ALTAIR NANOTECHNOLOGIES INC
Form 10-Q
November 16, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED **September 30, 2016**

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

1934 FOR THE TRANSITION PERIOD FROM _________________ TO _________________

ALTAIR NANOTECHNOLOGIES INC.

(Exact name of registrant as specified in its charter)

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

204 Edison Way

Reno, Nevada 89502

(Address of principal executive offices, including zip code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO .

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

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

Large accelerated filer [ ] Accelerated filer [ ]

Non-accelerated filer [ ] Smaller reporting company [X]

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

As of November 15, 2016 the registrant had 11,606,735 shares of Common Stock outstanding.

ALTAIR NANOTECHNOLOGIES INC.

FORM 10-Q

For The Quarter Ended September 30, 2016

TABLE OF CONTENTS

		Page
PART I. FINANCIAL INFORMATION		
ITEM 1.	QUARTERLY FINANCIAL STATEMENTS	3
	Condensed Consolidated Balance Sheets as of September 30, 2016 (unaudited) and December 31, 2015	3
	Condensed Consolidated Statements of Operations and Comprehensive Loss for the three months and nine months ended September 30, 2016 and 2015 (unaudited)	4
	Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2016 and 2015 (unaudited)	5
	Notes to Condensed Consolidated Financial Statements (unaudited)	6
ITEM 2.		21

	Management's Discussion and Analysis of Financial Condition and Results of Operations	
ITEM 3.	Quantitative and Qualitative Disclosures About Market Risk	29
ITEM 4.	Controls and Procedures	29
PART II. OTHER INFORMATION		
ITEM 1	Legal Proceedings	30
ITEM 1A.	Risk Factors	30
ITEM 2.	Unregistered Sales of Equity Securities and Use of Proceeds	30
ITEM 3.	Defaults Upon Senior Securities	30
ITEM 4.	Mine Safety Disclosures	30
ITEM 5.	Other Information	30
ITEM 6.	Exhibits	30

ALTAIR NANOTECHNOLOGIES INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

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

	September 30, 2016 (Unaudited)	**December 31, 2015**
ASSETS		
Current assets		
Cash and cash equivalents	$ 4,043	$ 2,088
Restricted cash	475	231
Short-term investment	-	25,410
Accounts receivable, net	860	523
Amount due from related parties	1	15,923
Notes receivable	-	74
Product inventories, net	17,311	7,671
Prepaid expenses and other current assets	13,551	7,728
Deferred contract costs	-	3,454
Total current assets	36,241	63,102
Prepaid expenses, non-current	1,688	3,792
Property, plant and equipment, net	67,562	36,395
Patents, net	-	47
Other non-current asset	3,395	4,138
Land use right, net	25,561	26,685
Total Assets	$ 134,447	$ 134,159
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Trade accounts payable	$ 18,014	$ 7,107
Amount due to related parties	66,393	25,459
Accrued salaries and benefits	1,821	1,914
Accrued warranty	87	168
Accrued liabilities	1,296	1,169
Deferred revenues and customer deposit	228	3,776
Deferred income - Grant Incentives	558	551
Warrant liabilities	-	1
Capital lease obligation	345	-
Current portion of long term note payable	7,251	25,564
Other current liabilities	277	266
Short term note payable	850	44,973
Total current liabilities	97,120	110,948

Long term note payable	14,356	6,622
Other non-current liabilities	3,260	3,565
Deferred income - Grant Incentives - non-current	25,683	26,192
Capital lease obligation - non-current	8,828	-
Total Liabilities	149,247	147,327
Commitments and contingencies		
Stockholders' deficit		
Common stock, $0.001 par value, 200,000,000 shares authorized; 11,606,735 shares issued and outstanding at September 30, 2016 and December 31, 2015	12	12
Additional paid in capital	259,121	259,102
Accumulated deficit	(273,953)	(272,495)
Accumulated other comprehensive income	20	213
Total stockholders' deficit	(14,800)	(13,168)
Total Liabilities and Stockholders' Deficit	$ 134,447	$ 134,159

See notes to unaudited condensed consolidated financial statements

3

ALTAIR NANOTECHNOLOGIES INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

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

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Revenues				
Product sales	$6,874	$876	$8,293	$3,005
Product sales –Related Party	8,941	703	24,485	2,013
License fees	100	100	300	232
Commercial collaborations	-	29	83	137
Total revenues	15,915	1,708	33,161	5,387
Cost of goods sold				
Product costs	6,585	840	7,573	2,289
Cost to related party sales	6,633	641	16,388	2,563
Total cost of goods sold	13,218	1,481	23,961	4,852
Gross Profit	2,697	227	9,200	535
Operating expenses				
Research and development	182	218	502	590
Sales and marketing	40	294	124	670
General and administrative	3,696	3,064	9,834	7,755
Depreciation and amortization	265	370	825	1,186
Loss (gain) on disposal of assets	-	-	(29)	-
Total operating expenses	4,183	3,946	11,256	10,201
Loss from operations	(1,486)	(3,719)	(2,056)	(9,666)
Other (expense) income				
Interest expense, net	(988)	(290)	(2,552)	(1,886)
Change in market value of warrants	1	-	1	5
Gain (loss) on foreign exchange	(2)	1	88	-
Other income -buses	5	1,981	16	11,519
Other expense - buses	-	(1,847)	-	(13,666)
Other income	131	131	3,045	495
Total other (expense) income	(853)	(24)	598	(3,533)
Net Loss	(2,339)	(3,743)	(1,458)	(13,199)
Other Comprehensive Income				
Foreign Currency Translation Adjustments	3	(482)	(193)	(363)
Comprehensive Loss	$(2,336)	$(4,225)	$(1,651)	$(13,562)
Loss per common share - basic and diluted	$(0.20)	$(0.32)	$(0.13)	$(1.14)
Weighted average shares - basic and diluted	11,606,735	11,606,735	11,606,735	11,606,735

See notes to unaudited condensed consolidated financial statements

ALTAIR NANOTECHNOLOGIES INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of United States Dollars)

(Unaudited)

	Nine Months Ended September 30,	
	2016	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$(1,458)	$(13,199)
Adjustment to Reconcile Net loss to Net Cash Provided by (Used in) Operating Activities		
Depreciation and amortization	825	1,186
Accretion	13	(111)
Share-based compensation	-	69
Changes in other receivable reserves	-	(6,081)
Change in fair value of warrants	(1)	(5)
Change in inventory reserves	47	-
Changes in Operating Assets and Liabilities		
Accounts receivable, net	(263)	(140)
Product inventories, net	(9,687)	(3,059)
Prepaid expenses and other current assets	(4,509)	26,603
Deferred contract costs	3,454	(877)
Trade accounts payable	14,048	(2,732)
Accrued salaries and benefits	(93)	344
Accrued warranty	(81)	75
Accrued liabilities	127	62
Deferred revenue and customer deposit	(3,548)	(1,116)
Deferred income - Grant Incentive	(502)	(589)
Other liabilities	(547)	3,443
Amounts due from related parties	2,324	19,739
Amounts due to related parties	14,012	5,993
Other non-current asset	1,157	(3,636)
Net Cash Provided by Operating Activities	15,318	25,969
CASH FLOWS FROM INVESTING ACTIVITIES		
Placement of term deposit	-	(20,238)
Maturity of term deposit	25,080	-
Purchase of property, plant and equipment	(24,748)	(10,739)
Purchase of land use right	-	(2,001)
Repayment from related parties	275	468
Net Cash Provided by (Used in) Investing Activities	607	(32,510)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in restricted cash	-	347

Proceeds from trade acceptance	685	5,293
Repayment of trade acceptance	(5,072)	-
Proceeds from notes payable including sale lease-back financing	20,181	38,776
Repayment of note payable	(69,327)	(22,800)
Proceeds (repayment) of related party notes	40,245	(3,310)
Net Cash Provided by (Used in) Financing Activities	(13,288)	18,306
Effect of exchange rate changes on cash and cash equivalents	(682)	(1,692)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,955	10,073
CASH AND CASH EQUIVALENTS, beginning of period	$2,088	$1,001
CASH AND CASH EQUIVALENTS, end of period	$4,043	$11,074
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the period for:		
Income taxes	$-	$-
Interest	4,185	3,957
NONCASH INVESTING AND FINANCING ACTIVITIES		
Equipment acquired through capital lease	$9,173	$-
Related parties debt settlement	$13,323	$-

See notes to unaudited condensed consolidated financial statements

ALTAIR NANOTECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States Dollars)

Note 1 – Basis of Presentation and Going Concern

Description of the Company and Business

Altair Nanotechnologies Inc., (the “Company”) is a Delaware corporation that develops, manufactures and sells nano lithium titanate batteries and energy storage systems. The Company’s nano lithium titanate battery systems offer higher power density, longer cycle life, rapid charge and discharge capabilities, a wider operating temperature range and higher levels of safety than conventional lithium-ion batteries. The Company targets applications that utilize the key attributes of its technology with product applications mainly found in the electric grid, transportation (commercial vehicles), and industrial market segments.

