ALTAIR NANOTECHNOLOGIES INC
Form S-4
December 23, 2011

As filed with the Securities and Exchange Commission on December 22, 2011

Registration No. 333-_____

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

Form S-4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Altair Nanotechnologies Inc.
(Exact Name of Registrant as Specified in Its Charter)

Canada*	2890	33-1084375
(State or Other Jurisdiction of Incorporation)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

204 Edison Way
Reno, Nevada 89502
(775) 856-2500
(Address, including zip code, and telephone number, including area code, of Registrant’s principal executive offices)

Stephen B. Huang
204 Edison Way
Reno, Nevada 89502
(775) 856-2500
with a copy to:
Bryan T. Allen, Esq.
Parr Brown Gee & Loveless
185 South State Street, Suite 800
Salt Lake City, Utah 84111
Phone: (801) 257-7963
Facsimile: (801) 532-7750
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective and the consummation of the domestication transaction covered hereby.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earliest effective registration statement for the same offering. o

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If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-border Issuer Tender Offer) o

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price per Share(2)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common stock, .001 par value(3)				
Rights associated with Common Stock(3)	73,565,143	$0.875	$64,369,500	$7,377

(1) Represents shares of common stock of Altair Nanotechnologies, Inc., a to-be-formed Delaware corporation, being registered in connection with the domestication of Altair Nanotechnologies, Inc., a corporation organized under the federal laws of Canada, assuming that the proposed resolution is approved by the shareholders and the domestication is consummated. Number of shares registered is estimated based upon the 73,565,143common shares of Altair Nanotechnologies Inc., a Canadian corporation, outstanding on the date of filling, together with the number of common shares subject to outstanding options and warrants to purchase common shares.

(2) Estimated pursuant to Rule 457(c) solely for the purpose of calculating the registration fee based on the average of the high and low prices for the common shares of the Registrant as reported on the NASDAQ Capital Market on December 16, 2011

(3) Each share of common stock includes an attached right arising under and subject to the terms described in the Amended and Restated Shareholder Rights Plan Agreement dated October 15, 1999, as amended by those certain amendments dated October 5, 2008, September 20, 2010 and July 10, 2011 between the Registrant and Equity Financial Trust Company, as the Rights Agent. Until the occurrence of events described in such agreement, the rights are not exercisable, are evidenced by the common stock and transfer with, and only with, the common stock.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant files a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

* The Registrant intends, subject to shareholder approval, to effect a domestication under Section 388 of the Delaware General Corporation Law, pursuant to which the Registrant's state of incorporation will be Delaware.

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This document shall not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY — SUBJECT TO COMPLETION — DATED DECEMBER 22, 2011

Altair Nanotechnologies Inc.

Common Shares

PROPOSED DOMESTICATION — YOUR VOTE IS VERY IMPORTANT

We are furnishing this management proxy circular to shareholders of Altair Nanotechnologies Inc., in connection with the solicitation of proxies by our management for use at a special meeting of our shareholders. The special meeting will be held on , 2012 at 10:00 o'clock in the morning (Pacific time), in Reno, Nevada.

The purpose of the special meeting is to obtain shareholder approval to change our jurisdiction of incorporation from the federal jurisdiction of Canada to the State of Delaware in the United States through the adoption of articles of domestication and a new certificate of incorporation. This change in jurisdiction of incorporation is referred to as a “continuance” under Canadian law and as a “domestication” under Delaware law.

We believe that the domestication will enhance our ability to engage in strategic joint ventures, acquisition and disposition transactions, eliminate certain regulatory burdens imposed by the Canada Business Corporations Act, limit reporting requirements under the Canadian securities laws, and give us flexibility in our management structure.

Approval of the proposed domestication requires affirmative votes, whether in person or by proxy, from at least two-thirds of the votes cast with respect to the matter by the holders of our common shares at the special meeting where a quorum of one-third of the total outstanding common shares is present. Dissenting shareholders have the right to be paid the fair value of their shares under Section 190 of the Canada Business Corporations Act. Our Board of Directors has reserved the right to terminate or abandon our domestication at any time prior to its effectiveness, notwithstanding shareholder approval, if it determines for any reason that the consummation of our domestication would be inadvisable or not in our and your best interests. If approved by our shareholders, it is anticipated that the domestication will become effective on a date within 90 days of the special meeting of our shareholders.

Your existing certificates representing your Altair Nanotechnologies Inc. common shares will represent the same number of shares of common stock after the domestication without any action on your part. You will not have to exchange any share certificates. We will issue new certificates or book entry share statements, as applicable, to you representing shares of capital stock of Altair Nanotechnologies Inc. as a Delaware corporation upon a transfer of the shares by you or at your request. Following the completion of our domestication, the common stock will continue to be listed on the NASDAQ Capital Market under the trading symbol “ALTI.”

The accompanying management proxy circular provides a detailed description of our proposed domestication and other information to assist you in considering the proposals on which you are asked to vote. We urge you to review this information carefully and, if you require assistance, to consult with your financial, tax or other professional advisers.

Our Board of Directors unanimously recommends that you vote FOR each of the proposals described in this management proxy circular, including the approval of our domestication.

Your vote is very important. Whether or not you plan to attend the special meeting, we ask that you indicate the manner in which you wish your shares to be voted and sign and return your proxy as promptly as possible in the enclosed envelope so that your vote may be recorded. If your shares are registered in your name, you may vote your shares in person if you attend the special meeting, even if you send in your proxy.

These securities involve a high degree of risk. See “Risk Factors” beginning on page 10 of this management proxy circular for a discussion of specified matters that should be considered.

Neither the Securities and Exchange Commission nor any state securities commission or similar authority in Canada, has approved or disapproved of these securities or determined if the management proxy circular/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This management proxy circular/prospectus is dated December 22, 2011 and is first being mailed to shareholders on or about , 2012.

ALTAIR NANOTECHNOLOGIES INC.
204 Edison Way
Reno, Nevada 89502

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the special meeting of the shareholders of Altair Nanotechnologies Inc. (the "Company") will be held at the , on , the day of 2012, at the hour of 10:00 o'clock in the morning (Pacific time) for the following purpose:

To consider, and if deemed advisable, approve a special resolution authorizing the Company to make an application under Section 188 of the Canada Business Corporations Act to change its jurisdiction of incorporation from the federal jurisdiction of Canada to the State of Delaware by way of a domestication under Section 388 of the Delaware General Corporation Law, and to approve the certificate of incorporation authorized in the special resolution to be effective as of the date of the Company’s domestication.

This notice is accompanied by a form of proxy and a management proxy circular.

Shareholders who are unable to attend the special meeting in person are requested to complete, date, sign and return the enclosed form of proxy so that as large a representation as possible may be had at the special meeting. Proxies to be used at the special meeting must be deposited at the office of the transfer agent not later than 48 hours (excluding Saturdays and holidays) before the time of holding the special meeting.

DATED at Toronto, Ontario as of the day of 2012.

BY: ORDER OF THE BOARD

H. Frank Gibbard
President and Chief Executive Officer

MANAGEMENT PROXY CIRCULAR

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ALTAIR NANOTECHNOLOGIES INC.

MANAGEMENT PROXY CIRCULAR

(All dollar amounts expressed herein are U.S. dollars)

SUMMARY

This summary highlights selected information appearing elsewhere in this management proxy circular, or this Circular, and does not contain all the information that you should consider in making a decision with respect to the proposals described in this Circular. You should read this summary together with the more detailed information, including our financial statements and the related notes included in this Circular, and the exhibits attached hereto. You should carefully consider, among other things, the matters discussed in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" which are included in this Circular. You should read this Circular in its entirety.

Unless otherwise provided in this Circular, references to the "Company," "we," "us," and "our" refer to Altair Nanotechnologies Inc., a Canadian corporation, prior to the change of jurisdiction. References to "Altair Delaware" refer solely to Altair Nanotechnologies Inc, a Delaware corporation, as of the effective time of the change in jurisdiction. References to "Altair Canada" refer solely to Altair Nanotechnologies Inc., a Canadian corporation, prior to the effective time of the change in jurisdiction. Masculine pronouns include the female and the neuter as appropriate. We have registered or are in the process of registering the following trademarks: Altair Nanotechnologies Inc®, Altair Nanomaterials, Inc.®, Altairnano®, TiNano® and Nanocheck®. Any other trademarks and service marks used in this Circular are the property of their respective holders.

Altair Nanotechnologies Inc. is a Canadian corporation with principal assets and operations in the United States, whose primary business is developing and commercializing nano-lithium titanate based power and energy systems.

Set forth below in a question and answer format is general information regarding the special meeting of shareholders to which this Circular relates. This general information regarding the special meeting is followed by a more detailed summary of the process relating to, reasons for and effects of our proposed change in jurisdiction of incorporation (Proposal 1 in the Notice of Meeting), which we refer to in this Circular as the "domestication".

Questions and Answers about the Proposals

Q. What is the purpose of the special meeting?

A. The purpose of the special meeting is to vote on a special resolution authorizing the Company to make an application under Section 188 of the Canada Business Corporations Act, referred to as the CBCA, to change its jurisdiction of incorporation from the federal jurisdiction of Canada to the State of Delaware by way of a domestication under Section 388 of the Delaware General Corporation Law, referred to as the DGCL, and to approve the certificate of incorporation authorized in the special resolution to be effective as of the date of the Company's domestication.

Q. Where will the special meeting be held?

A. The special meeting will be held at the , on Wednesday, the day of , 2012, at the hour of 10:00 o'clock in the morning (Pacific time).

Q. Who is soliciting my vote?

A. Our Board of Directors is soliciting your proxy to vote at the special meeting. This Circular and form of proxies were first mailed to our shareholders on or about , 2012. Your vote is important. We encourage you to vote as soon as possible after reviewing this Circular and all information delivered with this Circular.

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Q. Who is entitled to vote?

A. The record date for the determination of shareholders entitled to receive notice of the special meeting is January 4, 2012. As of such date, there are common shares outstanding, each of which is entitled to one vote on all matters presented at the special meeting. In accordance with the provisions of the Canada Business Corporations Act, or the CBCA, we will prepare a list of the holders of our common shares as of the record date.

Q. What are the voting recommendations of the Board of Directors?

A. The Board of Directors recommends that shareholders vote FOR the special resolution authorizing the Company to make an application under Section 188 of the CBCA to change its jurisdiction of incorporation from the federal jurisdiction of Canada to the State of Delaware by way of a domestication under Section 388 of the DGCL, and to approve the certificate of incorporation authorized in the special resolution to be effective as of the date of the Company's domestication.

Q. Will any other matters be voted on?

A. The Board of Directors does not intend to present any other matters at the special meeting. The Board of Directors does not know of any other matters that will be brought before our shareholders for a vote at the special meeting. If any other matter is properly brought before the special meeting, your signed proxy card gives authority to H. Frank Gibbard and, failing him, Stephen B. Huang, or your indicated nominee as proxies, with full power of substitution, to vote on such matters at their discretion.

Q. What is the difference between holding shares as a shareholder of record and as a beneficial owner?

A. Many shareholders hold their shares through a broker or bank rather than directly in their own names. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

Shareholder of Record — If your shares are registered directly in your name with our transfer agent, you are considered, with respect to those shares, the shareholder of record, and these Circular materials are being sent directly to you by us. You may vote the shares registered directly in your name by completing and mailing the proxy card or by written ballot at the special meeting.

Beneficial Owner — If your shares are held in a stock brokerage account or by a bank, you are considered the beneficial owner of shares held in street name, and these Circular materials are being forwarded to you by your bank or broker, which is considered the shareholder of record of these shares. As the beneficial owner, you have the right to direct your bank or broker how to vote and are also invited to attend the special meeting. However, since you are not the shareholder of record, you may not vote these shares in person at the special meeting unless you bring with you a legal proxy from the shareholder of record. Your bank or broker has enclosed a voting instruction card providing directions for how to vote your shares.

Q. How are shares held by a broker or other intermediary voted?

A. Brokers and other intermediaries who have record ownership of our common shares held in brokerage accounts for their clients who beneficially own the shares are subject to rules governing how they can vote the shares. Under these rules, brokers and other intermediaries who do not receive voting instructions from their clients have the discretion to vote uninstructed shares on certain matters ("discretionary matters"), but do not have discretion to vote uninstructed shares as to certain other matters ("non-discretionary matters"). A broker or intermediary may return a proxy card on behalf of a beneficial owner from whom the broker has not received instructions that casts a vote

with regard to discretionary matters, but expressly states that the broker is not voting as to non-discretionary matters. The broker's or other intermediary's inability to vote with respect to the non-discretionary matters is referred to as a "broker non-vote." Partial broker non-votes will be counted for the purpose of determining the presence of a quorum; total broker non-votes will not be counted for the purpose of determining the presence of a quorum.

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If you hold your shares in "street name," we encourage you to contact your broker with your voting instructions as soon as possible. The domestication resolution (Proposal No. 1) is considered to be a discretionary matter. As a result, your broker or other intermediary does not have the ability to vote on your behalf, and no vote will be cast for your shares for this matter unless you provide your broker with voting instructions.

An abstention, or withhold vote, is counted as present and entitled to vote for purposes of determining a quorum. An abstention, or withhold vote, will have no effect on the domestication resolution (Proposal No. 1).

Q. How do I vote?

A. If you are a shareholder of record, there are two ways to vote:

- By completing and mailing your proxy card; or

- By written ballot at the special meeting.

Shareholders who are not shareholders of record and who wish to file proxies should follow the instructions of their intermediary with respect to the procedure to be followed. Generally, shareholders who are not shareholders of record will either: (i) be provided with a proxy executed by the intermediary, as the shareholder of record, but otherwise uncompleted and the beneficial owner may complete the proxy and return it directly to our transfer agent; or (ii) be provided with a request for voting instructions by the intermediary, as the shareholder of record, and then the intermediary must send to our transfer agent an executed proxy form completed in accordance with any voting instructions received by it from the beneficial owner and may not vote in the event that no instructions are received.

Q. Can I change my vote or revoke my proxy?

A. A shareholder of record who has given a proxy has the power to revoke it prior to the commencement of the special meeting by depositing an instrument in writing, including another proxy bearing a later date, executed by the shareholder or by the shareholder's attorney authorized in writing either (i) at the Company's principal office located at 204 Edison Way, Reno, Nevada, 89502 at any time up to and including the last business day preceding the day of the special meeting, or any adjournment thereof or (ii) with the chairman of such meeting on the day of the special meeting or any adjournment thereof or in any other manner permitted by law.

Q. How are votes counted?

A. We will appoint a Scrutineer at the special meeting. The Scrutineer is typically a representative of our transfer agent. The Scrutineer will collect all proxies and ballots, and tabulate the results.

Q. Who pays for soliciting proxies?

A. The cost of solicitation by management will be borne directly by the Company. Arrangements will also be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation materials to the beneficial owners of the common shares of the Company held of record by such persons, and we will reimburse them for their reasonable out-of-pocket expenses incurred by them in connection therewith.

Q. What is the quorum requirement of the special meeting?

A. One-third of the outstanding common shares entitled to vote, represented in person or by properly executed proxy, is required for a quorum at the special meeting.

Q. What are broker non-votes?

A. Broker non-votes occur when holders of record, such as banks and brokers holding shares on behalf of beneficial owners, do not receive voting instructions from the beneficial holders at least ten days before the special meeting. Broker non-votes will not affect the outcome of the matters being voted on at the special meeting, assuming that a quorum is obtained.

Q. What vote is required to approve the proposal?

A. Proposal No. 1, our change of jurisdiction from Canada to Delaware by means of a domestication requires affirmative votes, whether in person or by proxy, from at least two-thirds of the votes cast by the holders of our common shares with respect to the matter at the special meeting where a quorum of one-third of the total outstanding common shares is present.

Of the outstanding common shares as of the Record Date, approximately 42,140,231 are owned by officers, directors and their affiliates, representing 60.7% of the outstanding common shares as of such date.

Q. Who can attend the special meeting?

A. All registered shareholders, their duly appointed representatives, our directors and our auditors are entitled to attend the special meeting.

Q. I own my shares indirectly through my broker, bank, or other nominee, and I receive multiple copies of the Circular and other mailings because more than one person in my household is a beneficial owner. How can I change the number of copies of these mailings that are sent to my household?

A. If you and other members of your household are beneficial owners, you may eliminate this duplication of mailings by contacting your broker, bank, or other nominee. Duplicate mailings in most cases are wasteful for us and inconvenient for you, and we encourage you to eliminate them whenever you can. If you have eliminated duplicate mailings, but for any reason would like to resume them, you must contact your broker, bank, or other nominee. If you are a shareholder of record contact Stephen B. Huang, Chief Financial Officer, by phone at (775) 858-3750 or by mail to P.O. Box 10630, Reno, Nevada, U.S.A. 89510-0630.

Q. Multiple shareholders live in my household, and together we received only one copy of this Circular. How can I obtain my own separate copy of those documents for the Annual and Special meeting?

A. You may pick up copies in person at the special meeting or download them from our Internet web site, www.altairannualmeeting.com. If you want copies mailed to you and are a beneficial owner, you must request them from your broker, bank, or other nominee. If you want copies mailed to you and are a shareholder of record, we will mail them promptly if you request them from Stephen B. Huang, Chief Financial Officer by phone at (775) 858-3750 or by mail to P.O. Box 10630, Reno, Nevada, U.S.A. 89510-0630. We cannot guarantee you will receive mailed copies before the special meeting.

Q. Where can I find the voting results of the special meeting?

A. We are required to file the voting results on the System for Electronic Document Analysis and Retrieval (SEDAR) promptly following the special meeting, and thereafter they can be found on the SEDAR website at www.sedar.com. We are also required to file the voting results on a Current Report on Form 8-K with the SEC promptly following the special meeting, and thereafter they can be found on our website at www.altairnano.com (select the link to SEC Filings on the Investor Relations page).

Q. Who can help answer my questions?

A. If you have questions about the special meeting or if you need additional copies of this Circular or the enclosed proxy card you should contact:

Stephen B. Huang, Chief Financial Officer
P.O. Box 10630
Reno, Nevada 89510-0630 U.S.A.
(775) 858-3750

The Domestication Proposal

The Board of Directors is proposing to change our jurisdiction of incorporation from the federal jurisdiction of Canada to the State of Delaware through a transaction called a "continuance" under Section 188 of the CBCA, also referred to as a "domestication" under Section 388 of the DGCL, and approve a new certificate of incorporation to be effective on the date of the domestication. We will become subject to the DGCL on the date of our domestication, but will be deemed for the purposes of the DGCL to have commenced our existence in Delaware on the date we originally commenced our existence in Canada. Under the DGCL, a corporation becomes domesticated in Delaware by filing a Certificate of Corporate Domestication and a certificate of incorporation for the corporation being domesticated. Our Board of Directors has unanimously approved our domestication and the related certificate of incorporation of Altair Delaware, believes it to be in our best interests and in the best interests of our shareholders, and unanimously recommends approval of the domestication and the approval of the certificate of incorporation of Altair Delaware to our shareholders.

We believe that the domestication will enhance our ability to engage in strategic joint venture, acquisition and disposition transactions, eliminate certain regulatory burdens imposed by the CBCA, limit reporting requirements under the Canadian securities laws, and give us flexibility in our management structure. Based upon our expectation that the Company will be more valuable in the future, we believe it is favorable for us to undertake the domestication now in order to avoid a potentially much higher cost in the future, as the Canadian tax consequences are based on the Company's valuation.

The domestication will change the governing law that applies to our shareholders from the federal jurisdiction of Canada to the State of Delaware. There are material differences between the CBCA and the DGCL. Our shareholders may have more or fewer rights under the DGCL depending on the specific set of circumstances.

We plan to complete the proposed domestication within 90 days of approval by our shareholders. The domestication will be effective on the date set forth in the articles of domestication and a certificate of incorporation, as filed with the Secretary of State of the State of Delaware. Thereafter, Altair Delaware will be subject to the certificate of incorporation filed in Delaware. We will be discontinued in Canada as of the date shown on the certificate of discontinuance issued by the Director appointed under the CBCA, which is expected to be the same date as the date of the filing of the articles of domestication and a certificate of incorporation in Delaware. However, the Board of Directors may decide to delay the domestication or not to proceed with the domestication after receiving approval from our shareholders if it determines that the transaction is no longer advisable. The Board of Directors has not considered any alternative action if the domestication is not approved or if it decides to abandon the transaction.

The domestication will not interrupt our corporate existence, our operations or the trading market of our common shares. Each outstanding common share at the time of the domestication will remain issued and outstanding of Altair Delaware after our corporate existence is continued from Canada under the CBCA and domesticated in Delaware under the DGCL. Following the completion of the domestication, Altair Delaware's common stock will continue to be listed on the NASDAQ Capital Market under the symbol "ALTI."

Regulatory and Other Approvals

The continuance is subject to the authorization of the Director appointed under the CBCA. The Director is empowered to authorize the continuance if, among other things, he is satisfied that the continuance will not adversely affect our creditors or shareholders.

Comparison of Shareholder Rights

Upon completion of the domestication, our shareholders will be holders of capital stock of Altair Nanotechnologies, Inc., a Delaware corporation, and their rights will be governed by the DGCL as well as Altair Delaware's certificate of incorporation and bylaws. Shareholders should be aware that the rights they currently have under the CBCA may, with respect to certain matters, be different under the DGCL. For example, under the CBCA, a company has the authority to issue an unlimited number of shares whereas, under the DGCL, a Delaware corporation may only issue the number of shares that is authorized by its certificate of incorporation, and shareholder approval must be obtained to amend the certificate of incorporation to authorize the issuance of additional shares. On the other hand, under the CBCA, shareholders are entitled to appraisal/dissent rights for a number of extraordinary corporate actions, including an amalgamation with another unrelated corporation, some amendments to a corporation's certificate of incorporation and the sale of all or substantially all of a corporation's assets, whereas under the DGCL, stockholders are only entitled to appraisal/dissent rights for certain mergers. In addition, under the CBCA, shareholders owning at least 5% of our outstanding voting shares have the right to require the board of directors to call a special meeting of shareholders whereas, under the DGCL, stockholders have no right to require the board of directors to call a special meeting. We refer you to the section entitled "The Domestication — Comparison of Shareholder Rights" for a more detailed description of the material differences between the rights of Canadian shareholders and Delaware stockholders.

Accounting Treatment of the Domestication

Our domestication as a Delaware corporation represents a transaction between entities under common control. Assets and liabilities transferred between entities under common control are accounted for at carrying value. Accordingly, the assets and liabilities of Altair Delaware will be reflected at their carrying value to us. Any of our shares that we acquire from dissenting shareholders will be treated as an acquisition of treasury stock at the amount paid for the shares. Under Delaware law, the treasury shares may then be re-issued under the same terms as our authorized shares.

Dissent Rights of Shareholders

If you wish to dissent and do so in compliance with Section 190 of the CBCA, and we proceed with the continuance, you will be entitled to be paid the fair value of the shares you hold. Fair value is determined as of the close of business on the day before the continuance is approved by our shareholders. If you wish to dissent, you must send written objection to the continuance to us at or before the special meeting. If you vote in favor of the continuance, you in effect lose your rights to dissent. If you withhold your vote or vote against the continuance, you preserve your dissent rights to the extent you comply with Section 190 of the CBCA. However, it is not sufficient to vote against the continuance or to withhold your vote. You must also provide a separate dissent notice at or before the special meeting. If you grant a proxy and intend to dissent, the proxy must instruct the proxy holder to vote against the continuance in order to prevent the proxy holder from voting such shares in favor of the continuance and thereby voiding your right to dissent. Under the CBCA, you have no right of partial dissent. Accordingly, you may only dissent as to all your shares. Additional information regarding dissenters rights is set forth under the caption "Proposal 1 — The Domestication — Dissent Rights of Shareholders". In addition, Section 190 of the CBCA is reprinted in its entirety as Exhibit E to this Circular.

Tax Consequences of the Domestication

United States Federal Income Tax Considerations

For the reasons described in greater detail below under the caption "Proposal 1 — The Domestication — United States Federal Income Tax Considerations," we have been advised the change in our jurisdiction of incorporation will

constitute a "reorganization" within the meaning of Section 368(a) of the United States Internal Revenue Code of 1986, as amended, or the Code. If, for any reason, we determine that the domestication would not qualify as a "reorganization," we will abandon the domestication. As a result of the domestication constituting a "reorganization," we will not recognize any gain or loss for U.S. federal income tax purposes on the domestication, other than with respect to our holdings of U.S. real property. With respect to our U.S. real property interests, the domestication will result in our recognizing taxable gain equal to the excess of the fair market value of such U.S. real property on the date of the domestication over our adjusted tax basis in that real property. We estimate that taxable gain to be approximately $772,000, but can give no assurance that the Internal Revenue Service (the "IRS") will accept our calculation of the amount of the gain. The amount of our actual United States federal income tax liability for the year of the domestication will depend upon our other items of taxable income or loss for the year, including net operating loss carryovers from prior years, but be we anticipate that the approximate $772,000 gain will result in an approximate $270,000 first-tier U.S. income tax and an approximate $232,000 second tier U.S. branch profits tax.

