
------	---	--

Edgar Filing: ALTAIR NANOTECHNOLOGIES INC - Form 10-Q

Terry M. Copeland, President, Chief Executive Officer	80	120
John C. Fallini, Chief Financial Officer	60	90
Bruce J. Sabacky, Vice President & Chief Technology Officer	60	90
Stephen Balogh, Vice President Human Resources	60	90
C. Robert Pedraza, Vice President Corporate Strategy	60	90

31

The Compensation, Nominating and Governance Committee reserves the discretion to award, or to deny, annual incentive bonuses whether or not performance targets are achieved, as it deems appropriate. Decisions with respect to incentive bonuses for 2009 will be made by the Compensation, Nominating and Governance Committee based upon year-end information and pursuant to the formula included in the 2009 incentive plan.

Item 6. Exhibits

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

32

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.

May 8, 2009
Date

By: /s/ Terry M. Copeland
Terry M. Copeland,
President and Chief Executive Officer

May 8, 2009
Date

By: /s/ John Fallini
John Fallini,
Chief Financial Officer and Secretary

EXHIBIT INDEX

Exhibit No.	Exhibit	Incorporated by Reference/ Filed Herewith
3.1	Articles of Continuance	Incorporated by reference to the Current Report on Form 8-K filed with the SEC on July 18, 2002, File No. 001-12497
3.2	Bylaws	Incorporated by reference to the Annual Report on Form 10-K for the year ended December 31, 2004 filed with the SEC on March 9, 2005, File No. 001-12497
10.1	2009 Annual Incentive Bonus Plan	Filed herewith*
31.1	Section 302 Certification of Chief Executive Officer	Filed herewith
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

* Portions of this Exhibit have been omitted pursuant to Rule 24b-2, are filed separately with the SEC and are subject to a confidential treatment request.