Basis of Presentation

The interim condensed consolidated financial statements of Altair Nanotechnologies Inc. and its subsidiaries (the “Company”) are unaudited. These condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, considered necessary by management to fairly state the Company’s results of operations, financial position, and cash flows. The results reported in these condensed consolidated financial statements are not necessarily indicative of the results that may be expected for the entire year. The 2015 year-end balance sheet data was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America (GAAP). This Form 10-Q (this “Report”) should be read in conjunction with the Company’s Comprehensive Report on Form 10-K for the years ended December 31, 2015, which includes all disclosures required by GAAP.

Going Concern

The Company anticipates to continue to have negative cash flows from operations as it ramps up production at their new manufacturing facilities. If the Company is not able to refinance its debt or obtain additional capital, the Company will not be able to pay off its current debt obligations. These conditions raise substantial doubt about the

Company’s ability to continue as a going concern. The company condensed financial statements do not include any adjustments relating to the recoverability and classification of asset amounts or the classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company’s ability to continue as a going concern is dependent upon our ability to raise additional capital and to ultimately generate revenues at a level that will result in profitability and positive cash flows from operations. To address these matters, we are taking actions to refinance existing loans if needed, obtain capital leases, obtain additional loans collateralized by the Land Use Rights, third party guarantees and other assets, and obtain approval for additional grant incentives from the government of Wu’an, China. However, there can be no assurance that additional grant funds to support our capital needs will be available to us and that we will be able to refinance existing loans, obtain additional loans, or raise further funds through other sources such as through an equity offering. Even if we are able to obtain additional financing, it may contain undue restrictions, be on terms that are not satisfactory to us, or contain covenants on our operations, in the case of debt financing, or cause substantial dilution for our stockholders, in the case of convertible debt and equity financing.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company and its subsidiaries which include (1) Altair U.S. Holdings, (2) Altairnano, Inc., (3) Altair Nanotechnologies (China) Co., Ltd., and (4) Northern Altair Nanotechnologies Co., Ltd. All of the subsidiaries are either incorporated in the United States of America or China. Inter-company transactions and balances have been eliminated in consolidation.

Recently Adopted and Recently Issued Accounting Guidance

Recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company’s financial position, results of operations or cash flows.

ALTAIR NANOTECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States Dollars)

Note 2 – Restricted Cash

As of September 30, 2016 and December 31, 2015, cash of $0.23 million and $0.23 million are restricted as performance guarantee for China State Grid Project, respectively.

As of September 30, 2016 and December 31, 2015, cash of $0.25 million and $nil are restricted as settlement fee for legal counselling, respectively.

Note 3 – Fair Value Measurements and Other Financial Measurements

The carrying amounts of cash, accounts receivable, accounts payable, and notes payable approximate fair value due to the short-term nature of these instruments. The carrying amounts of the Company's short term credit obligations approximate fair value because the effective yields on these obligations are comparable to rates of returns for instruments of similar credit risk. The Company performs recurring fair-value measurements for its warrant liabilities.

The fair values and corresponding classifications under the appropriate level of the fair value hierarchy of outstanding warrants recorded as recurring liabilities in the consolidated balance sheet were recorded using level 3 inputs based on a Monte Carlo option simulation model, which uses prevailing interest rates, Company's stock price volatility and expected warrant term. Based on the valuation model used by the Company, the value of the warrant liability was determined to be $nil for the quarter ended September 30, 2016 and the year ended December 31, 2015, respectively. The change in the fair value of the warrants are recorded in Other (expense) income for each of the periods presented.

During the years ended December 31, 2014 and 2015, the Company has entered into several agreements to provide financial guarantees in relation to the EV Bus sales (See Note 4). The Company engaged a third party valuation expert to determine the fair value of the financial guarantees. Fair value (level 3) of the financial guarantee at September 30, 2016 and December 31, 2015 amounted to $nil and $0.21 million, respectively.

NOTE 4 – ELECTRIC BUS SALES

On April 19, 2012, the Company entered into an Agreement (the “Agreement") with Wu’an Municipal People's Government ("Wu'an") and Handan Municipal People's Government ("Handan Government") regarding the establishment by Altair China of a manufacturing facility in the City of Wu'an, in Hebei Province in China. The Agreement also indicates the purchase by Wu'an and Handan of EV Buses beginning in late 2012 and continuing over five years, and the future purchase of electric taxis and energy storage systems.

No EV Buses were sold during the nine months ended September 30, 2016.

In connection with the bus sales to Handan, the Company agreed to provide to a third-party leasing entity a security deposit equals to 20% of the contract price. The security deposit is refundable over a ten-year period when Handan completes its obligations to the third-party leasing entity. The difference between the present value of the refundable security deposit and the gross amount was recorded as current period expense and unearned interest income to the security deposit. The unearned interest income is being amortized straight line over the refund period of 10 years.

In addition, the Company agreed to pay an initial 8% of the contract price for rebates and to make subsequent quarterly payments, for a ten-year period, to a third-party leasing company as an incentive. The net present value of the quarterly payments is recorded as current period expense. The difference between the present value of subsequent quarterly payments and the gross amount was recorded as unrecognized interest expense and then amortized over ten-year period.

ALTAIR NANOTECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States Dollars)

Note 5 – PRODUCT Inventories

Inventory relates to the production of battery systems targeted at the electric grid, transportation, and industrial markets, which consisted of the following (in thousands of dollars):

	September 30, 2016	December 31, 2015
Raw materials	$ 2,603	$ 2,800
Work in process	3,426	1,041
Finished goods	11,282	3,830
Total product inventories	$ 17,311	$ 7,671

The Company recorded reserve for inventories of $0.05 million as of September 30, 2016 and $0.13 million as of December 31, 2015, respectively.

Note 6 – PREPAID expenses AND oTHER Assets

Prepaid expenses and other current and non-current assets consist of the following (in thousands of dollar):

	September 30, 2016	December 31, 2015
Prepaid inventory purchases	$ 444	$ 623
Prepaid Service Fee	2,272	1,016
Prepaid VAT	7,779	3,207
Current portion of long term receivable	1,500	1,603
Electric bus for resale (Note 4)	128	132

Other receivable – EV Bus (Note 4)	426	437
Other receivable – lease deposit	-	-
Deposits	23	97
Prepaid insurance	180	221
Others	799	392
Total prepaid expenses and other current assets	$ 13,551	$ 7,728
Prepaid equipment purchases, non-current	$ 1,688	$ 3,792
Refundable security deposit (Note 4)	2,429	4,138
Sale leaseback deposit (Note 12)	750	-
Capital lease deposit (Note 7)	216	-
Total Other assets, non-current	$ 3,395	$ 4,138

Other receivable - EV Bus consists of amount due from Wu'an for the EV Buses sold in prior periods.

The following lists the components of the net present value of long term receivable (refundable security deposit): (In thousands of dollars)

	September 30, 2016	**December 31, 2015**
Gross long term receivable	$ 5,972	$ 8,243
Less: unearned interest income	(2,043)	(2,502)
Net present value of long term receivable	3,929	5,741
Less: Current portion of long term receivable	(1,500)	(1,603)
Net present value of long term receivable, net of current portion	$ 2,429	$ 4,138

ALTAIR NANOTECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States Dollars)

Future collections of long-term receivable (refundable security deposit) as of September 30, 2016 (In thousands of dollars):

	Year Ended December 31, Remaining of 2016	2017	2018	2019	2020	After 2020	Total
Net long term receivable	$-	$1,871	$-	$144	$1,497	$2,460	$5,972
Less: unearned interest income	(98)	(333)	(258)	(282)	(231)	(841)	(2,043)
Net present value of long term receivable	$(98)	$1,538	$(258)	$(138)	$1,266	$1,619	$3,929

Other receivable consist of due from a third party bus company, which were incurred when the Company agreed to resell the EV Buses to the third party bus company.

Prepaid equipment purchase consists of other costs related to the Company's China operations, which will be transferred to property, plant and equipment once such assets are placed in service.

Deferred contract costs were incurred, under the completed contract method, for multiple large scale projects for which revenue has not been recognized. The balances of deferred contract costs are $nil and $3.45 million as of September 30, 2016 and December 31, 2015 respectively.

Patents

Patents are associated with the nanomaterials and titanium dioxide pigment technology, which the Company is amortizing on a straight-line basis over their useful lives and is summarized as follows (in thousands of dollars):

	September 30, 2016	December 31,2015
Patents	$ 1,366	$ 1,366
Less accumulated amortization	(1,366)	(1,319)
Total patents	$ -	$ 47

During the nine months ended September 30, 2016 and 2015, amortization expense relating to patents is approximately $0.06 million and $0.06 million, respectively. During the three months ended September 30, 2016 and 2015, amortization expense relating to patents is approximately $0.02 million and $0.02 million, respectively.