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For non-dissenting U.S. shareholders, the domestication also would be tax-free for United States income tax purposes, with two possible exceptions. First, we met the definition of a "passive foreign investment company" under Code Section 1297 during certain taxable periods prior to 2002; accordingly, proposed Treasury Regulations under Code Section 1291(f) will require U.S. holders who acquired their shares of our Company prior to 2002 to recognize taxable gain on the domestication equal to the excess of the fair market value of their shares on the date of domestication over their tax basis in such shares. Second, Code Section 367 has the effect of potentially imposing income tax on certain U.S. holders in connection with the domestication. Pursuant to the Treasury Regulations under Code Section 367, any U.S. holder that owns, directly or through attribution, 10% or more of the combined voting power of all classes of our stock (which we refer to as a 10% shareholder) will have to recognize a deemed dividend on the domestication equal to the "all earnings and profits amount," within the meaning of Treasury Regulation Section 1.367(b)-2, attributable to such holder's shares in the Company. Any U.S. shareholder that is not a 10% shareholder and whose shares have a fair market value of less than $50,000 on the date of the domestication will recognize no gain or loss as a result of the domestication. A U.S. shareholder that is not a 10% shareholder but whose shares have a fair market value of at least $50,000 on the date of the domestication must recognize gain (but not loss) on the domestication equal to the excess of the fair market value of the Company stock at the time of the domestication over the shareholder's tax basis in such shares. Such a U.S. holder, however, instead of recognizing gain, may elect to include in income as a deemed dividend the "all earnings and profits amount" attributable to his shares in the Company which we refer to as a "Deemed Dividend Election." Based on available information, we believe that no U.S. shareholder of the Company should have a positive "all earnings and profits amount" attributable to such shareholder's shares in the Company, and accordingly no 10% shareholder or shareholders who makes a Deemed Dividend Election should be subject to tax under Code Section 367 on the domestication. Our determination with respect to the "all earnings and profits amount" results from calculations performed by our accounting firm based on information provided to them by us. However, no assurance can be given that the IRS will agree with us. If it does not, a U.S. shareholder may be subject to adverse U.S. federal income tax consequences under Code Section 367. A U.S. shareholder's tax basis in the shares of Altair Delaware received in the exchange will be equal to such shareholder's tax basis in the shares of the Company, increased by the amount of gain (if any) recognized in connection with the domestication or the amount of the "all earnings and profits amount" included in income by such U.S. shareholder. A U.S. shareholder's holding period in the shares of Altair Delaware should include the period of time during which such shareholder held his shares in the Company, provided that the shares of the Company were held as capital assets.

Canadian Federal Income Tax Considerations

Under the Income Tax Act (Canada), or the ITA, the change in our jurisdiction from Canada to the United States will cause our tax year to end immediately before the continuance. Furthermore, we will be deemed to have disposed of all of our property immediately before the continuance for proceeds of disposition equal to the fair market value of the property at that time. We will be subject to a separate corporate emigration tax equal to the amount by which the fair market value of all of our property immediately before the continuance exceeds the aggregate of our liabilities at that time (other than dividends payable and taxes payable in connection with this emigration tax) and the amount of paid-up capital on all of our issued and outstanding shares. With the assistance of professional advisors, we have reviewed our assets, liabilities, paid-up capital and other tax balances and, assuming that the market price of our common shares does not exceed $3.70 per share, that the exchange rate of the Canadian dollar to the U.S. dollar is CDN $1.00 equals U.S. $1.03395 and that the value of our property does not increase, it is anticipated that there will be no material Canadian federal income taxation arising on the continuance.

Our shareholders who remain holding the shares after the continuance will not be considered to have disposed of their shares by reason only of the continuance. Accordingly, the continuance will not cause shareholders to realize a capital gain or loss on their shares, and there will be no effect on the adjusted cost base of their shares. Our shareholders who dissent to the continuance may be deemed to receive a taxable dividend equal to the amount by which the amount received for their shares, less an amount in respect of interest, if any, awarded by the Court, exceeds the paid-up

capital of such shares, if the shares were cancelled before the continuance became effective. A dissenting shareholder will also be considered to have disposed of the shares for proceeds of disposition equal to the amount paid to such shareholder less an amount in respect of interest, if any, awarded by the Court and the amount of any deemed dividend.

The foregoing is a brief summary of the principal income tax considerations only and is qualified in its entirety by the more detailed description of income tax considerations in the "United States Federal Income Tax Considerations" and "Canadian Federal Income Tax Considerations" subsections under "Proposal No. 1 – The Domestication", of this Circular, which shareholders are urged to read. This summary does not discuss all aspects of United States and Canadian tax consequences that may apply in connection with the domestication. Shareholders should consult their own tax advisors as to the tax consequences of the domestication applicable to them. In addition, please note that other tax consequences may arise under applicable law in other countries.

Selected Financial Data

The table below presents our selected historical consolidated financial data as of and for each of the five years ended December 31, 2010, 2009, 2008, 2007 and 2006. The selected historical consolidated financial data as of and for the five years ended December 31, 2010 is derived from our audited consolidated financial statements, which have been audited by Perry-Smith LLP, an independent registered public accounting firm and are included in this Circular.

The selected historical consolidated financial data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included herein. Our financial statements included in this Circular have been prepared in accordance with U.S. GAAP.

Amounts are expressed in thousands of dollars, except share and per share amounts.

For the Year Ended December 31,	2010	2009	2008	2007	2006
STATEMENTS OF OPERATIONS					
Revenues	$ 7,830	$ 4,371	$ 5,726	$ 9,108	$ 4,324
Operating expenses	(22,481)	(22,114)	(33,202)	(42,176)	(22,005)
Interest expense	(19)	(107)	(97)	(134)	(172)
Interest income	101	188	982	1,101	655
Loss on foreign exchange	(1)	(2)	(10)	(1)	(2)
Realized (loss)/gain on investment	(2,045)	851	(89)	-	-
Loss from continuing operations before non-controlling interest's share	(22,291)	(21,931)	(29,340)	(32,102)	(17,200)
Non-controlling interest's share	5	619	272	631	-
Net loss	(22,286)	(21,312)	(29,068)	(31,471)	(17,200)
Basic and diluted net loss per common share	(0.84)	(0.85)	(1.35)	(1.80)	(1.16)
Cash dividends declared per common share	-	-	-	-	-
BALANCE SHEET DATA					
Working capital	8,161	22,118	26,067	39,573	25,928
Total assets	24,260	40,317	48,071	73,859	43,121
Current liabilities	(6,946)	(4,055)	(3,647)	(14,329)	(3,500)
Long-term obligations	(16)	(37)	(608)	(1,200)	(1,800)
Non-controlling interest in subsidiary	-	(541)	(1,098)	(1,369)	-
Net shareholders' equity	$ (17,298)	$ (35,684)	$ (42,718)	$ (56,961)	$ (37,821)

RISK FACTORS

This Circular 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 stat discuss future expectations, contain projections regarding future developments, operations, or financial conditions, or state other forward-looking information within the meaning of Section 27A of the United States Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"). When considering such forward-looking statements, you should keep in mind the risk factors noted herein under "Risk Factors" and other cautionary statements throughout this Circular and our other filings with the SEC. You should also keep in mind that all forward-looking statements are based on management's existing beliefs about present and future events that may be outside of management's control and on assumptions that may prove to be incorrect. If one or more risks identified in this Circular 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.

Risks Relating to the Domestication

The amount of corporate tax payable by us will be affected by the value of our common shares and our property on the date of the domestication.

For Canadian tax purposes, on the date of the domestication we will be deemed to have a year end and will also be deemed to have sold all of our property and received the fair market value for those properties. This deemed disposition may cause us to incur a Canadian tax liability as a result of the deemed capital gain. We will be subject to an additional corporate emigration tax equal to 5% of the amount by which the fair market value of our property, net of liabilities, exceeds the paid-up capital of our issued and outstanding shares. We have completed certain calculations of our tax accounts with the assistance of professional advisors, and assuming that the market price of our common shares does not exceed $3.70, that the exchange rate of the Canadian dollar to the U.S. dollar is CDN $1.00 equals U.S. $1.03 and that the value of our property does not increase, it is anticipated that there will not be any Canadian federal income tax arising on the continuance. The amount of such corporate emigration tax will be increased (or reduced) by any increase (or decrease) in the value of our stock price or property, and it is possible that the Canadian federal tax authorities may not accept our valuations or calculations of our tax accounts, which may result in additional taxes payable as a result of the domestication. As is customary, when a Canadian federal tax liability depends largely on factual matters, we have not applied to the Canadian federal tax authorities for a ruling on this matter and do not intend to do so.

As a result of the domestication, we will incur U.S. taxable gain and tax liability at the corporate level with respect to the fair market value of our U.S. real property interests, and the amount of such taxable gain and resulting tax liability is subject to challenge and redetermination by the IRS.

We believe that the domestication will qualify as a "reorganization" for U.S. federal income tax purposes. As a result of the domestication being a "reorganization," we will not recognize any taxable gain for U.S. federal income tax purposes on the domestication at the corporate level except to the extent that the fair market value of our U.S. real property exceeds our adjusted tax basis in such U.S. real property. We estimate that the fair market value of our U.S. real property currently exceeds our adjusted tax basis in that property by an amount of approximately $772,000. If the IRS does not agree with our valuation of our U.S. real property interests, however, our U.S. taxable gain on the domestication could be greater. The actual amount of our U.S. federal income tax liability for the year of the domestication will also depend upon our other items of taxable income and loss for the year, including net operating loss carryovers from prior years. Any gain with respect to our U.S. real property could also be subject to a second-tier 30% U.S. branch profits tax.

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If the IRS does not agree with our calculation of the "all earnings and profits amount" attributable to a U.S. shareholder's shares, or a U.S. shareholder owned our shares while we were a passive foreign investment company prior to 2002, the shareholder may owe U.S. federal income taxes as a result of the domestication.

Because the domestication will be a "reorganization" for U.S. federal income tax purposes our U.S. shareholders will not recognize any taxable gain or loss at the shareholder level on the domestication, subject to two possible exceptions.

First, U.S. shareholders who own directly or indirectly 10% or more of our outstanding common stock will have to recognize taxable dividend income on the domestication to the extent of the "all earnings and profits" amount, if any, allocable to their shares under Treasury Regulation Section 1.367(b)-2. Similarly, U.S. holders of shares of our corporation having a value of $50,000 or more will have to recognize taxable gain on the domestication equal to the excess of the value of their shares over their adjusted tax basis in the shares unless they timely make a "deemed dividend" election to instead be taxed on the "all earnings and profits" amount, if any, allocable to their shares in our corporation. Based on a review of information available to us, we believe that Altair Nanotechnologies Inc. has a deficit in "earnings and profits." As a result, no U.S. shareholder should have a positive "all earnings and profits amount" attributable to such shareholder's common shares. Therefore, no 10% or greater U.S. shareholder of our corporation should be subject to U.S. income tax on any "all earnings and profits amount" as a result of the domestication. By timely making a Deemed Dividend Election, any less than 10% U.S. shareholder who would otherwise be subject to U.S. tax on the domestication as a result of holding appreciated shares worth $50,000 or more should not be required to include any such amount in income. However, if the IRS does not agree with our calculation of the "all earnings and profits amount," a U.S. shareholder may be subject to adverse U.S. federal income tax consequences on the domestication.

Second, if a U.S. shareholder owned our shares during any taxable year in which we were a "passive foreign investment company" within the meaning of Section 1297 of the Code, such shareholder may have to recognize taxable gain on the domestication to the extent those shares have a value in excess of the shareholder's adjusted tax basis in the shares. We believe we were not a "passive foreign investment company" in 2002 or any later taxable year, but we may have been a passive foreign investment company at various times prior to 2002. U.S. shareholders who acquired their shares of our corporation prior to 2002 should confer with their individual tax advisors regarding the effects of the passive foreign investment company rules.

For additional information on the U.S. federal income tax consequences of the domestication, see "Proposal No.1 – The Domestication -- United States Federal Income Tax Considerations."

The rights of our shareholders under Canadian law will differ from their rights under Delaware law, which will, in some cases, provide less protection to shareholders following the domestication.

Upon consummation of the domestication, our shareholders will become stockholders of a Delaware corporation. There are material differences between the CBCA and the DGCL and our current and proposed charter and bylaws. For example, under Canadian law, many significant corporate actions such as amending a corporation's certificate of incorporation or consummating a merger require the approval of at least two-thirds of the votes cast by shareholders, whereas under Delaware law, what is required is a majority of the total voting power of all of those entitled to vote on the matter. Furthermore, shareholders under Canadian law are entitled to appraisal/dissent rights under a number of extraordinary corporate actions, including an amalgamation with another unrelated corporation, certain amendments to a corporation's certificate of incorporation or the sale of all or substantially all of a corporation's assets, whereas under Delaware law, stockholders are only entitled to appraisal rights for certain mergers. When directors make, amend or repeal a bylaw, they are required under the CBCA to submit the change to shareholders at the next meeting of shareholders. Shareholders may confirm, reject or amend the bylaw, the amendment or the repeal

with the approval of a majority of the votes cast by shareholders who voted on the resolution. Under Delaware law, a corporation's board of directors is permitted to amend bylaws without stockholder approval. As shown by the examples above, if the domestication is approved, our shareholders, in certain circumstances, may be afforded less protection under the DGCL than they had under the CBCA. See "Proposal No.1 — The Domestication — Comparison of Shareholder Rights."

The proposed domestication will result in additional direct and indirect costs whether or not completed.

The domestication will result in additional direct costs. We will incur attorneys' fees, accountants' fees, filing fees, mailing expenses and financial printing expenses in connection with the domestication. The domestication may also result in certain indirect costs by diverting the attention of our management and employees from the day-to-day management of the business, which may result in increased administrative costs and expenses.

Risks Relating to Our Company

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

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

- market factors affecting the availability and cost of capital generally, including increases or decreases in major stock market indexes, the stability of the banking and investment banking systems and general economic stability or instability;
- the price, volatility and trading volume of our common shares;
- our ability to provide collateral or a purchase agreement to support project financing or similar debt;
- our financial results, particularly the amount of revenue we are generating from product sales;
- the market's perception of our ability to execute our business plan and any specific projects identified as uses of proceeds;
- our ownership structure and recent or anticipated dilution;
- the amount of our capital needs;
- the market's perception of our company and companies in our line of business; and
- the economics of projects being pursued.

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

We may continue to experience significant losses from operations.

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

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

In February 2011, we entered into a purchase contract with Inversiones Energeticas, S.A. de C.V., or INE, related to the purchase of a turn-key 10 Megawatt ALTI-ESS advanced battery system for $18 million. Projected revenue under this agreement represented a substantial portion of our expected revenue in 2011. On April 15, 2011, as a result of unexpected regulatory issues, INE notified us that they needed to cancel the contract in accordance with its terms. INE subsequently stated that such letter was not intended to effect a termination of the contract, but merely to

provide notice of its initial failure to obtain regulatory approval, which would automatically effect a termination of the contract if the issue was not resolved within 120 days, subject to extension by the parties. On June 7, 2011, we entered into a 90-day extension of an automatic termination provision of the contract, and on September 12, 2011, we entered into a 120-day extension of the automatic termination provisions of the contract, in each case in order to allow the various parties additional time to resolve these regulatory issues. We may be unable to resolve the regulatory issues with the existing agreement or may otherwise be unable to enter into a new agreement with INE. If not, we will lose anticipated revenue and lose the expected marketing benefits we expected following the completion of the installation of the ALTI-ESS system. This will harm our short-term revenue projections and possibly our long-term revenue potential.

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

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

- YTE may be unable to use our nano-lithium titanate or battery technology in its products and, as a result, may not purchase products from us long term;
- Even if YTE is able to integrate our nano-lithium titanate and/or technology into its products, it may not be able to achieve significant sales with its products;
- We may be unable to continue to reach agreement with YTE on the pricing of any products or services we supply them or may, as a result of market or other circumstances, be compelled to agree to prices that are not consistent with profitability;
- As a result of the terms of the Conditional Supply and Technology Licensing Agreement, subsequent agreements or gaps in our intellectual property protection, Canon or YTE may be able to exploit our technology under circumstances in which we do not receive significant economic benefits; and
- Canon may not be able to, or exert significant efforts to, provide us access to the Chinese markets, particularly if our products could compete with products produced by YTE.

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

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

As a result of the closing of the Share Subscription Agreement dated September 20, 2011, as amended with Canon, referred to as the Share Subscription Agreement, Canon now owns a majority of our outstanding common shares and has the right to appoint, and has appointed, a majority of our Board of Directors. This majority acquisition presents certain risks to us, including the following:

- Certain of our existing or potential customers or suppliers may be reluctant to do business with a company controlled by a single shareholder, or a China-based affiliate of a battery manufacturer, and, as a result, may cancel or choose not to make, orders;
- We may experience significant turnover in key management, technical or other employees;
- Because of the physical distance, cultural differences and language difference between the United States and China, we may experience conflicts or inefficiencies in Board-management communication, management-employee communication, strategy formation and other parts of our business; this risk may be exacerbated by the fact that most of the nominees proposed by Canon do not speak English;
- We plan to spend a portion, possibly a substantial portion, of the proceeds from the Canon transaction on a sales office, and eventually manufacturing and/or assembly facilities, in China; this project may divert management attention and consume a significant amount of capital;
- As a majority shareholder, Canon may be able to influence our Board of Directors to enter into transactions with Canon affiliates that are more favorable to such Canon affiliate than would be negotiated by an independent Board of Directors. A particular risk in this area relates to the protection of trade secrets if, and as, employees of Canon affiliates, such as YTE, are hired by us and/or we participate in joint development or technology development and sharing arrangements with YTE or other Canon affiliates; and
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Our new Board of Directors may direct us to abandon significant existing initiatives and direct technical, manufacturing and sales resources toward new products or projects. Any significant change in direction of the business may delay an expected increase in revenues as we start a new development or sales cycle for one or more new products or services.

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

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

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

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

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

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

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

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

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

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

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

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

- fluctuations in the size, quantity and timing of customer orders;
- timing of delivery of our services and products;
- additions of new customers or losses of existing customers;
- positive or negative business or financial developments announced by us or our key customers;
- our ability to commercialize and obtain orders for products we are developing;
- costs associated with developing our manufacturing capabilities;
- the retention of our key employees;
- new product announcements or introductions by our competitors or potential competitors;
- the effect of variations in the market price of our common shares on our equity-based compensation expenses;
- disruptions in the supply of raw materials or components used in the manufacture of our products;
- the pace of adoption of regulation facilitating our ability to sell our products in our target markets;
- technology and intellectual property issues associated with our products;
- general political, social, geopolitical and economic trends and events; and
- availability of components sourced from Korea if tensions between North Korea and South Korea erupt into a greater military conflict.

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

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

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

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

- The costs associated with enforcing patents, confidentiality and invention agreements or other intellectual property rights may make aggressive enforcement cost prohibitive;
- We have not filed for patent protection in many countries in which we are currently selling produce or seek to sell product; as a result, we may be unable to prevent competitors in such markets from selling infringing products;
- Even if we enforce our rights aggressively, injunctions, fines and other penalties may be insufficient to deter violations of our intellectual property rights; and
- Other persons may independently develop proprietary information and techniques that, although functionally equivalent or superior to our intellectual proprietary information and techniques, do not breach proprietary rights.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- we may not be able to enter into development, licensing, supply and other agreements with commercial partners with appropriate resources, technology and expertise on reasonable terms or at all;
- our commercial partners may not place the same priority on a project as we do, may fail to honor contractual commitments, may not have the level of resources, expertise, market strength or other characteristics necessary for the success of the project, may dedicate only limited resources to, and/or may abandon, a development project for reasons, including reasons such as a shift in corporate focus, unrelated to its merits;
- our commercial partners may be in the early stages of development and may not have sufficient liquidity to invest in joint development projects, expand their businesses and purchase our products as expected or honor contractual commitments;
- our commercial partners may terminate joint testing, development or marketing projects on the merits of the projects for various reasons, including determinations that a project is not feasible, cost-effective or likely to lead to a marketable end product;
- at various stages in the testing, development, marketing or production process, we may have disputes with our commercial partners, which may inhibit development, lead to an abandonment of the project or have other negative consequences; and
- even if the commercialization and marketing of jointly developed products is successful, our revenue share may be limited and may not exceed our associated development and operating costs.

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

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

Currently, our marketing and development efforts for our batteries and battery materials are focused primarily on stationary power and transportation applications. In the transportation market, batteries containing our nano-lithium titanate materials are designed to replace or supplement gasoline and diesel engines. In the stationary power applications, our batteries are designed to conserve and regulate the stable supply of electricity, including from

renewable sources. The interest of our potential customers and business partners in our products and services is affected by a number of factors beyond our control, including:

- economic conditions and capital financing and liquidity constraints;
- short-term and long-term trends in the supply and price of natural gas, gasoline, diesel, coal and other fuels;
- the anticipated or actual granting or elimination by governments of tax and other financial incentives favoring electric or hybrid electric vehicles and renewable energy production;
- the ability of the various regulatory bodies to define the rules and procedures under which this new technology can be deployed into the electric grid;
- the anticipated or actual funding, or elimination of funding, for programs that support renewable energy programs and electric grid improvements;
- changes in public and investor interest for financial and/or environmental reasons, in supporting or adopting alternatives to gasoline and diesel for transportation and other purposes;
- the overall economic environment and the availability of credit to assist customers in purchasing our large battery systems;
- the expansion or contraction of private and public research and development budgets as a result of global and U.S. economic trends; and
- the speed of incorporation of renewable energy generating sources into the electric grid.

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

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

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

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

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

- we may have difficulty integrating our assets, technologies, operations and personnel in connection with a business combination;
- our ongoing business and management's attention may be disrupted or diverted by transition or integration issues and the complexity of managing, or being a part of, a geographically or culturally diverse enterprises;

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- we may find that the transaction does not further our business strategy or that the economic and strategic assumptions underlying the transaction have proved inaccurate;
- we may encounter difficulty entering and competing in new product or geographic markets;
- we may face business, product, structural or other limitations or prohibitions as our business becomes subject to the laws or customs of other jurisdictions; and
- we may experience significant problems or liabilities associated with product quality, technology and legal contingencies relating to the integrated business or technology, such as intellectual property or employment matters.

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

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

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

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

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

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

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

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

- If we fail to supply products in accordance with contractual terms, including terms related to time of delivery and performance specifications, we may be required to repair or replace defective products and may become liable for direct, special, consequential and other damages, even if manufacturing or delivery was outsourced;
- Raw materials used in the manufacturing process, labor and other key inputs may become scarce and expensive, causing our costs to exceed cost projections and associated revenues;
- Manufacturing processes typically involve large machinery, fuels and chemicals, any or all of which may lead to accidents involving bodily harm, destruction of facilities and environmental contamination and associated liabilities;
- As our manufacturing operations expand, we expect that a significant portion of our manufacturing will be done overseas, either by third-party contractors or in a plant owned by the company. Any manufacturing done overseas presents risks associated with quality control, currency exchange rates, foreign laws and customs, timing and loss risks associated with overseas transportation and potential adverse changes in the political, legal and social environment in the host county; and
- We have made, and may be required to make, representations as to our right to supply and/or license intellectual property and to our compliance with laws. Such representations are usually supported by indemnification provisions requiring us to defend our customers and otherwise make them whole if we license or supply products that infringe on third-party technologies or violate government regulations.

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

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

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

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

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

We are dependent on key personnel.

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

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

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

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

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

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

- intentional manipulation of our stock price by existing or future shareholders or a reaction by investors to trends in our stock rather than the fundamentals of our business;
- a single acquisition or disposition, or several related acquisitions or dispositions, of a large number of our shares, including by short sellers covering their position;
- the interest of the market in our business sector, without regard to our financial condition, results of operations or business prospects;
- positive or negative statements or projections about our company or our industry, by analysts, stock gurus and other persons;
- the adoption of governmental regulations or government grant programs and similar developments in the United States or abroad that may enhance or detract from our ability to offer our products and services or affect our cost structure; and
- economic and other external market factors, such as a general decline in market prices due to poor economic conditions, investor distrust or a financial crisis.

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

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

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

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

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

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

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

THE SPECIAL MEETING

Important Notice Regarding the Availability of Proxy Materials for the special meeting to be held on , 2012. The Company's Management Proxy Circular is available on the Internet at http:// www.altairannualmeeting.com.

Solicitation of Proxies

THIS MANAGEMENT PROXY CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF ALTAIR NANOTECHNOLOGIES INC. OF PROXIES TO BE USED AT THE SPECIAL MEETING OF SHAREHOLDERS OF THE COMPANY TO BE HELD AT THE TIME AND PLACE AND FOR THE PURPOSES SET FORTH IN THE ENCLOSED NOTICE OF MEETING. This Circular, the notice of meeting attached hereto, and the accompanying form of proxy are first being mailed to the shareholders of the Company on or about , 2012. It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally, by email, by facsimile or by telephone by officers and employees of the Company without additional compensation therefore.

The cost of solicitation by management will be borne directly by the Company. Arrangements will also be made with brokerage firms and other custodians, nominees and fiduciaries for the forwarding of solicitation materials to the beneficial owners of the common shares held by such persons, and the Company will reimburse such brokerage firms, custodians, nominees and fiduciaries for the reasonable out-of-pocket expenses incurred by them in connection therewith.

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are officers and/or directors of the Company. A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT HIM AT THE SPECIAL MEETING MAY DO SO either by inserting such person's name in the blank space provided in that form of proxy or by completing another proper form of proxy and, in either case, depositing the completed proxy at the office of the transfer agent indicated on the enclosed envelope not later than 48 hours (excluding Saturdays, Sundays, and holidays) before the time of holding the special meeting, or by delivering the completed proxy to the chairman of the special meeting on the day of the special meeting or adjournment thereof.

A proxy given pursuant to this solicitation may be revoked by instrument in writing, including another proxy bearing a later date, executed by the shareholder or by his attorney authorized in writing, and deposited either at the Company's principal office located at 204 Edison Way, Reno, Nevada, 89502, U.S.A. at any time up to and including the last business day preceding the day of the special meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of such meeting on the day of the special meeting, or adjournment thereof, or in any other manner permitted by law.

Voting of Proxies

THE COMMON SHARES REPRESENTED BY A DULY COMPLETED PROXY WILL BE VOTED OR WITHHELD FROM VOTING IN ACCORDANCE WITH THE INSTRUCTIONS OF THE SHAREHOLDER ON ANY BALLOT THAT MAY BE CALLED FOR AND, IF THE SHAREHOLDER SPECIFIES A CHOICE WITH RESPECT TO ANY MATTER TO BE ACTED UPON, SUCH COMMON SHARES WILL BE VOTED ACCORDINGLY. UNLESS OTHERWISE INDICATED ON THE FORM OF PROXY, SHARES REPRESENTED BY PROPERLY EXECUTED PROXIES IN FAVOR OF PERSONS DESIGNATED IN THE PRINTED PORTION OF THE ENCLOSED FORM OF PROXY WILL BE VOTED TO APPROVE A SPECIAL RESOLUTION AUTHORIZING THE COMPANY TO CHANGE OUR JURISDICTION OF INCORPORATION FROM THE FEDERAL JURISDICTION OF CANADA TO THE STATE OF DELAWARE IN THE UNITED STATES OF AMERICA THROUGH ADOPTION OF ARTICLES OF DOMESTICATION AND A NEW CERTIFICATE OF INCORPORATION.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, or other matters which may properly come before the special meeting. At the time of printing this Circular, management of the Company knows of no such amendments, variations or other matters to come before the special meeting.

