ALTAIR INTERNATIONAL INC
Form 10-K/A
May 09, 2001

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

FORM 10-K/A
(Amendment No. 3)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

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

ALTAIR INTERNATIONAL INC.
(Exact name of registrant as specified in its charter)

Province of Ontario, Canada	1-12497	None
(State or other jurisdiction of incorporation)	(Commission File No.)	(IRS Employer Identification No.)

1725 Sheridan Avenue, Suite 140
Cody, Wyoming 82414
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (307) 587-8245

[ ] Securities registered pursuant to Section 12(b) of the Act: None

[X] Securities registered pursuant to Section 12(g) of the Act:

Common Shares, no par value	Nasdaq National Market
(Title of Class)	(Name of each exchange on which registered)

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the common shares held by non-affiliates of the Registrant on March 15, 2001, based upon the closing sale price of the common shares on the NASDAQ Stock Market of $2.75 per share on March 15, 2001, was approximately $46,160,000. Common Shares held by each officer and director and by each other person who may be deemed to be an affiliate of the Registrant

have been excluded. As of March 15, 2001 the Registrant had 19,510,488 common shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE
None

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Altair International Inc. (the "Company") is filing this Amendment No. 3 on Form 10-K/A (this "Amendment") to its Annual Report on Form 10-K for the year ended December 31, 2000 (the "Form 10-K") filed with the SEC on April 2, 2001, as amended by Amendment No. 1 filed on April 17, 2001 and Amendment No. 2 filed on May 2, 2001, for the following purposes:

- to revise Item 1 (Business) to more accurately and completely describe Altair's Tennessee mineral property;
- to revise Item 8 (Financial Statements and Supplementary Data) to revise earnings per share information in the Consoldiated Statement of Operations and to revised Notes 2, 6, and 7;
- to revise Item 6 (Selected Financial Data) and Item 7 (Management's Descussion and Analysis) to correspond to the changes made to Item 1 and Item 8; and
- to revise Item 14 (Exhibits, Financial Statement Schedules and Reports on form 8-K) to update the Exhibit Index and description of the financial statements.

All subseauent references to "Form 10-K" shall refer to the initial Form 10-K, as amended by this Amendment.

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PART I

This Annual Report on Form 10-K for the year ended December 31, 2000 (this "Form 10-K") contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Exchange Act of 1934, as amended (the "Exchange Act"), that involve risks and securities uncertainties. Purchasers of any of the common shares, no par value (the "common shares") of Altair International Inc. ("Altair" or the "Company") are cautioned that the Company's actual results will differ (and may differ significantly) from the results discussed in the forward-looking statements. Factors that could cause or contribute to such differences include those factors discussed herein under "Factors That May Affect Future Results" and elsewhere in this Form 10-K generally. The reader is also encouraged to review other filings made by the Company with the Securities and Exchange Commission (the "Commission") describing other factors that may affect future results of the Company.

Item 1: Business

Certain technical terms used in the following description of our business are defined in a glossary set forth on page 16. We have identified such terms by italicizing them the first time they are used in the text. Unless the context requires otherwise, all references to "Altair," "we," "Altair International Inc.," or the "Company" in this Form 10-K refer to Altair International Inc. and all of its subsidiaries.

General

Altair International Inc. was incorporated under the laws of the Province of Ontario, Canada in April 1973 for the purpose of acquiring and exploring mineral properties. 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. Since 1994, we have also devoted substantial resources to the development and testing of mineral processing equipment for use in the recovery of fine, heavy mineral particles.

In November 1999, we acquired all patent applications, technology and tangible assets related to a hydrometallurgical process developed by BHP Minerals International, Inc. ("BHP") primarily for the production of titanium dioxide ("TiO2") products from titanium bearing ores or concentrates (the "titanium processing technology"), and all tangible equipment and other assets used by BHP to develop and implement the titanium processing technology. Although the titanium processing technology is capable of producing a variety of titanium products, we plan to initially employ the titanium processing technology for the production and sale of TiO2 nanoparticles. See "--Titanium Pigment Processing Technology."

We have also leased, and are exploring, approximately 14,000 acres of land near Camden, Tennessee (the "Tennessee mineral property") to determine whether it would be amenable to large-scale mining for titanium and zircon. Preliminary reports suggest that the Tennessee mineral property contains significant amounts of valuable heavy minerals, primarily titanium and zircon, and is suitable for a large-scale sand mining operation. See "--Tennessee Mineral Property."

During 1996, we acquired the rights to the Campbell Centrifugal Jig, since modified and renamed the Altair Centrifugal Jig (the "jig"). The jig is a machine that uses a rotating circular screen and pulsating water to separate valueless mineral particles from more valuable mineral particles based on the differences in their specific gravity. In tests, the jig has proven capable of segregating and recovering extremely fine mineral particles which are not economically recoverable using existing conventional techniques. We are presently testing and customizing the jig for use in the recovery of heavy minerals such as titanium and zircon, and we believe that the jig could also be used to recover other minerals such as gold and for environmental remediation. See "--Jig Technology and Proprietary Rights."

To date, we have derived no revenues from product sales or otherwise and have experienced an operating loss in every year of operation. In the fiscal year ended December 31, 2000, we experienced net losses of $5,914,474.

Altair currently has three wholly-owned subsidiaries, Fine Gold Recovery Systems, Inc., a Nevada corporation ("Fine Gold"), Mineral Recovery Systems, Inc., a Nevada corporation ("MRS"), and 660250 Ontario Limited, an Ontario Corporation, and two indirect wholly-owned subsidiaries, Altair Technologies, Inc., a Nevada corporation, and Tennessee Valley Titanium, Inc., a Nevada corporation.

Titanium Pigment Processing Technology

Acquisition of the Processing Technology. On November 15, 1999, we entered into an Asset Purchase and Sale Agreement with BHP pursuant to which we purchased all patent applications, technology and tangible assets related to a hydrometallurgical process developed by BHP primarily for the production of titanium dioxide products from titanium bearing ores or concentrates (i.e., the

titanium processing technology), and all tangible equipment and other assets used by BHP to develop and implement the titanium processing technology (the "titanium processing assets").

The purchase price for the titanium processing technology and titanium processing assets was $9,625,500. In addition, the Asset Purchase and Sale Agreement also requires us to pay to BHP, until the earlier of November 15, 2014 or the date we have paid an aggregate royalty of AUD$105,000,000, a quarterly royalty equal to:

- 1.5% of the international market price of all uncoated TiO2 pigment produced and sold as a result of the use of the titanium processing technology by the Company or a transferee at the Company's mineral properties in Tennessee;

- 1.5% of the international market price of all uncoated TiO2 pigment produced and sold as a result of the use of the titanium processing technology by BHP or any affiliate of BHP at a specified heavy mineral sand operation located near Auckland, New Zealand;

- 3% of the international market price of all uncoated TiO2 pigment produced and sold as a result of the use of the titanium processing technology by the Company or a transferee of the Company at any location other than its Tennessee mineral property or BHP's Auckland, New Zealand heavy mineral sand operation; and

- 3% of the sales proceeds (F.O.B. the Company's facility, reduced by the amount of product returns) received by the Company or a transferee of the Company from the sale of any products other than TiO2 pigment produced through its use of the titanium processing technology.