NOTE 7 – CAPTIAL LEASES OBLIGATION

On August 8, 2016, the Company entered into a financing arrangement with a third party to purchase machinery and equipment utilized in production and then lease the assets to the Company. The lease term is initially for five years and contingent upon the occurrence of certain events, the lessor has the rights to (i) reduce the lease term from five years to three years or (ii) upon default by the Company, the lessor has the right to convert the remaining balance owed under the financing arrangement into the equity of the Company. As of September 30, 2016, the Company assessed the probability of the occurrence of the event to be remote and hence had no impact on the lease accounting.

In connection with the financing arrangement, the Company pledged the leased equipment as collateral to the lessor and the following related parties individually entered into a guaranty contract with the lessor to provide joint liability guarantee for the lease payments :.

1. Zhuhai Yinlong New Energy Co., Ltd,
2. Shijiazhuang Zhongbo Auto Co., Ltd,
3. Hebei Yinlong New Energy Co.,

In addition, Hebei Yinlong New Energy Co. pledged its accounts receivable with the lessor.

In connection with the financing arrangement, the Company entered into a consulting agreement with the lessor. The consulting agreement stipulated an additional consulting fee of 6% of the total purchase price of the equipment by the lessor. The Company accounted for the consulting agreement as down payment for the capital lease as in substance those payments resemble required return by the lessor.

ALTAIR NANOTECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States Dollars)

The following lists the components of the net present value of capital leases obligation: (In thousands of dollars)

	September 30, 2016	**December 31, 2015**
Gross capital lease obligation	11,886	-
Less: Discount on capital lease obligation	(2,713)	-
Net present value of capital lease obligation	9,173	-
Less: Current portion of capital lease obligation	(345)	-
Net present value of capital lease obligation, net of current portion	8,828	-

As of September 30, 2016, the aggregate effective rate on amortized discount on capital lease obligation is in the range of 9.68% to 10.19% per annum.

Capital lease was commenced at the end of September and no amortization for discount on capital lease obligation incurred.

The present value of the net minimum payments on capital leases as of September 30, 2016 is as follows:

(In thousands of dollars)

	2016	**2017**	**2018**	**2019**	**2020**	**Thereafter 2020**	**Total**
Total minimum lease payments	-	1,189	2,377	2,971	2,971	2,377	11,885
Less: Discount on capital lease obligation	(213)	(836)	(741)	(538)	(298)	(86)	(2,712)
Net present value of capital lease obligation	(213)	353	1,636	2,433	2,673	2,291	9,173

Note 8 – PROPERTY, Plant and Equipment

Property, plant and equipment in operations consist of the following (in thousands of dollars):

	September 30, 2016	December 31, 2015
Machinery and equipment	$ 37,531	$ 11,049
Building and improvements	16,419	13,498
Furniture, office equipment & other	1,719	1,844
Leased assets	16,473	1,682
	72,142	28,073
Less: accumulated depreciation	(11,572)	(12,864)
Subtotal	60,570	15,209
Add: construction in process	6,992	21,186
Total property, plant and equipment	$ 67,562	$ 36,395

Depreciation expense for the three months ended September 30, 2016 and 2015, the nine months ended September 30, 2016 and 2015, were approximately $0.11 million, $0.21 million, $0.35 million, and $0.72 million, respectively. Capital leased assets were commenced at the end of September and no depreciation for capital leased asset incurred.

ALTAIR NANOTECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States Dollars)

Note 9 – LAND Use Right

The following summarizes Land Use Rights for the following periods (in thousands of dollars):

	September 30, 2016	**December 31, 2015**
Land use right	$ 27,370	$ 28,119
Less accumulated amortization	(1,809)	(1,434)
Total land use right, net	$ 25,561	$ 26,685

The following summarizes the carrying amount pledged (in thousands of dollars):

	September 30, 2016	**December 31, 2015**
Pledged for bank loan	$ -	$ 20,222
Pledged for guarantee provided to related party	6,194	3,671
Total	$ 6,194	$ 23,893

The Land Use Rights were recorded at cost and are being amortized on a straight-line basis over its 50-year useful life. The amortization expense for the three months ended September 30, 2016 and 2015, the nine months ended September 30, 2016 and 2015 were approximately $0.14 million, $0.14 million, $0.42 million, and $0.41 million, respectively.

NOTE 10 – ACCRUED WARRANTY

Accrued warranty consisted of the following (in thousands of dollars):

	September 30, 2016	December 31, 2015
Beginning Balance	$ 168	$ 173
Charges for accruals in the current period	91	265
Reductions for warranty services provided	(172)	(270)
Ending Balance	$ 87	$ 168

NOTE 11 – GRANT INCENTIVES

In conjunction with the Land Use Rights obtained by Northern Altair (Note 9), Northern Altair applied for and received various incentives and grants from the Wu'an China Government. Such grants and incentives are required to be used to support the construction of planned facilities in Wu'an China and the purchase of related manufacturing equipment. Grant amounts received are included in the balance sheet as deferred income and are recognized as income over the useful life of the related assets upon placing such assets into service. The following summarizes grant incentives (in thousands of dollars):

	September 30, 2016	December 31, 2015
Beginning balance	$ 26,743	$ 25,505
Grants received in the current period	671	3,216
Foreign currency exchange reserve	(714)	(1,429)
Grants recognized in other income during the current period	(459)	(549)
Ending balance	$ 26,241	$ 26,743
Less: current portion of deferred income – grant incentive	(558)	(551)
Deferred income – grant incentive - non current	25,683	26,192

ALTAIR NANOTECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States Dollars)

NOTE 12 – NOTES PAYABLE

Note payable is consisted of trade acceptance, and bank loans and sale-leaseback financing as discussed below:

Trade Acceptance

The Company issued trade acceptances to suppliers. Trade acceptances are presented to certain suppliers as a payment against the outstanding trade payable. These trade acceptances are non-interest bearing and mature within six months. Trade acceptances are secured by certificate of deposit in the bank for the amount of $5.39 million as of December 31, 2015. The balance of trade acceptances included in notes payable were $nil million as of September 30, 2016 and $4.45 million as of December 31, 2015, respectively.

Short Term Bank Loans (in thousands of dollars)

	September 30, 2016		December 31, 2015		
Weighted average interest rate	5.65	%		7.06%	
Maturities	December 2016		May 2016	to	September 2016
Balance	$850		$	40,528	
Weighted average balance	$40,776		$	20,502	

Long Term Bank Loans (in thousands of dollars)

	September 30, 2016	December 31, 2015
Weighted average interest rate	10.93 %	11.03%
Maturities	September 2017	September 2016 to September 2017
Balance	$ 6,746	$32,186
Less: current maturities	(6,746)	(25,564)
Balance, net	$ -	$6,622
Weighted average balance	$ 25,759	$33,015

<u>Failed Sale- Leaseback - Financing Obligation (in thousands of dollars)</u>

On July 26, 2016, the Company entered into a contract with a third party to sell the 55 pieces of equipment currently in use to the third party and simultaneously leased it back. The Company regains the ownership of the assets at the end of the lease term and the Company also retained all risks of damages to the assets and continued to manage, control, administrate, and operate the assets. These rights and obligations constitute continuing involvement, which results in a failed sale-leaseback (financing) accounting. Under failed sale-leaseback accounting, the Company is deemed owner of the assets and the transaction was recorded as a financing arrangement.

In connection with the financing arrangement, the Company pledged the 55 pieces of equipment with carrying amount to $14.05 million as of September 30, 2016 as collateral to the lessor and the following related parties individually entered into a guaranty contract with the lessor to provide joint liability guarantee for the payments under the financing arrangement:

1. Zhuhai Yinlong New Energy Co., Ltd,
2. Zhuhai Guangtong Auto Co., Ltd,
3. Shijiazhuang Zhongbo Auto Co., Ltd,
4. Hebei Yinlong New Energy Co.,

The following lists the components of the net present value of financing obligation:

	September 30, 2016	December 31, 2015
Gross leaseback payments	$ 17,643	$ -
Less: Discount on leaseback payments	(2,782)	-
Net present value of leaseback payments	14,861	-
Less: Current portion of leaseback payments	(505)	-

Net present value of leaseback payments, net of current portion	$ 14,356	$ -

12

ALTAIR NANOTECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States Dollars)

As of September 30, 2016, the aggregate effective interest rate on failed sales leaseback (financing) is approximately 7.13% per annum.

The present value of the net minimum payments on sales leaseback (financing) as of September 30, 216 is as follows

(in thousands of dollars):

	2016	2017	2018	2019	2020	Thereafter 2020	Total
Total minimum lease payments	$-	$1,521	$4,735	$6,555	$2,641	$ 2,192	$17,644
Less: Discount on sales leaseback	(257)	(1,006)	(823)	(451)	(202)	(44)	(2,783)
Net present value of sales leaseback	$(257)	$515	$3,912	$6,104	$2,439	$ 2,148	$14,861

Interest expense for the three months ended September 30, 2016 and 2015, the nine months ended September 30, 2016 and 2015 were approximately $0.99 million, $0.29 million, $2.55 million, and $1.89 million, respectively.