Voting Securities and Principal Holders of Voting Securities

The authorized capital of the Company consists of an unlimited number of common shares. As of January 4, 2011, the Company had common shares issued and outstanding.

The Company shall make a list of all persons who are registered holders of common shares as of the close of business on January 4, 2012 (the “Record Date”) and the number of common shares registered in the name of each such person on that date. Each shareholder is entitled to one vote for each common share registered in his name as it appears on the list.

One-third of the outstanding common shares entitled to vote, represented in person or by properly executed proxy, is required for a quorum at the special meeting. Abstentions, or withhold votes, will be counted as “represented” for purposes of determining the presence or absence of a quorum. Complete broker non-votes, which are indications by a broker that it does not have discretionary authority to vote on any of the matters to be considered at the special meeting, will not be counted as “represented” for the purpose of determining the presence or absence of a quorum.

To the knowledge of the directors and executive officers of the Company, based upon filings of such persons with the Securities and Exchange Commission, as of October 31, 2011, Energy Storage Technology (China) Group Limited ("Energy Storage"), an indirect subsidiary of Canon, beneficially owns 37,036,807 common shares, representing 53.3% of the outstanding common shares, and Al Yousuf, LLC beneficially owns 5,098,966 common shares, representing 7.34% of the outstanding common shares as of October 31, 2011.

Under the CBCA, Proposal No. 1, our change of jurisdiction from Canada to Delaware by means of a domestication requires the affirmative vote, in person or by proxy, of not less than two-thirds of the votes cast by the shareholders who vote in respect of the resolution once a quorum is established. Abstentions, withhold votes and broker non-votes will not have the effect of being considered as votes cast against this matter.

Change of Control

On July 22, 2011, the Company and Canon completed the sale by the Company, and the purchase by an affiliate of Canon, of 37,036,807 common shares at a purchase price of $1.5528 per share pursuant to the Share Subscription Agreement. As permitted by the Share Subscription Agreement, Canon designated Energy Storage as the purchaser of the shares. As of result of the closing under the Share Subscription Agreement, a change of control in the Company has occurred. Energy Storage, an affiliate of Canon, which is owned by Mr. Yincang Wei, owns 53.3% of the outstanding common shares immediately after closing. In addition, pursuant to an Investor Rights Agreement dated September 20, 2010 (the "Investor Rights Agreement"), the Company has granted certain rights to Canon, including (i) rights to proportional representation on the Board of Directors (5 of 9 directors initially), (ii) the right to cause the Company to file a shelf registration statement two years after closing, together with certain demand and piggy-back registration rights, (iii) certain indemnification rights related to the registration rights, and (iv) an option to purchase common shares of the Company at market price in an amount sufficient to maintain proportionate ownership in connection with future dilutive issuances.

Exchange Rate Information

The following exchange rates represent the noon buying rate in New York City for cable transfers in Canadian Dollars (CDN. $), as certified for customs purposes by the Federal Reserve Bank of New York. The following table sets forth, for each of the years indicated, the period-end exchange rate, the average rate (i.e., the average of the exchange rates on the last day of each month during the period), and the high and low exchange rates of the U.S. Dollar (U.S. $) in exchange for the Canadian Dollar (CDN. $) for the years indicated below, based on the noon buying rates.

	For the Year Ended December 31,				
	2010	2009	2008	2007	2006
	(Each U.S. Dollar Purchases the Following Number of Canadian dollars)				
High	1.0766	1.2940	1.3013	1.1852	1.1726
Low	0.9966	1.0281	0.9709	0.9168	1.0989
Average	1.0300	1.1410	1.0667	1.0734	1.1340
Year End	0.9980	1.0532	1.2228	0.9881	1.1652

PROPOSAL NO. 1 – THE DOMESTICATION

General

The Board of Directors is proposing to change our jurisdiction of incorporation from the federal jurisdiction of Canada to the State of Delaware through a transaction called a "continuance" under Section 188 of the CBCA, also referred to as a "domestication" under Section 388 of the DGCL, and approve a new certificate of incorporation to be effective on the date of the domestication. We will become subject to the DGCL on the date of our domestication, but will be deemed for the purposes of the DGCL to have commenced our existence in Delaware on the date we originally commenced our existence in Canada. Under the DGCL, a corporation becomes domesticated in Delaware by filing articles of domestication and a certificate of incorporation for the Company being domesticated. The Board of Directors has unanimously approved our domestication and the related certificate of incorporation of Altair Delaware, believes it to be in our best interests and in the best interests of our shareholders, and unanimously recommends approval of the domestication and the approval of the certificate of incorporation of Altair Delaware to our shareholders.

The domestication will be effective on the date set forth in the articles of domestication and the certificate of incorporation, as filed with the office of the Secretary of State of the State of Delaware. Thereafter, we will be subject to the certificate of incorporation filed in Delaware, a copy of which is attached to this Circular as Exhibit C. We will be discontinued in Canada as of the date shown on the certificate of discontinuance issued by the Director appointed under the CBCA, which we expect to be the date of domestication in Delaware. The common stock of Altair Delaware will continue to be listed on the NASDAQ Capital Market under the trading symbol "ALTI", and Altair Delaware will continue to be subject to the rules and regulations of the NASDAQ Capital Market and the obligations imposed by each securities regulatory authority in the United States, including the SEC. Altair Delaware will continue to file periodic reports with the SEC pursuant to the Securities Exchange Act of 1934, as amended, or the Exchange Act. Upon our domestication, the Board of Directors intends to adopt bylaws, copies of which are attached to this Circular as Exhibit D. A copy of Section 190 of the CBCA addressing dissenters' rights in connection with the continuance is attached to this Circular as Exhibit E.

The domestication will not interrupt our corporate existence or operations, or the trading market of the common shares. Each outstanding common share at the time of the domestication will remain issued and outstanding as a share of common stock of Altair Delaware after our corporate existence is continued from Canada under the CBCA and domesticated in Delaware under the DGCL.

Principal Reasons for the Domestication

Our Board has determined that the domestication will enhance our ability to engage in strategic joint venture, acquisition and disposition transactions. The Board of Directors believes that the domestication will eliminate certain regulatory burdens imposed by the CBCA, limit reporting requirements under the Canadian securities laws, and give the Company flexibility in its management and Board structure.

Our corporate headquarters is and all of our operations are located in United States. We have reported under the rules governing U.S. issuers for over 10 years. Most of our shareholders reside in the United States, and our common shares are listed exclusively on the NASDAQ Capital Market. Despite this connection with the United States, and the evolving connection of our company with China, we believe we are often perceived by potential strategic partners as a Canadian company. For example, the Company has from time to time engaged in discussions with respect to acquisitions, dispositions or joint ventures. In these discussions, other parties have raised concerns about whether the Company's status as a CBCA corporation creates tax liabilities and unnecessary regulatory risks or burdens. Investors have also raised questions stemming from the Company's status as a CBCA corporation. The Board of Directors believes that the Company's ability to enter into strategic, capital raising and other transactions would be enhanced if

the Company were domiciled in the United States.

In considering its recommendation in favor of the domestication, our Board weighed the estimated tax liability to us arising from the domestication itself. See “Proposal No. 1 — The Domestication — “United States Federal Income Tax Considerations” and “Proposal No. 1 – The Domestication – Canadian Federal Income Tax Considerations”. With the assistance of professional advisors, we have reviewed our assets, liabilities, paid-up capital and other tax balances and assuming that the market price of our common shares does not exceed $3.70 per share (proportionately adjusted for any consolidation of our common shares) and that the exchange rate of the Canadian dollar to the U.S. dollar is CDN $1.00 equals U.S. $1.03, it is anticipated that there will not be any Canadian federal income tax arising on the continuance. Due to the recent decline in the share price of the common shares, this potential tax liability would be substantially less than it would have been if the domestication had occurred in prior years. Moreover, if the Company’s revenues grow, assets increase and stock price increases, as anticipated in 2012 and beyond, the tax consequences to the Company of domestication to the United States would increase (and if the Company becomes profitable and has positive profits and earnings, there will be tax consequences for shareholders). After weighing the estimated tax liability from this transaction, the Board of Directors determined that the potential benefits of the transaction outweigh the costs, particularly since the tax liability associated with effecting the transaction in 2011 or 2012 is less than it would have been in previous years and possibly less than it would be in future years.

The Board of Directors believes that the domestication will eliminate certain regulatory burdens and provide more flexibility with the structuring of the Company’s management. As a corporation continued under the CBCA, the Company is subject the corporate requirements of the CBCA and the reporting requirements of Canadian securities laws, which are similar to the reporting requirements under the U.S. Securities Exchange Act of 1934, as amended. Post-continuation, the Company will likely be classified an SEC foreign issuer (“SEC Foreign Issuer”), which will limit the amount of Canadian specific securities reporting requirements, and allow the Company to satisfy much of the remainder of its securities reporting obligations in Canada by filing copies of its SEC compliant securities disclosure on the Canadian SEDAR system. The domestication will also limit certain disclosure and compliance requirements arising under the CBCA, such as limiting the number of corporate actions that require shareholder approval and limiting the situations under which dissenters rights would apply. In addition, certain restrictions under the CBCA have limited the Company’s management structure. The CBCA requires that at least 25% of the directors of the Company be Canadian residents, which places limitations on the Company’s recruiting and retention of directors. Also, the Company would have greater flexibility to choose the location of future shareholder meetings in major east or west coast cities that might be more convenient for shareholders. Currently, the Company is limited to scheduling the annual meeting in Canada or Nevada. The Company believes that domesticating in Delaware will eliminate these regulatory burdens and provide more flexibility with the structuring of the Company’s management.

The Board of Directors chose the State of Delaware to be our domicile because it believes the more favorable corporate environment afforded by Delaware will help us compete more effectively with other public companies in raising capital and in attracting and retaining skilled, experienced personnel. Additionally, Delaware is the choice of domicile for many publicly traded corporations, as there is an abundance of caselaw to assist in interpreting the DGCL, and the Delaware legislature frequently updates the DGCL to reflect current technology and legal trends. The Board of Directors did consider the franchise tax imposed on Delaware corporations, expected to be approximately $60,000 in 2012 and up to $180,000 per year in the future, but determined that the benefits of being a Delaware corporation outweigh such costs.

For the reasons set forth above, our Board believes that the estimated benefits of domestication outweigh the detriment attributable to our potential tax liability.

Effects of the Domestication

There are material differences between Canadian corporate law and the DGCL with respect to shareholders’ rights, and Delaware law may offer shareholders more or less protection depending on the particular matter. A detailed overview

of the material differences is set forth below.

Applicable Law. As of the effective date of the domestication, our legal jurisdiction of incorporation will be Delaware, and we will no longer be subject to the provisions of the CBCA. All matters of corporate law will be determined under the DGCL. We will retain our original incorporation date in Canada as our date of incorporation for purposes of the DGCL.

Assets, Liabilities, Obligations, Etc. Under Delaware law, as of the effective date of the domestication, all of our assets, property, rights, liabilities and obligations immediately prior to the domestication will continue to be our assets, property, rights, liabilities and obligations immediately after the domestication. Canadian corporate law ceases to apply to us on the date shown on the certificate of discontinuance to be issued by the Director appointed under the CBCA, which we expect to be the date of domestication in Delaware. We will thereafter become subject to the obligations imposed under the DGCL.

Business and Operations. The domestication, if approved, will effect a change in the legal jurisdiction of incorporation as of the effective date of the domestication, but our business and operations will remain the same.

Officers and Directors

Our Board of Directors currently consists of nine members: Yincang Wei, Guohua Sun, Simon Xue, Liming Zou, Alexander Lee, Hong Guo, Zhigang (Frank) Zhao, Jun Liu and H. Frank Gibbard. Subject to any resignations or other changes, the Board of Directors will consist of the same nine individuals after the domestication. Immediately following the domestication, our officers will also be unchanged. Our executive officers are H. Frank Gibbard (CEO and President), Stephen B. Huang (Chief Financial Officer), Bruce J. Sabacky (Chief Technology Officer), C. Robert Pedraza (Vice President of Strategy and Business Development), Daniel Voelker (Vice President of Engineering & Operations), and Tom Kieffer (Vice President of Marketing and Sales).

Treatment of the Outstanding Capital Stock, Options and Warrants

The existing share certificates representing our common shares will continue to represent the same number of shares of common stock of Altair Delaware after the domestication without any action on your part. You will not be required to exchange any share certificates. We will only issue new certificates to you representing shares of capital stock of Altair Delaware upon a transfer of your shares or at your request. Holders of our outstanding options and warrants will continue to hold the same securities, which will remain exercisable for an equivalent number of shares of the same class of common stock of Altair Delaware, for the equivalent exercise price per share, without any action by the holder.

The Shareholders Rights Plan

The Company has issued rights under that certain Amended and Restated Shareholder Rights Plan Agreement, dated October 15, 1999, by and between the Company and Equity Financial Trust Company, as further amended by that certain Amendment No. 1 to Amended and Restated Shareholder Rights Plan Agreement dated October 6, 2008, that certain Amendment No. 2 to Amended and Restated Shareholder Rights Plan Agreement dated September 20, 2010 and that certain Restated Amendment No. 2 to Amended and Restated Shareholder Rights Plan Agreement dated July 10, 2011 (collectively, the “Rights Agreement”), to all holders of common shares. The rights are not exercisable, are evidenced by the common shares and transfer with, and only with, the common shares. With certain exceptions, if a person becomes the owner of 15% or more of the outstanding common shares without an appropriate waiver, exception, amendment or redemption, each right becomes exercisable and entitles the holder to purchase from us for $20, as adjusted for stock splits and consolidations, a number of common shares having a market price of $80, as adjusted for stock splits and consolidations. Rights outstanding under the Rights Agreement shall remain outstanding following the domestication and shall become, subject to the terms and conditions of the Rights Agreement, rights to purchase the common stock of Altair Delaware.

Treatment of Effective Registration Statements

Rule 414 under the Securities Act provides that, if an issuer has been succeeded by another issuer incorporated under the law of another state or foreign government for the purpose of changing the state or country of organization of the enterprise, the registration statement of the predecessor issuer will be deemed to be the registration statement of the successor issuer for the purpose of continuing the offering covered by the registration statement, provided that (a) immediately prior to the succession, the successor issuer had no assets or liabilities other than nominal assets and liabilities; (b) the succession was effected by a merger or similar succession pursuant to statutory provisions or the terms of the organic instruments under which the successor issuer acquired all of the assets and assumed all of the liabilities and obligations of the predecessor issuer; (c) the succession was approved by the security holders of the predecessor issuer at a meeting for which proxies were solicited pursuant to Section 14(a) of the Exchange Act or information was furnished to such security holders pursuant to Section 14(c) of the Exchange Act; and (d) the successor issuer has filed an amendment to the registration statement of the predecessor issuer expressly adopting the registration statement as its own registration statement for all purposes of the Securities Act and the amendment has become effective. Accordingly, Altair Delaware will be permitted to adopt currently effective registration statement by filing a post-effective amendment to the registration statements expressly adopting the registration statements as its own. Without limiting the generality of the prior paragraph, Altair Delaware will file a post-effective amendment to the registration statement of which this prospectus is a part expressly adopting such registration statement as its own registration statement for all purposes of the Securities Act and the Exchange Act immediately after articles of domestication are filed.

Shareholder Approval

The domestication is subject to various conditions, including approval of the special resolution authorizing the domestication and the approval of the certificate of incorporation of Altair Delaware by our shareholders. A copy of the special resolution is attached to this Circular as Exhibit A. Under the CBCA, approval of the domestication requires affirmative votes, whether in person or by proxy, from at least two-thirds of the votes cast by the holders of our common shares with respect to the matter, at the special meeting where a quorum of one-third of our total outstanding common shares is present. Assuming we receive the requisite shareholder approval for the domestication, our Board will retain the right to terminate or abandon the domestication if it determines that consummating the domestication would be inadvisable or not in our or our shareholders' best interests, or if all of the respective conditions to consummation of the domestication have not occurred. There are no time limits on the duration of the authorization resulting from a favorable shareholder vote.

Regulatory and Other Approvals and Board Discretion

The change of jurisdiction is subject to the authorization of the Director appointed under the CBCA. The Director is empowered to authorize the change of jurisdiction if, among other things, he is satisfied that the change of jurisdiction will not adversely affect our creditors or shareholders.

Subject to the authorization of the continuance by the Director appointed under the CBCA, and the approval of our Board and shareholders, we anticipate that we will file with the Secretary of State of the State of Delaware articles of domestication and a certificate of incorporation pursuant to Section 388 of the DGCL, and that we will be domesticated in Delaware on the effective date of such filings. Promptly thereafter, we intend to give notice to the Director appointed under the CBCA that we have been domesticated under the laws of the State of Delaware and request that the Director appointed under the CBCA issue us a certificate of discontinuance bearing the same date as the date of effectiveness of our articles of domestication and certificate of incorporation by the Secretary of State of the State of Delaware.

The Board of Directors has reserved the right to terminate or abandon our domestication at any time prior to its effectiveness, notwithstanding shareholder approval, if it determines for any reason that the consummation of our domestication would be inadvisable or not in the best interest of the Company and its shareholders. Dissenting shareholders have the right to be paid the fair value of their shares under Section 190 of the CBCA. If the number of share exercising dissenting rights approaches or exceeds 1% or more of the outstanding common shares, it is anticipated that the Board of Directors would not effect the domestication because of the associated cash expense.

Comparison of Shareholder Rights

The principal attributes of our capital stock before and after domestication are comparable; however, there will be material differences in the rights of our shareholders under Delaware law as described below.

General. On the effective date of the domestication, we will be deemed for the purposes of the DGCL to have been incorporated under the laws of the State of Delaware from our inception and we will be governed by our certificate of incorporation filed with the articles of domestication and our bylaws. Differences between Canadian corporate law and the DGCL and between our current articles of continuance and bylaws and the proposed certificate of incorporation and bylaws will result in various changes in the rights of our shareholders. The following summary comparison highlights provisions of applicable Canadian corporate law and our current Canadian articles of continuance and bylaws as compared to the DGCL and the proposed certificate of incorporation and bylaws of Altair Delaware. The proposed certificate of incorporation and bylaws of Altair Delaware are attached to this Circular as Exhibit C and Exhibit D, respectively.

Capital Structure. Under our current Canadian articles of continuation, we presently have the authority to issue an unlimited number of common shares, without par value. Under our proposed certificate of incorporation, the total number of shares of capital stock that Altair Delaware will have the authority to issue is 200,000,000 shares of common stock, $.001 par value.

Under Canadian law, there is no franchise tax on our authorized capital stock. Pursuant to Delaware law, there will be a franchise tax assessed on the authorized capital stock of Altair Delaware. With authorized capital stock consisting of 200,000,000 shares of common stock, par value $0.001 per share, gross assets of approximately $60 million and 69,452,487 shares of common stock outstanding, the franchise tax for Altair Delaware is expected to be approximately $60,000 per year, and may increase (subject to a maximum of $180,000) or decrease in future years. The amount of the applicable franchise tax is found by dividing gross assets by all issued shares and then multiplying such quotient by the number of authorized shares.

Shareholder Approval; Vote on Extraordinary Corporate Transactions. Canadian law generally requires a vote of shareholders on a greater number and diversity of corporate matters than Delaware law, such as an amendment to the bylaws and an increase or decrease of the minimum or maximum number of directors. Furthermore, many matters requiring shareholder approval under Canadian law must be approved by a special resolution of not less than two-thirds of the votes cast by shareholders who voted on those matters. In some cases, such as an amendment to the articles of a corporation that affects classes of shares differently, a special resolution to approve an extraordinary corporate action is also required to be approved separately by the holders of a class or series of shares, whether or not shares of such class or series otherwise carry the right to vote.

Under Delaware law, a sale, lease or exchange of all or substantially all the property or assets of a Delaware corporation or an amendment to its certificate of incorporation requires the approval of the holders of a majority of the voting power of the outstanding shares entitled to vote thereon. Mergers or consolidations also generally require the approval of the holders of a majority of the outstanding voting power of the Company. However, stockholder approval is not required by a Delaware corporation if such corporation's certificate of incorporation is not amended by the merger; each share of stock of such corporation outstanding immediately prior to the merger will be an identical outstanding share of the surviving corporation after the effective date of the merger; and the number of shares of common stock, including securities convertible into common stock, issued in the merger does not exceed 20% of such corporation's outstanding common stock immediately prior to the effective date of the merger. In addition, stockholder approval is not required by a Delaware corporation if it is the surviving corporation in a merger with a subsidiary in which its ownership was 90% or greater.

Amendments to the Governing Documents. Under Canadian law, amendments to the certificate of incorporation generally require the approval of not less than two-thirds of the votes cast by shareholders voting on the resolution. If the proposed amendment would affect a particular class of securities in certain specified ways, the holders of shares of that class would be entitled to vote separately as a class on the proposed amendment, whether or not the shares otherwise carried the right to vote. When directors make, amend or repeal a bylaw, they are required under the CBCA

to submit the change to shareholders at the next meeting of shareholders. Shareholders may confirm, reject or amend the bylaw, the amendment or the repeal with the approval of a majority of the votes cast by shareholders who voted on the resolution.

Under the DGCL, an amendment to a corporation's certificate of incorporation requires the approval of holders of a majority of the voting power of the outstanding stock entitled to vote on the matter. In addition, under the DGCL, if the amendment to the certificate of incorporation would adversely alter or change any preference or any relative or other right given to any class or series of outstanding shares, that class is entitled to vote separately on the amendment whether or not it is designated as voting stock. The DGCL allows for a corporation's certificate of incorporation to specifically deny any right of a class of shares the right to vote when such class would be adversely affected. Because Altair Delaware will have only one class of stock and such class will not be divided into series, the proposed certificate of incorporation and bylaws of Altair Delaware do not address the right of any class to such voting rights. Furthermore, if the proposed amendment would alter or change the powers, preferences or special rights of one or more series of any class so as to affect that class adversely, but would not so affect the entire class, then only the shares of the series so affected by the amendment would be considered a separate class for purposes of the class vote. the DGCL gives the directors the power to adopt, amend or repeal the bylaws of the Delaware corporation, subject to any bylaws adopted by the stockholders, but permits the certificate of incorporation to reserve the right to amend the bylaws solely to the board of directors. The proposed bylaws of Altair Delaware provide that its bylaws may be amended or repealed only by unanimous vote of the Board of Directors or by the shareholders. Unlike Canadian law, there is no requirement to submit changes to the bylaws to stockholders under Delaware law.

Place of Meetings. The CBCA provides that meetings of shareholders must be held at the place within Canada provided in the bylaws or, in the absence of such provision, at the place within Canada that the directors determine. A meeting of shareholders may be held at a place outside of Canada if the place is specified in the articles of continuance or all the shareholders entitled to vote at the special meeting agree that the special meeting is to be held at that place. Our articles of continuance provide that meetings of shareholders may be held at our registered office or outside of Canada in the State of Nevada.

The DGCL provides that meetings of the stockholders may be held at any place in or outside of Delaware designated by, or in the manner provided in, the certificate of incorporation or bylaws. The proposed bylaws of Altair Delaware provide that meetings of the stockholders will be held at any place in or out of Delaware as designated by the Board of Directors.

Quorum of Shareholders. The CBCA provides that, unless the bylaws provide otherwise, a quorum of shareholders is present at a meeting of shareholders (irrespective of the number of persons actually present at the special meeting) if holders of a majority of the shares entitled to vote at the special meeting are present in person or represented by proxy. The current bylaws provide that the presence of not less than 33% of the shares entitled to vote at the special meeting are present in person or represented by proxy constitutes a quorum.

Under the DGCL, the certificate of incorporation or bylaws may specify the required quorum. The proposed certificate of incorporation and bylaws of Altair Delaware provide that the presence of two stockholders, represented in person or by proxy, holding no less than one-third of the voting power of the outstanding shares entitled to vote at the special meeting shall constitute a quorum at a meeting of stockholders.

Call of Meetings. The CBCA provides that holders of not less than five percent of our issued voting shares may requisition the directors requiring them to call and hold a special meeting for the purposes stated in the requisition. In addition, under the CBCA, the directors of the Company may cause a corporation to call a special meeting of shareholders at any time.

The DGCL provides that a special meeting of the stockholders may be called by the board of directors or by any person or persons as may be authorized by the certificate of incorporation or bylaws. The proposed bylaws of Altair Delaware provide that a special meeting of stockholders may be called by the Chief Executive Officer (or if none exists, by the President) or the Chairman of the Board, or any two directors.

Shareholder Consent in Lieu of Meeting. Under the CBCA, shareholders can take action by written resolution and without a meeting only if all shareholders entitled to vote on that resolution sign the written resolution.

Under the DGCL, unless otherwise limited by the certificate of incorporation, stockholders may act by written consent without a meeting if holders of outstanding stock representing not less than the minimum number of votes that would be necessary to take the action at an annual or special meeting execute a written consent providing for the action. The proposed certificate of incorporation of Altair Delaware will prohibit action by written consent of the stockholders.

Director Qualification and Number. The CBCA states that a distributing corporation must have no fewer than three directors, at least two of whom are not officers or employees of the Company or its affiliates. Additionally, at least 25% of the directors must be Canadian residents unless the Company has fewer than four directors, in which case at least one director must be a Canadian resident. Our current articles of continuance prescribe a minimum of three and a maximum of nine directors.