In addition, in connection with the Asset Purchase and Sale Agreement, Altair and BHP entered into a Lease dated November 15, 1999, pursuant to which we lease approximately 20,000 square feet of laboratory and testing space at BHP's testing facility in Reno, Nevada for a monthly rent of $15,000. The Lease grants us a right of first refusal in the event BHP intends to sell the building and property subject to the Lease and includes an agreement to negotiate in good faith with respect to our possible purchase of such building and property.

Description of the Titanium Processing Technology. Our titanium processing technology is capable of producing conventional TiO2 pigment products. Conventional TiO2 pigments are finely-sized powders consisting of TiO2 crystals. These crystals may be either anatase or rutile phase (shape) and approximate 0.18 to 0.22 microns in size. Our titanium processing technology is also capable of producing TiO2 nanoparticles, a specialty product with a size range of 10 to 100 nanometers (approximately one tenth the size of conventional pigments). We are currently using the processing plant to produce TiO2 nanoparticles.

Our titanium processing technology is fundamentally different from current commercial processing techniques. The process permits exceptional control over particle size, shape, and crystalline form. Other processes are based on either a precipitation of particles from aqueous solution or the formation of crystallites from molten droplets of titanium oxide generated in high temperature flame reactors. While nanoparticle products made by these methods exhibit the surface area and reactivity desired for many applications, they are often amorphous or multiphase materials that grow in particle size and change crystalline phase when subjected to high-temperature processing. In contrast, our titanium processing technology produces discrete anatase crystals

in nanometer sizes that are thermally stable at 800 degrees Centigrade for 100 hours or more. By remaining stable in high-temperature processing, nanoparticles produced by our titanium processing technology retain the desired nanoparticle size and crystalline phase.

The titanium processing technology is based on a proprietary dense-phase crystal growth technique which controls crystal formation using a combination of mechanical and fluid dynamics and chemical and thermal control. Through introduction of very small quantities of selected chemicals ("doping elements") during crystal growth, the size, phase, catalytic and photocatalytic activity and size distribution of crystals can be controlled within narrow limits and to specification. Other technologies exclude the introduction of doping elements during crystal growth, thereby limiting their ability to control final product characteristics.

Titanium Processing Assets. The titanium processing assets consist principally of a production facility located in the leased premises. During 2000, we installed additional equipment to increase production capacity to a nominal annual amount of 200 tons of TiO2 nanoparticles. We also added a separate pilot facility to produce large sample quantities of product for development, test and evaluation purposes.

Plans for Development of the Titanium Pigment Processing Technology. We are initially employing our titanium processing technology for the production and sale of TiO2 nanoparticles. We have transferred our titanium processing assets and titanium processing technology to Altair Technologies, Inc. ("ATI"), a wholly-owned subsidiary of Altair, and hired a president of ATI to provide management and direction for the development of our titanium processing technology. Effective January 1, 2001, we hired fourteen former BHP employees who were instrumental in the development of our titanium processing technology. Certain of these employees will continue research and development work and others will be involved in operation and maintenance of the production facility. Altair has commenced marketing TiO2 nonoparticles, has received a single purchase order in the amount of $60,000 for future delivery of TiO2 nonoparticles and is also investigating distributor relationships.

We are also analyzing other means of exploiting our titanium processing technology, including licensing arrangements and joint ventures. We believe that, with additional research and development aimed at commercialization, our titanium processing technology will be capable of producing industry standard TiO2 pigments (larger particle size than nanoparticles). We are assessing potential business arrangements which would facilitate the development of this and other additional applications for the titanium processing technology.

The raw material used as a feedstock in the production of TiO2 nanoparticles, and an intermediate step in the production of other TiO2 products, is titanium tetrachloride, a commodity product manufactured by several suppliers and currently available on the open market. Although Altair uses purchased titanium tetrachloride as the feedstock in the production of TiO2 nanoparticles, our titanium processing technology is capable of producing titanium tetrachloride from an ilmenite raw material.

Target Market for Products of the Titanium Processing Technology. Altair is initially targeting the markets that utilize the unique optical properties of TiO2 nanocrystals such as producers of specialty surface coatings and UV protectant cosmetics. Ultra-fine or nano-sized TiO2 products may also be effectively used in battery components and pollution control and detoxification. Coatings and cosmetics utilize the ultraviolet shielding capabilities of the material; pollution control and detoxification processes take advantage of the

material's photocatalytic properties; and battery applications utilize the electrochemical capabilities of the material. The current global market for TiO2 nanoparticles is approximately 3,800 metric tons per year, but we expect the nanoparticle market to grow more rapidly than the conventional pigment market as applications for new technologies generate increased demand.

In addition, our titanium processing technology is adaptable to make nanocrystals of materials suitable for optoelectronics, ceramics, thermal spray coatings and catalysts as well. Nanomaterials applications being actively pursued by many research groups include flexible ceramics (cast materials such as automobile engines), special catalysts (chemical and petroleum processing, fuel cells), health care products (pharmaceuticals and nano-sized sensors), and optoelectronics. Nano-crystal optoelectronic components can be used to miniaturize computers and other electronic devices and to expand bandwidth in telecommunications.

Research, Testing and Development of the Titanium Processing Technology. Our titanium processing technology is the result of several years of research and development work done by BHP. Although we believe our titanium processing technology is presently commercially viable, we intend to continue the research and development work to both improve the process and develop additional commercial applications for it. Such work will be conducted by the former BHP employees who became employees of the Company on January 1, 2001.

In addition, we intend to engage in joint research and development efforts with customers and other interested parties. For example, in August 2000, we entered into an agreement with the Massachusetts Institute of Technology ("MIT") to carry on joint research to develop a nanostructured fuel cell system for direct hydrocarbon conversion. The research program is aimed at developing economical hydrocarbon-powered fuel cells by combining Altair's proprietary titanium process technology with novel nanostructured anode and cathode catalysts developed by MIT.

We believe our nanoparticle products may have applications in several alternative energy applications. As a result, we have created an alternative energy group within ATI to carry out our research program with MIT and also develop nanoparticle applications for batteries, solar cells, and photovoltaics.

The Titanium Processing Technology and Proprietary Rights. We believe our titanium processing technology represents a significant improvement in the recovery of titanium from titanium-containing ores and has the potential to materially reduce processing costs for commodity and specialty products. The two conventional technologies for processing titanium ores are generally known as the chloride and sulphate processes. We believe that our titanium processing technology is an improvement over these processes in that it offers precise control of crystal size, structure and chemical composition, uses a wide variety of feedstocks, and recycles wastes.