NOTE 13 – WARRANTS

Warrants Issued to Investors

The fair value of the warrants was determined using the Monte Carlo simulation model and the following weighted average assumptions were used:

2011 Warrant

	September 30, 2016	December 31, 2015
Stock Price	0.08	0.08
Exercise Price	-	15.36
Expected Volatility	-	88%
Expected Dividend Yield	-	None
Expected Term (in years)	-	0.8
Risk-free Interest Rate	0.57%	0.57%

	2016	
	Warrants	Weighted Average Exercise Price
Outstanding at January 1,	412,779	14.93
Expired	(412,779)	-
Outstanding at September 30,	-	-
Currently exercisable	-	-

Based on the valuation model used by the Company, the value of the warrant liability was determined to be $nil for year ended 2015 and $nil for nine month ended September 30, 2016. The change in the fair value of the warrants were recorded in Other (expense) income for each of the periods presented in the Company's condensed consolidated statements of operations. The warrants expire on various dates through September 2016.

ALTAIR NANOTECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States Dollars)

NOTE 14 – GEOGRAPHIC INFORMATION AND CONCENTRATION

Beginning September 30, 2013, Chief Operating Decision Maker decided to combine both segments into the PEG segment because resource allocation and performance assessment would be concentrated as one operating level and the Company started to manage its business primarily on a geographic basis.

Sales to customers which accounted for more than 10% of Revenues:

Customers	**Percentage of Total Revenue**	
Three months ended September 30, 2016:		
Hebei Yinlong New Energy Co., Ltd, a related party	49	%
Hawaii Natural Energy Inst.	23	%
Nine months ended September 30, 2016:		
Hebei Yinlong New Energy Co., Ltd, a related party	62	%
Zhuhai Yinlong New Energy Co., Ltd, a related party	12	%
Hawaii Natural Energy Inst.	11	%
Three months ended September 30, 2015:		
Hebei Yinlong New Energy Co., Ltd, a related party	31	%
Hybricon	26	%
Cargotec Finland Oy	12	%
Nine months ended September 30, 2015:		
Hebei Yinlong New Energy Co., Ltd, a related party	28	%
Nano power a.s	15	%
Hybricon	14	%
Cargotec Finland Oy	11	%

Sales to customers which accounted for more than 10% of Accounts Receivable:

Customers

	Percentage of Total Accounts Receivable	
September 30, 2016:		
Isoloader Australia Pty Ltd	55	%
Nano power a.s	36	%
December 31, 2015:		
Maui Electric Company, Ltd.	47	%
Hybricon	33	%

14

ALTAIR NANOTECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States Dollars)

Revenues for the three-month ended September 30, 2016, and 2015 by geographic area based on location of customers were as follows (in thousands of dollars):

Country	Three Months ended September 30, 2016	September 30, 2015
Belgium	$-	$ 95
China	8,991	703
Czech Republic	444	8
Denmark	-	-
Finland	904	204
Spain	-	15
Sweden	-	446
U.S.A	5,576	163
United Kingdom	-	74
Grand Total	$15,915	$ 1,708

Country	Nine Months ended September 30, 2016	September 30, 2015
Belgium	$263	$ 403
China	24,553	2,011
Czech Republic	602	811
Denmark	-	2
Finland	1,617	578
Spain	8	74
Sweden	143	747
U.S.A	5,975	644
United Kingdom	-	117
Grand Total	$33,161	$ 5,387

Geographic information for long-lived assets, which was based on physical location of the assets, was as follows (in thousands of dollars):

Country	**September 30, 2016**	**December 31, 2015**
United States	$ 1,909	$ 1,867
China	96,297	69,190
Total	$ 98,206	$ 71,057

Geographic information for revenue, which was based on physical location of operations, was as follows (In thousands of dollars):

	Three months ended September 30		**Nine months ended September 30**	
	2016	**2015**	**2016**	**2015**
United States	$5,577	$1,006	$7,138	$3,375
China	10,338	702	26,023	2,012
Total	$15,915	$1,708	$33,161	$5,387

NOTE 15 – RELATED PARTY BALANCES AND TRANSACTIONS

Related Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or significant influence, such as a family member or relative, stockholder, or a related corporation.

ALTAIR NANOTECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States Dollars)

During the periods presented, the details of the related party balances were as follows (in thousands of dollars):

a. Balance

	Note	September 30, 2016	December 31, 2015
1. Accounts receivable			
Zhuhai Yinlong New Energy Co., Ltd	a	-	203

During the periods presented, the Company sold products to the related party (listed above), mainly engaged in businesses of technological development of new energy related fields, production and selling of lithium-ion power batteries and energy storage batteries.

	Note	September 30, 2016	December 31, 2015
2. Other receivable			
Zhuhai Yinlong New Energy Co., Ltd	a	$ -	$ 308
Zhuhai Guangtong Auto Co., Ltd (Handan Branch)	c	1	274
Subtotal		$ 1	$ 582

During the periods presented, the Company would receive refund from Zhuhai Yinlong due to prior prepayment of purchase orders which have been canceled.

During the periods presented, the Company paid operation expense on behalf of Zhuhai Guangtong Auto.

	Note	September 30, 2016	December 31, 2015
3. Note receivable			
Hebei Yinlong New Energy Co., Ltd	b	$ -	$ 1,540

Related Party (listed above) issued trade acceptances to the Company. Trade acceptances are presented to the Company as a payment against the outstanding trade payable. These trade acceptances are non-interest bearing and mature within six months.

	Note	September 30, 2016	December 31, 2015
4. Loans receivable			
Guangdong Yintong Investment Holdings Group Co., Ltd	e	$ -	$ 2,772
Zhuhai Guangtong Auto Co., Ltd (Handan)	c	-	10,826
Subtotal		$ -	$ 13,598

During the periods presented, the Company provided the non-interest bearing loans to related parties (listed above) and all loans are due on demand

Total Amount due from related parties	$1	$15,923

	Note	September 30, 2016	December 31, 2015
1. Trade accounts payable and other payable			
Hebei Yinlong New Energy Co., Ltd	b	$ 708	$ 3
Zhuhai Guangtong Auto Co., Ltd	c	658	676
Subtotal		$ 1,366	$ 679

During the periods presented, the Company had trade payable and other payable to related parties (listed above), mainly engaged in purchasing of electric cells from Hebei Yinlong New Energy and purchasing of electric buses from Zhuhai Guangtong Auto.

ALTAIR NANOTECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States Dollars)

	Note	**September 30, 2016**	**December 31, 2015**
2. Sales deposit received in advance			
Hebei Yinlong New Energy Co., Ltd	b	$ 5,887	$ 1,426
Zhuhai Yinlong New Energy Co., Ltd	a	8,864	-
		14,751	1,426

During the periods presented, the Company sold products to related parties (listed above), mainly engaged in production and selling of lithium-ion power batteries and energy storage batteries. The Company received deposit in advance to the sales.

	Note	**September 30, 2016**	**December 31, 2015**
3. Borrowing payable			
Hebei Yinlong New Energy Co., Ltd	b	$ 40,184	$ 14,033
Zhuhai Yinlong New Energy Co., Ltd	a	1,188	1,529
Zhuhai Guangtong Auto Co., Ltd	c	-	5,698
Shijiazhuang Zhongbo Auto Co., Ltd	d	8,904	2,094
Subtotal		$ 50,276	$ 23,354

During the periods presented, the Company issued the non-interest bearing loans to related parties (listed above) and all loans are due on demand.

Total Amount due to related parties	$66,393	$25,459

b. Transaction		**Three months ended**	
1a. Sales	**Note**	**September 30, 2016**	**September 30, 2015**

Hebei Yinlong New Energy Co., Ltd	b	$7,841	$ 538
Zhuhai Yinlong New Energy Co., Ltd	a	1,100	165
Subtotal		$8,941	$ 703

	Note	Nine months ended September 30, 2016	September 30, 2015
1b. Sales			
Hebei Yinlong New Energy Co., Ltd	b	$20,613	$ 1,497
Zhuhai Yinlong New Energy Co., Ltd	a	3,872	516
Subtotal		$24,485	$ 2,013

During the periods presented, the Company sold products to related parties (listed above), mainly engaged in production and selling of lithium-ion power batteries and energy storage batteries.

2a. Purchase	Note	Three months ended September 30, 2016	September 30, 2015
Hebei Yinlong New Energy Co., Ltd	b	$718	$ 3
Zhuhai Yinlong New Energy Co., Ltd	a	-	(1)
Zhuhai Guangtong Auto Co., Ltd	c	-	(53)
Subtotal		$718	$ (51)

17

ALTAIR NANOTECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States Dollars)

	Note	**Nine months ended September 30, 2016**	**September 30, 2015**
2b. Purchase			
Hebei Yinlong New Energy Co., Ltd	b	$718	$ 3
Zhuhai Yinlong New Energy Co., Ltd	a	-	156
Zhuhai Guangtong Auto Co., Ltd	c	-	7,256
Subtotal		$718	$ 7,415

During the periods presented, the Company purchased from related parties (listed above), mainly engaged in purchasing of electric cells from Hebei Yinlong New Energy and purchasing of electric bus from Zhuhai Yinlong New Energy and Zhuhai Guangtong Auto.