The DGCL has no similar requirements. The proposed bylaws of Altair Delaware prescribe a minimum of three and a maximum of fifteen directors, with the exact number of directors within such range to be determined by the Board of Directors.

Fiduciary Duty of Directors. Directors of a corporation incorporated or organized under the CBCA have fiduciary obligations to the Company and its shareholders. The CBCA requires directors of a Canadian corporation, in exercising their powers and discharging their duties, to act honestly and in good faith with a view to the best interests of the Company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Under Delaware common law, directors have a duty of care and a duty of loyalty. The duty of care requires that the directors act in an informed and deliberative manner and inform themselves, prior to making a business decision, of all material information reasonably available to them. The duty of loyalty is the duty to act in good faith, not out of self-interest, and in a manner which the directors reasonably believe to be in the best interests of the stockholders. In addition, the DGCL provides that a transaction between a Delaware corporation and one of its directors or officers or an entity affiliated with one of its directors or officers is not voidable solely for such reason so long as (i) the material facts of the director's or officer's interest in the transaction are disclosed to the board of directors and a majority of the disinterested directors approve the transaction, (ii) the material facts of the director's or officer's interest in the transaction are disclosed to the stockholders and the transaction is specifically approved in good faith by the stockholders or (iii) the transaction is fair to the Delaware corporation at the time approved by the board of directors or stockholders.

Personal Liability of Directors. The CBCA prescribes circumstances where directors can be liable for malfeasance or nonfeasance. Certain actions to enforce a liability imposed by the CBCA must be brought within two years from the date of the resolution authorizing the act at issue. A director will be deemed to have complied with his fiduciary obligations to the Company under the CBCA if he relied in good faith on:

- financial statements represented to him by an officer or in a written report of the auditors fairly reflecting the financial condition of the Company; or
- a report of a person whose profession lends credibility to a statement made by the professional person.

The CBCA also contains other provisions limiting personal liability of a corporation’s directors.

The proposed certificate of incorporation of Altair Delaware will limit the liability of directors to Altair Delaware and its stockholders to the extent permitted by law. However, such limitation of liability cannot be relied upon in respect of proscribed conduct, described in the DGCL to include:

- any breach of the director's duty of loyalty to the Company or its stockholders;
- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- an unlawful payment of a dividend or an unlawful stock purchase or redemption; and
- any transaction from which the director derived an improper personal benefit.

Indemnification of Officers and Directors. Under the CBCA and pursuant to our current bylaws, we will indemnify present or former directors or officers against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment that is reasonably incurred by the individual in relation to any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of his or her association with us. In order to qualify for indemnification such directors or officers must:

- have acted honestly and in good faith with a view to the best interests of the Company; and
- in the case of a criminal or administrative action or proceeding enforced by a monetary penalty, have had reasonable grounds for believing that his conduct was lawful.

The CBCA also provides that such persons are entitled to indemnity from the Company in respect of all costs, charges and expenses reasonably incurred in connection with the defense of any such proceeding if the person was not judged by the court or other competent authority to have committed any fault or omitted to do anything that the person ought to have done, and otherwise meets the qualifications for indemnity described above.

Delaware law permits a corporation to indemnify its present or former directors and officers, employees and agents made a party, or threatened to be made a party, to any third party proceeding by reason of the fact that such person is or was a director, officer, employee or agent of the Company, against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, if such person:

- acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Company; and
- with respect to any criminal action or proceeding, had no reasonable cause to believe such conduct was unlawful.

In a derivative action, or an action by or in the right of the Company, the Company is permitted to indemnify directors, officers, employees and agents against expenses actually and reasonably incurred by them in connection with the defense or settlement of an action or suit if they acted in good faith and in a manner that they reasonably believed to be in or not opposed to the best interests of the Company. However, in such a case, no indemnification shall be made if the person is adjudged liable to the Company, unless and only to the extent that, the court in which the action or suit was brought or the Court of Chancery of the State of Delaware shall determine upon application that such person is fairly and reasonably entitled to indemnity for such expenses despite such adjudication of liability to the Company. The DGCL allows the Company to advance expenses before the resolution of an action, if in the case of current directors and officers, such persons agree to repay any such amount advanced if they are later determined not to be entitled to indemnification. The proposed bylaws of Altair Delaware generally provide for mandatory indemnification and advancement of expenses of our directors and officers to the fullest extent permitted under Delaware law. Following the domestication, Altair Delaware intends to update or reaffirm existing indemnity agreements with each of our officers and directors. In addition, Altair Delaware intends to continue to carry liability insurance for its and its subsidiaries' officers and directors.

Derivative Action. Under the CBCA, a complainant, who is defined as either a present or former registered holder or beneficial owner of a security of a corporation or any of its affiliates; a present or former director or officer of a corporation or any of its affiliates; the Director appointed under the CBCA; or any other person who, in the discretion of a court, is a proper person to make an application under the CBCA relating to shareholder remedies, may apply to the court for the right to bring an action in the name of and on behalf of a corporation or any of its subsidiaries, or to intervene in an existing action to which they are a party for the purpose of prosecuting, defending or discontinuing the action on behalf of the entity. Under the CBCA, the court must be satisfied that:

- the complainant has given proper notice to the directors of the Company or its subsidiary of the complainant's intention to apply to the court if the directors of the Company or its subsidiary will not bring, diligently prosecute or defend or discontinue the action;
- the complainant is acting in good faith; and
- it appears to be in the interest of the Company or its subsidiary that the action be brought, prosecuted, defended or discontinued.

Under the CBCA, the court in a derivative action may make any order it sees fit including orders pertaining to the control or conduct of the lawsuit by the complainant or the making of payments to former and present shareholders and payment of reasonable legal fees incurred by the complainant.

Similarly, under Delaware law, a stockholder may bring a derivative action on behalf of the Company to enforce a corporate right, including the breach of a director's duty to the Company. Delaware law requires that the plaintiff in a derivative suit be a stockholder of the Company at the time of the wrong complained of and remain so throughout the duration of the suit; that the plaintiff make a demand on the directors of the Company to assert the corporate claim unless the demand would be futile; and that the plaintiff is an adequate representative of the other stockholders.

Dissenters' Rights. The CBCA provides that shareholders of a corporation entitled to vote on certain matters are entitled to exercise dissent rights and demand payment for the fair value of their shares. Dissent rights exist when there is a vote upon matters such as:

- any amalgamation with another corporation (other than with certain affiliated corporations);
- an amendment to our certificate of incorporation to add, change or remove any provisions restricting the issue, transfer or ownership of shares;
- an amendment to our certificate of incorporation to add, change or remove any restriction upon the business or businesses that the Company may carry on;
- a continuance under the laws of another jurisdiction;
- a sale, lease or exchange of all or substantially all the property of the Company other than in the ordinary course of business;
- a court order permitting a shareholder to dissent in connection with an application to the court for an order approving an arrangement proposed by the Company; and
- a going-private transaction or squeeze-out transaction.

However, a shareholder is not entitled to dissent if an amendment to the certificate of incorporation is effected by a court order approving a reorganization or by a court order made in connection with an action for an oppression remedy.

The DGCL grants appraisal rights only in the case of certain mergers or consolidations and not in the case of other fundamental changes such as the sale of all or substantially all of the assets of the Company or amendments to the certificate of incorporation, unless so provided in the Company's certificate of incorporation. The proposed certificate of incorporation of Altair Delaware will not include any such provisions. Under Delaware law, stockholders who have neither voted in favor of nor consented to the merger or consolidation have the right to seek appraisal of their shares in connection with certain mergers or consolidations by demanding payment in cash for their shares equal to the fair value of such shares. Fair value is determined by a court in an action timely brought by the stockholders who have properly demanded appraisal of their shares. In determining fair value, the court may consider all relevant factors, including the rate of interest which the resulting or surviving corporation would have had to pay to borrow money during the pendency of the court proceeding.

No appraisal rights are available for shares of any class or series listed on a national securities exchange (such as shares of our common stock) or held of record by more than 2,000 stockholders. However, appraisal rights are available if the agreement of merger or consolidation would require the holders of stock to accept for their stock anything except:

- stock of the surviving corporation;
- stock of another corporation which is either listed on a national securities exchange or held of record by more than 2,000 stockholders;
- cash in lieu of fractional shares; or
- some combination of the above.

In addition, under Delaware law, appraisal rights are not available for any shares of the surviving corporation if the merger did not require the vote of the stockholders of the surviving corporation.

Oppression Remedy. Under the CBCA, a complainant has the right to apply to a court for an order where an act or omission of the Company or an affiliate effects a result, or the business or affairs of which are or have been conducted in a manner, or the exercise of the directors' powers are or have been exercised in a manner, that would be oppressive or unfairly prejudicial to or would unfairly disregard the interest of any security holder, creditor, director or officer of

the Company. On such application, the court may make any interim or final order it thinks fit, including an order restraining the conduct complained of. There are no equivalent statutory remedies under the DGCL; however, stockholders may be entitled to remedies for a violation of a director's fiduciary duties under Delaware common law.

Business Combinations. Section 203 of the DGCL provides, with some exceptions, that a Delaware corporation may not engage in any business combination with a person, or an affiliate or associate of such person, who is an interested stockholder for three years from the time that person became an interested stockholder unless:

- the board of directors approved the transaction before the "interested stockholder" obtained such status;
- upon consummation of the transaction that resulted in the stockholder becoming an "interested stockholder," the "interested stockholder" owned at least 85% of a Delaware corporation's outstanding voting stock at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned (i) by persons who are directors and are also officers and (ii) employee stock plans in which the participants do not have the right to determine confidentially whether shares held subject to the plans will be tendered in the tender or exchange offer; or
- on or subsequent to such date, the business combination or merger is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by two-thirds of the holders of the outstanding common stock not owned by the "interested stockholder."

A "business combination" is defined to include mergers, asset sales and other transactions resulting in financial benefit to a stockholder. In general, an "interested stockholder" is a person who, together with affiliates and associates, owns 15% or more of a corporation's voting stock or within three years did own 15% or more of a corporation's voting stock.

Pursuant to the proposed certificate of incorporation, Altair Delaware has opted out of these provisions as permitted by Section 203 of the DGCL; however, were the certificate of incorporation to be amended to eliminate the opt-out provision, the above-described provisions of the DGCL would limit certain transactions with interested stockholders.

There is no comparable provision relating to business combinations under the CBCA, but restrictions on business combinations do exist under applicable Canadian securities laws.

Examination of Corporate Records. Under the CBCA, shareholders, creditors and their personal representatives may examine certain corporate records, such as the securities register and a list of shareholders, and any other person may do so on payment of a reasonable fee. Each such person must provide an affidavit containing specific information. A list of shareholders or information from a securities register may not be used except in connection with an effort to influence the voting of shareholders of the Company, an offer to acquire securities of the Company or any other matter relating to the affairs of the Company.

Under Delaware law, for any proper purpose, stockholders have the right to inspect, upon written demand under oath stating the purpose for such inspection, the Company's stock ledger, list of stockholders and its other books and records, and to make copies or extracts of the same. A proper purpose means a purpose reasonably related to a person's interest as a stockholder.

Shareholder Rights Agreement (a/k/a poison pills). Under the CBCA, Altair Canada has entered into the Rights Agreement with Equity Financial Trust Company. The rights granted under the Rights Agreement are not exercisable, are evidenced by the common shares and transfer with, and only with, the common shares. With certain exceptions, if a person becomes the owner of 15% or more of the outstanding common shares without an appropriate waiver, exception, amendment or redemption, each right becomes exercisable and entitles the holder to purchase from us for $20, as adjusted for stock splits and consolidations, a number of common shares having a market price of $80, as adjusted for stock splits and consolidations. The Rights Agreement has the effect of discouraging an attempt to purchase a controlling interest in the common shares without approval of the Board of Directors.

Rights outstanding under the Rights Agreement shall remain outstanding following the domestication and shall become rights to purchase the common stock of Altair Delaware.

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Anti-Takeover Effects. Some powers granted to companies under Delaware law may allow a Delaware corporation to make itself potentially less vulnerable to hostile takeover attempts. These powers include the ability to:

- implement a staggered board of directors, which prevents an immediate change in control of the board;
- require that notice of nominations for directors be given to the Company prior to a meeting where directors will be elected, which may give management an opportunity to make a greater effort to solicit its own proxies;
- only allow the board of directors to call a special meeting of stockholders, which may thwart a raider's ability to call a meeting to make disruptive changes;
- eliminate stockholders' action by written consent, which would require a raider to attend a meeting of stockholders to approve any proposed action by the Company;
- remove a director from a staggered board only for cause, which gives some protection to directors on a staggered board from arbitrary removal;
- provide that the power to determine the number of directors and to fill vacancies be vested solely in the board, so that the incumbent board, not a raider, would control vacant board positions;
- provide for supermajority voting in some circumstances, including mergers and certificate of incorporation amendments; and
- issue “blank check” preferred stock, which may be used to make a corporation less attractive to a raider.

In addition to the Rights Agreement provisions described in the preceding section, the proposed certificate of incorporation and/or bylaws of Altair Delaware will include the following provisions which may make Altair Delaware less vulnerable to hostile takeover attempts:

- requirement that stockholders provide prior notice by a certain date to nominate directors;
- restrictions on the ability of stockholders to call a special meeting of stockholders;
- the elimination of the ability of stockholders to take action by written consent; and
- permitting the Board of Directors to determine the number of directors and fill vacancies on the Board of Directors.

Other than the existing rights under the Rights Agreement, the ability of our Board of Directors to determine the number of directors (within a range provided in our articles) and to create and fill vacancies between annual meetings of shareholders, our existing articles and Canadian law do not include the anti-takeover provisions listed above that will be included in the certificate of incorporation and/or bylaws of Altair Delaware.

Proposed Certificate of Incorporation and Bylaws of Altair Delaware

We have included provisions in the proposed certificate of incorporation and bylaws of Altair Delaware that do not simply reflect the default provisions of Delaware law. These include the following:

Bylaws. Under Delaware law, unless otherwise provided in the certificate of incorporation or bylaws, the holders of a majority in voting power of the shares present at a meeting of stockholders have the power to adopt, amend or repeal the bylaws of the Company. In addition, if the certificate of incorporation so provides, the board of directors also has the power to adopt, amend or repeal the bylaws. The proposed bylaws of Altair Delaware provide that its bylaws may be amended or repealed only by unanimous vote of the Board of Directors or by the shareholders.

Quorum at Stockholders’ Meetings. Under Delaware law, unless otherwise provided in a corporation’s certificate of incorporation or bylaws, a majority of the voting power, whether present in person or by proxy, constitutes a quorum for the transaction of business at a meeting of stockholders. The proposed bylaws of Altair Delaware provide that a quorum exists with the presence, whether in person or by proxy, of at least two stockholders holding at least one third of the voting power of the stock issued and outstanding and entitled to vote.

Stockholder Action by Written Consent. Under Delaware law, unless otherwise provided in a corporation's certificate of incorporation, stockholders representing a majority of the outstanding voting power of a corporation entitled to vote on a matter may act by written consent. The proposed certificate of incorporation of Altair Delaware prohibits action by written consent of the stockholders.

Presentation of Nominations and Proposals at Meetings of Stockholders. Delaware law does not specify procedures for stockholders to nominate individuals to serve on the board of directors or to present other proposals at meetings of stockholders. The proposed bylaws of Altair Delaware contain procedures governing stockholder nominations and stockholder proposals. The proposed bylaws of Altair Delaware allow stockholders to nominate individuals to serve on the Board of Directors and to present other proposals at meetings of stockholders only upon compliance with specific procedures. To nominate an individual to the Board of Directors of Altair Delaware at an annual or special stockholders meeting, or to present other proposals at an annual meeting, a stockholder must provide advance notice to Altair Delaware, in the case of an annual meeting, not fewer than 60 days nor more than 180 days prior to the first anniversary of the date of Altair Delaware's annual meeting for the preceding year and, in the case of a special meeting, not prior to 90 days before such meeting and not later than the close of business on the later of the 60th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting.

Dissent Rights of Shareholders

Section 190 of the CBCA is reprinted in its entirety as Exhibit E to this Circular. Shareholders may exercise their dissent rights in connection with the proposal to approve the change in jurisdiction from the CBCA to the DGCL, referred to as a "continuance" under the CBCA and in this section and referred to as "domestication" under the DGCL.

If you wish to dissent and do so in compliance with Section 190 of the CBCA, you will be entitled to be paid the fair value of the shares you hold if the continuance occurs. Fair value is determined as of the close of business on the day before the continuance is approved by shareholders.

If you wish to dissent, you must send us your written objection to the continuance at or before the special meeting. If you vote in favor of the continuance, you in effect lose your rights to dissent. If you abstain or vote against the continuance, you preserve your dissent rights if you comply with Section 190 of the CBCA.

However, it is not sufficient to vote against the continuance or to abstain. You must also provide a separate dissent notice at or before the special meeting. If you grant a proxy and intend to dissent, the proxy must instruct the proxy holder to vote against the continuance in order to prevent the proxy holder from voting such shares in favor of the continuance and thereby voiding your right to dissent. Under the CBCA, you have no right of partial dissent. Accordingly, you may only dissent as to all your shares.

Under Section 190 of the CBCA, you may dissent only for shares that are registered in your name. In many cases, people beneficially own shares that are registered either:

- in the name of an intermediary, such as a bank, trust company, securities dealer, broker, trustee, administrator of self administered registered retirement savings plans, registered retirement income funds, registered educational savings plans and similar plans and their nominees; or
- in the name of a clearing agency in which the intermediary participates, such as CDS Clearing and Depository Services Limited or The Depository Trust Company.

If you want to dissent and your shares are registered in someone else's name, you must contact your intermediary and either:

- instruct your intermediary to exercise the dissenters' rights on your behalf (which, if the shares are registered in the name of a clearing agency, will require that the shares first be re-registered in your intermediary's name); or
- instruct your intermediary to re-register the shares in your name, in which case you will have to exercise your dissenters' rights directly.

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In other words, if your shares are registered in someone else's name, you will not be able to exercise your dissenters' rights directly unless the shares are re-registered in your name. A dissenting shareholder may only make a claim under Section 190 of the CBCA with respect to all of the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting shareholder. We are required to notify each shareholder who has filed a dissent notice when and if the continuance has been approved. This notice must be sent within ten days after our shareholders approve the continuance. We will not send a notice to any shareholder who voted to approve the continuance or who has withdrawn his dissent notice.

Within 20 days after receiving the above notice from us, or if you do not receive such notice, within 20 days after learning that the continuance has been approved, you must send us a payment demand containing:

- your name and address;
- the number of shares you own; and
- a demand for payment of the fair value of your shares.

Within 30 days after sending a payment demand, you must send to us directly at our corporate address, 204 Edison Way, Reno, Nevada, 89502, or through our transfer agent, Equity Financial Trust Company, the certificates representing your shares. If you fail to send us a dissent notice, a payment demand or your share certificates within the appropriate time frame, you forfeit your right to dissent and your right to be paid the fair value of your shares. Our transfer agent will endorse on your share certificates a notice that you are a dissenting shareholder and will return the share certificates to you.

Once you send a payment demand to us, you cease to have any rights as a shareholder. Your only remaining right is the right to be paid the fair value of your shares. Your rights as a shareholder will be reinstated if:

- you withdraw your payment demand prior to an offer being made by us;
- we fail to make you an offer of payment and you withdraw the dissent notice; or
- the continuance does not happen.

Within seven days of the later of the effective date of the continuance or the date we receive your payment demand, we must send you a written offer to pay for your shares. This must include a written offer to pay you an amount considered by our Board to be the fair value of your shares accompanied by a statement showing how that value was determined. The offer must include a statement showing the manner used to calculate the fair value. Each offer to pay shareholders must be on the same terms. We must pay you for your shares within ten days after you accept our offer. Any such offer lapses if we do not receive your acceptance within 30 days after the offer to pay has been made to you.

If we fail to make an offer to pay for your shares, or if you fail to accept the offer within the specified period, we may, within fifty days after the effective date of the continuance, apply to a court to fix a fair value for your shares. If we fail to apply to a court, you may apply to a court for the same purpose within a further period of twenty days. You are not required to give security for costs in such a case.

On application to the courts, all dissenting shareholders whose shares have not been purchased will be joined as parties and bound by the decision of the court. We are required to notify each affected dissenting shareholder of the date, place and consequences of the application and of his right to appear and be heard in person or by counsel. The court may determine whether any person who is a dissenting shareholder should be joined as a party. The court will then fix a fair value for the shares of all dissenting shareholders who have not accepted a payment offer from us. The final order of a court will be rendered against us for the amount of the fair value of the shares of all dissenting shareholders. The court may, in its discretion, allow a reasonable rate of interest on the amount payable to each dissenting shareholder and appoint an appraiser to assist in the determination of a fair value for the shares.

THIS IS ONLY A SUMMARY OF THE DISSENTING SHAREHOLDER PROVISIONS OF THE CBCA. THEY ARE TECHNICAL AND COMPLEX. IT IS SUGGESTED THAT IF YOU WANT TO AVAIL YOURSELF OF YOUR RIGHTS THAT YOU SEEK YOUR OWN LEGAL ADVICE. FAILURE TO COMPLY STRICTLY WITH THE PROVISIONS OF THE CBCA MAY PREJUDICE YOUR RIGHT OF DISSENT. SECTION 190 OF THE CBCA IS ATTACHED HEREIN AS EXHIBIT E AND IS INCORPORATED HEREIN BY REFERENCE.

Accounting Treatment of the Domestication

Our domestication as a Delaware corporation represents a transaction between entities under common control. Assets and liabilities transferred between entities under common control are accounted for at carrying value. Accordingly, the assets and liabilities of Altair Delaware will be reflected at their carrying value to us. Any of our shares that we acquire from dissenting shareholders will be treated as an acquisition of treasury stock at the amount paid for the shares. Under the DGCL, the treasury shares may then be re-issued under the same terms as our authorized shares.

United States Federal Income Tax Considerations

The following discussion sets forth the opinion of Parr Brown Gee & Loveless, PC as to the material United States federal income tax consequences of the domestication transaction to the Company and the holders of its common shares, as well as certain of the expected material United States federal income tax consequences of the ownership and disposition of the shares of Altair Nanotechnologies Inc., the resulting Delaware corporation. The opinion of Parr Brown Gee & Loveless, PC is based on certain assumptions and is subject to certain qualifications, including the assumptions that the domestication will be consummated as described in this management proxy circular and the Delaware Articles of Domestication and Certificate of Incorporation of Altair Nanotechnologies, Inc., and that all of the representations contained in the management representation letter delivered to counsel by the Company in connection with the following opinion are true, correct and complete as of the date of the opinion and will remain true, correct and complete through the effective time of the domestication transaction. An opinion of counsel is not binding on the Internal Revenue Service (“IRS”) or any court.

For purposes of this discussion, to avoid confusion where a distinction is necessary, Altair Nanotechnologies Inc. as a Canadian corporation is referred to as “Altair Canada” and Altair Nanotechnologies Inc. as a Delaware corporation is referred to as “Altair Delaware.”

This discussion does not address all aspects of taxation that may be relevant to particular shareholders in light of their personal investment or tax circumstances or to persons that are subject to special tax rules. In particular, this description of United States federal income tax considerations does not address the tax treatment of special classes of holders of Company common shares, such as banks, insurance companies, tax-exempt entities, financial institutions, broker-dealers, persons holding of Company common shares as part of a hedging or conversion transaction or as part of a “straddle,” United States expatriates, shareholders owning their shares through foreign corporations in which they are 10% or greater shareholders, holders who acquired their common shares in Altair Canada pursuant to the exercise of employee stock options or otherwise as compensation or through a tax-qualified retirement plan and holders who exercise dissent rights. This discussion also assumes that you hold Company common shares as a capital asset within the meaning of the Code. This discussion is based on current provisions of the Code, United States Treasury Regulations, judicial opinions, published positions of the IRS, and other applicable authorities, all as in effect on the date of this management proxy circular and all of which are subject to differing interpretations or change, possibly with retroactive effect. This discussion does not address any state, local or foreign tax considerations. You are urged to consult your tax advisor about the United States federal tax consequences of acquiring, holding, and disposing of Company common shares, as well as any tax consequences that may arise under the laws of any foreign, state, local, or other taxing jurisdiction or under any applicable tax treaty.

As used in this discussion, the term “U.S. Holder” means a beneficial owner of Company common shares that is for United States federal income tax purposes a “United States Person.” A “United States Person” is:

- a citizen or resident of the United States;

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a corporation (including any entity treated as a corporation for United States federal income tax purposes) created or organized under the laws of the United States, any state thereof, or the District of Columbia;

- an estate the income of which is taxable in the United States regardless of its source; or
- a trust, the administration of which is subject to the primary supervision of a United States Court and one or more United States persons have the authority to control all substantial decisions of the trust, or that has a valid election in effect under applicable United States Treasury Regulations to be treated as a United States person.

If a partnership (including for this purpose any other entity, either organized within or without the United States, that is treated as a partnership for United States federal income tax purposes) holds Company common shares, the tax treatment of a partner as a beneficial owner of the shares will depend upon the status of the partner and the activities of the partnership. Foreign partnerships also are subject to special United States federal income tax documentation requirements. A beneficial owner of Company common shares who is not a U.S. Holder is referred to below as a "Non-U.S. Holder."

Code Section 368 Reorganization Provisions

Under applicable IRS rulings, the domestication transaction will be treated as if Altair Canada: (i) transferred all of its assets and liabilities to Altair Delaware in exchange for all of the outstanding shares of capital stock of Altair Delaware; and (ii) then distributed the shares of Altair Delaware to the shareholders of Altair Canada in liquidation of Altair Canada. The United States federal income tax consequences of the domestication and deemed transfers described above will depend primarily upon whether the transaction qualifies as a "reorganization" within the meaning of Code Section 368.

The change in the Company's place of incorporation will constitute a "reorganization" within the meaning of Code Section 368(a)(1)(F), which this discussion refers to as an "F Reorganization," provided that the number of Company outstanding shares as to which shareholders exercise their dissenters' rights ("Dissenting Shareholders") is less than 1% of all outstanding Company shares. Exercise of dissenters' rights by holders of 1% or more of the outstanding Company shares may disqualify the domestication from "F Reorganization" treatment.