BHP has filed numerous patent applications with the United States Patent and Trademark Office with respect to our titanium processing technology and has transferred the rights to such applications to us. Such applications are in the review process, and no patents with respect to the titanium processing technology have been granted to date.

Competition--the Titanium Processing Technology. There are approximately ten significant producers of TiO2 nanoparticles in the world, the largest of which has approximately 20% of the market. We believe that, with a lower cost structure than our competitors and the ability to produce a more uniform, thermally stable product in a wide variety of sizes within narrow

ranges, we may have a competitive advantage that will allow our products to quickly gain market acceptance. However, some producers of TiO2 nanoparticles are major multinational corporations with far greater financial resources than Altair. These producers also enjoy other advantages over us, including established customer relationships and operating histories.

Tennessee Mineral Property

Description of the Tennessee Mineral Property. The Tennessee mineral property consists of approximately 14,000 acres of land that we have leased (or have binding commitments to lease) in or near Camden, Tennessee, containing fine, heavy minerals.

From 1996, when we began acquiring leases, through 2000, exploration activities on the Tennessee mineral property have included geologic mapping, sample collection, drilling of 156 auger holes and preparation of geologic and deposit models. The deposit model also incorporates 40 drill holes completed by an earlier exploration company. Deposit model estimates are consistent with deposit estimates previously determined by other mineral companies. The mineralized deposit on the Tennessee mineral property has not yet been proven to be a reserve (as defined in Regulation S-K, Item 802, Guide 7 promulgated under the Exchange Act), and our limited operations and proposed plan with respect to it are exploratory in nature.

The production of saleable heavy minerals from heavy mineral sand ore is a two-stage process. At the mine site, heavy mineral ore is treated in a "wet mill" where a 90% total heavy mineral concentrate is prepared typically utilizing gravity separation equipment. This concentrate is then taken to a "dry mill" where individual mineral constituents are extracted using magnetic and high tension electrical separators.

In order to assess the amenability of the Tennessee mineral property ore to "wet mill" processing with the jig, we collected two bulk samples from the Tennessee mineral property. Test work we completed on the first sample during the spring of 1997 suggested the sands can be processed with the jig. Tests performed by Altair which emphasized recovery have yielded up to 94% heavy mineral recovery with a six-to-one concentration ratio. (Stated differently, after a single pass through the jig, 94% of the ore's value was concentrated in about one-sixth of its original volume, and five-sixths of the sand was rendered a non-valuable discard.) As is typical of gravity separation processing, several passes through the jig will be necessary to produce a 90% total heavy mineral concentrate. Further, in the event the Tennessee mineral property is proven to contain significant heavy mineral reserves, the jig would likely be used in conjunction with traditional gravity separators, primarily spirals, to most efficiently process the sand ore in the "wet mill."

A second bulk sample was collected during late 1997. Approximately 5,000 pounds of representative mineralized material was collected from an exposed sand horizon. This sample was processed by an independent Florida heavy sands producer and Altair utilizing both "wet mill" and "dry mill" processes to produce representative samples of saleable products. The sample results were reviewed by an independent consulting group hired by us to prepare a pre-feasibility study of the Tennessee mineral property. In July 1998, the independent consulting group completed their technical pre-feasibility study of approximately 4,700 acres of the Tennessee mineral property known as the "Camden Deposit." The study states that the Camden Deposit contains in-place mineralized materials consisting of 65% titanium-bearing minerals, 15% zircon and 20% non-valuable heavy minerals. It indicated that saleable ilmenite, rutile and

zircon products can be produced, and that established markets currently exist for such products. The study then modeled mining and production costs and concluded that the Camden Deposit has the potential to be economically mined via a large-scale sand mining operation with an approximate 20-year life.

In August 1998, based on the positive results of the consultant's report, we commenced a more comprehensive feasibility study involving the actual design, pricing, and analysis of equipment and facilities that would be used to mine the Tennessee mineral property. We have designed and constructed and, during the first quarter of 2001, placed into operation a pilot test facility on the Tennessee mineral property. The feasibility testing process is also expected to involve an examination of the market for products produced at the pilot facility, applications for permits necessary for any proposed full-scale mining facility and attempts to secure financing of any proposed full-scale mining facility. If production at the pilot plant and our marketing, permitting and financing efforts are successful, a mine could be operational within 24-36 months after financing is obtained subject to, among other things, the price of and demand for extractable heavy minerals . See "--Plan of Operation" and "--Government Regulation and Environmental Concerns."

Subsequent to the completion of the pre-feasibility study, further exploration of the Tennessee mineral property by Altair suggested the existence of additional heavy mineral sands in an area northwest of the Camden Deposit known as the "Little Benton Deposit." Preliminary results indicate that the Little Benton Deposit contains a high-grade titanium mineralization similar to the Camden Deposit. We have approximately 7,900 acres under lease in the Little Benton area and intend to conduct further testing of the Little Benton Deposit. If such testing demonstrates the existence of a resource or reserve, and the feasibility testing suggests that cost-effective mining of the Tennessee mineral property is feasible, the production capacity and/or life of the mining operation could be significantly increased.

Location and Status of Work on the Tennessee Mineral Property.

On the following page is a location map for the Camden and Little Benton properties, which we collectively refer to as the Tennessee mineral property. Access within blocks is via a network of County and farm roads. Lease blocks in the Camden and are made up of contiguous rural tracts. Land uses are dominantly forestry and cattle grazing. Bottom lands are sometimes used for row crops. There is no history of mining in these areas.

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Altair is conducting exploration work on the lease blocks. Work has included geologic mapping, the drilling and sampling of scores of auger holes having 30 to +100 foot depths, and the collection of bulk samples for metallurgical testing. Heavy minerals occur in the Cretaceous McNairy formation, sheet-form sands deposited in a beach environment. Heavy minerals comprising 2 to 8% of the sand (by weight) are typical. Under SEC Industry Guide 7 regulations, the mineralization is characterized as "in-place mineralized material."

Altair has an operating pilot plant on the Camden lease block. Pilot plant operations are fully permitted with the state of Tennessee and federal agencies. The plant includes dedicated electrical service, a lay-down area for heavy mineral sand samples, and a combined water storage/sand placement structure. Plant elements include a feed system, conveyors, trommel, two stages of cyclonrs, and a five-stage spiral plant.

Research, Testing and Exploration of the Tennessee Mineral Property. As discussed in "--Description of the Tennessee Mineral Property" above, in July 1998, an independent consulting group completed a technical pre-feasibility

study of approximately 4,700 acres of the Tennessee mineral property known as the "Camden Deposit." Based on the positive results of the consultant's report, we initiated an additional feasibility test in August 1998, which we anticipate will involve additional drilling to further define mineral characteristics, detailed analysis of mineralogical characteristics and mine processing methods, larger scale testing of the Series 30 Jig, analysis of product markets, and evaluation of possible strategic alliances. If this feasibility testing suggests that cost-effective mining of the Tennessee mineral property is feasible, mining could begin within 24-36 months after we obtain financing, subject to, among other things, the price of, and demand for extractable heavy minerals and our ability to obtain necessary permits and government approvals.