3. Borrowing from related party	**Note**	**Three months ended September 30, 2016**	**September 30, 2015**
Hebei Yinlong New Energy Co., Ltd	b	$57,821	$ 12,769
Zhuhai Yinlong New Energy Co., Ltd	a	-	1,091
Shijiazhuang Zhongbo Auto Co., Ltd	d	(41)	-
Subtotal		$57,780	$ 13,860

	Note	**Nine months ended September 30, 2016**	**September 30, 2015**
3. Borrowing from related party			
Hebei Yinlong New Energy Co., Ltd	b	$94,058	$ 21,203
Zhuhai Yinlong New Energy Co., Ltd	a	459	29,293
Shijiazhuang Zhongbo Auto Co., Ltd	d	6,962	-
Subtotal		$101,479	$ 50,496

During the periods presented, the Company issued the non-interest bearing loans to related parties (listed above) and all loans are due on demand.

As of September 30, 2016, the Company used the Land Use Right as pledge for the carrying amount of $6.19 and provided guarantee to Shijiazhuang Zhongbo Auto Co., Ltd to secure financing from commercial banks. (Note 9)

In May 2016, the Company and related party creditors agreed to settle the amount due to related parties by transferring debt obligation to related party debtors and netting off the amount due from related parties for the amount of $13.32 million. Hence, the Company is released from debt obligation for total amount of $13.32 million.

Related parties involved in settlement are presented in the following table (in thousands of dollars):

	Note	**May 2016**
1. Loans receivable for settlement		
Guangdong Yintong Investment Holdings Group Co., Ltd	e	$2,755
Zhuhai Guangtong Auto Co., Ltd (Handan)	c	10,568
Subtotal		$13,323

18

ALTAIR NANOTECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States Dollars)

	Note	**May 2016**
2. Borrowing payable for settlement		
Hebei Yinlong New Energy Co., Ltd	b	$7,662
Zhuhai Guangtong Auto Co., Ltd	c	5,661
Subtotal		$13,323

a. Zhuhai Yinlong New Energy Co., Ltd ("Zhuhai Yinlong") is the parent company of Altair Nanotechnologies Inc.
b. Hebei Yinlong New Energy Co., Ltd ("Hebei Yinlong") is the wholly owned subsidiary of Zhuhai Yinlong New Energy Co., Ltd, hence Hebei Yinlong New Energy Co., Ltd and Altair Nanotechnologies Inc. are companies commonly controlled by the same parent company.
c. Zhuhai Guangtong Auto Co., Ltd. (and its Handan Branch) is the wholly owned subsidiary of Zhuhai Yinlong New Energy Co., Ltd, hence Zhuhai Guangtong Auto Co., Ltd and Altair Nanotechnologies Inc. are companies commonly controlled by the same parent company.
d. Zhuhai Yinlong New Energy Co., Ltd indirectly holds 100% ownership of Shijiazhuang Zhongbo Auto Co., Ltd, hence Shijiazhuang Zhongbo Auto Co., Ltd and Altair Nanotechnologies Inc., are the companies commonly controlled by the same parent company.
e. Guangdong Yintong Investment Holdings Group Co., Ltd is owned by Wei Yinchang, chairman of the Company.
f. Mr. Sun Guohua is the Chief Executive Officer of the Company.
g. Mr. Wei Guohua is the Director of Board of the Company
h. Mr. Wei Yincang is the Chairman of the Company
i. Yintong Energy ("YTE") is an affiliate of Hui Neng Investment Holding Limited ("Hui Neng") formerly known as Canon Investment Holding, Ltd, ("Canon"). Hui Neng owns 57.5% of Zhuhai YinLong.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Fixed Assets

As discussed further in Note 9, in conjunction with the Land Use Rights obtained by Northern Altair, the Company agreed to make fixed asset investments on the land of approximately $314.85 million, subject to loan guarantees and other incentives from Wu'an, China, over an unspecified period of time up to the 50-year life of the Land Use Rights, with initial construction occurring in 2013. The remaining commitment as of September 30, 2016 is $230.11 million.

Lease

The Company leased a 70,000 square feet facility in Flagship Business Accelerator Building located at 3019 Enterprise Drive, Anderson, Indiana under a triple net lease with Flagship Enterprise Center, Inc. The facility was used for the production of prototype batteries and battery systems. The lease amended on January 27, 2015 will expire on June 30, 2017. Any lease renewal options will be negotiated no less than six (6) months prior to the expiration of this lease. Annual rent under this lease is $0.26 million plus IT fees, utilities and maintenance. Effective May 1, 2016, the Company agreed to pay $0.14 million as a payment to terminate the lease effective by the end of May 2016. Use of the facility has been agreed upon until a new tenant is found. The landlord will give the Company thirty days notice at their discretion to vacate the premises. The Company expects to find new office space for the current employees in the general Anderson, Indiana area at a reduced rate and space requirement by the end of the second quarter of 2017.

The Company also finances the purchase of certain equipment under capital lease arrangements.

Capital Commitment- Fixed Assets

The Company has contractual obligations to vendors of machine and equipment related to future capital expenditures as of September 30, 2015. The Company's commitment for minimum payment under these contractual obligations as of September 30, 2016 is $18.60 million. From the contract, the Company noted that all of these contractual obligations would be fulfilled in 2016 and 2017. The Company's commitment for minimum payment under these contractual obligations as of September 30, 2016 is as follow:

ALTAIR NANOTECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States Dollars)

Minimum future commitments under capital agreements payable (in thousands of dollars):

	Capital commitments
	USD
Three months ended December 31, 2016	15,867
Year ended December 31, 2017	2,731
Total	18,598

<u>Defined contribution plan</u>

Full-time employees of the Company in the People Republic China ("PRC") participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require that PRC operating entities make contributions to the government for these benefits based on certain percentages of the employees' salaries. Except for the required contributions mentioned above, the Company has no legal obligation for the benefits beyond the contributions made.

The total amounts for such employee benefits were $0.57 million and $0.63 million for the nine months ended September 30, 2016 and 2015, respectively.

<u>Litigation</u>

We are involved in certain legal proceedings that arise from time to time in the ordinary course of our business. Legal expenses associated with the contingency are expensed as incurred. Material legal proceedings that are currently pending are as follows:

***In re Altair Nanotechnologies Shareholder Derivative Litigation,* 1:14-cv-09418, 1:14-cv-09958 (S.D.N.Y.)**: In late 2014, two shareholder derivative actions were filed against certain current and former officers and directors of the Company in the United States District Court for the Southern District of New York. Altair was named as a nominal defendant. The two cases, which were consolidated on May 15, 2015, allege violations of Section 14(a) of the Securities Exchange Act of 1934, as well as breaches of fiduciary duty and unjust enrichment based on substantially the same facts underlying the putative securities litigation. As of the balance sheet date, the Company did not have reasonable estimation of settlement amount. In July 2016, certain parties executed a stipulation of settlement, without defendants admitting liability, whereby Altair agreed to adopt certain governance proposals and pay an amount not exceeding $150,000 in plaintiffs' attorneys' fees and expenses. The court entered an order preliminarily approving the settlement on August 22, 2016, and has scheduled a settlement hearing for January 9, 2017. If the settlement receives final approval, this action will be dismissed in its entirety. Notice of the proposed settlement is available on Altair's website. A summary notice has also been published online.

In the Matter of Altair Nanotechnologies, Inc. (LA-4452): In or around January 2015, SEC opened an investigation into the resignation of Crowe Horwath LLP ("Crowe") as Altair's independent auditor in August 2014. As part of its investigation, the SEC issued several subpoenas to the Company and its current and former officers relating to Crowe's resignation and a Form 8-K filed by the Company on March 13, 2015. On May 4, 2016, the SEC sent Altair a Wells Notice identifying possible violations of Sections 13(a) and 13(b)(2)(B) of the Securities Exchange Act of 1934 and Rules 13a-1 and 13a-13 thereunder. On August 29, 2016, the Company made an offer of settlement to the SEC whereby it consented to the entry of an order, without admitting or denying the findings therein except as to the SEC's jurisdiction, that the Company: (i) cease and desist from committing or causing violations of Sections 13(a) and 13(b)(2)B) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder; (ii) make certain filings with the SEC by November 15, 2016 or have the registration of its securities under the Exchange Act revoked; and (iii) pay a civil money penalty in the amount of $250,000 within 10 days of the entry of the order. Such offer of settlement was accepted by the SEC and resulted in a Release No. 78997 dated September 29, 2016 with respect to the same. As of the balance sheet date, the Company did not have reasonable estimation of settlement amount. In August 2016, the Company accrued $250,000 and deposited the funds into escrow which was paid from escrow to the SEC in October 2016.