If the domestication does not qualify as an "F Reorganization" for the reason stated above, it nevertheless will qualify as a reorganization under Code Section 368(a)(1)(D) of the Code, which is referred to as a "D Reorganization," unless the Company is required to use an amount of its assets to satisfy claims of Dissenting Shareholders which would prevent it from retaining substantially all of the assets of Altair Canada immediately prior to the domestication. Historically, for advance ruling purposes, the IRS defines "substantially all" to mean 70% of the fair market value of gross assets, and at least 90% of the fair market value of net assets of such entity. In determining if Altair Delaware is acquiring and retaining "substantially all" of the assets of Altair Canada, payments of cash to Dissenting Shareholders will not be considered assets acquired by Altair Delaware. Altair Canada will satisfy the "substantially all" test unless it is required to pay to Dissenting Shareholders more than 30% of the fair market value of its gross assets or more than 10% of the fair market value of its net assets. The Company has represented that the amount it will be required to pay to Dissenting Shareholders will not prevent Altair Delaware from being deemed to have acquired and retained "substantially all" of the assets to Altair Canada within the meaning of the IRS ruling guidelines. The Company has represented that it intends to abandon the domestication if the domestication would not qualify as a reorganization based on the tests set forth above.

Therefore, the domestication will qualify as both a "F Reorganization" and a "D Reorganization," and neither Altair Nanotechnologies Inc. nor Company shareholders will recognize taxable gain or loss on the transaction for United States federal income tax purposes, except as explained below under the caption headings: (i) "Effect of Exercising of Dissenters' Rights;" (ii) "FIRPTA and Branch Profits Tax Considerations;" (iii) "Effect of Code Section 367;" and (iv) "PFIC Considerations."

Basis and Holding Period Considerations

For United States federal income tax purposes, because the domestication will be a reorganization within the meaning of Section 368 of the Code, the tax basis of the shares of Altair Delaware stock received by a shareholder in the exchange will equal the shareholder's tax basis in the common shares surrendered in the exchange, increased by any amount included in the income of such shareholder as a result of the application of Code Section 367. See the

discussions under "Effect of Code Section 367and PFIC Considerations" below. The holding period for the Altair Delaware stock for United States federal income tax purposes, will be the same as the shareholder's holding period for the Altair Canada shares surrendered in the exchange, provided that the shares were held as a capital asset.

Effect of Exercising Dissenters' Rights

Any U.S. Holder that is a Dissenting Shareholder will recognize taxable gain or loss for United States federal income tax purposes with respect to its shares of Altair Canada stock equal to the difference between its tax basis in those shares and the amount of cash received for those shares through the exercise of its dissenters' rights. A U.S. Holder that exercises dissenters' rights with respect to Company common shares will recognize taxable gain or loss for United States federal income tax purposes even if the domestication otherwise qualifies as an "F Reorganization" of a "D Reorganization." A Non-U.S. Holder who exercises dissenters' rights will not be subject to United States federal income tax on the receipt of cash for the shareholder's common shares.

FIRPTA and Branch Profits Tax Considerations

The Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA"), codified at Code Sections 897 and 1445, imposes certain additional restrictions on the Company's ability to effect to the domestication without adverse United States federal income tax consequences. Altair Canada has represented that it currently owns "United States real property interests," as that term is defined in Code Section 897(c)(1), having an aggregate fair market value in excess of the adjusted tax basis of such real property. Under Code Sections 897(a) and 897(e), regardless of whether the domestication qualifies as an "F Reorganization" or a "D Reorganization," Altair Canada will recognize taxable gain on the shares of Altair Delaware that Altair Canada is deemed to receive in exchange for its United States real property interests to the extent the fair market value of those United States real property interests exceeds the adjusted tax basis of such real property. Such gain, which Altair Canada has estimated to be approximately U.S. $772,000, will be taxable to Altair Canada at graduated United States first-tier federal income tax rates applicable to income effectively connected with a United States trade or business (currently up to 35%). There can be no assurance, however, that the IRS and courts will not ascribe a greater value or lower tax basis, and thus a larger taxable gain under FIRPTA, to Altair Canada's United States real property interests. The actual United States federal income tax incurred by Altair Canada for the year of the domestication will also depend on Altair Canada's other items of taxable United States income or loss for the year, including available United States net operating loss carryovers from prior years. Unless the IRS issues a withholding certificate allowing a lower rate of FIRPTA withholding, Code Section 1445 will also require Altair Delaware to remit to IRS a withholding tax equal to 10% of the "amount realized" with respect to the deemed transfer of Altair Canada's United States real property interests to Altair Delaware in exchange for Altair Delaware shares. That deemed "amount realized," on which the Code Section 1445 withholding tax is based, will equal the fair market value of Altair Canada's United States real property interests. The Code Section 1445 withholding tax will be creditable against any United States federal income tax owed by Altair Canada for the tax year of the deemed transfer, including United States federal income tax on gain from the deemed transfer of Altair Canada's United States real property interests under Code Section 897, and will be refundable to the extent it exceeds Altair Canada's United States federal income liability for such tax year.

Additionally, the deemed transfer of the United States real property and other Altair Canada assets to Altair Delaware in the domestication will result in a second-tier 30% United States branch profits tax on Altair Canada under Code Section 884. Generally, Section 884 of the Code imposes a 30% branch profits tax on the "dividend equivalent amount" of a foreign corporation transacting business in the United States through a branch office for the tax year in question. A foreign corporation's "dividend equivalent amount" for a particular year equals (i) its earnings and profits that are effectively connected with its United States trade or business (so-called "effectively connected E&P" or "ECEP") for such year; plus (ii) any decreases in its "U.S. net equity" (i.e., its net U.S. assets) during the year, but only to the extent of the Company's accumulated positive ECEP at the beginning of the year. Altair Canada has determined and represented that it will have approximately $144,000 in accumulated ECEP as of the end of 2011. It has also determined and represented that its effectively-connected E&P for 2012 will be immaterial, except for the $772,000 gain on the deemed disposition of its United States real property in connection with the domestication. Accordingly, the 30% branch profits tax will apply to the amount of gain on the deemed disposition of its United

States real property plus whatever ECEP amount Altair Canada has at the start of 2012.

Effect of Code Section 367

Code Section 367 applies to certain non-recognition transactions involving foreign corporations. When it applies, Code Section 367 has the effect of imposing income tax on U.S. Holders in connection with transactions that would otherwise be tax free. Code Section 367 will apply to the domestication under the circumstances discussed below even if the domestication otherwise qualifies as a “F Reorganization” or “D Reorganization.”

Under Code Section 367, a U.S. Holder who owns, directly or by attribution, 10% or more of the combined voting power of all classes of stock of Altair Canada, which we refer to as a 10% Shareholder, would be required to recognize as dividend income the “all earnings and profits amount”, which we refer to as the “all earnings and profits amount”, as determined under Section 1.367(b)-2 of the United States Treasury Regulations, attributable to its shares in Altair Canada. A similar rule would apply to any United States Person who owns directly or indirectly 10% or more of the combined voting power of all classes of stock of another foreign corporation that owns any shares of Altair Canada if that other foreign corporation is a “controlled foreign corporation” within the meaning of Code Section 957 or other type of pass-through entity. United States Persons who hold shares in Altair Canada through other foreign corporations should consult their tax advisors.

A U.S. Holder that is not a 10% Shareholder is not required to include the “all earnings and profits amount” attributable to such U.S. Holder’s shares in Altair Canada in income. Instead, absent making an election discussed below to include the “all earnings and profits amount” attributable to such U.S. Holder’s shares in Altair Canada in income, which we refer to as a “Deemed Dividend Election,” such U.S. Holder must recognize gain, but will not recognize any loss, on his or her shares if such shares have a fair market value of $50,000 or more on the date of the domestication exchange and the fair market value of Altair Delaware stock received by the U.S. Holder exceeds its tax basis in the shares of Altair Canada deemed surrendered. However, such a U.S. Holder can make the Deemed Dividend Election to instead include in income as a dividend the “all earnings and profits amount” attributable to the shares owned by such U.S. Holder in Altair Canada. If a U.S. Holder makes such an election, then such holder does not recognize any gain on the exchange. A Deemed Dividend Election can be made only if the Company gives the U.S. Holder the information which provides the “all earnings and profits amount” attributable to such U.S. Holder’s shares and the U.S. Holder elects and files certain notices with such holder’s federal income tax return for the year in which the exchange occurred. The Company has represented that it intends to provide such “all earnings and profits amount” information upon written request to any Shareholder making the Deemed Dividend Election.

U.S. Holders should consult with their own tax advisors regarding whether to make the Deemed Dividend Election and, if advisable, the appropriate filing requirements with respect to this election.

A U.S. Holder that is not a 10% Shareholder and owns shares in Altair Canada with a fair market value of less than $50,000 on the day of the domestication exchange is not subject to U.S. federal income tax on the domestication under Code Section 367.

The term “all earnings and profits amount” as defined under Treasury Regulation Section 1.367(b)-2(d) means the net positive earnings (if any) of a foreign corporation that are determined according to principles substantially similar to those applicable to domestic corporations, but taking into account the adjustments under the provisions of Code Section 312(k) relating to the computation of depreciation, Code Section 312(n) relating to adjustments to earnings and profits for certain items that more closely conform to economic gain or loss, and the miscellaneous provisions under Code Section 964 relating to foreign taxes and foreign corporation’s earnings and profits. Code Sections 964 and 986, and the regulations thereunder, contain the rules for adjusting earnings and profits under foreign GAAP to U.S. GAAP and U.S. tax accounting, as well as rules for determining the currency in which earnings must be computed for U.S. tax purposes.

Based on an analysis by the Company's independent certified public accounting firm and other analysis by the Company, Altair Canada has represented to us that it has no positive "all earnings and profits amount" and that no U.S. Holder who is a 10% Shareholder or whose shares will have a value of $50,000 or more has a positive "all earnings and profits amount" attributable to such U.S. Holder's shares of Altair Canada. Accordingly, assuming no 10% Shareholder or U.S. Holder whose shares have a value of $50,000 or more has a positive "all earnings and profits amount" with respect to the shares of Altair Canada at the time of the domestication and that all U.S. Holders who are less than 10% Shareholders but who hold shares in Altair Canada with a fair market value of $50,000 or more on the day of the domestication exchange either have no gain (value over basis) on their shares or file a timely Deemed Dividend Election, no U.S. Holder should be required to include any such amount in income on the domestication under Code Section 367. However, there can be no assurance that the IRS or courts will agree with the Company's determination that no U.S. Holder has a positive "all earnings and profits amount" with respect to the U.S. Holder's shares of the Company. If in fact a U.S. Holder has a positive "all earnings and profits amount" with respect to the U.S. Holder's shares of the Company and those shares have a fair market value of $50,000 or more on the date of the domestication transaction, the U.S. Holder may be subject to adverse U.S. federal income tax consequences.

PFIC Considerations

In addition to the discussion under the heading "Effects of Code Section 367" above, the domestication might be a taxable event to U.S. Holders if Altair Canada is or ever was a passive foreign investment company, or a "PFIC," under Section 1297 of the Code, provided that Section 1291(f) of the Code is currently effective.

Section 1291(f) of the Code requires that, to the extent provided in regulations, a United States person who disposes of stock of a PFIC recognizes gain notwithstanding any other provision of the Code. No final Treasury regulations are currently in effect under Section 1291(f) of the Code. Proposed Treasury Regulations under Section 1291(f) of the Code were promulgated in 1992 with a retroactive effective date. If finalized in their current form, those regulations would require taxable gain recognition by a U.S. Holder exchanging stock of Altair Canada for stock of Altair Delaware if Altair Canada were classified as a PFIC at any time during such U.S. Holder's holding period in such stock and the U.S. Holder had not made either a "qualified electing fund" election under Code Section 1295 for the first taxable year in which the U.S. Holder owned Altair Canada shares or in which Altair Canada was a PFIC, whichever is later; or a "mark-to-market" election under Code Section 1296. The tax on any such recognized gain would be imposed at the rate applicable to ordinary income and an interest charge would apply based on a complex set of computational rules designed to offset the tax deferral to such stockholders on Company undistributed earnings. We are unable to predict at this time whether, in what form, and with what effective date, final Treasury Regulations under Code Section 1291(f) will be adopted.

Subject to certain exceptions that are not applicable to the Company, a foreign corporation is a PFIC if 75% or more of its gross income for a taxable year is passive income or if, on average for such taxable year, 50% or more of the value of its assets held by the Company during a taxable year produce or are held to produce passive income. Passive income includes dividends, interest, rents and royalties, but excludes rents and royalties that are derived in the active conduct of a trade or business and that are received from an unrelated person, as well as interest, dividends, rents and royalties received from a related person that are allocable to income of such related person other than passive income. For purposes of these rules, Altair Canada would be considered to own the assets of and recognize the income of any subsidiary corporations as to which it owns 25% or more of the value of their outstanding stock, in proportion to such ownership.

Altair Canada has represented to us that it was not a PFIC for any tax year after 2001. Assuming Altair Canada was not a PFIC at any time after 2001, the domestication should not be a taxable event under the PFIC rules for any U.S. Holder who first acquired their shares in Altair Canada during or after 2002. Altair Canada also believes, however, that it was a PFIC prior to tax year 2002. Therefore, U.S. Holders who first acquired their shares of Altair Canada

prior to 2002 may be subject to taxation on the domestication transaction to the extent their shares have a fair market value in excess of their tax basis.

The determination of whether Altair Canada is or has been a PFIC is primarily factual and there is little administrative or judicial authority on which to rely to make a determination of PFIC status. Accordingly, the IRS or courts might not agree with Altair Canada's analysis of whether or not it is or was a PFIC during any particular year.

Consequences to U.S. Holders of Owning Altair Delaware Shares

Dividends. If Altair Delaware pays dividends on its shares to U.S. Holders after the domestication, such dividends will be included in the recipient U.S. Holder's income as ordinary dividend income to the extent of Altair Delaware's current and accumulated earnings and profits determined under United States federal income tax principles as of the end of the Altair Delaware taxable year in which the dividend is paid. However, with respect to dividends received by certain non-corporate U.S. Holders, including individuals, for taxable years beginning before January 1, 2013, such dividends will be taxed at the lower applicable long-term capital gains rates up to 15%, provided certain holding period and other requirements are satisfied. Distributions by Altair Delaware in excess of its current and accumulated earnings and profits will be treated as a return of capital to the extent of a U.S. Holder's adjusted tax basis in Altair Delaware's common shares and thereafter as capital gain from the sale or exchange of such shares. Dividends received by a U.S. Holder that is a corporation may be eligible for a dividends received deduction, subject to applicable limitations.

Disposition of Shares. Upon the sale, certain qualifying redemptions, or other taxable disposition of the shares of Altair Delaware held as capital assets, a U.S. Holder will recognize capital gain or loss equal to the difference between the amount of cash and the fair market value of any property received upon such taxable disposition and the U.S. Holder's adjusted tax basis in the shares. Such capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period in the shares is more than one year at the time of the taxable disposition. Unless certain exceptions apply, long-term capital gains recognized by non-corporate U.S. Holders (e.g., individuals) will be subject to a maximum U.S. federal income tax rate of 15%, which rate is currently scheduled to increase to 20% for dispositions occurring during taxable years beginning on or after January 1, 2013. Deductions for capital losses are subject to complex limitations under the Code.

Information Reporting and Backup Withholding Applicable to U.S. Holders. Information reporting requirements will apply to payments of dividends on shares of Altair Delaware and to the proceeds of a sale of Altair Delaware shares paid to a U.S. Holder unless the U.S. Holder is an exempt recipient such as a corporation. A backup withholding tax will apply to those payments if the U.S. Holder fails to provide to the Company its correct taxpayer identification number, or certification of exempt status, or if the U.S. Holder is notified by the IRS that it has failed to report in full payments of interest and dividend income. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a U.S. Holder's United States federal income tax liability, provided the required information is furnished in a timely manner to the IRS.

Consequences to Non-U.S. Holders of Owning Altair Delaware Shares

Dividends. If Altair Delaware pays dividends on its shares, such dividends paid to Non-U.S. Holders will be subject to withholding of United States federal income tax at the rate of 30%, or such lower rate as may be specified by an applicable income tax treaty, provided Altair Delaware has received proper certification (on IRS Form W-8BEN or other applicable form) of the application of such income tax treaty. A Non-U.S. Holder that is eligible for a reduced rate of United States federal withholding tax under an income tax treaty may obtain a refund or credit of any excess amounts withheld by filing an appropriate claim for a refund with the IRS. Pursuant to the income tax treaty between the United States and Canada (the "Treaty"), dividends paid by a United States corporation to a Canadian resident where each qualifies for benefits under the Treaty are subject to United States federal withholding tax at a maximum rate of 15%. Non-U.S. Holders should consult their tax advisors regarding their eligibility for claiming benefits under the Treaty and regarding their particular circumstances to claim a tax credit or tax deduction against their Canadian (or

other) tax liability for any United States federal withholding tax.

Dividends that are effectively connected with a Non-U.S. Holder's conduct of a trade or business in the United States or, if provided in an applicable income tax treaty, dividends that are attributable to a Non-U.S. Holder's permanent establishment in the United States, are not subject to the U.S. withholding tax, but are instead taxed in the manner applicable to U.S. Holders. In that case, Altair Delaware will not have to withhold United States federal withholding tax if the Non-U.S. Holder complies with applicable certification and disclosure requirements. In addition, dividends received by a foreign corporation that are effectively connected with the conduct of a trade or business in the United States may be subject to a branch profits tax at a 30% rate, or a lower rate specified in an applicable income tax treaty.

Disposition of Shares. A Non-U.S. Holder of Altair Delaware shares will not be subject to United States federal income tax, including by way of withholding, on gain recognized on a sale or other disposition of those shares unless any one of the following is true:

- The gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States and, if an applicable tax treaty requires, attributable to a U.S. permanent establishment maintained by such Non-U.S. Holder. Gain described in this bullet point will be subject to United States federal income tax on a net income basis at the regular graduated United States federal income tax rates in much the same manner as if such holder were a United States Person. A Non-U.S. Holder that is a foreign corporation also may be subject to an additional branch profits tax equal to 30% (or such lower rate specified by an applicable income tax treaty) of its effectively connected earnings and profits for the taxable year, as adjusted for certain items. Non-U.S. Holders should consult any applicable income tax treaties that may provide for different;

- The Non-U.S. Holder is an individual who is present in the United States for 183 or more days in the taxable year of the sale, exchange or other disposition and certain other requirements are met. Gain described in this bullet point will be subject to United States federal income tax at a flat 30% rate (or such lower rate specified by an applicable income tax treaty), but may be offset in certain cases by United States source capital losses; or

- The stock of Altair Delaware constitutes a United States real property interest by reason of Altair Delaware's status as a "United States real property holding corporation" (which we refer to as a "USRPHC") for United States federal income tax purposes at any time during the shorter of the period during which such Non-U.S. Holder holds the stock of Altair Delaware; or the 5-year period ending on the date such Non-U.S. Holder disposes of the stock of Altair Delaware and, in the event of common stock that is regularly traded on an established securities market for tax purposes, the Non-U.S. Holder held, directly or indirectly, at any time within the five-year period preceding such disposition more than 5% of such regularly traded common stock. Since the determination of Altair Delaware's status as a USRPHC in the future will be based upon the composition of Altair Delaware's assets from time to time and there are uncertainties in the application of certain relevant rules, there can be no assurance that Altair Delaware will not become a USRPHC in the future. If gain on the sale or other taxable disposition of our stock were subject to taxation under this bullet point, the Non-U.S. Holders would be subject to regular United States federal income tax with respect to such gain in generally the same manner as applies to United States Persons.

Information Reporting and Backup Withholding. A Non-U.S. Holder may have to comply with specific certification procedures to establish that the holder is not a United States person as described above (on IRS Form W-8BEN), or otherwise establish an exemption, in order to avoid backup withholding and information reporting tax requirements with respect to payments of dividends on the stock of Altair Delaware.

The payment of the proceeds of the disposition of stock by a Non-U.S. Holder to or through the United States office of a broker will be reported to the IRS and reduced by backup withholding unless the Non-U.S. Holder either certifies its status as a Non-U.S. Holder under penalties of perjury or otherwise establishes an exemption and the broker has no actual knowledge to the contrary. Information reporting requirements, but not backup withholding, will also apply to payments of the proceeds from sales of Altair Delaware stock by foreign offices of United States brokers or foreign

brokers with certain types of relationships to the United States, unless the broker has documentary evidence in its records that the holder is a Non-U.S. Holder and certain other conditions are met, or the holder otherwise establishes an exemption. Backup withholding is not an additional tax. Any amounts that are withheld under the backup withholding rules will be refunded or credited against the Non-U.S. Holder's United States federal income tax liability if certain required information is furnished to the IRS. Non-U.S. Holders should consult their own tax advisors regarding application of backup withholding in their particular circumstance and the availability of and procedure for obtaining an exemption from backup withholding under current United States Treasury Regulations.

New Legislation Relating to Foreign Accounts. Newly enacted legislation may impose withholding taxes on certain types of payments made to "foreign financial institutions" (as specially defined under these rules) and certain other Non-U.S. Holders. Under this legislation, the failure to comply with additional certification, information reporting and other specified requirements could result in withholding tax being imposed on payments of dividends and sales proceeds to foreign intermediaries and certain Non-U.S. Holders. The legislation imposes a 30% withholding tax on dividends on, or gross proceeds from the sale or other disposition of, our common stock paid to a foreign financial institution or to a foreign non-financial entity, unless (i) the foreign financial institution undertakes certain diligence and reporting obligations or (ii) the foreign non-financial entity either certifies it does not have any substantial United States owners or furnishes identifying information regarding each substantial United States owner. If the payee is a foreign financial institution, it must enter into an agreement with the United States Treasury requiring, among other things, that it undertake to identify accounts held by certain United States Persons or United States-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these reporting and other requirements. The legislation would apply to payments made after December 31, 2012. Non-U.S. Holders that are entities should consult their tax advisors regarding this legislation.

Canadian Federal Income Tax Considerations

In the opinion of Cassels Brock & Blackwell, LLP, the following discussion fairly describes the principal Canadian federal income tax considerations relating to legal continuance of the Company to Delaware in respect of shareholders of the common shares who, for the purposes of the Income Tax Act (Canada) (the "ITA"): (i) hold their common shares as capital property; (ii) deal at arm's length with the Company; (iii) are not affiliated with the Company, and (iv) in respect of whom the Company is not a foreign affiliate within the meaning of the ITA, or who hold more than 10% of the common shares. A shareholder will generally be considered to hold common shares as capital property, unless the shareholder holds the common shares in the course of carrying on a business, acquired the common shares in a transaction that is an adventure in the nature of trade, or holds the common shares as "mark-to-market" property for the purposes of the ITA. Shareholders should consult their own tax advisors if they have questions as to whether they in fact hold the common shares as capital property. Moreover, shareholders who do not hold the common shares as capital property should consult their own tax advisors regarding the consequences of the continuance.

This discussion is not applicable to a shareholder: (i) that is a "financial institution" for the purposes of the mark-to-market rules contained in the ITA; (ii) that is a "specified financial institution" or "restricted financial institution" as defined in the ITA; (iii) an interest in which is a "tax shelter investment" as defined under the ITA, or (iv) to whom the functional currency reporting rules in subsection 261 of the ITA would apply. Such shareholders should consult their own tax advisors.

This discussion is based upon the current provisions of the ITA, the regulations thereunder (the "Regulations"), the Canada-United States Income Tax Convention, 1980, as amended (the "Tax Treaty"), and counsel's understanding of the current administrative practices and policies of the Canada Revenue Agency (the "CRA"). This discussion also takes into account all specific proposals to amend the ITA and the Regulations (the "Proposed Amendments") announced by the Minister of Finance (Canada) prior to the date hereof and assumes that all Proposed Amendments will be enacted in their current form. However, there can be no assurance that the Proposed Amendments will be enacted in the form proposed or at all. Except for the Proposed Amendments, this discussion does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action or decision, nor does it take into account provincial, territorial or foreign income tax considerations, which may differ from the Canadian federal income tax considerations discussed below. An advance income tax ruling will not be sought from the CRA in respect of our continuance transaction.

Although portions of this discussion of “Canadian Federal Income Tax Considerations” that are applicable to shareholders considered to be resident of the United States for purposes of the Tax Treaty (the “US resident shareholders”) may also apply to shareholders residing in other jurisdictions, this discussion does not specifically address the tax consequences to such other shareholders and accordingly such other shareholders are urged to contact their own tax advisors to determine the particular tax consequences applicable to them.

The following discussion is based on the facts set out in this Circular and on an officer's certificate provided to Canadian tax counsel by the Company’s management. We have not independently verified the information provided by management and provide no opinion with respect to any specific amounts referred to herein, including the fair market value of any of the Company’s assets, liabilities, paid-up capital and other tax attributes, or the conclusion based on such amounts that no Canadian federal income tax will arise on the continuance.

All amounts relevant to the computation of income under the ITA must be reported in Canadian dollars. Any amount that is expressed or denominated in a currency other than Canadian dollars, including adjusted cost base, proceeds of disposition, and dividends must be converted into Canadian dollars based on the currency exchange rate quoted by the Bank of Canada at noon on the particular day or at such other rate of exchange that is acceptable by the Minister.

This discussion is not intended to be, nor should it be construed to be, legal or tax advice to any shareholder. Accordingly, shareholders should consult their own tax advisers for advice as to the income tax consequences having regard to their own particular circumstances.

Tax Consequences Applicable to the Company

On the continuance, the Company will be deemed to be resident in the United States, and to no longer be resident in Canada. Under the ITA, the change in residence from Canada to the United States will cause the Company’s tax year to end immediately before the continuance, and a new tax year to begin at the time of the continuance.