During 2000, we incurred $1,217,966 in exploration expenditures on the Tennessee mineral property, and in 1999, we incurred $689,594 in exploration expenditures on the Tennessee mineral property. To date, we have incurred $3,239,018 in total expenses on our exploration of the Tennessee mineral properties. Expenditures were incurred for pilot plant design, fabrication and site preparation, leasehold minimum advance royalty payments, and other related exploration activities. We anticipate spending between $700,000 and $3,700,000 exploration the Tennessee mineral property during 2001. The amount of future expenditures will depend upon the availability of financial capital and the results of our ongoing feasibility study.

Competition--the Tennessee Mineral Property. Based on the exploratory work done to date, we anticipate that the saleable products which may be produced from the Tennessee mineral property are ilmenite, rutile and zircon. Ilmenite, which may contain 40% to 70% titanium dioxide, is used in the production of titanium dioxide pigment, a specialty chemical used principally as a whitener and opacifier for paper, plastics and paint. According to the U.S. Geological Survey, ilmenite is the most abundant naturally occurring, commercially produced titanium mineral and supplies approximately 90% of the world demand for titaniferous material. Such demand is projected to increase at an annual rate of 2%-3% for the foreseeable future. The value of titanium mineral concentrates consumed in the United States in 2000 was approximately $530 million. There are presently two entities in the United States which produce ilmenite concentrate from heavy mineral sands and virtually all production is used by four titanium pigment producers whose plants are primarily located in the southeastern U.S. Pigment producers use various methods to process ilmenite concentrate into titanium dioxide pigment and require that the concentrate feedstock meet certain chemical and size criteria applicable to the process being used. We believe that, if we can economically mine the Tennessee mineral property and produce satisfactory products for sale to pigment producers, we may have a competitive advantage in being a domestic producer operating in close proximity to our primary markets.

Rutile, which generally contains greater than 95% titanium dioxide, is also used in the production of titanium dioxide pigment. Its processing costs are significantly less than ilmenite due to the higher concentration of titanium dioxide. Although this greatly enhances its market value, rutile is much less abundant than ilmenite, representing approximately 5% of the total heavy minerals contained in the Tennessee mineral property.

Zircon, which is used in ceramic, refractory and foundry applications, represents approximately 15% of the heavy minerals contained in the Tennessee mineral property. Zircon sand is currently being produced at three mines in the southeastern U.S. and in several countries around the world. Titanium-bearing minerals and zircon are commonly found and mined together. The Jig

Description of the Jig. The Altair Centrifugal Jig segregates particles based on differences in their specific gravity. Such technology may be categorized as a "gravity separation" process. Gravity separators are widely used in minerals beneficiation because of their relative simplicity, low cost of

operation and ability to continuously treat large tonnage throughput. We believe the jig will prove able to economically recover smaller particles than can

presently be economically recovered by competing gravity technologies. While not yet confirmed through actual operations, the cost to manufacture and operate the jig is expected to be similar to the cost to manufacture and operate competing gravity separators, which can efficiently process only particles larger than 150 mesh. In contrast, our tests suggest that the jig will be able to maintain relative efficiency when processing feeds as small as 400 mesh. See "-- Competition -- The Jig". In tests conducted to date using the jig to process relatively small particles, the jig has yielded product quality (grade and contaminates) equivalent to that yielded by alternative technologies processing larger particles. See "--Target Markets For the Jig" and "-- Competition -- The Jig".

Several prototype and demonstration jigs have been built and tested by Altair and previous owners of the jig. Our Series 12 Jig stands about six feet tall, requires floor space of about 25 square feet and weighs approximately 2,000 pounds. Our Series 30 Jig stands about 10 feet tall, requires floor space of about 54 square feet and weighs approximately 7,000 pounds. Recently constructed jigs have been mounted on metal frames along with jig auxiliary equipment--pulse water pump and tank and control panel--for transport by truck and rapid on-site installation. Continued field testing of the jig is being undertaken, as resources are available, to increase the volume capacity, identify any design problems that may reside in the jig technology, evaluate the jig's ability to perform sustained operations, determine the potential for downtime during such operations, estimate the anticipated maintenance costs associated with continued operations and identify design improvements for specific applications. There can be no assurance that the testing program will be successful for all applications or that testing will demonstrate the jig to be economically attractive to end users. See "--Factors That May Affect Future Results."

We have conducted preliminary testing of our Series 30 Jig at a mineral recovery plant operated by a large heavy mineral sand producer located in northern Florida. Results of the testing indicate that the Series 30 Jig is capable of producing separation results comparable in efficiency to those of the Series 12 Jig for zircon concentrates. (Results of tests using the Series 12 Jig are discussed in "Target Markets for the Jig" below). The Series 30 Jig, however, is designed to be capable of processing 500 tons of solids per day, or more than four times the throughput capacity of the Series 12 Jig. The volumes of solids per day that the Series 30 and Series 12 Jigs are actually capable of processing have not been established through testing; however, we expect that continued testing will confirm that the two models can process the volumes they have been designed to process. We have also begun design work for a larger jig that would have over twice the processing capacity of the Series 30 Jig. See "-- Research, Testing and Development." Such increased capacity would enhance the jig's commercial potential for high volume applications such as coal washing and recovery of iron ore fines. Also, multiple units might be used in series or parallel configurations to process high volume operations.

Preliminary demonstration tests conducted by Altair and a previous owner of the jig suggest that the jig may be commercially viable in a number of applications, including:

- Recovery of ultra fine gold from waste streams or former tailings;
- Recovery of zircon, rutile, ilmenite, leucoxene, and other valuable fractions from heavy mineral sand operations, especially from finely sized waste piles;

- Sulfur and ash removal from fine coal;
- Recovery of tin and iron ore fines from fine tailings;
- Concentration of heavy minerals, such as anatase, aparite, barite, cassiterite, chromite, columbite, industrial diamonds, fluorite, various garnets, monazite, tantalite and wolframite; and
- Remediation of nuclear waste.

Target Markets for the Jig. Although we believe that, in the long run, the jig may potentially be useful for a number of applications, we believe that the most promising market for the jig in the short run is for use in processing of heavy mineral sands in order to recover heavy minerals, particularly zircon and titanium.