NOTE 17 – SUBSEQUENT EVENT

The Company has evaluated subsequent events through the date of issuance of this condensed consolidated financial statements report and has not identified events with material financial impact on the Group's condensed consolidated financial statements.

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

Forward-Looking Statements

This Report contains various forward-looking statements. Such statements can be identified by the use of the forward-looking words "anticipate," "estimate," "project," "likely," "believe," "intend," "expect," or similar words. These statements discuss future expectations, contain projections regarding future developments, operations, or financial conditions, or state other forward-looking information. When considering such forward-looking statements, you should keep in mind the risk factors noted under "Risk Factors" below and other cautionary statements throughout this Report 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 outside of management's control and on assumptions that may prove to be incorrect. If one or more risks identified in this Report or any other applicable filings materializes, or any other underlying assumptions prove incorrect, our actual results may vary materially from those anticipated, estimated, projected, or intended.

We are a Delaware corporation that develops, manufactures and sells nano lithium titanate batteries and energy storage systems. Our nano lithium titanate battery systems offer higher power density, longer cycle life, rapid charge and discharge capabilities, a wider operating temperature range and higher levels of safety than conventional lithium-ion batteries. We target applications that effectively utilize the key attributes of our technology, and these applications can be found primarily in the electric grid, transportation (commercial vehicles), and industrial market segments.

In April 2012, we formed Altair Nanotechnologies (China) Co., Ltd. ("Altair China") and Northern Altair Nanotechnologies Co., Ltd. ("Northern Altair") in order to aggregate key elements of our supply chain and expand into the Chinese market. In January 2014, our Board of Directors approved plans to consolidate all U.S. manufacturing operations and transition manufacturing to Wu'an, China. Effective in early 2016, the majority of our principal assets and operations are now located in China.

In 2013, we transferred the production of our nLTO material to the New Energy Industrial Park in Wu'an city, Hebei province, China. We built, installed and further improved the manufacturing of our nLTO. In 2013, a 150 metric ton per year manufacturing line was completed and put into production as our phase one nLTO production line. In the same year, to meet the high demand of Lithium batteries in the China market, we completed the business process of sourcing the equipment to be procured for the phase two nLTO production line, under the joint efforts of the Altair U.S. and Altair China teams. This nLTO line was put into production in fourth quarter of 2015 and has reached an annual production capacity of 2,250 metric tons during 2016, with an expected annual capacity of 3,000 metric tons. We built a phase three nLTO production line and it was completed and installed in the fourth quarter of 2016 with an annual production capacity of 3,500 metric tons.

As of January 2016, the module production was transferred from Anderson, Indiana to our manufacturing location in Wu'an, China. In the U.S., we are maintaining some of our core R&D personnel, who provide technical transfer and services to our China entities in the areas of core R&D, engineering operational capabilities and technologies that influence our manufacturing in Wu'an, China.

In 2014, in order to further cut the cost of our products, improve product chain management efficiencies, and effectively serve the large market in China, we built two battery module production lines with an expected total capacity of approximately 6,000 modules per year. In the first quarter of 2016, we transferred the U.S. module production line to China. We are expecting the three battery module production lines to reach an estimated total capacity of 9,000 modules per year by the end of 2016.

We have completed the technology and production validation of our Gen 4 modules with China produced nLTO and China made module parts. The Gen 2 modules is still be available in 2016. Both Gen 2 and Gen 4 products have passed the United Nations ("UN"), International Standards Organization ("ISO"), SAE International ("SAE") and International Electrochemical Commission ("IEC") testing and reports are being generated by TÜV SÜD ("TUV"). TUV, a German based company, who has a test facility in China and results are generally accepted by the UN and U.S. In December 2015, our battery module production line in the U.S. was discontinued. We were able to maintain a very stable period of time overlapping production while transferring the battery module production from the U.S. to China, without any impact on customer order delivery. Our battery modules have been generally used in EV Buses, trolley buses and hoisting equipment in the Europe and the U.S markets. Our OEM cell producer's capacity can reach 70,000 Altair format cells per year. Sometime in the near future, we expect to validate another OEM cell producer to reduce dependency on one supplier, which will provide competition between suppliers and reduce costs for Altair.

We plan on building and validating ALTI-ESS (energy storage systems) production capabilities in China and export them to Europe, the U.S. and to other countries of the world.

We now have a battery management system ("BMS") distribution center in Europe to provide improved efficiency and timely delivery of our supply of the BMS units to our European customers. Our BMS supplier has a production base in China, which we believe will meet the demand of the China market.

By building manufacturing and assembly facilities in Wu'an, China for our nLTO material, battery cells and modules, and soon our energy storage systems, we have centered the whole supply chain in China. In adopting this strategy, we expect to significantly reduce costs, shorten lead times, reduce cash flow pressures, improve the quality and production management efficiency and increase our profit.

Results of Operations

The following summarizes our revenue, operating expenses, and net loss for all periods presented below. You should read the following in conjunction with our unaudited condensed consolidated financial statements, including quarterly information, presented elsewhere in this Quarterly Report.

The table below sets forth line items from the Company's unaudited condensed consolidated Statement of Operations (in thousands):

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Inc. (Dec.)	Percentage Inc. (Dec.)	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015	Inc. (Dec.)	Percentage Inc. (Dec.)
Revenues	$15,915	$1,708	$14,207	832 %	$33,161	$5,387	$27,774	516 %
Cost of goods sold	13,218	1,481	11,737	793 %	23,961	4,852	19,109	394 %
Gross profit (loss)	2,697	227	2,470	1088 %	9,200	535	8,665	1620 %
Operating expenses								
Research and development	182	218	(36)	-17 %	502	590	(88)	-15 %
Sales and marketing	40	294	(254)	-86 %	124	670	(546)	-81 %
General and administrative	3,696	3,064	632	21 %	9,834	7,755	2,079	27 %
Depreciation and amortization	265	370	(105)	-28 %	825	1,186	(361)	-30 %
Gain on disposal of assets	-	-	-	-	(29)	-	(29)	100 %
Total operating expenses	4,183	3,946	237	6 %	11,256	10,201	1,055	10 %
Loss from operations	(1,486)	(3,719)	2,233	-60 %	(2,056)	(9,666)	7,610	-79 %
Other (expense) income								
Interest expense, net	(988)	(290)	(698)	241 %	(2,552)	(1,886)	(666)	35 %
Change in fair value of warrants	1	-	1	100 %	1	5	(4)	-80 %
Gain (loss) on foreign exchange	(2)	1	(3)	-300 %	88	-	88	0 %
Other income - buses	5	1,981	(1,976)	-100 %	16	11,519	(11,503)	-100 %
Other expense - buses	-	(1,847)	1,847	-100 %	-	(13,666)	13,666	-100 %
Other income (expense)	131	131	-	-	3,045	495	2,550	515 %
Total other (expense) income	(853)	(24)	(829)	3454 %	598	(3,533)	4,131	-117 %
Net loss	$(2,339)	$(3,743)	$1,404	-37 %	$(1,458)	$(13,199)	$11,741	-89 %

Three Months Ended September 30, 2016 compared with the Three Months Ended September 30, 2015

Revenues: The consolidated revenues for the three months ended September 30, 2016 increased $14.21 million, or 832%, to $15.92 million from $1.71 million for the three months ended September 30, 2015. The increase was primarily due to $9.64 million increase in China which was caused by the increase in nLTO materials sales to related parties, and $4.57 million increase in the U.S. due to ESS projects during the three months ended September 30, 2016 compared to the same period in 2015.

Cost of goods sold: The consolidated costs of goods sold for the three months ended September 30, 2016 was $13.22 million, an increase of $11.74 million or 793% from $1.48 million for the three months ended September 30, 2015. The increase in China operations was $7.60 million which is caused by increased product sales and the increase in U.S. operations was $4.14 million which is caused by ESS projects during the three months ended September 30, 2016 as compared to the same period in prior year.

Research and development: The consolidated research and development costs increased by $0.04 million, or 17%, to $0.18 million for the three months ended September 30, 2016 from $0.22 million for the three months ended September 30, 2015. The research and development expenses was due to lower headcount in the U.S. operations.

Sales and marketing: The consolidated sales and marketing expenses decreased by $0.25 million, or 86%, to $0.04 million for the three months ended September 30, 2016 from $0.29 million for the three months ended September 30, 2015. The decrease was mainly attributable to the decrease of $0.21 million in China operations caused by decrease in travel expenses and lower headcount during the three months ended September 30, 2016 compared to the same period in 2015, and the sales and marketing expense in the U.S. operations decreased by $0.04 million as U.S. no longer has sales personnel beginning the second quarter of 2016.