Furthermore, the Company will be deemed to have disposed of all of its property immediately before the continuance for proceeds of disposition equal to the fair market value of our property at that time. This deemed disposition may cause the Company to incur a Canadian tax liability as a result of the deemed capital gain.

Furthermore, the Company will be subject to a separate corporate emigration tax imposed by the ITA on a corporation departing from Canada. The emigration tax will be imposed on the amount by which the fair market value of all of the Company’s property immediately before the continuance exceeds the aggregate of its liabilities at that time (other than dividends payable and taxes payable in connection with this emigration tax) and the amount of paid-up capital on all of its issued and outstanding shares. Tax will be imposed at a rate of 5% on its net assets determined under the foregoing formula, unless one of the main reasons for the Company’s changing of residence to the United States was to reduce the amount of this corporate emigration tax or the amount of Canadian withholding tax paid by the Company, in which case the rate will be 25%.

The Company has reviewed its assets, liabilities, paid-up capital and other tax balances and assuming that the market price of the Company’s common shares does not exceed $3.72 per share and that the exchange rate of the Canadian dollar to the U.S. dollar is CDN $1.00 equals U.S. $1.03395 and that the value of the Company’s property does not increase, management has advised that it anticipates that there will not be any Canadian federal income tax arising on the continuance. This conclusion is based in part on the Company’s determinations of factual matters, including determinations regarding the fair market value of the Company’s assets and tax attributes. Furthermore, the facts underlying the assumptions and conclusions used by management may change prior to the effective time of the continuance. The Company has not applied to the CRA for a ruling as to the amount of Canadian taxes payable as a result of the continuance and does not intend to apply for such a ruling given the factual nature of the determinations

involved. There can be no assurance that the CRA will accept the valuations or management's estimate of the amount of Canadian taxes that will be payable upon the continuance. Accordingly, there is no assurance that the CRA will conclude after the effective time of the continuance that no additional Canadian taxes are due as a result of the continuance or that the amount of such additional Canadian taxes will not be significant.

Due to the change in residence upon the continuance, the Company will no longer be subject to taxation under the ITA on its worldwide income. However, if the Company carries on business in Canada or has other Canadian sources of income, the Company may be subject to Canadian tax on its Canadian-source income.

Shareholders Resident in Canada

The following portion of this summary of "Canadian Federal Income Tax Considerations" applies to shareholders of the Company who are resident in Canada for the purposes of the ITA.

Shareholders of the Company who remain holding the common shares after the continuance, will not be considered to have disposed of their common shares by reason only of the continuance. Accordingly, the continuance will not cause the Canadian resident shareholders to realize a capital gain or loss on their common shares and there will be no effect on the adjusted cost base of their common shares.

Following the continuance, any dividends received by an individual (including a trust) who is a Canadian resident shareholder will be included in computing the individual's income for tax purposes and will not be eligible for the gross-up and dividend tax credit treatment generally applicable to dividends on common shares of taxable Canadian corporations.

Any dividends received by a corporate shareholder will be included in calculating that corporation's income for tax purposes and the Company will not be entitled to deduct the amount of such dividends in computing its taxable income. A "Canadian-controlled private corporation" (as defined in the ITA) may be liable to pay an additional refundable tax of 6 2/3% on its "aggregate investment income" which is defined to include amounts in respect of taxable capital gains and certain dividends. To the extent that U.S. withholding taxes are imposed on dividends paid by the Company, the amount of such tax will generally be eligible for a Canadian foreign tax credit or tax deduction subject to the detailed rules and limitations under the ITA. Canadian resident shareholders are advised to consult their own tax advisors with respect to the availability of such a Canadian foreign tax credit or tax deduction having regard to their particular circumstances.

Foreign Property Information Reporting

A shareholder that is a "specified Canadian entity" for a taxation year and whose total cost amount of "specified foreign property" at any time in the year exceeds C$100,000 (as such terms are defined under the ITA) will be required to file an information return for the year to disclose certain prescribed information. Subject to certain exceptions, a Canadian resident shareholder will generally be a specified Canadian entity. The common shares should be classified within the definition of "specified foreign property". Canadian resident shareholders should consult their own tax advisors as to whether they must comply with these reporting requirements.

Dissenting Shareholders

Although the matter is not free from doubt, it is reasonable to conclude based on administrative positions published by the CRA that the dissenting Canadian resident shareholder will be deemed to receive a taxable dividend equal to the amount by which the amount received for their common shares, less an amount in respect of interest, if any, awarded by the Court, exceeds the paid-up capital of the dissenting Canadian resident shareholder's common shares, assuming the shares were cancelled before the continuance became effective. The tax treatment of deemed dividends received by a Resident Dissenting Shareholder will generally be as described above under the heading "Shareholders Resident in Canada." However, in some circumstances, the amount of any such deemed dividend realized by a corporation may be treated as proceeds of disposition and not as a dividend. A dissenting Canadian resident shareholder will also be considered to have disposed of the common shares for proceeds of disposition equal to the amount paid to such

dissenting Canadian resident shareholder less an amount in respect of interest, if any, awarded by the Court and the amount of any deemed dividend. Therefore, a dissenting Canadian resident shareholder may realize a capital gain or sustain a capital loss in respect of such a disposition.

If the shares are cancelled after the continuance, although the matter is not free from doubt, it is reasonable to conclude that the amount paid to a Canadian resident shareholder who dissents to the continuance should be treated as receiving proceeds of disposition for his common shares. Accordingly, in this case the dissenting Canadian resident shareholder would recognize a capital gain or loss to the extent that the amount received as proceeds for the disposition of the common shares exceeds or is less than the shareholder's adjusted cost base of the common shares.

Interest awarded by a court to a dissenting Canadian resident shareholder will be included in the shareholder's income for purposes of the ITA.

Dissenting Canadian resident shareholders should consult their own tax advisers for advice as to the income tax consequences to them of our continuance, having regard to their own particular circumstances.

U.S. Resident Shareholders

The following portion of this summary of "Canadian Federal Income Tax Considerations" applies to shareholders of the Company who are residents of the United States for purposes of the Tax Treaty and are entitled to the benefits therein, and who do not use or hold their common shares in the course of carrying on a business in Canada.

After the continuance, U.S. resident shareholders will not be considered to have disposed of their common shares by reason only of the continuance. Accordingly, the continuance will not cause these U.S. resident shareholders to realize a capital gain or loss on their common shares, and will have no effect on the adjusted cost base of their common shares.

After the continuance, U.S. resident shareholders will not be subject to Canadian withholding tax on dividends received from the Company.

After the continuance, the common shares will not be taxable Canadian property to U.S. resident shareholders, and therefore will not cause such shareholders to be subject to taxation in Canada on any subsequent disposition of such common shares, provided that not more than 50% of the fair market value of the common shares is derived directly or indirectly from one or any combination of real property situated in Canada, Canadian resource properties and timber resource properties during the 60 month period that ends prior to the continuance and certain ownership tests are met. Based on the officer's certificate from management regarding the fair market value of the Company's common shares, it is not expected that the common shares will be classified as taxable Canadian property.

Dissenting U.S. Resident Shareholders

Although the matter is not free from doubt, it is reasonable to conclude based on administrative positions published by the CRA that the U.S. resident dissenting shareholder will be deemed to receive a taxable dividend equal to the amount by which the amount received, less an amount in respect of interest, if any, awarded by the Court, exceeds the paid-up capital of the U.S. resident dissenting shareholder's common shares assuming the shares were cancelled before the continuance became effective. The amount of the deemed dividend will be subject to Canadian withholding tax at the rate of 25% of the gross amount of the deemed dividend unless the rate is reduced under the provisions of the Tax Treaty. A U.S. resident dissenting shareholder will also be considered to have disposed of the common shares for proceeds of disposition equal to the amount paid to such U.S. resident dissenting shareholder less an amount in respect of interest, if any, awarded by the Court and the amount of any deemed dividend, and will be subject to tax under the ITA on any gain realized as a result unless relief is provided under the Tax Treaty.

If the shares are cancelled after the continuance, although the matter is not free from doubt, it is reasonable to conclude that the amount paid to a non-resident shareholder who dissents to the continuance should be treated as

receiving proceeds of disposition for his common shares. Accordingly, the dissenting non-resident shareholder would recognize a capital gain or loss to the extent that the amount received as proceeds for the disposition of the common shares exceeds or is less than the shareholder's adjusted cost base of the common shares.

Interest received by a U.S. resident shareholder consequent upon the exercise of the dissent rights will be not subject to withholding tax under the ITA.

Eligibility for Investment

Following the continuance, the common stock will continue to be listed on the NASDAQ Capital Market. Because the common stock will continue to be listed on a designated stock exchange, the common stock will continue to be a qualified investment for certain deferred income plans under the ITA, namely trusts governed by deferred profit sharing plans, registered retirement savings plans "RRSPs", registered retirement income funds "RRIFs", registered education savings plans, registered disability saving plans and tax-free savings accounts "TFSAs".

Notwithstanding the foregoing, if the common stock is a “prohibited investment” for the purposes of a TFSA, RRSP or RRIF, the holder of such TFSA, or the annuitant of such RRSP or RRIF, will be subject to penalty taxes as set out in the ITA. Proved that for purposes of the ITA the holder, in the case of the TFSA, or the annuitant in the case of an FFSP or RRIF, deals at arm’s length with the Company and does not hold a “significant interest” (within the meaning of the ITA) in the Company or any corporation, partnership or trust with which the Company does not deal at arm’s length, the common stock will not be a “prohibited investment” for such TFSA, RRSP or RRIF for the purposes of the ITA. Holders of a TFSA and annuitants of an RRSP and RRIF should consult their own tax advisors as to whether common stock will be a prohibited investment in their particular circumstances.

DESCRIPTION OF OUR CAPITAL STOCK

Unless the context provides otherwise, the following description of our capital stock assumes the consummation of the domestication has already occurred. The following description of Altair Delaware' capital stock is not complete and is subject to and qualified in its entirety by the proposed certificate of incorporation and bylaws of Altair Delaware, which are attached as Exhibits C and D, respectively, to this Circular.

Altair Delaware's authorized capital stock consists of 200,000,000 shares of common stock, par value $.001 per share. As of December 20, 2011, there were 69,452,487 common shares of Altair Canada issued and outstanding. Assuming the domestication had occurred on December 20, 2011, there would have been 69,452,487 shares of Altair Delaware common stock issued and outstanding.

Altair Delaware Common Stock

Holders of common stock are entitled to one vote for each share held of record on all matters on which stockholders are permitted to vote. Except as otherwise provided by law, a matter submitted to the stockholders for approval at a meeting at which a quorum is present is approved if approved by the affirmative vote of a majority of the shares present at the meeting, in person or by proxy. Under the bylaws of Altair Delaware, a quorum is present if at least two shareholders holding at least one-third of our total outstanding shares of common stock are present in person or by proxy. There is no cumulative voting for the election of directors, and holders of common stock do not have preemptive rights. In the event of liquidation, holders of common stock are entitled to share ratably in the distribution of assets remaining after payment of liabilities, if any. The holders of common stock are entitled to receive such dividends, if any, as may be declared from time to time by the Board of Directors. There are no conversion rights, redemption rights, sinking fund provisions or fixed dividend rights with respect to the common stock. All outstanding shares of the common stock are fully paid and nonassessable.

Change of Control Provisions in the Rights Agreement

The rights of the holders of the common stock of Altair Delaware will be governed by the Rights Agreement with Equity Financial Trust Company in the same manner, and to the same extent (subject to any limitations under the DGCL), as the rights of the common shares of Altair Canada.

Pursuant to the Rights Agreement, on November 27, 1998, which is the record date, the Board of Directors authorized and declared a distribution of one right with respect to each common share issued and outstanding as of the record date and each common share issued thereafter prior to the expiration time (as defined below). The rights are subject to the terms and conditions of the Rights Agreement. A copy of the Amended and Restated Shareholder Rights Plan Agreement is attached as Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on November 18, 1999; a copy of the Amendment No. 1 to such agreement is attached as Exhibit 10.3 to the Current Report on Form 8-K filed with the SEC on October 6, 2008; and a copy of the Amendment No. 2 to such agreement is attached as Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on July 25, 2011. A copy of the Rights Agreement is also available upon written request to us. Because it is a summary, the following description of the rights and the Rights Agreement necessarily omits certain terms, exceptions, or qualifications to the affirmative statements made therein. The reader is advised to review the entire Rights Agreement prior to making any investment decision.

Certain Key Terms of the Rights Prior to Flip-In Date

Prior to the date a transaction or event occurs by which a person, called an acquiring person, becomes the owner of 15% or more of the outstanding shares of common stock and other shares entitled to vote for the election of directors, which event is a Flip-in Event, each right entitles the holder thereof to purchase one-half share of common stock for

the price of $20 (which exercise price and number are subject to adjustment as set forth in the Rights Agreement). Notwithstanding the foregoing, no Right shall be exercisable prior to the commencement date. The commencement date is the close of business on the eighth business day after the earlier of (a) the date of a public announcement or disclosure by the company or an acquiring person of facts indicating that a person has become an acquiring person, or (b) the date of commencement of, or first public announcement of, the intent of any person to commence a bid for a number of voting shares that would give the bidder beneficial ownership of 15% of more of the issued and outstanding voting shares, referred to as a Take-over Bid.

Certain Key Terms of the Rights Following Flip-In Date

Section 3.1 of the Rights Agreement includes a provision, referred to as a conversion provision, which provides that, subject to certain exceptions, upon the occurrence of a Flip-in Event, each right shall be adjusted so as to constitute a right to purchase from us for $20, as adjusted, a number of shares of common stock having an aggregate market price of four times $20 (as adjusted). The market price is determined by averaging the closing price of the shares of common stock on the primary exchange for the shares of common stock for the 20 trading days preceding the date of determination. In addition, upon the occurrence of any Flip-in Event (if not subsequently deemed not to have occurred under the Rights Agreement), any rights owned by the acquiring person, its affiliates, or certain assignees become null and void. Any rights certificate subsequently issued upon transfer, exchange, replacement, adjustment, or otherwise with respect to shares of common stock owned by any of the foregoing persons shall bear a legend indicating the extent to which such rights are void. Rights held by us or our subsidiaries are also void.

Exceptions, Redemption and Waiver

The definitions of Flip-in Event and certain related terms are subject to exceptions, certain of which are summarized below. Nevertheless, to understand each such exception and how they may interrelate, the reader is advised to review the Rights Agreement. Despite a person's acquisition of 15% or more of our voting shares, a Flip-in Event shall be deemed not to have occurred or shall have no effect if:

(1) the acquiring person is the Company or an entity controlled by the Company;

(2) the acquiring person is an underwriter who becomes the beneficial owner of 15% or more voting shares in connection with a distribution of securities pursuant to an underwriting agreement with us;

(3) the transaction by which the person becomes an acquiring person is a voting share reduction, which is an acquisition or redemption of voting shares by us which, by reducing the number of outstanding shares of common stock, has the incidental effect of increasing the acquiring person's ownership percentage;

(4) the transaction by which the person becomes an acquiring person is an acquisition with respect to which our Board has waived the conversion provision because:

(a) our Board has determined prior to the commencement date that a person became an acquiring person by inadvertence and, within 10 days of such determination, such person has reduced its beneficial ownership of shares of common stock so as not to be an acquiring person;

(b) our Board acting in good faith has determined, prior to the occurrence of a Flip-in Event, to waive application of the conversion provision, referred to as a discretionary waiver;

(c) our Board determines within a specified time period to waive application of the conversion provision to a Flip-in Event, provided that the acquiring person has reduced, or agreed to reduce, its beneficial ownership of voting shares to less than 15% of the outstanding issue of voting shares, referred to as a waiver following withdrawal;

(5) the acquisition by which the person becomes an acquiring person is an acquisition pursuant to (a) a dividend reinvestment plan or share purchase plan made available to all holders of voting shares; (b) a stock dividend, stock split or similar event pursuant to which the acquiring person receives common shares on pro rata basis with all members of the same class or series; (c) the acquisition or exercise of rights to purchase voting shares distributed to all holders of voting shares; (d) a distribution of voting shares or securities convertible into voting shares offered pursuant to a prospectus or by way of a private placement, provided the acquiring person does not thereby acquire a greater

percentage of the voting shares or convertible securities offered than the person's percentage of voting shares beneficially owned immediately prior to such acquisition;

(6) the acquiring person is Al Yousuf, LLC, a United Arab Emirates limited liability company (“Al Yousuf”); provided, however, such exception is not applicable to Al Yousuf in the event that Al Yousuf shall, after its execution of that certain Stock Purchase and Settlement Agreement (the “Purchase and Settlement Agreement”), dated October 6, 2008, by and between the Company and Al Yousuf (a) increase its beneficial ownership percentage of voting shares by more than 1% above its beneficial ownership percentage of voting shares as a result of its execution of the Purchase and Settlement Agreement, other than through the issuance of shares pursuant to the Purchase and Settlement Agreement, a voting share reduction, an exempt acquisition or a pro rata acquisition, or (b) commence a Take-over Bid that would, if consummated, increase its beneficial ownership percentage of voting shares by more than 1% above its beneficial ownership percentage of voting shares as a result of its execution of the Purchase and Settlement Agreement; or

(7) the acquiring person is Canon Investment Holdings Limited, a company organized under the laws of Hong Kong (“Canon”), Energy Storage Technology (China) Group Limited, a company organized under the laws of Hong Kong (“Energy Storage”) or an affiliate of Canon or Energy Storage.

In addition, (i) when a Take-over Bid is withdrawn or otherwise terminated after the commencement date has occurred, but prior to the occurrence of a Flip-in Date, or (ii) if the Board of Directors grants a waiver following withdrawal, our Board may elect to redeem all outstanding rights at the price of $.0000001 per right (as adjusted). Upon the rights being redeemed pursuant to the foregoing provision, all provisions of the Rights Agreement shall continue to apply as if the commencement date had not occurred, and we shall be deemed to have issued replacement rights to the holders of its then outstanding shares of common stock.

In addition, our Board may, at any time prior to the first date of public announcement or disclosure by us or an acquiring person of facts indicating that a person has become an acquiring person, or announcement date, elect to redeem all, but not less than all, of the then outstanding rights at the $.0000001 per share (as adjusted). Moreover, in the event a person acquires voting shares pursuant to a discretionary waiver, our Board shall be deemed to have elected to redeem the rights at $.0000002 per share (as adjusted). Within 10 days after our Board elects, or is deemed to have elected, to redeem the rights, our Board shall give notice of redemption to the holders of the then outstanding rights and, in such notice, described the method of payment by which the redemption price will be paid. The rights of any person under the Rights Agreement or any right, except rights to receive cash or other property that have already accrued, shall terminate at the expiration time, which is the date of a discretionary redemption or a deemed redemption described in this paragraph.

Exercise of the Rights

The rights shall not be exercisable prior to the commencement date. Until the commencement date, each right shall be evidenced by the certificate for the associated share of common stock and will be transferable only together with, and will be transferred by the transfer of, its associated share of common stock. New share certificates issued after the effective date of the Rights Agreement will contain a legend incorporating the Rights Agreement by reference. Certificates issued and outstanding at the effective date of the Rights Agreement shall evidence one right for each common share evidenced thereby, notwithstanding the absence of a legend incorporating the Rights Agreement, until the earlier of the commencement date or the expiration time. Each share of common stock issued for new value after the effective date of the Rights Agreement, but prior to the expiration time, shall automatically have one new right associated with it and shall bear the appropriate legend.

From and after the commencement date, the rights may be exercised, and the registration and transfer of the rights shall be separate from and independent of the shares of common stock. Following the commencement date, we shall mail to each holder of shares of common stock as of the commencement date, or such holder's nominee, a rights certificate representing the number of rights held by such holder at the commencement date and a disclosure statement

describing the rights.

Rights may be exercised in whole or in part on any business day after the commencement date and prior to the expiration time by submitting to the rights certificate, an election to exercise, and payment of the sum equal to $.0000001 per share (as adjusted) multiplied by the number of rights being exercised. Upon receipt of such materials, the Rights Agent will promptly deliver certificates representing the appropriate number of shares of common stock to the registered holder of the relevant rights certificate and, if not all rights were exercised, issue a new rights certificate evidencing the remaining unexercised rights.

The foregoing description does not purport to be complete and is qualified by reference to the definitive Rights Agreement.

Potential Anti-takeover Effect of Delaware law, Our Certificate of Incorporation and Bylaws

Meeting and Voting Provisions

Provisions of the proposed certificate of incorporation and bylaws of Altair Delaware provide that only the Chairman of the Board (or if none exists, by the President), the Chief Executive Officer or any two directors may call special meetings of stockholders, or providing that stockholders are prohibited from taking action by written consent, may have the effect of making it more difficult for a third party to acquire control of Altair Delaware, or of discouraging a third party from attempting to acquire control of Altair Delaware. In addition, the bylaws of Altair Delaware include provisions requiring that shareholders wishing to nominate a director or submit a proposal at a meeting provide advanced written notice or the nominee or proposal to the Company.

Combinations with Interested Stockholders

Section 203 of the DGCL provides, with some exceptions, that a Delaware corporation may not engage in any business combination with a person, or an affiliate or associate of such person, who is an interested stockholder for three years from the time that person became an interested stockholder unless:

- the board of directors approved the transaction before the "interested stockholder" obtained such status;
- upon consummation of the transaction that resulted in the stockholder becoming an "interested stockholder," the "interested stockholder" owned at least 85% of a Delaware corporation's outstanding voting stock at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned (i) by persons who are directors and are also officers and (ii) employee stock plans in which the participants do not have the right to determine confidentially whether shares held subject to the plans will be tendered in the tender or exchange offer; or
- on or subsequent to such date, the business combination or merger is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by two-thirds of the holders of the outstanding common stock not owned by the "interested stockholder."

A "business combination" is defined to include mergers, asset sales and other transactions resulting in financial benefit to a stockholder. In general, an "interested stockholder" is a person who, together with affiliates and associates, owns 15% or more of a corporation's voting stock or within three years did own 15% or more of a corporation's voting stock.

Pursuant to the proposed certificate of incorporation, Altair Delaware has opted out of these provisions as permitted by Section 203 of the DGCL; however, were the certificate of incorporation to be amended to eliminate the opt-out provision, the above-described provisions of the DGCL would limit certain transactions with interested stockholders.

Listing

The common stock of Altair Delaware will be listed on the NASDAQ Capital Market under the trading symbol “ALTI.”

Transfer Agent and Registrar

The transfer agent and registrar for the common shares of Altair Canada is Equity Financial Trust Company.

Proxies from registered holders are to be sent to Equity Financial Trust Company at 200 University Avenue, Suite 400, Toronto, Ontario M5H 4H1, Canada.

The transfer agent and registrar for the common stock of Altair Delaware will be Registrar and Transfer Company.

OUR BUSINESS

Our primary business is developing, manufacturing and selling our nano lithium titanate battery products. Our primary focus is marketing our large-scale energy storage solutions to power companies and electric grid operators throughout the world. In addition, we market our battery products to electric and hybrid-electric mass-transit vehicle manufacturers. During 2010 we also started to expand our market focus to include use of our battery technology in additional industrial markets with applications requiring batteries that can provide high power quickly, a fast recharge, have a long cycle life, operate at a wide temperature range and are safe. In late 2011 and 2012, we are forming a Wholly Foreign Owned Enterprise ("WFOE") in China. We expect that a substantial portion of our sales, and eventually our manufacturing, will be conducted by this WFOE in China.

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. Although contract services revenue comprised a significant portion of our total revenues in recent years accounting for 50%, 65%, and 87%, respectively in 2010, 2009 and 2008, we expect a major decline in this percentage as our battery product sales increase and as we discontinue military-related government contracts as a result of being controlled by a Chinese entity.

Our Power and Energy Group

Primary Products

We are developing, marketing, producing and selling our proprietary rechargeable lithium ion batteries, which we refer to as our nano lithium titanate batteries. As explained in greater detail below, the principal features used to compare rechargeable batteries include charge and discharge rates, power and energy density, cycle and calendar life, operational safety and cleanliness, operating temperature range, and round trip efficiency. In laboratory and field tests, our nano lithium titanate batteries have performed extremely well in nearly all of these categories. In particular, our nano lithium titanate batteries show remarkable power, charge and discharge rates and cycle life, together with high functionality at both high and low temperatures. In some categories our batteries perform as much as an order of magnitude (a factor of 10) better than those of rechargeable batteries currently being used for our targeted applications. Battery uses requiring these strengths include electric utility services for frequency regulation, integration of renewable energy generation sources into the grid, uninterruptible power supplies, and hybrid-electric and full-electric vehicles particularly in the mass-transit market.

Our Target Markets

Power and Grid Operators. Power companies and grid operators are seeking cost effective ways to ensure that electric power supply matches electric power demand. There is essentially no inventory of electricity. Power and grid operators are constantly trying to match the electricity generated with the load demanded. They are very good at forecasting from hour to hour the load expected, but they cannot project from minute to minute the exact load anticipated. To maintain proper frequency of the grid (60Hz in the U.S.), the generation and load must be balanced within very tight tolerances. Maintaining these tolerances is typically achieved through the use of auxiliary generators. If the load is either higher or lower than the power being generated, an auxiliary generator is either started or stopped. However, it takes these generators from generally seven to 15 minutes to ramp up to full efficient operation or to shut down. During that period the load may change directions and the grid operator then must direct another auxiliary generator to shut down or ramp up. This is a very inefficient process with the grid operators constantly chasing a variable load. The process of managing these very short-term changes in energy demand is referred to as “frequency regulation.” The chart below depicts what a typical workday in the PJM Regional Transmission Organization that manages the electric grid in the Mid-Atlantic states region looks like and how our battery can help smooth out the fluctuations.