The primary valuable minerals produced from heavy mineral sands are titanium and zircon. Titanium is used primarily as a basic component of titanium dioxide, a pigment used principally as a whitener and opacifier for paper, plastics, and paint. Zircon is used primarily for foundry molds and in the manufacture of certain types of glass and ceramics. We believe the domestic and international markets for both of these products are significant and well established. Both are commodities traded in bulk, usually under long-term contracts, and are also sold in 50-100 lbs. bags, usually traded as a spot-priced product. The U.S. Geological Survey has reported that the value of titanium mineral concentrates consumed in the United States in 2000 was approximately $530 million. The U.S. Geological Survey estimates zirconium production for the United States at approximately 100,000 metric tons in 2000, representing a market value of approximately $34 million. There can be no assurance that testing will demonstrate that the jig can economically extract heavy minerals from heavy minerals sands or that the jig will prove attractive to end users.

Verification testing with the Series 12 Jig suggests the jig's potential for recovering zircon from heavy mineral sand dry mill tails in Florida. In Phase 1 and 2 trials conducted by Altair involving separation of commercial grade zircon products from mineral sands, the Series 12 Jig withdrew a larger portion of zircon from the feed ore than other mineral sands processing equipment in use today. In tests on zircon/alumina silicate feeds conducted by Altair, the Series 12 Jig has yielded greater than 90% zircon concentrates and recovered up to 75% of the zircon fed to the unit. Initial testing of the Series 30 Jig on zircon/alumina silicate feeds produced results which were generally equivalent to the Series 12 Jig. See "--Plan of Operation." We have also conducted tests of the Series 12 jig at our Reno test facility. Fine titanium-bearing heavy mineral sands were processed through the jig with resulting titanium recovery rates of 86% and heavy mineral grades of 80%.

Research, Testing and Development of the Jig. Field testing to date suggests that the jig possesses the ability to process continuous tonnage throughput in several applications. The jig has multiple operating parameters, primarily rotational speed, pulsing pressure, and screen characteristics, which must be adjusted to fit the processing requirements of the particular feed stream being treated. We believe that more extensive testing is needed to identify the most efficient operating parameters for specifically identified applications. Further, demonstration of sustained operation is critical to marketing efforts. We are assessing our options for furthering development of the jig and may consider selling the jig technology or licensing it to others. In the meantime, we will continue development work on a limited basis utilizing available resources. Such development work will likely focus on equipment design and amenability testing of mineral ores using Series 12 and Series 30 Jigs located in Northern Florida and our test facility in Reno, Nevada. We also

intend to incorporate the jig into the pilot plant testing process at our Tennessee mineral property for use in the recovery of titanium and zircon.

Jig Technology and Proprietary Rights. In operation, the jig utilizes a combination of standard mechanical jig and centrifugal technologies. Without having tested the jig in sustained, commercial operations, we believe production models of the jig, if completed, will be capable of sustaining high reliability and low maintenance costs in a production environment. Use of the jig requires no chemical additives.

A conventional jig separates a slurry of mineral particles as it flows across the top of a screen. Water is periodically pulsed up through the screen to eliminate interparticle friction and allow differential settling according to the variations in the net specific gravities of the ore. Heavier minerals are allowed to pass downward through the screen while lighter materials flow across the screen to a discharge point. The jig operates according to conventional jig principles except that the screen surface is cylindrical and is rotated to subject the particles to centrifugal forces. As currently designed, materials to

be processed by the jig are introduced into the top of the jig in a slurry mix with water. The slurry is diffused across the top of the interior of a vertical cylindrical screen which is rotating. Water is pulsed through the screen allowing differential separation in the slurry material. Heavy particles pass through the screen, are collected, and exit the machine in a "concentrate" stream. Lighter particles flow down the screen interior, are collected and exit out the bottom of the machine in a separate "tails" stream.

Initial patents related to the concept of the jig as a whole were issued in the United States, South Africa, United Kingdom, Australia and Canada. These patents expired on various dates between May 1999 and December 2000. A series of second patents with respect to the process by which water is pulsed through the cylindrical screen on the jig, a critical component differentiating the jig from competing products, have been issued in the United States, South Africa, Japan, Europe, Australia, Canada, United Kingdom, Germany and France. These patents expire on various dates between January 2010 and January 2011. A third series of patents with respect to an efficiency enhancing component of the jig have been issued in the United States, Europe, Australia, Japan, South Africa, Canada and Brazil. These patents have expiration dates between April and November 2018.

Competition--the Jig.

Alternative Technologies. Various mineral processing technologies perform many functions similar or identical to those for which the jig is designed. See "Factors That May Affect Future Results--Competing Products and Alternative Technologies." Minerals processing technologies are generally predicated on the physical and chemical characteristics of the materials being processed. A minerals processor may exploit contrasts in size, specific gravity, hardness, magnetic susceptibility, electrical conductivity, and similar characteristics to selectively extract and concentrate mineral constituents. Minerals processors also exploit variations in chemical reactivity and molecular affinity to selectively separate minerals.

The jig competes in an arena in which particle specific gravity is the primary criteria for particle segregation and capture. Competing technologies in this arena include the following:

Spirals and Cones. To separate out valuable particles with a spiral or cone, a mineral processor runs a sand-size feed slurried in water

through a tilted trough (spiral) or over a convex surface (cone). In this process, fine-sized particles tend to "float" and not settle as quickly as larger particles. The difference in settling speed permits the mineral processor to separate out and extract the more valuable heavy particles. Spirals and cones are most effective in feed sizes larger than 150 mesh.

Froth Flotation Devices. To separate minerals using a froth floatation device, a processor introduces chemical agents into a pool of mixed particles, which agents attach to certain sulfides. Once attached to the chemical agents, the sulfides float to the surface. The froth flotation method can be effective on particles 200 mesh or smaller in size.

Heavy Media Separation. Heavy media separation is a process in which a feed containing both dense and light particles is fed into a solution whose specific gravity is midway between the particles to be separated. The light particles float to the surface of the solution, while the heavy particles sink. Heavy media separation is effective primarily in the removal of ash from coal and in small-scale analytic laboratory applications.

We believe that, in certain applications, the jig may prove more efficient, cost effective, or adaptable than spirals and cones, froth flotation devices, or heavy media separation devices. Nevertheless, results from further tests or actual operations may reveal that these alternative technologies are better adapted to any or all of the uses for which the jig is intended. Moreover, regardless of test results, consumers may view any or all of such alternative technologies as technically superior to, or more cost effective than, the jig.

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Competing Jig-Like Products. We believe the jig currently faces several forms of competition in the commercial segregation of dense particles contained in feeds between 150 and 400 mesh, including the Kelsey jig, Falcon concentrators and the Knelsen batch concentrator unit, which are currently being used worldwide. Another centrifugal jig device, the Kelsey jig, has been developed in Australia subsequent to the invention of the jig. The Kelsey jig is more complicated in design than the jig, which we believe makes it more expensive to manufacture, operate and maintain in a production environment. According to the Kelsey jig's manufacturer, Geo Logics Pty. Ltd., Kelsey jigs are in service at 25 plants worldwide. In addition, Falcon, a Canadian company, produces a concentrator which is used mainly for pre-concentration and scavenging. Their principal applications to date have been in the gold and tantalum industries. There also exists a batch concentrator known as the Knelsen Bowl, which we believe is best suited to small volumes. (A batch concentrator differs from the jig in that it process a finite "batch" of material, is completely emptied, and then processes a completely new finite batch, while the jig processes a continuous flow of materials). Knelsen Bowls have been installed in various mining applications, primarily gold, throughout the world. Both the Falcon and Knelson concentrators utilize different technologies than the technology employed by the jig.