General and administrative: The consolidated general and administrative expenses increased by $0.63 million, or 21%, to $3.70 million for the three months ended September 30, 2016 from $3.06 million for the three months ended September 30, 2015. The increase was attributable to the China operations which general and administrative expenses increased by $0.36 million due to higher professional fees related to regulatory filings in 2016. The general and administrative expenses in the U.S. operations increased by $0.27 million mainly due to class action settlement penalties in 2016.

Depreciation and amortization: Depreciation and amortization decreased by $0.10 million, or 28%, to $0.27 million from $0.37 million for the three months ended September 30, 2016 and 2015, respectively. The decrease was primarily due to the portion of fixed assets were fully depreciated and fixed assets sold in 2016.

Interest expense, net: Interest expense, net increased to $0.99 million for the three months ended September 30, 2016, from $0.29 million for the three months ended September 30, 2015, an increase of $0.70 million or 241%. The increase was mainly attributable to the China operations which interest expense increased by $0.74 million due to the higher debt balances and new capital leases during the three months ended September 30, 2016. The interest expense in the U.S. operations decreased by $0.04 million due to lower loan balances.

Change in fair value of warrants: During the three months ended September 30, 2016 and 2015, we recorded a gain of $1 thousand and nil, respectively, due to the change in the fair value of warrants outstanding that we previously issued.

Gain (loss) on foreign exchange: Transaction gains or losses arising from exchange rate fluctuation on transactions denominated in a currency other than our functional currency were a loss of $2 thousand and a gain of $1 thousand for the three months ended September 30, 2016 and 2015, respectively.

Other income - buses: Other income - buses amounted to $0.01 million and $1.98 million for the three months ended September 30, 2016 and 2015, respectively. The decrease was mainly due to no bus sales incurred and $0.01 million was the amortization of financial guaranty premium during the three months ended September 30, 2016 on buses sold in prior periods as compared to 28 buses sold during the three months ended September 30, 2015.

Other expenses - buses: Other expenses - buses amounted to nil and $1.85 million for the three months ended September 30, 2016 and 2015, respectively. This was due to no bus sales during the three months ended September 30, 2016 compared to the cost of 28 bus sold during the three months ended September 30, 2015.

Other income: Other income amounted to $0.13 million and $0.13 million for the three months ended September 30, 2016 and 2015. The other income remained steady during the three months ended September 30, 2016 and 2015.

Net loss: Net loss decreased by $1.40 million, or 37%, to $2.34 million for the three months ended September 30, 2016 from $3.74 million for the three months ended September 30, 2015. The decrease was driven by increase of $2.47 million in gross profit, offset by $0.83 increase in total other expense during the three months ended September 30, 2016 compared to the same period in 2015.

Nine Months Ended September 30, 2016 compared with the Nine Months Ended September 30, 2015

Revenues: The consolidated revenues for the nine months ended September 30, 2016 increased $27.77 million, or 516%, to $33.16 million for the nine months ended September 30, 2016 from $5.39 million for the nine months ended September 30, 2015. The increase was due to $24.01 million increase in China caused by increased sales of nLTO materials to related parties and $3.76 million increase in the U.S. caused by increased sales in ESS projects during the nine months ended September 30, 2016 as compared to the same period in the prior year.

Cost of goods sold: The consolidated costs of goods sold for the nine months ended September 30, 2016 was $23.96 million, an increase of $19.11 million or 394% from $4.85 million for the nine months ended September 30, 2015. The increase was primarily due to $15.47 million of increase in China operations attributed by increased product sales. The increase of $3.64 million in the U.S. operations is due to recognition of deferred cost of ESS projects during the nine months ended September 30, 2016 compared to the same period in 2015.

Research and development: The consolidated research and development costs decreased by $0.09 million, or 15%, to $0.50 million for the nine months ended September 30, 2016 from $0.59 million for the nine months ended September 30, 2015. The decrease was related mainly to lower headcount in the U.S.

Sales and marketing: Sales and marketing expenses decreased by $0.55 million, or 81%, to $0.12 million for the nine months ended September 30, 2016 from $0.67 million for the nine months ended September 30, 2015. The decrease was mainly attributable to the China operations which sales and marketing expenses decreased by $0.42 million which is caused by decreased traveling expenses and lower headcount during the nine months ended September 30, 2016. The sales and marketing expenses in the U.S. operation's decreased by $0.13 million as the U.S. no longer has sales personnel beginning the second quarter of 2016.

General and administrative: The consolidated general and administrative expenses increased by $2.08 million, or 27%, to $9.83 million for the nine months ended September 30, 2016 from $7.76 million for the nine months ended September 30, 2015. The increase was attributable to the China operations which general and administrative expenses increased by $1.77 million due to higher professional fees related to regulatory filings during the nine months ended September 30, 2016 compared to the same period in 2015. The general and administrative expenses in the U.S. operations increased by $0.31 million mainly due to class action settlement penalty during the nine months ended September 30, 2016 compared to the same period in 2015.

Depreciation and amortization: Depreciation and amortization decreased by $0.36 million, or 30%, to $0.83 million for the nine months ended September 30, 2016, from $1.19 million for the nine months ended September 30, 2015. The decrease was primarily related to the portion of fixed assets were fully depreciated and fixed assets sold in 2016.

(Gain) loss on disposal of fixed assets: Loss on disposal of fixed assets amounted to $0.03 million for the nine months ended September 30, 2016. The Company received proceeds on the fixed assets sold during the nine months ended September 30, 2016 and did not have sell any fixed assets during the nine months ended September 30, 2015.

Interest expense, net: Interest expense, net increased to $2.55 million for the nine months ended September 30, 2016, from $1.89 million for the nine months ended September 30, 2015, an increase of $0.66 million or 35%. The increase was mainly attributable to the interest expense in the China operations increased by $0.75 million due to higher debt balances and new capital leases during the nine months ended September 30, 2016 compared to the same period in 2015. The U.S. operations which interest expense decreased by $0.09 million due to lower loan balances during the nine months ended September 30, 2016 compared to the same period in 2015.

Change in fair value of warrants: During the nine months ended September 30, 2016 and 2015, we recorded a gain of $1 thousand and a gain of $5 thousand, respectively, due to the change in the fair value of warrants outstanding that we previously issued.

Gain (loss) on foreign exchange: Transaction gains or losses arising from exchange rate fluctuation on transactions denominated in a currency other than our functional currency represented a gain of $0.09 million for the nine months ended September 30, 2016.

Other income - buses: Other income - buses amounted to an income of $0.02 million and $11.52 million for the nine months ended September 30, 2016 and 2015, respectively, a decrease of $11.50 million or 100%. The decrease was mainly due to no bus sales incurred and $0.02 million was amortization of financial guaranty during the nine months ended September 30, 2016 on buses sold in prior periods as compared to 75 buses sold during the same period in 2015.

Other expenses - buses: Other expenses - buses amounted to nil and $13.66 million for the nine months ended September 30, 2016 and 2015, respectively. This was due to no bus sales recognized during the nine months ended September 30, 2016 compared to 75 buses sold in same period in 2015.

Other income: Other income amounted to $3.05 million and $0.50 million for the nine months ended September 30, 2016 and 2015, an increase of $2.55 million or 515%. The increase is primarily due to $2.90 million grant incentives recognized during the nine months ended September 30, 2016.

Net loss: Net loss decreased by $11.74 million, or 89%, to $1.46 million for the nine months ended September 30, 2016 from $13.20 million for the nine months ended September 30, 2015. The decrease in net loss was driven by an increase of $8.67 million in gross profit and an increase of $4.13 million in total other income during the nine months ended September 30, 2016 compared to the same period in 2015.

Liquidity and Capital Resources

Our working (deficit) capital is as follows (In thousands of dollars):

	As of September 30, 2016	As of December 31, 2015
Current Assets	$ 36,241	$ 63,102
Current Liabilities	(97,121)	(110,948)
Net Working (Deficit) Capital	$ (60,880)	$ (47,846)

At September 30, 2016, we had a working deficit of $60.88 million compared to working deficit of $47.85 million at December 31, 2015. The increase in net working deficit was primarily related to a decline in short term investment of $25.41 million and an increase of $40.93 million in amount due to related parties.

A summary of our cash flow activities is as follows (In thousands of dollars):

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Net cash provided by Operating Activities	$ 15,318	$ 25,969
Net cash provided by (used in) Investing Activities	607	(32,510)
Net cash provided by (used in) Financing Activities	(13,288)	18,306
Effect of exchange rate changes on cash and cash equivalents	(682)	(1,692)
Increase (Decrease) in Cash during the period	1,955	10,073
Cash, Beginning of Period	2,088	1,001
Cash, End of Period	$ 4,043	$ 11,074

Nine Months Ended September 30, 2016 as Compared to Nine Months Ended September 30, 2015

Net cash provided by operating activities was $15.32 million for the nine months ended September 30, 2016 as compared to $25.97 million for the nine months ended September 30, 2015. The net decrease in cash from operations resulted from a net increase of $4.51 million in prepaid expenses and other current assets due to the increase of prepaid VAT during the nine months ended September 30, 2016 compared to the net decrease of $26.60 million in prepaid expenses and other current assets due to the collection of other receivables related to bus sales in the same period of 2015, offset by $1.46 million in net loss during the nine months ended September 30, 2016 compared to the net loss of $13.20 million in 2015.