Utilities can address frequency regulation issues by maintaining on-line generating capacity at a level that is always higher than expected peak demand. However this is an expensive solution. Most U.S. utilities are required to maintain between 1% - 1.5% of their peak load capacity to provide frequency regulation. As an example, for the PJM Regional Transmission Organization, this requirement translates into a 900 megawatt daily requirement. In many foreign countries where the electric grid is not as well developed as it is in the U.S., utilities need to reserve up to 5% or more of their capacity strictly to provide frequency regulation. The Cleantech Group estimated in a November 2010 report that the current market for ancillary services is 6.5 gigawatts in the United States annually, or an estimated value in the range of $3-$10 billion depending on power prices and specific ancillary services applications. Globally, they estimate the market to be 33 gigawatts, or a dollar value of between $16 - $45 billion. While these estimates represent a “ballpark” figure and have a highly variable dollar range, the significant magnitude of the market is significant. To reduce the costs of providing frequency regulation, utilities and grid operators are seeking “fast response” energy storage systems. When supply exceeds demand for a short period, these systems accept a charge from the grid until operators reduce output; then when demand exceeds supply for a short period, these fast response storage systems deliver electric energy back to the grid for a short period to give operators time to reroute energy from another power generator or power-up a new power source. Our large-scale nano lithium titanate battery systems are a fast response energy storage system designed to respond in milliseconds and meet this need.

The need for a fast response energy storage technology like our large-scale nano lithium titanate battery is increased by the accelerated use of renewable energy sources. Photo Voltaic (PV) solar and wind power generation by nature are intermittent and unpredictable sources of energy that can fluctuate widely in a very short period of time. For example, it is not uncommon for a PV array to fluctuate +/- 50% in less than 90 seconds. With a small rooftop array, it isn’t an issue, because the size of the generator is too small to matter. However, with a 50+ megawatt array, problems arise as the electric grid isn’t currently built to handle this kind of a fluctuation. According to the Federal Energy Regulatory Commission as of August 2010, 29 states and the District of Columbia currently require the integration of renewables into the grid through legislated renewable portfolio standards as shown in the following table.

Final Target	Number	States with Renewable Mandates (RPS)
10% - 14%	6	Iowa, Mich., N.C., Ohio, Texas, Wis.
15% - 19%	7	Ariz., Mass., Mo., Mont., Pa., R.I., Wash.
20%	4	D.C., Kansas, Md., N.M.
23% - 24%	2	N.H., N.J.
25% - 29%	6	Conn., Del., Ill., Minn., Nev., Ore
30% - 39%	3	Calif., Colo., N.Y.
40%	2	Hawaii, Maine

Many of these states have established targets requiring the integration of renewable generation sources equal to or exceeding 25% of total generation within the next decade. For example, California has a mandate to generate 33% of its electricity from renewable sources by 2020. According to the August 2010 Pacific Gas and Electric Company, Long Term Procurement Plan Proceeding, the 2009 California regulation requirement was 419 megawatt and the California Independent System Operator (CAISO) predicts that to meet the 33% renewable portfolio standard by 2020, California will require 1,114 megawatt of regulation. These levels are substantially higher than what is available today. The mandated adoption of these renewable energy generation systems is likely to increase the need for effective, efficient, clean energy storage technologies to provide frequency regulation services and maintain the reliability and stability of the associated electric grid systems.

Electric and Hybrid Electric Buses. Large cities, counties and transit authorities are increasingly turning to electric and hybrid electric buses to reduce pollution and reliance on diesel fuel for their transportation systems. At this stage of the market development, electric and hybrid electric vehicles generally cost more than their conventional counterparts, although the upfront cost is partially offset by lower operating costs and a potentially longer operating life. Proterra LLC had one of its all electric buses using our batteries tested at the Altoona Test Track by Penn State University and demonstrated a 17.5 to 29.5 miles per gallon (mpg) fuel equivalent vs. a normal diesel bus that gets under 4 mpg. This difference translates into a fuel savings of about $350,000 over the life of the bus assuming fuel cost of $3.50 per gallon. This is in addition to the savings in maintenance costs over the life of the bus as a result of fewer mechanical systems and moving parts to maintain. We believe that cities, counties and mass transit operators are willing to accept the higher upfront costs in order to benefit from the expected savings in long-term operating costs and potentially longer operating life, as well as the environmental benefits.

Electric and hybrid electric buses require a significant amount of power, operate throughout the day, have a long expected life and run in all temperatures. The relative strengths of our nano lithium titanate batteries, including the high levels of power, rapid charge and discharge rates, long cycle life and ability to function at temperature extremes, are particularly well suited for electric and hybrid electric buses, giving us what we believe is a compelling competitive advantage in this market.

According to an October 2010 research report from the Freedonia Group Inc., the global market for buses is expanding at a 4.3% annual rate and is expected to hit 423,300 units in 2014. In a separate report published by Pike Research in November 2010, it is projected that the global demand for hybrid-electric buses will grow at a compound annual growth rate of 19.8% between 2010 and 2016. With the growing concern regarding the release of pollutants associated with burning fossil fuels, the attractiveness of all electric and hybrid electric buses is rapidly growing. Working with Proterra and other potential partners, we are attempting to establish our nano lithium titanate batteries as the power source of choice in this emerging market.

Military Uses. As a condition to close our funding transaction with Canon, we ceased all operations in the military market effective December 31, 2010.

Key Features of Our Nano Lithium Titanate Batteries

One of the principal advantages of our nano lithium titanate battery is its rapid charge and discharge rate. The charge rate is the rate at which a battery's energy is replenished, and the discharge rate is the rate at which the energy stored in a battery is transferred (or, in the case of self-discharge, leaked) out. Through the optimization of materials used in our nano lithium titanate battery cells, our current cells are capable of recharge times of 10 minutes to 95% or more of initial battery capacity. The rapid recharge ability is important in our target markets of frequency regulation and mass-transit buses.

Our nano lithium titanate batteries also discharge rapidly, symmetrical with their charging ability. This balanced charge and discharge capability can be important in frequency regulation. If a battery cannot be charged at the same rate at which it discharges, then over time, with random high rate up and down regulation, a less capable battery system may ultimately be fully discharged and therefore incapable of further regulation.

Our nano lithium titanate batteries have both a longer cycle life and calendar life than commercially available rechargeable battery technologies such as conventional lithium ion, nickel-metal hydride (NiMH) batteries and nickel cadmium (NiCd) batteries. The ability of any rechargeable battery to store energy will diminish as a result of repeated charge/discharge cycles. A battery's "cycle life" is the number of times it can be charged and discharged without a significant reduction in its energy storage capacity. Our nano lithium titanate is termed a zero strain material, meaning that the material essentially does not change shape upon the entry and exit of a lithium ion in the material. Graphite, the most common material in conventional lithium ion batteries, will expand and contract as much as 8% with each charge/discharge cycle. This constant change in volume rapidly breaks down the battery resulting in significantly shorter calendar and cycle life than with our nano lithium titanate anodes. In a January 2007 test, we completed 25,000 deep charge/discharge cycles of our innovative cells. Even after 25,000 cycles, the cells still retained over 80% of their original charge capacity. This performance represents a significant improvement over conventional batteries, which typically retain that level of charge capacity only through approximately 1,000 to 3,000 deep charge/discharge cycles.

Our nano lithium titanate also represents a breakthrough in low and high-temperature performance. Nearly 90% of room temperature charge retention is realized at -30°C from our nano lithium titanate battery cells. In contrast, common lithium ion technology possesses virtually no charging capabilities at this low temperature, and the other rechargeable battery types such as lead acid, NiMH and NiCd take 10 to 20 times longer to charge at this low temperature. This breakthrough performance at extreme temperatures is important in our target markets, in which large vehicles and large-scale fast storage batteries are expected to function in a wide range of temperature conditions. Transit buses, for example, need to function equally well in the cold New England winters and the hot summers of the Southwest.

We also believe that relative safety is one of the strengths of our nano lithium titanate batteries. Any battery cell or large battery unit with lithium ion cell technology must take into account safety considerations, the most important of which is thermal runaway. Thermal runaway is the temperature at which the battery chemistry will break down causing the battery to overheat and potentially explode or catch fire. This temperature is often referred to as the critical temperature. Critical temperature for lithium ion battery cells using conventional graphite anodes is around 130° C, a direct result of chemical reaction between the graphite and the electrolyte. With our current nano lithium titanate anode in place of graphite and an appropriate cathode material, that critical temperature will be close to 200° C, an increase in safety margin of approximately 70° C. Materials we are using in our lab operate at 250oC before the critical temperature is reached. The batteries we and our partners are developing for high power applications often consist of dozens or even thousands of battery cells working together as part of a single modular battery unit. When a large number of cells are aggregated into a single battery unit, the likelihood of, and risks associated with, thermal runaway increases. In this context, we believe that the additional temperature margin our individual battery cells experience before reaching the critical temperature makes our battery cells better suited than competing lithium ion batteries for the high-power applications we are targeting.

The current generation of batteries made with our nano lithium titanate exhibit lower energy density at room temperatures than conventional lithium ion systems. Energy density is normally described as watt-hours per kilogram or watt-hours per liter and refers to the available energy per unit weight or per unit volume. A battery with high energy density will deliver more energy per unit weight or volume than a battery with lower energy density. Our batteries made with our nano lithium titanate have energy densities, watt-hours per kilogram, that are better than lead acid, NiCd and NiMH batteries and approximately 50-70% of conventional lithium ion batteries when operated at room temperature. However, this energy density disadvantage is significantly less compared to conventional lithium ion batteries as the operating temperature moves away from room temperature, particularly to colder environments, and less significant in environments such as large vehicles and utilities in which battery volume is not a significant issue. When the end use of the battery requires constant performance across a wide range of temperatures, such as the need for a hybrid bus to function comparably in both winter and summer, our nano lithium titanate cells may be the

preferred solution. Also, conventional lithium ion batteries prefer to cycle between approximately 30% and 80% state of charge to achieve optimum cycle life. As a result, they only use about 50% of their nominal available energy. Our nano lithium titanate batteries, on the other hand, are not so limited and as a result can use approximately 90% of their nominal available energy.

Sources of Supply and Raw Materials

An important consideration as we begin to grow our revenue stream is to ensure that we have access to the various components and raw material we need to manufacture and assemble our various products. With a small product volume having multiple suppliers for each component is not practical. As we anticipate larger orders, establishing multiple sources for key components is becoming much more important to us.

Two raw materials are key components in the manufacture of our nano lithium titanate powder that is the basic building block of our battery products, namely compounds of lithium and of titanium. We currently source our lithium compound from two of the largest producers in the world and do not foresee any problems in scaling up our purchases as our volume of business increases. We source our titanium compound from a single provider who is a global leader in the field, and we are in the process of identifying and qualifying a second supplier for this key material. At this point we are not anticipating any problems or disruptions to our supply of these raw material compounds.

As of Q4 2010, we have two contract manufacturing sources for our nano lithium titanate cells. In 2009, we initiated the establishment of the second contract manufacturing supplier for our cells. In 2010 we completed validation for production readiness and released this supplier in Q4 to begin production for us. We are now receiving volume shipments of high quality battery cells from this second supplier. Once the final documentation steps are completed with this validation process, and all conditions are satisfied under the development contract and initial consignment and master supply agreement, we plan to initiate the long term contract with this second contract manufacturer. At that point, we will be required to purchase at least $15 million in product from such contract manufacturer over the next several years. During 2010 we continued to experience product quality issues with our first contract manufacturing supplier which limited our supply of new cells during 2010. These quality issues were identified through our quality control process before the cells were sold. We continue to be actively engaged with this supplier to rectify the quality problems. Altairnano is committed to a long-term strategy of a dual sourcing strategy of sourced products of comparable quality and performance and will continue building the maturity of our cell supply chain in line with this objective.

All of the other components and materials used in the manufacture of our nano lithium titanate battery products are readily available from multiple suppliers.

Key Business Developments in Power and Energy

Frequency Regulation. We have been supplying Proterra Inc., a leading designer and manufacturer of heavy-duty drive systems, vehicle control systems, transit buses, and fast charging stations, with battery modules since 2009. In June of 2010 we formalized this relationship with the signing of a long-term supply agreement to provide our advanced lithium-ion battery modules for incorporation into Proterra’s all-electric and hybrid-electric buses. Proterra’s flagship EcoRideTM, BE-35 is a 35-foot all-electric transit bus designed from the ground up to enable transit agencies to replace conventional diesel buses on a one-for-one basis with the world’s first all-electric buses. This is accomplished by combining Proterra’s light-weight composite body, highly efficient ProDriveTM, advanced TerraVoltTM energy storage system and on-route rooftop FastFillTM station to provide the first full size transit vehicle that meets California’s Zero Emission Bus (Zbus) Rules. Proterra’s FastFillTM charge system is comprised of the software and hardware to rapidly charge the TerraVoltTM Energy Storage System (powered by our battery modules) from 0% to 95% with >92% energy charge efficiency in as little as six minutes. The combination of these systems provides a potentially disruptive solution to fleet vehicle operators offering fuel efficiencies between 17.5 and 29 miles per gallon (diesel equivalent range) which is on average more than 500% better than competing solutions.

Proterra is currently working on projects in California, Texas and Washington and recently announced that five major urban transit agencies received more than $25 million in grants from the Federal Transit Administration (FTA) to purchase 20 fast charge battery electric buses and 4 EV charging stations. To our knowledge, the only vehicles that can meet the specifications in the grants are Proterra's EcoRide BE-35™ buses and FastFill™ Charging Stations. Proterra expects to produce 81 transit buses in 2011 and has indicated it is close to closing large contracts in Europe and South America. To meet this increase in demand, Proterra is in the process of expanding its production capacity to a goal of more than 1,500 buses per year with the ability to expand further if necessary. As Proterra continues to grow we look forward to expanding our relationship and working together to enhance the value of their transit solutions.

Our Relationship with YTE. In addition, we, Altairnano and Zhuhai Yintong Energy Company Ltd. ("YTE") entered into a Conditional Supply and Technology Licensing Agreement (the "Supply Agreement") on September 20, 2010. Pursuant to the Supply Agreement, YTE has agreed to purchase nano lithium titanate, 11 Ahr battery cells and a 1 megawatt ALTI-ESS system from us for an aggregate purchase price of $6.6 million for delivery over the coming years. A portion of nano lithium titanate and the battery cells and ALTI-ESS have already shipped. YTE's obligation to purchase the remainder of the nano lithium titanate has been suspended and may remain suspended indefinitely. The Supply Agreement also includes an agreement to license our nano lithium titanate manufacturing technology at no cost to the owner of a manufacturing facility in China, as long as we own a majority of the owner of such facility. In addition, under the Supply Agreement, we grant to YTE a license to use our battery technology to manufacture batteries during a term commencing on the effective date of the Supply Agreement and continuing as long as YTE purchases at least 60 tons of nano lithium titanate annually. The battery technology license is exclusive in China (including Taiwan, Hong Kong and Macau) as long as YTE purchases at least 1,000 tons of nano lithium titanate per year after 2010 and is non-exclusive in the remainder of Asia (excluding the Middle East), Australia and New Zealand.

Military Relationships. In January 2008, we entered into a development agreement with the Office of Naval Research for $2,490,000. This was a cost reimbursement agreement whereby we developed a proof of concept battery system consisting of two 50-80 kilowatt hour batteries. All testing associated with ONR Phase I was successfully completed in November 2008. We entered into Phase II in May of 2009 and successfully completed all work in this final phase as of December 31, 2010. As a condition to closing our funding transaction with Canon, we ceased all operations in the military market as of December 31, 2010.

Expansion Into China. In late 2011 and 2012, we are forming a WFOE in China. We expect that a substantial portion of our sales, and eventually our manufacturing, will be conducted by this WFOE in China. We are in the early stage of this initiative.

Proprietary Rights

We have been awarded a total of 12 U.S. and 42 foreign patents. We have a total of 7 U.S. and 37 foreign patent applications pending. The granted patents cover our nano lithium titanate technology include: 1) Method for producing catalyst structures, 2) Method for producing mixed metal oxides and metal oxide compounds, 3) Process for making lithium titanate, and 4) Process for making nano-sized and sub-micron-sized lithium-transition metal oxides, 5) High performance Lithium Titanium spinel Li4Ti5o12 for electrode material. The U.S. patents expire beginning in 2020.

Pending patent applications are directed to a variety of inventions related to aspects of our electrochemical cells including: "Lithium-Ion Batteries and the Methods of Operating the Same"; "Method for Preparing a Lithium-Ion Cell"; "Method for Preparing a Lithium-Ion Battery."

Competition

Frequency Regulation and Fast Energy Storage. A number of battery producers have stated an intent to compete in the frequency regulation and fast energy storage markets; however, to date there are only two that we have directly competed against in customer frequency regulation opportunities and renewable energy integration projects. They are A123 Systems, Inc. ("A123") and Beacon Power Corporation ("Beacon"). As we or others begin to demonstrate traction in this market we expect to see increasing levels of competition from other credible suppliers. A123 has installed a 2 megawatt battery system in Southern California working with The AES Corporation to demonstrate its ability to provide a frequency regulation service. Unlike the independently conducted stress and performance tests that our 2 megawatt battery system was subjected to in Indianapolis in 2008 where the conclusions of the tests were made

publicly available, the performance results of the A123 battery system have not been made public. We are not aware of any direct sales of Beacon's frequency regulation product to end customers. However, Beacon is constructing a 20 megawatt facility in Stephentown, New York that they will own and operate themselves to provide frequency regulation in the New York market. Unlike A123 or Altair, Beacon employs a flywheel technology to provide frequency regulation.

Our products typically compete with existing or alternative technologies for providing frequency regulation and renewables integration rather than a competitor battery manufacturer. However, we expect this situation to change as the market accepts this storage technology to a greater degree. Today most utilities and regional transmission organizations use existing coal, gas and diesel generating sources to provide frequency regulation. Although these sources are inefficient and highly polluting compared to our solution, they are known quantities and accepted by the various regulators and utilities. In many instances, particularly in the U.S., we are attempting to displace this accepted way of doing things. Consequently, there is a longer education and justification period required to help the customer understand the total costs of their current approach and the benefits, both financial and environmental, of switching to our solution. Another major challenge is the significantly lower cost of natural gas in the U.S. Much of the existing frequency regulation in the U.S. is provided by natural gas powered generators. As a result, there is less of a financial incentive for utilities to implement our solution. This cost environment, however, is not the case in many foreign countries. As a result we see greater immediate opportunities for our frequency regulation products outside of the U.S. Once this new energy storage capability starts to get market traction, we expect the rate of acceptance to accelerate. Until then, however, we are experiencing a long sales cycle and don't expect that to materially change in the near future. We believe that once we demonstrate revenue traction and establish the fact that the market does exist and is very large, other larger suppliers may also target this market.

Electric and Hybrid Electric Bus Applications. In the automotive area there are a large number of battery manufacturers and systems integrators currently serving the market. Many of them are larger companies with substantially stronger financial resources than we have. We believe this market will be driven by low margins and volume. As a result we believe that only larger, well-capitalized companies will ultimately be successful in this market. The mass-transit market, on the other hand, presents a different set of dynamics. The characteristics of our batteries are an excellent fit to satisfy the requirements of this market, and the needs here are different than in the general consumer automotive market. We believe that we can be a successful competitor in this segment of the overall automotive market.

With respect to the electric and hybrid electric mass-transit markets, we are not aware of any commercially available products that have similar performance attributes as our nano lithium titanate batteries. Nonetheless, competitors have announced advanced lithium ion batteries and battery products aimed at these markets. Some may have greater energy density than our nano lithium titanate batteries. However, we believe that these batteries do not match the cycle life, rapid charge and discharge rates and performance at temperature extremes of our nano lithium titanate batteries.

Currently, NiMH batteries dominate the hybrid electric vehicle market, including the mass-transit market. NiMH batteries improve upon the energy capacity and power capabilities of older alternatives, such as NiCd (for the same size cell) by 30% to 40%. Since they contain fewer toxins than NiCd batteries, NiMH batteries are more environmentally friendly than NiCd batteries, although they are not as environmentally friendly as our nano lithium titanate battery. Like NiCd batteries, NiMH batteries can be charged in about 3 hours. Charging rates must be reduced by a factor of 5 to 10 at temperatures below 0°C (32°F) and above 40°C (104°F). NiMH batteries suffer from poor deep cycle ability (i.e. the ability to be discharged to 10% or less of their capacity), possessing a recharge capability following deep discharge on the order of 200 to 300 cycles. While NiMH batteries are capable of high power discharge, dedicated usage in high power applications limits cycle life even further. NiMH batteries also possess high self-discharge rates, which is unintentional leaking of a battery's charge. NiMH batteries are intolerant to elevated temperature and, as a result, performance and capacity degrade sharply above room temperature. The most serious issue with NiMH, though, involves safety accompanying recharge. The temperature and internal pressure of a NiMH battery cell rises sharply as the cell nears 100% state of charge, necessitating the inclusion of complex cell monitoring electronics and sophisticated charging algorithms in order to prevent thermal runaway, and ultimately fire. A potential limiting factor for the widespread use of NiMH batteries may be the supply of nickel, potentially rendering the technology economically infeasible for these applications as demand continues to rise.

Producers of electric and hybrid electric vehicles are seeking to replace NiMH batteries with lithium ion batteries for several reasons. The demand for these vehicles is placing pressures on the limited supply of nickel, potentially rendering the technology economically infeasible for these applications as the demand continues to rise. Compared to NiMH batteries, conventional lithium ion batteries are stable, charge more rapidly (in hours), exhibit low self-discharge, and require very little maintenance. Except as explained below, the safety, cycle life, calendar life, environmental impact and power of lithium ion batteries is comparable to those of NiMH and NiCd batteries.

Conventional lithium ion batteries are the batteries of choice in small electronics, such as cell phones and portable computers, where high energy density and light weight are important. These same attributes are desired for electric vehicle, hybrid electric vehicle, fast energy storage and other markets. However, these applications are principally high power demand applications and/or pose other demands on usage, such as extremes of temperature, need for extremely short recharge times, and even longer extended lifetimes. Because of safety concerns related principally to the presence of graphite in conventional lithium ion batteries, conventional graphite-based lithium ion batteries sufficiently large for such power uses may raise safety concerns. In addition, current lithium ion technology is capable of about 1,000 to 3,000 cycles and has a life of about 3 years, whereas the vehicles in which they are used may have lifetimes as long as 10 to 15 years and require much larger cycle life. Conventional lithium ion batteries also do not function well at extremely hot or cold temperatures. Our batteries --which are safer, have a longer cycle life, rapid charge and discharge rates and function well at extreme temperatures -- are designed to address the power market by providing the key benefits of lithium ion batteries without the shortcomings relative to the power market.

Our All Other Division

Background

During 2008, we operated as three separate divisions – A Power and Energy Group, a Performance Materials Division and a Life Sciences Division. For all of 2010, we were organized into two divisions; a Power and Energy Group and an All Other division. Our All Other division includes the remaining activities of our Performance Materials and Life Sciences divisions.

Based on the results of a review of all our activities, strengths, weaknesses, competitive opportunities and the overall market that was conducted during 2008, we determined to focus our future efforts exclusively in the Power and Energy arena. As a result, we began in late 2008 and early 2009 to eliminate or sell our assets and efforts in the Life Sciences and Performance Materials divisions. As of December 31, 2009, all new efforts in the Life Sciences area had been stopped and the intellectual property rights associated with that division were assigned to Spectrum Pharmaceuticals, Inc. pursuant to an amendment to our existing license agreement. During 2010, the residual work done in the Performance Materials market to fulfill commitments with existing customers totaled $1.7 million in revenue. As of December 31, 2010 we have stopped all ongoing and new efforts in the Performance Materials market with the exception of the nanosensor initiative that we are working on with Western Michigan University (WMU). We will have no further efforts in the Performance Materials market.

AlSher Titania LLC

On April 30, 2010 we sold our 70% share in the AlSher Titania, LLC Joint Venture (AlSher) to Sherwin-Williams. Sherwin-Williams now owns 100% of AlSher.

Under terms of the agreement, certain intellectual property relating to the Altairnano Hydrochloride Process (AHP), along with certain other intellectual property owned by us, was licensed to AlSher. We may receive future payments from AlSher based upon future revenues generated from the AHP, or from royalty payments relating to the licensed intellectual property. The amount of future payments from AlSher to us is based on AlSher revenue. All payments are capped at $3,000,000. Payments to us and continuation of the intellectual property licenses are conditional upon certain milestones being achieved and payments being made to us. AlSher also has an option to purchase the licensed intellectual property for $2,000,000.

Life Sciences

Our Life Sciences division was focused on the development and marketing of RenazorbTM products, which were designed to support phosphate control in patients with Chronic Kidney Disease, hyperphosphatemia, and high phosphate levels in blood, associated with End Stage Renal Disease. Based on a comprehensive review of the Life Sciences division, its existing and potential products, the resources available, market opportunity and competition, among other considerations, a decision was made in late 2008 to exit the life sciences arena. Consistent with this decision, in August 2009 we announced an agreement in which we assigned ownership of all patent rights associated with Renazorb™ and Renalan™ to Spectrum Pharmaceuticals, Inc. (Nasdaq: SPPI). The patent assignment amends and restates an existing, limited licensing agreement for Renazorb™ and Renalan™ compounds to Spectrum Pharmaceuticals, which was announced in January 2005. Spectrum Pharmaceuticals now has exclusive worldwide rights to Renazorb™, Renalan™, and any related compounds in any field of use.

Under terms of the agreement, Altairnano received $750,000 in Spectrum Pharmaceuticals common stock, restricted until February 2010. We sold this stock in December 2010 for $649,000 in net proceeds. In addition to the royalty and other payments we were to receive under the prior license agreement, we will now receive 10% of any fees Spectrum Pharmaceuticals may receive from the sublicensing of Renazorb™, Renalan™, and any related compounds. With the execution of this contract with Spectrum Pharmaceuticals, we have completed our efforts to exit the life sciences market and are no longer devoting resources to this area.

Research and Development Expenses

Total research and development expenses were $8.2 million, $9.4 million and $13.0 million for the years ended December 31, 2010, 2009 and 2008, respectively, while research and development costs funded by customers were $4.3 million, $2.9 million and $5.0 million, for the years ended December 31, 2010, 2009 and 2008, respectively.