Altair is a small player in an industry comprised of major mining companies possessing tremendous capital resources and we are an insignificant competitive factor in the industry. There is no assurance that competitors, many of whom may have significant capital and resources, will not develop or are not now in the process of developing competitive equipment that may be functionally or economically superior to our equipment.

Business Development--the Jig. We have concluded that, in the foreseeable future, our limited human and financial resources can most effectively be utilized in the development of the titanium processing assets and titanium processing technology and the Tennessee mineral property. Consequently, we are assessing our options for furthering the development of the jig and may consider selling the jig technology or licensing it to others who have adequate resources to complete development of the jig, establish marketing and distribution channels and initiate manufacturing. In the meantime, we expect to continue development work, primarily equipment design, on a limited basis.

Subsidiaries.

Altair International Inc.1 was incorporated under the laws of the province of Ontario, Canada in April 1973.

Fine Gold was acquired by Altair in April 1994. Fine Gold has received no operating revenues earned to date. Fine Gold acquired the intellectual property associated with the jig in 1996. Another wholly-owned subsidiary, formerly known as Carlin Gold Company, is now operated under the name Mineral Recovery Systems, Inc. Altair intends that Fine Gold will hold and maintain jig technology rights, including patents, and will enter into a royalty arrangements to allow MRS to develop and commercially utilize the jig.

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1 The company was incorporated 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, to Altair International Gold Inc. in March 1994, and to Altair International Inc. in November.

MRS was incorporated by Altair in April, 1987.2 MRS previously has been involved in the exploration for minerals on unpatented mining claims in Nevada, Oregon and California. All mining claims have now been abandoned. Altair currently intends that MRS will arrange for the manufacture of the jig for commercial sales, rental or royalty arrangements with end users. In addition, MRS currently holds, directly or indirectly, all of Altair's interest in the Tennessee mineral property, and Altair intends that MRS will continue to lease or acquire and explore mineral properties in the future, particularly properties that contain in-place mineralized materials that may be processed with the jig.

Altair Technologies, Inc. was incorporated in 1998 as a wholy-owned subsidary of MRS and holds all of the Company's interest in our titanium pigment processing technology and related assets. The remaining 100% owned subsidiaries do not presently have any assets or operations.

Government Regulation and Environmental Concerns.

Government Regulation. Our exploration of the Tennessee mineral property, testing of the jig, and operation of the titanium pigment processing facility are, and any future testing, operation, construction or mining activities of Altair will be, subject to a number of federal, state, and local laws and regulations concerning mine and machine 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. 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, and reclaim exploration, mining and processing sites.

Compliance with federal, state, or local laws or regulations represents a small part of our present budget; nevertheless, continued compliance may be extremely costly, especially if we actually commence extraction operations on the Tennessee mineral property. If we fail to comply with any such laws or regulations, 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.

We are committed to complying with and, to our knowledge, are in compliance with all governmental regulations. We cannot, however, predict the extent to which future legislation and regulation could cause us to incur additional operating expenses, capital expenditures, and/or restrictions and delays in the development of our products and properties.

Environmental Regulation and Liability. Any proposed mining or processing operation on the Tennessee mineral property, at the titanium pigment processing facility or any other property acquired by us 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 on the Tennessee mineral property or any other property used by us, which are deemed by the federal and/or state government to be toxic or hazardous ("Hazardous Substances"). Courts or government agencies may impose liability for, among other things, the improper release, discharge, storage, use, disposal, or transportation of Hazardous Substances. We might use Hazardous Substances and, although we intend to employ all reasonably practicable safeguards to prevent any liability under applicable laws relating to Hazardous Substances, companies engaged in mineral exploration and processing are inherently subject to substantial risk that environmental remediation will be required.

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2 MRS was formerly known as Carlin Gold Company. The name change was effective in June 1996.

Employees.

The business of Altair is currently managed by Dr. William P. Long, President and Chief Executive Officer of the Company and Mr. C. Patrick Costin, Vice President of the Company and President of MRS and Fine Gold. In addition, we employ a Chief Financial Officer, a President of Altair Technologies, Inc. and 21 additional employees. Aside from Dr. Long, Mr. Costin, the Chief Financial Officer, and the President of Altair Technologies, Inc., we have no employment agreements with any of our personnel.

On January 1, 2001 we hired fourteen former BHP employees who had been involved in developing the titanium processing technology, and we also hired a general counsel. During 2001, we expect to hire sales, marketing and production employees for the titanium pigment processing business. The quantity and timing of new hires will be dependent on business activity. We do not otherwise anticipate that the number of Company employees will significantly increase until we have sufficient sales and business activity to warrant it.

Our future success will depend, in part, on our ability to attract and retain highly qualified technical, marketing and management personnel. There is no assurance we will be successful in retaining or attracting highly qualified individuals in key positions. See "Factors That May Affect Future Results - We are Dependent on Key Personnel."

Where You Can Find More Information

We file annual, quarterly, and current reports, proxy statements, and other information with the SEC. You may read and copy any reports, statements, or other information that we file at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. The SEC also maintains an Internet site (http://www.sec.gov) that makes available to the public reports, proxy statements, and other information regarding issuers, such as Altair, that file electronically with the SEC.

Our common shares are quoted on the Nasdaq National Market. Reports, proxy statements and other information concerning Altair can be inspected and copied at the Public Reference Room of the National Association of Securities Dealers, 1735 K Street, N.W., Washington, D.C. 20006.

Enforceability of Civil Liabilities Against Foreign Persons.

We are an Ontario corporation, and a majority of our directors are residents of Canada. In addition, certain of our experts (including Canadian legal counsel) are located in Canada. 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 United States securities laws. It is uncertain whether Canadian courts would (i) enforce judgments of United States courts obtained against us or such directors, officers or experts predicated upon the civil liability provisions of United States securities laws or (ii) impose liability in original actions against Altair or its directors, officers or experts predicated upon United States securities laws.

Glossary of Terms.

Amenability means responsiveness of an ore deposit to processing.

Anatase means one of three naturally occurring mineral phases of TiO2 (along with rutile and brookite). Anatase particles have a tetragonal crystal structure.

Anode catalyst means the substance that activates the oxidizing reaction at the negative electrode (fuel side) of a solid oxide fuel cell.

Ash means inorganic residue remaining after coal combustion. Ash is an undesirable component of coal because it reduces thermal value and produces a waste product after combustion.

Beneficiate means to improve the grade of ore by processing.