Net cash provided in investing was $0.61 million for the nine months ended September 30, 2016 as compared to net cash used of $32.51 million for the nine months ended September 30, 2015. Cash provided in investing activities was driven by the amount of matured time deposit in China, offset by our purchases of production equipment and construction of production facilities during the nine months ended September 30, 2016.

Net cash used by financing activities was $13.29 million for the nine months ended September 30, 2016 as compared to a net cash provided of $18.31 million for the nine months ending September 30, 2015. The decrease in cash from financing activities primarily related to repayments on notes payable, offset by the proceeds received on notes payable to related parties.

Going Concern

We incurred a net loss of $1.46 million for nine months ended September 30, 2016, and we had an accumulated deficit of $273.95 million and a negative working capital of $60.88 million as of September 30, 2016. In addition, the Company anticipates to continue to have negative cash flows from operations as it ramps up production at their new manufacturing facilities. If the Company is not able to refinance its debt or obtain additional capital, the Company will not be able to pay off its current debt obligations. The company financial statements do not include any adjustments relating to the recoverability and classification of asset amounts or the classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company’s ability to continue as a going concern is dependent upon our ability to raise additional capital and to ultimately generate revenues at a level that will result in profitability and positive cash flows from operations. To address these matters, we are taking actions to pay off loans when due, refinance existing loans if needed, obtain capital leases, obtain additional loans collateralized by the Land Use Rights, third party guarantees and other assets, and obtain approval for additional grant incentives from the government of Wu’an, China. However, there can be no assurance that additional grant funds to support our capital needs will be available to us and that we will be able to refinance existing loans, obtain additional loans, or raise further funds through other sources such as through an equity offering. Even if we are able to obtain additional financing, it may contain undue restrictions, be on terms that are not satisfactory to us, or contain covenants on our operations, in the case of debt financing, or cause substantial dilution for our stockholders, in the case of convertible debt and equity financing.

Off-Balance Sheet Arrangements

As of September 30, 2016, we had no off-balance sheet arrangements as defined in Item 303(a)(4) of the SEC’s Regulation S-K.

Capital Commitments- Fixed Assets

The Company has contractual obligations to suppliers of machine and equipment related to future capital expenditures as of September 30, 2015. The Company's commitment for minimum payment under these contractual obligations as of September 30, 2015 is $18.60 million. As of September 30, 2016, $15.87 million and $2.73 million of these contractual obligations would be fulfilled in 2016 and 2017, respectively.

Debt

As of September 30, 2016, we are required to pay principal amounts of $8.10 million within next year and the remainder of $14.36 million payable in five years.

Capital Commitments - Production Plant

As discussed further in Note 9, in conjunction with the Land Use Rights obtained by Northern Altair, the Company agreed to make fixed asset investments on the land of approximately $314.85 million, subject to loan guarantees and other incentives from Wu’an, China, over an unspecified period of time up to the 50-year life of the Land Use Rights, with initial construction occurring in 2013. As of September 30, 2016, the remaining commitment is

$230.11 million.

Lease

The Company leases a 70,000 square feet facility in Flagship Business Accelerator Building located at 3019 Enterprise Drive, Anderson, Indiana under a triple net lease with Flagship Enterprise Center, Inc. The facility was used for the production of prototype batteries and battery systems. The lease amended on January 27, 2015 will expire on June 30, 2017. Any lease renewal options will be negotiated no less than six (6) months prior to the expiration of this lease. Annual rent under this lease is $0.26 million plus IT fees, utilities and maintenance. Effective May 1, 2016, the Company agreed to pay $0.14 million as a payment to terminate the lease effective by the end of May 2016. Use of the facility has been agreed upon until a new tenant is found. The landlord will give the Company thirty-day notice at their discretion to vacate the premises. The Company expects to find new office space for the current employees in the general Anderson, Indiana area at a reduced rate and space requirement by the end of the second quarter of 2017.

Capital Lease Obligations

On August 8, 2016, the Company entered into a financing arrangement with a third party to purchase machinery and equipment utilized in production. The lease term is initially for five years and contingent upon the occurrence of certain events, the lessor has the rights to (i) reduce the lease term from five years to three years or (ii) upon default by the Company, the lessor has the right to convert the remaining balance owed under the financing arrangement into the equity of the Company. At September 30, 2016, the total present value of the net minimum payments on capital leases is $9.17 million. The net present value of capital lease obligation, less current portion is $8.83 million as of September 30, 2016.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

As a smaller reporting company, we are not required to provide the information required by this item.

Item 4. Controls and Procedure

Disclosure Controls and Procedures. Based on an evaluation required by paragraph (b) of Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934, as amended, as of September 30, 2016 and December 31, 2015 which is the end of the interim quarter and annual periods covered by this Quarterly Report, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(d-e) of the Securities Exchange Act of 1934, as amended) are not effective and there is as of such dates a material weakness in our disclosure controls and procedures. This material weakness is rooted in the material weakness in internal control over financial reporting, as a result of which we were late, and prior to this Quarterly Report, have not filed any required periodic reports since 2013.

Internal Control over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(d-f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes those written policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America;
- provide reasonable assurance that our receipts and expenditures are being made only in accordance with authorization of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on our consolidated financial statements.

Internal control over financial reporting includes the controls themselves, monitoring and internal auditing practices and actions taken to correct deficiencies as identified.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

With respect to previously reported legal proceedings, the adverse outcome of which, in management's opinion, individually or in the aggregate, would have a material adverse effect on the results of our operations or financial position, there were no material developments during the quarter ended September 30, 2016 except as follows:

In re Altair Nanotechnologies Shareholder Derivative Litigation, 1:14-cv-09418, 1:14-cv-09958 (S.D.N.Y.): In late 2014, two shareholder derivative actions were filed against certain current and former officers and directors of the Company in the United States District Court for the Southern District of New York. Altair was named as a nominal defendant. The two cases, which were consolidated on May 15, 2015, allege violations of Section 14(a) of the Securities Exchange Act of 1934, as well as breaches of fiduciary duty and unjust enrichment based on substantially the same facts underlying the putative securities litigation. In July 2016, certain parties executed a stipulation of settlement, without defendants admitting liability, whereby Altair agreed to adopt certain governance proposals and pay an amount not exceeding $150,000 in plaintiffs' attorneys' fees and expenses. The court entered an order preliminarily approving the settlement on August 22, 2016, and has scheduled a settlement hearing for January 9, 2017. If the settlement receives final approval, this action will be dismissed in its entirety. Notice of the proposed settlement is available on Altair's website. A summary notice has also been published online.

In the Matter of Altair Nanotechnologies, Inc. (LA-4452): In or around January 2015, SEC opened an investigation into the resignation of Crowe Horwath LLP ("Crowe") as Altair's independent auditor in August 2014. As part of its investigation, the SEC issued several subpoenas to the Company and its current and former officers relating to Crowe's resignation and a Form 8-K filed by the Company on March 13, 2015. On May 4, 2016, the SEC sent Altair a Wells Notice identifying possible violations of Sections 13(a) and 13(b)(2)(B) of the Securities Exchange Act of 1934 and Rules 13a-1 and 13a-13 thereunder. On August 29, 2016, the Company made an offer of settlement to the SEC whereby it consented to the entry of an order, without admitting or denying the findings therein except as to the SEC's jurisdiction, that the Company: (i) cease and desist from committing or causing violations of Sections 13(a) and 13(b)(2)B) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder; (ii) make certain filings with the SEC by November 15, 2016 or have the registration of its securities under the Exchange Act revoked; and (iii) pay a civil money penalty in the amount of $250,000 within 10 days of the entry of the order. Such offer of settlement was accepted by the SEC and resulted in a Release No. 78997 dated September 29, 2016 with respect to the same. In August 2016, the Company accrued $250,000 and deposited the funds into escrow which was paid from escrow to the SEC in October 2016.

Item 1A. Risk Factors

Our operations and financial results are subject to various risks and uncertainties, including those described in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2015, which could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common and capital stock. There have been no material changes to our risk factors since our Annual Report on Form 10-K for the year ended December 31, 2015.

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

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None

Item 6. Exhibits

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

SIGNATURES

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

ALTAIR NANOTECHNOLOGIES INC.

By:/s/ Guohua Sun

Chief Executive Officer

Date: November 15, 2016

EXHIBIT INDEX

Exhibit No.	Exhibit	Incorporated by Reference/ Filed Herewith**
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer	Filed herewith
32.1	Section 1350 Certification of Chief Executive Officer	Filed herewith
32.2	Section 1350 Certification of Chief Financial Officer	Filed herewith

** SEC File No. 1-12497.