Dependence on Significant Customers

During the year ended December 31, 2010, we recorded revenues from two major customers in the Power and Energy Group who accounted for 34% and 33% of revenues as follows: Proterra Corporation revenues of $2.7 million and Office of Naval Research revenues of $2.6 million. Our largest customer in the All Other Division, the U.S. Army, had revenue of $1.3 million, or 17% of total revenues.

Government Regulation

Most of our current and proposed activities are subject to numerous federal, state, and local laws and regulations concerning machine and chemical safety and environmental protection. Such laws include, without limitation, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, and the Comprehensive Environmental Response Compensation Liability Act. We are also subject to laws governing the packaging and shipment of some of our products, including our nano lithium titanate batteries. Such laws require that we take steps to, among other things, maintain air and water quality standards, protect threatened, endangered and other species of wildlife and vegetation, preserve certain cultural resources, reclaim processing sites and package potentially flammable materials in appropriate ways and pass stringent government mandated testing standards before shipping our battery products.

Compliance with federal, state, or local laws or regulations represents a small part of our present budget. If we fail to comply with any such laws or regulations, however, a government entity may levy a fine on us or require us to take costly measures to ensure compliance. Any such fine or expenditure may adversely affect our development.

Government Contracts

A substantial portion of our current revenue has been derived from government grants and contracts. The government grants and contracts we enter into are subject to termination or delay of funding at the election of the government. As a result, any termination of such agreements would significantly reduce revenue and the capital to sustain operations and research. In order to comply with ITAR, one of the requirements for us to close the investment from Canon was that we abandon all of our military business, which we have done as of December 31, 2010. We may enter into future non-military government business, but we do not anticipate that this will be a significant portion of our future revenues.

Environmental Regulation and Liability

Any proposed processing operation at our main operating facilities in Reno, Nevada and Anderson, Indiana and any other property we use will be subject to federal, state, and local environmental laws. Under such laws, we may be jointly and severally liable with prior property owners for the treatment, cleanup, remediation, and/or removal of substances discovered at any other property used by us; to the extent the substances are deemed by the federal and/or state government to be toxic or hazardous. Courts or government agencies may impose liability for, among other things, the improper release, discharge, storage, use, disposal, or transportation of hazardous substances. We use hazardous substances in our testing and operations and, although we employ reasonable practicable safeguards to prevent any liability under applicable laws relating to hazardous substances, companies engaged in materials production are inherently subject to substantial risk that environmental remediation will be required.

Financial Information about Segments and Foreign Sales

Information with respect to assets, net sales, loss from operations and depreciation and amortization for the Power and Energy Group, and All Other Division is presented in Note 18, Business Segment Information, of Notes to Consolidated Financial Statements in Part IV.

Information with respect to foreign and domestic sales and related information is also presented in Note 18, Business Segment Information, of Notes to Consolidated Financial Statements in Part IV.

Subsidiaries

Altair Nanotechnologies Inc. was incorporated under the laws of the province of Ontario, Canada in April 1973 under the name Diversified Mines Limited, which was subsequently changed to Tex-U.S. Oil & Gas Inc. in February 1981, then to Orex Resources Ltd. in November 1986, then to Carlin Gold Company Inc. in July 1988, then to Altair International Gold Inc. in March 1994, then to Altair International Inc. in November 1996 and then to Altair Nanotechnologies Inc. in July 2002. In July 2002, Altair Nanotechnologies Inc. redomesticated from the Ontario Business Corporations Act to Canada's federal corporate statute, the Canada Business Corporations Act.

Altair US Holdings, Inc. was incorporated by Altair in December 2003 for the purpose of facilitating a corporate restructuring and consolidation of all U.S. subsidiaries under a U.S. holding company. At the completion of the corporate restructuring, Fine Gold, MRS, and Altairnano, Inc. (f/k/a Altair Nanomaterials, Inc.) were direct wholly-owned subsidiaries of Altair US Holdings, Inc., while Tennessee Valley Titanium, Inc. previously a wholly-owned subsidiary of MRS, was dissolved on July 7, 2006.

Altair acquired Fine Gold in April 1994. Fine Gold has earned no operating revenues to date. Fine Gold acquired the intellectual property associated with the now defunct Altair jig, a fine particle separation device for use in minerals processing, in 1996. Fine Gold was formally dissolved on December 30, 2008.

Mineral Recovery Systems, Inc., or MRS, was incorporated in April, 1987 and was formerly known as Carlin Gold Company. MRS previously has been involved in the exploration for minerals on unpatented mining claims in Nevada, Oregon and California and the holding of mineral leases in Tennessee. MRS currently does not hold any properties or leases.

Altair Nanomaterials, Inc. was incorporated in 1998 as a wholly-owned subsidiary of MRS and holds all of our interest in our nanomaterials and titanium dioxide pigment technology and related assets. Altair Nanomaterials Inc. was subsequently renamed Altairnano, Inc. on July 6, 2006.

AlSher Titania LLC was incorporated in April 2007 as a joint venture company which was 70% owned by Altairnano, Inc. until this interest was sold to Sherwin-Williams on April 30, 2010. This company was formed to combine certain technologies of Altairnano, Inc. with the Sherwin-Williams Company in order to develop, market, and produce titanium dioxide pigment for use in a variety of applications.

Corporate History

Altair Nanotechnologies Inc. was incorporated under the laws of the Province of Ontario, Canada in April 1973 for the purpose of acquiring and exploring mineral properties. It was redomesticated in July 2002 from the Business Corporations Act (Ontario) to the Canada Business Corporations Act, a change that causes Altair to be governed by Canada's federal corporate statute. The change reduced the requirement for resident Canadian directors from 50% to 25% of the board of directors, which gave us greater flexibility in selecting qualified nominees to our board.

During the period from inception through 1994, we acquired and explored multiple mineral properties. In each case, sub-economic mineralization was encountered and the exploration was abandoned.

Beginning in 1996, we entered into leases for mineral property near Camden, Tennessee and owned the rights to the Altair jig. However, we have terminated our leases on all of the Tennessee mineral properties and during 2009 disposed of the remaining centrifugal jigs and abandoned the applicable patents since we were unable to identify an interested party to purchase them.

In November 1999, we acquired all the rights of BHP Minerals International, Inc., or BHP, in the nanomaterials and titanium dioxide pigment technologies and the nanomaterials and titanium dioxide pigment assets from BHP. We are employing the nanomaterials technology as a platform for the production and sale of metal oxide nanoparticles in our nano lithium titanate batteries.

We completed a four-for-one reverse stock split during November 2010. All share and per share amounts included in this filing have been restated for the effects of this reverse stock split.

In July 2011, Energy Storage acquired 37,036,807 common shares of the Company, representing approximately 53% of the outstanding common shares following the transaction. In addition, as part of the transaction, Canon obtained the right to appoint a majority of our Board of Directors.

We have experienced an operating loss in every year of operation. In the fiscal year ended December 31, 2010, we experienced a net loss of $22.3 million.

Employees

Our business is currently managed by H. Frank Gibbard, President and Chief Executive Officer, Mr. Stephen B. Huang, Chief Financial Officer, Dr. Bruce Sabacky, Chief Technology Officer, Mr. Tom Kieffer, Vice President Marketing & Sales, Mr. Dan Voelker, Vice President Operations, and Mr. C. Robert Pedraza, Vice President Corporate Strategy and Business Development. We have 99 additional regular employees.

During the remainder of 2011, we anticipate hiring additional employees, primarily in operations, engineering and sales. Such additional hiring, if it occurs, will be dependent upon business volume growth.

Enforceability of Civil Liabilities against Foreign Persons

We are a Canadian corporation, and three of our directors and our Canadian legal counsel are residents of Canada, and five of our directors are residents of China. As a result, investors may be unable to effect service of process upon such persons within the United States and may be unable to enforce court judgments against such persons predicated upon civil liability provisions of the U.S. securities laws. It is uncertain whether Canadian or 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.

Properties

Our corporate headquarters is located at 204 Edison Way, Reno, Nevada 89502 in a building we purchased in August 2002. Our nanomaterials and titanium dioxide pigment assets are located in this building, which contains approximately 85,000 square feet of production, laboratory, testing and office space.

We are party to a lease agreement effective as of July 1, 2007, for 30,000 square feet of space in the Flagship Business Accelerator Building located at 3019 Enterprise Drive, Anderson, Indiana. The space is used for the production of prototype batteries and battery systems. The lease is for an initial term of five years with a single one-year renewal term. On March 1, 2008, we signed an addendum to this lease that increased the space leased by 40,000 square feet and set forth corresponding adjustments in our rent. Total rent to be paid over the five year term including real estate taxes is $1.3 million. In addition to the Flagship lease, we rent another 2,210 square feet of space at 1305 W. 29th Street, Anderson, Indiana, on a month to month basis.

We also maintain a registered office at 360 Bay Street, Suite 500, Toronto, Ontario M5H 2V6. We do not lease any space for, or conduct any operations out of, the Toronto, Ontario registered office.

Legal Proceedings

JMP Dispute. On or about September 9, 2011, JMP Securities LLC ("JMP") filed a complaint against the Company in the United States District Court in the Northern District of California. JMP alleges breach of contract, promissory estoppel, fraud and negligence misrepresentation and seeks damages and punitive damages in an unspecified amount. This dispute arises from JMP's engagement as the Company's financial advisor in July 2010, and the key issue in this dispute is the amount of the fee JMP is entitled to receive as a result of the closing of the common share issuance to an affiliate of Canon. Under governing agreements, the amount of JMP's fee differs depending upon whether the common share issuance is a "Sale or Merger" (defined to include an acquisition of a majority of voting securities of the Company) or whether it is a "Strategic Investment", and whether certain gross up provisions apply. The Company asserts that the correct fee amount is approximately $1.0 million, while JMP asserts that the correct fee amount is approximately $2.3 million. The Company filed an answer to JMP's complaint and a motion to dismiss certain, but not all, claims in JMP's complaint, which motion is pending.

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

Beside the matters stated above we are not a party to any pending or threatened litigation, the outcome of which could be expected to have a material adverse effect upon our financial condition, our results of operations or cash flows.

CERTAIN MATTERS RELATED TO OUR COMMON SHARES

Market Price

Our common shares are traded on the NASDAQ Capital Market under the symbol "ALTI." The following table sets forth, during the periods indicated, the high and low sales prices for our common shares, as reported on our principal trading market.

Fiscal Year Ended December 31, 2011	Low	High
1st Quarter	$1.55	$3.32
2nd Quarter	$0.84	$1.68
3rd Quarter	$0.72	$1.74
Fiscal Year Ended December 31, 2010	**Low**	**High**
1st Quarter	$2.80	$3.84
2nd Quarter	$1.20	$3.12
3rd Quarter	$1.32	$3.24
4th Quarter	$1.72	$2.89
Fiscal Year Ended December 31, 2009	**Low**	**High**
1st Quarter	$2.40	$5.12
2nd Quarter	$3.44	$6.20
3rd Quarter	$3.16	$5.80
4th Quarter	$3.20	$4.72

The last sale price of our common shares, as reported on the NASDAQ Capital Market on January , 2012 was $ per share.

Outstanding Shares and Number of Shareholders

As of November 30, 2011, the number of common shares outstanding was 69,452,487 held by approximately 420 holders of record. In addition, as of the same date, we have reserved 6,162,084 common shares for issuance upon exercise of options that have been, or may be, granted under our employee stock option plans and 7,028,440 common shares for issuance upon exercise of outstanding warrants. The proposed domestication will not increase or decrease the number of common shares held by any officer, director or 5% shareholder of the Company.

Dividends

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

Securities Authorized for Issuance under Equity Compensation Plans

We have stock option plans administered by the Compensation Committee of our Board of Directors that provide for the granting of options to employees, officers, directors and other service providers of the Company. Security holders have approved all option plans. The following table sets forth certain information with respect to compensation plans under which equity securities are authorized for issuance at December 31, 2010:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,514,025	$7,93	724,740(1)
Equity compensation plans not approved by security holders	None	N/A	None
Total	1,514,025	$7.93	724,740

(1) Subsequent to December 31, 2010, our shareholders approved an amendment to our 2005 Stock Incentive Plan which added an additional 5,000,000 shares to the pool of securities available for issuance under shareholder approved equity incentive plans.

Transfer Agent and Registrar

The Transfer Agent and Registrar for our common shares is Equity Financial Trust Company, 200 University Ave, Suite 400, Toronto, Ontario, M5H 4H2.

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CERTAIN FINANCIAL INFORMATION

Selected Financial Data

The following table sets forth selected consolidated financial information with respect to the Company and its subsidiaries for the periods indicated. The data is derived from financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The selected financial data should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and accompanying notes included herein. All amounts are stated in thousands of U.S. dollars.

For the Year Ended December 31,	2010	2009	2008	2007	2006
STATEMENTS OF OPERATIONS					
Revenues	$ 7,830	$ 4,371	$ 5,726	$ 9,108	$ 4,324
Operating expenses	(22,481)	(22,114)	(33,202)	(42,176)	(22,005)
Interest expense	(19)	(107)	(97)	(134)	(172)
Interest income	101	188	982	1,101	655
Loss on foreign exchange	(1)	(2)	(10)	(1)	(2)
Realized (loss)/gain on investment	(2,045)	851	(89)	-	-
Loss from continuing operations before non-controlling interest's share	(22,291)	(21,931)	(29,340)	(32,102)	(17,200)
Non-controlling interest's share	5	619	272	631	-
Net loss	(22,286)	(21,312)	(29,068)	(31,471)	(17,200)
Basic and diluted net loss per common share	(0.84)	(0.85)	(1.35)	(1.80)	(1.16)
Cash dividends declared per common share	-	-	-	-	-
BALANCE SHEET DATA					
Working capital	8,161	22,118	26,067	39,573	25,928
Total assets	24,260	40,317	48,071	73,859	43,121
Current liabilities	(6,946)	(4,055)	(3,647)	(14,329)	(3,500)
Long-term obligations	(16)	(37)	(608)	(1,200)	(1,800)
Non-controlling interest in subsidiary	-	(541)	(1,098)	(1,369)	-
Net shareholders' equity	$ (17,298)	$ (35,684)	$ (42,718)	$ (56,961)	$ (37,821)

Supplementary Financial Data

The following Supplementary Financial Information for the fiscal quarter ended September 30, 2011, and for the fiscal quarters ended March 31, June 30, September 30 and December 31 in each of the years 2010 and 2009 was derived from our unaudited quarterly consolidated financial statements filed by us with the SEC in our Quarterly Circulars on Form 10-Q with respect to such periods (except for 4th quarter data).

Supplementary Financial Information by Quarter, 2010 and 2009
(Unaudited – in 000s)

	Quarter Ended March 31	Quarter Ended June 30	Quarter Ended September 30	Quarter Ended December 31
Year Ended December 31, 2011:				
Revenues	$2,551	$476	$855	
Gross Profit	$(234)	$(215)	$323	
Operating expenses	$5,669	$3,780	$5,429	
Net loss	$(5,911)	$(3,025)	$(5,873)	
Loss per common share: (1)				
Basis and diluted	$(0.22)	$(0.10)	$(0.10)	
Year Ended December 31, 2010:				
Revenues	$1,192	$1,500	$2,029	$3,109
Gross Profits	$297	$422	$545	$766
Operating expenses	$6,386	$5,493	$5,847	$4,755
Net loss	$(6,071)	$(4,925)	$(5,281)	$(6,013)
Loss per common share: (1)				
Basic and diluted	$(0.06)	$(0.20)	$(0.20)	$(0.20)

(1) Loss per common share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly loss per common share amounts does not necessarily equal the total for the year.

Financial Statements

The reports and financial statements required by this Item appear on pages F-1 through F-47 at the end of this Circular

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Overview

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

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

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

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

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

Our revenues have been generated by product sales, license fees, commercial collaborations, and government contracts and grants. We expect future revenues to consist primarily of product sales. We currently have agreements in place to (1) provide battery modules to a U.S. based bus manufacturer and are negotiating agreements to develop battery modules for various other industrial applications, (2) supply a one-megawatt ALTI-ESS energy storage system

for a test of wind energy integration into the electric grid (3) supply a one-megawatt ALTI-ESS energy storage system for a test of solar energy integration into the electric grid and (4) lease a 1.8 megawatt ALTI-ESS Advantage system to a subsidiary of a major U.S. utility for a frequency regulation project.

We have generated recurring losses from operations resulting in an accumulated deficit of $199 million. Additionally, we experienced $13.5 million in negative cash flows from operations during the nine months ended September 30, 2011.

General Outlook

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

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

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

- Based on the success of the 2008 AES 2-megawatt frequency regulation trial, as validated in the KEMA, Inc. analysis and report, and more importantly, based on three years of successful commercial operation of the ALTI-ESS system installed at PJM Interconnect in Southeast Pennsylvania we have experienced a substantial amount of interest in our large scale battery systems from other entities and we are in active sales development discussions with a number of them. On February 4, 2011, we accepted a $1.6 million purchase order to supply the University of Hawaii - Hawaii Natural Energy Institute ("HNEI") a one megawatt ALTI-ESS energy storage system for a test of wind energy integration. We anticipate installing this system for HNEI during the first quarter of 2012. On August 12, 2011, we accepted a similar $1.6 million purchase order to supply HNEI a one megawatt ALTI-ESS energy storage system for a test of wind energy integration. We anticipate installing this system for HNEI during the second quarter of 2012.
- On February 9, 2011, we entered into a purchase contract with Inversiones Energeticas, S.A. de C.V. ("INE") related to the purchase of a turn-key 10 Megawatt ALTI-ESS advanced battery system for $18 million. Projected revenue under this agreement represented a substantial portion of our expected revenue in 2011. On April 15, 2011, as a result of unexpected regulatory issues, INE notified us that they needed to cancel the contract in accordance with the terms of the agreement. INE subsequently stated that such letter was not intended to effect a termination of the contract, but merely to provide notice of its initial failure to obtain regulatory approval, which would automatically effect a termination of the contract if the issue was not resolved within 120 days, subject to extension by the parties. On June 7, 2011, we entered into a 90-day extension of an automatic termination provision of the contract, and on September 12, 2011, we entered into a 120 day extension of the automatic termination provisions of the contract, in each case in order to allow the various parties additional time to resolve these regulatory issues. We are uncertain whether the regulatory issues will be resolved.
- In May 2011 we signed a three-year lease agreement with Energy Storage Holdings, LLC, a unit of a major U.S. utility, to provide them with a 1.8 megawatt energy storage system. This project marks the debut of the ALTI-ESS Advantage, a 1.8 MW system targeted toward frequency regulation and fast response applications demanding high power.
- In June 2010, we signed a contract with Proterra, LLC, a Golden, Colorado-based leading designer and manufacturer of heavy-duty drive systems, energy storage systems, vehicle control systems and transit buses to sell battery modules for Proterra's all-electric and hybrid-electric buses. Proterra's systems are scalable to all forms of commercial buses and Class 6-8 trucks. During 2010 we sold battery modules to Proterra valued in the aggregate at $2.4 million. Although Proterra experienced financial challenges with its primary investor during the first half of 2011, in June 2011 they received additional financing from a new investment group led by Kleiner, Perkins, Caufield

and Byers. We started selling additional battery modules to Proterra during September 2011 and anticipate substantial growth starting in late 2012 and future years as they resume the scale-up of their business.

- Based on the demonstrated success of our battery in the Proterra bus application, we have also entered into discussions with a number of other commercial vehicle manufacturers and systems integrators regarding the purchase of our battery products for their specific applications.
- We are in discussions with a number of industrial manufacturers of fork lifts, elevators and other equipment in which the long-life, rapid recharge, high power requirements, extreme operating temperature range, or other differentiating attributes of our battery technology are required.
- In September of 2010 we signed a supply agreement with YTE, an affiliate of Canon, to provide 122 metric tons of nano-lithium titanate powder by the end of 2011. Purchasing under the agreement was suspended in February 2011. We and YTE are reviewing this agreement in connection with our plan to expand operations into China, and we are uncertain whether purchasing under the agreement will be reinstated.
- In late 2011 and 2012, we are forming a WFOE in China. We expect that a substantial portion of our sales, and eventually our manufacturing, will be conducted by this WFOE in China. We are early stage of this initiative.

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

Contracts and Grants

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

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

Liquidity and Capital Investments

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

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

Net cash used in operating activities for the year ended December 31, 2010 totaled $15.2 million compared to $23.6 million for the year ended December 31, 2009. The decrease in cash used in operating activities for 2010 compared to 2009 was due primarily to less inventory purchases ($3.3 million), a swing from a gain on sale of our Spectrum stock in 2009 to a loss on the sale of our marketable securities in 2010, primarily our auction rate securities ($2.9 million), and an increase in deferred revenues collected from Proterra of $922,000 and YTE of $1.6 million.

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

during the nine months ended September 30, 2011 versus $852,000 in purchases made for production equipment during the nine months ended September 30, 2010.

Investing activities for the year ended December 31, 2010 reflect the sale of our Auction Rate Securities and Spectrum Stock totaling $2.6 million in net cash proceeds. Additionally, we purchased property and equipment totaling $965,000 compared to property and equipment purchases of $768,000 made for the year ended December 31, 2009.

The net source of cash from financing activities of $78,000 for the year ended December 31, 2010 primarily reflects the raise of $692,000 net of expenses from the At the Market sale of common stock less our last payment on the note payable on our Reno, Nevada building of $600,000 plus interest. We had a single note payable in the original principal amount of $3.0 million secured by a first lien on our building. The final payment of principal and interest was due on February 8, 2010 and paid on January 29, 2010.

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

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

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

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

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

consideration in our final determination of production volumes. Our objective is to manage cash expenditures in a manner consistent with rapid product development that leads to the generation of revenues with adequate gross margins in the shortest possible time.

Capital Commitments and Expenditures

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

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

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

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

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

We believe the critical accounting policies set forth in Note 2. Summary of Significant Accounting Policies in the annual and quarterly financial statements included herewith beginning on page F-1 affect the more significant judgments and estimates used in the preparation of our consolidated financial statements. These judgments and estimates affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting periods. Changes to these judgments and estimates could adversely affect the Company’s future results of operations and cash flows.

Results of Operations

Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010
In thousands of dollars

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

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

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

Revenues

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

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

Cost of Goods Sold

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

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

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

Operating Expenses

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

Other Expense

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

Net Loss

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

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010
In thousands of dollars

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

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

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

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Revenues

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

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

Cost of Goods Sold

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

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

Operating Expenses

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

Other Income

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

Net Loss

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

Years Ended December 31, 2010, 2009, and 2008

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

	Power and Energy Group Twelve Months Ended December 31,			All Other Twelve Months Ended December 31,			Corporate Twelve Months Ended December 31,			Cons Twelve M Decer	
	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2
Revenues											
Product sales	$3,232	$636	$428	$311	$309	$329	$-	$-	$-	$3,543	$94
Less: Sales returns	-	(113)	-	-	(71)	-	-	-	-	-	(1
License fees	-	-	-	-	750	-	-	-	-	-	75
Commercial collaborations	322	1,405	917	42	5	1,090	-	-	-	364	1,
Contracts and grants	2,602	1,321	2,730	1,321	129	232	-	-	-	3,923	1,
Total revenues	6,156	3,249	4,075	1,674	1,122	1,651	-	-	-	7,830	4,
Cost of goods sold											
Product	2,589	915	105	73	39	78	-	-	-	2,663	95
Commercial collaborations	180	781	1,418	14	-	1,031	-	-	-	194	78
Contracts and grants	1,504	1,039	1,768	1,031	81	210	-	-	-	2,534	1,
Warranty and inventory reserves	409	198	(2,865)	-	-	-	-	-	-	409	19
Total cost of goods sold	4,682	2,933	426	1,118	120	1,319	-	-	-	5,800	3,
Gross profit	1,474	316	3,649	556	1,002	332	-	-	-	2,030	1,
Operating expenses											
Research and development	5,076	6,210	8,096	353	94	2,140	2,783	3,085	2,757	8,212	9,
Sales and marketing	-	-	-	-	-	-	4,051	2,894	2,969	4,051	2,
General and administrative	346	168	230	97	2	368	7,109	7,626	9,239	7,552	7,
Depreciation and amortization	1,349	1,320	1,281	216	531	628	331	184	167	1,896	2,
Notes receivable extinguishment	-	-	-	-	-	-	-	-	1,722	-	-
Settlement and release	-	-	-	-	-	-	-	-	3,605	-	-
Loss on diposal of assets	770	-	-	-	-	-	-	-	-	770	-

Total operating expenses	7,541	7,698	9,607	666	627	3,136	14,274	13,789	20,459	22,481	22
Loss from operations	(6,067)	(7,382)	(5,958)	(110)	375	(2,804)	(14,274)	(13,789)	(20,459)	(20,451)	(2
Other income (expense)											
Interest expense	(6)	(5)	-	-	-	-	(13)	(102)	(97)	(19)	(1
Interest income	-	-	-	-	-	-	101	188	982	101	18
Realized (loss)/gain on investment	-	-	-	(95)	869	-	(1,950)	(18)	(89)	(2,045)	85
Loss on foreign exchange	-	-	-	-	-	-	(1)	(2)	(10)	(1)	(2
Total other (expense) income, net	(6)	(5)	-	(95)	869	-	(1,863)	66	786	(1,964)	93
Loss from continuing operations	(6,073)	(7,387)	(5,958)	(205)	1,244	(2,804)	(16,137)	(13,723)	(19,673)	(22,415)	(1
Gain from discontinued operations	-	-	-	124	(2,065)	(905)	-	-	-	124	(2
Net loss	(6,073)	(7,387)	(5,958)	(81)	(821)	(3,709)	(16,137)	(13,723)	(19,673)	(22,291)	(2
Less: Net loss attributable to noncontrolling interests	-	-	-	5	619	272	-	-	-	5	61
Net loss attributable to Altair Nanotechnologies Inc.	$(6,073)	$(7,387)	$(5,958)	$(76)	$(202)	$(3,437)	$(16,137)	$(13,723)	$(19,673)	$(22,286)	$(2
Amounts attributable to Altair Nanotechnologies Inc. shareholders:											