Cathode catalyst means the substance that activates the reducing reaction at the positive electrode (air side) of a solid oxide fuel cell.

Centrifugal force means the component of force on a body in curvilinear motion that is directed away from the axis of rotation.

Coal washing means processing of pulverized coal to remove ash and pyrite.

Ductility means the property of solid material that undergoes more or less plastic deformation before it ruptures.

Environmental remediation means removal of harmful mineral particles

from a site previously altered by human activities.

Heavy minerals sands means beach or dune sands which contain a small fraction of heavy particles. Heavy mineral sands are commercially mined to produce titanium minerals and zircon.

Ilmenite means a titanium-bearing oxide mineral containing variable percentages of iron and used as a raw material in the production of titanium pigments.

Iron ore fines means particles of iron ore, usually less than 1 millimeter in diameter.

Mesh means one of the openings or spaces in a screen. The value (size) of the mesh is given as the number of openings per linear inch.

Micron means one millionth of a meter. One micron equals 1000 nanometers.

Mill means a building with machinery for processing ore. Dry mill refers to heavy minerals sand processing of dry materials. Wet mill refers to heavy minerals sand process of material that are mixed with water in slurry.

Mineralized Deposit or Mineral Deposit means a mineralized body which has been delineated by appropriately spaced drilling and/or underground sampling to support a sufficient tonnage and average grade of metals. Such a deposit does not qualify as a reserve until a comprehensive evaluation based upon unit cost, grade, recoveries and other material factors conclude legal and economic feasibility.

Placer means deposits of sand, gravel and other detrital or residual material containing a valuable mineral which has accumulated through weathering and natural mechanical concentration processes. A placer mine is an operation that recovers certain valuable minerals based on differences in specific gravity.

Photocatalytic means a process by which light frequencies activate the catalytic nature of a substrate.

Pyrite means a yellowish-brown mineral sulfide containing iron and sulphur. Pyrite is an undesirable component of coal because sulphur dioxide gas is released when it is burned with coal.

Rutile means one of three naturally occurring mineral phases of TiO2 (along with anatase and brookite). Rutile particles have a tetragonal crystal structure.

Specific gravity means the ratio of the mass of a solid or liquid to the mass of an equal volume of water at a specified temperature.

Tails or tailings means those portions of washed ore that are regarded as too poor to be treated further, as distinguished from material (concentrates) that is to be smelted or otherwise utilized.

Tantalum is rare metal that is ductile, easily fabricated, highly resistant to corrosion by acids, and a good conductor of heat and electricity and has a high melting point. The major use for tantalum, as tantalum metal powder, is in the production of electronic components, mainly tantalum capacitors. Major end uses for tantalum capacitors include portable telephones,

pagers, personal computers, and automotive electronics.

Forward-looking Statements.

This Form 10-K contains various forward-looking statements. Such statements can be identified by the use of the forward-looking words "anticipate," "estimate," "project," "likely," "believe," "intend," "expect," or similar words. These statements discuss future expectations, contain projections regarding future developments, operations, or financial conditions, or state other forward-looking information. When considering such forward-looking statements, you should keep in mind the risk factors noted in the following section and other cautionary statements throughout this Form 10-K and our other filings with the Commission. You should also keep in mind that all forward-looking statements are based on management's existing beliefs about present and future events outside of management's control and on assumptions that may prove to be incorrect. If one or more risks identified in this Form 10-K 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.

Among the key factors that may have a direct bearing on our operating results are risks and uncertainties described under "Factors That May Affect Future Results," including those attributable to the absence of operating revenues or profits, uncertainties regarding the development and commercialization of the jig, development risks associated with the Tennessee mineral property, risks related to our proposed development and exploitation of our titanium processing technology and titanium processing assets and uncertainties regarding our ability to obtain capital sufficient to continue our operations and pursue our proposed business strategy.

Factors that May Affect Future Results.

We have not generated any operating revenues and may not ever generate significant revenues.

To date, we have not generated revenues from operations. We have not completed development of the jig or the titanium processing technology and have not completed exploration of the Tennessee mineral property. We can provide no assurance that we will ever generate revenues from the jig or the Tennessee mineral property or that we will generate significant revenues from the titanium processing technology.

We may continue to experience significant losses from operations.

We have experienced a loss from operations in every fiscal year since our inception. Our losses from operations in 1999 were $3,729,534 and our losses from operations for in 2000 were $6,647,367. We will continue to experience a net operating loss until, and if, the titanium processing technology, the jig and/or the Tennessee mineral property begin generating significant revenues. Even if any or all such products or projects begin generating significant revenues, the revenues may not exceed our costs of production and operating expenses. We may not ever realize a profit from operations.

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

As of March 31, 2000, we had $703,796 in unrestricted cash and $4,056,348 in restricted cash that is securing a letter of credit and is

scheduled to be released as the outstanding principal balance is reduced. We believe that the unrestricted cash we currently possess is sufficient to fund our basic operations through June 30, 2001. In the absence of significant revenue, this amount of capital will likely prove insufficient to fund development work necessary to complete the testing necessary to place the titanium processing technology into continuous operation in a commercial setting. In addition, we will likely need additional capital to complete testing and development of the jig or exploration of the Tennessee mineral property. If we determine to construct and operate a mine on the Tennessee mineral property, we will need to obtain a significant amount of additional capital to complete construction of the mine and commence operations.

We may not be able obtain the amount of additional capital needed or may be forced to pay an extremely high price for capital. Factors affecting the availability and price of capital may include the following:

- market factors affecting the availability and cost of capital generally;
- our financial results;
- the amount of our capital needs;
- the market's perception of mining, technology and/or minerals stocks;
- the economics of projects being pursued;
- industry perception of our ability to recover minerals with the jig or titanium processing technology or from the Tennessee mineral property; and
- the price, volatility and trading volume of our common shares.

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

The common shares issued upon exchange of the Exchangeable Term Note may dilute existing shareholders

We do not presently have the capital to redeem the monthly payments required by the Exchangeable Term Note in cash. If we do not redeem such monthly payments, the holder of the Exchangeable Term Note has the right to exchange the monthly payment amounts into common shares at an exchange price equal to the lesser of $3.00 and the average of the lowest three daily trading prices of the common shares during the 15 trading days ending on the day before an exchange right is exercised. Because the exchange price is tied to the market price of

our common shares, the number of shares issuable upon exercise of exchange rights increases significantly as the market price of our common shares falls below $3.00 and would approach infinity if the market price of our common shares approached zero. For example, if the market price of our common shares were to remain at $.50 throughout the term of the Exchangeable Term Note, the holder would receive approximately 15,458,332 common shares upon exercise of all exchange rights accruing under the Exchangeable Term Note.

The exercise of exchange rights under the Exchangeable Term Note may place downward pressure on the market price of our common shares and encourage short selling.

The exchange of the monthly payment amount under the Exchangeable Term Note and subsequent sale of the common shares issuable upon such exchange may place downward pressure on the market price of our common shares. Speculative traders may anticipate the exercise of exchange rights under the Exchangeable Term Note and, in anticipation of a decline in the market price of our common shares, engage in short sales of our common shares. Such short sales could further negatively affect the market price of our common shares.

We have pledged substantial assets to secure the Exchangeable Term Note.

We have pledged all of the intellectual property and common stock of Altair Technologies, Inc., our second-tier wholly-owned subsidiary, to secure repayment of the Exchangeable Term Note. Altair Technologies, Inc. owns and operates the titanium processing technology we acquired from BHP Minerals in 1999. The Exchangeable Term Note is also secured by a pledge of the common stock of Mineral Recovery Systems, Inc., which owns and operates our leasehold interests in the Camden, Tennessee area. If we default on the Exchangeable Term Note, severe remedies will be available to the holder of the Exchangeable Term Note, including immediate seizure and disposition of all pledged assets.

Operations using the titanium processing technology, the jig or the Tennessee mineral property may lead to substantial environmental liability.

Virtually any proposed use of the titanium processing technology, the jig or the Tennessee mineral property 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 used by Altair. 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. We might use hazardous substances and, if we do, we will be subject to substantial risks that environmental remediation will be required.

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

We are an Ontario corporation, and a majority of our directors and our Canadian legal counsel are residents of Canada. 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 United States securities laws. It is uncertain whether Canadian courts would (i) enforce judgments of United States courts obtained against us or such directors, officers or experts predicated upon the civil liability provisions of United States securities laws or (ii) impose liability in original actions against Altair or its directors, officers or experts predicated upon United States securities laws.

We are dependent on key personnel.

Our continued success will depend to a significant extent on the services of Dr. William P. Long, our President and Chief Executive Officer, and Mr. C. Patrick Costin, our Vice President and President of Fine Gold and MRS. The loss or unavailability of Dr. Long or Mr. Costin could have a material adverse effect on us. We do not carry key man insurance on the lives of Dr. Long or Mr. Costin.

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. All such shares may be issued without any action or approval by our stockholders. In addition, we have two stock option plans which have potential for diluting of the ownership interests of our stockholders. The issuance of any additional common shares would further dilute the percentage

ownership of Altair held by existing stockholders. Additional common shares could be issued at a lower price per share than the price you are being offered.

The market price of our common shares is extremely volatile.

Our common shares have been listed on the Nasdaq National Market since January 26, 1998. Trading in our common shares has been characterized by a high degree of volatility. Trading in our common shares may continue to be characterized by extreme volatility for numerous reasons, including the following:

- Uncertainty regarding the viability of the titanium processing technology, the jig or the Tennessee mineral property;
- Continued dominance of trading in our common shares by a small number of firms;
- Positive or negative announcements by us or our competitors;
- Industry trends, general economic conditions in the United States or elsewhere, or the general markets for equity securities, minerals, or commodities; and
- Speculation by short sellers of our common shares or other persons (such as the holders of the Exchangeable Term Note) who stand to profit from a rapid increase or decrease in the price of our common shares.

Future sales of currently restricted securities or common shares subject to outstanding options may affect the market price of our common shares.

In general, under Rule 144, outstanding restricted common shares of Altair may be sold subject to certain conditions beginning one year after issuance and, unless held by an affiliate of Altair, may be sold without limitation beginning two years after issuance. Future sales of currently restricted securities may have a negative effect on the market price of our common shares.

In addition, shares issued upon exercise of options granted pursuant to our employee stock option plans are presently registered under the Securities Act. Subject to certain restrictions on resale by affiliates, such shares may be sold without restriction. The sale of any substantial number of common shares may have a depressive effect on the market price of our common shares.

We have never declared, and are currently prohibited from declaring, a dividend.

We have never declared or paid 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. In addition, under the terms of the Exchangeable Term Note, we are prohibited from declaring or paying any dividends until the Exchangeable Term Note is paid in full.

We have not yet confirmed the viability and effectiveness of the titanium processing technology.

We have not completed testing of product applications for the titanium processing technology. In addition, the titanium processing technology and titanium processing equipment have not been used by Altair or anyone else in a commercial setting and may prove ineffective or unreliable when subjected to

continuous use. If the titanium processing technology proves ineffective or the titanium processing equipment proves unreliable in a commercial setting, we may be unable to recoup our investment in the titanium processing technology and titanium processing equipment.

We may not be able to sell nanoparticles produced using the titanium processing technology.

In the short run, we plan to use the titanium processing technology to produce TiO2 nanoparticles. We have not previously produced or marketed TiO2 nanoparticles and, to date, have obtained only a small order for TiO2 nanoparticles. The TiO2 nanoparticles and other products produced using the titanium processing technology and titanium processing equipment may be of inferior quality to alternative products or, regardless of actual quality, may be perceived as lacking adequate quality or reliability.

Even if TiO2 nanoparticles we produce are of adequate quality for general use, they may have properties that make them unsuitable for the particular use of a potential customer. Even if we are able to efficiently produce TiO2 nanoparticles and other products using the titanium processing technology and titanium processing equipment, we may not be able to sell such products in the marketplace.

In addition, the uses for such nanoparticles are limited--primarily cosmetics and surface coatings--and the market for such nanoparticles is small, currently estimated at 3,800 tons per annum. In light of the small size of the market, we may not be able to profitably market our nanoparticle products for any of the following reasons:

- there may be insufficient demand for such products;
- despite strong initial demand for such products, the market for such products may contract or collapse as a result of a decrease in demand for goods incorporating such products, a worldwide or regional financial crisis, or other unforeseen event;
- the increased supply of such products as a result of our entrance into the market may cause the price to drop, reducing or eliminating profitability; and
- competing entities may begin producing, or increase their production of nanoparticles, causing the price to drop or displacing potential sales.

Our cost of production may exceed estimates.

We purchased the titanium processing technology and related titanium processing equipment based on the belief that we will be able to use that technology and equipment to produce TiO2 and other products more cheaply than many competitors. We have not, however, produced any mineral products using the processing technology and equipment on a commercial basis. Our actual costs of production may exceed those of competitors and, even if our costs of production are lower, competitors may be able to sell TiO2 and other products at a lower price than is economical for Altair.

Pending patent applications may be denied or may provide inadequate protection.

BHP Minerals has filed patent applications with the United States Patent and Trademark Office with respect to the titanium processing technology and has transferred the rights to such applications to Altair. Such applications

are being reviewed by the Patent and Trademark Office, and no patents with respect to the titanium processing technology have been granted to date. If the applications for any patents related to the titanium processing technology are denied, the value of the titanium processing technology, and any competitive advantage gained from our ownership of the titanium processing technology, will be substantially diminished. We can provide no assurance that pending patent applications will be granted. Even if pending patent applications are granted, we may have insufficient resources to pay legal costs associated with enforcing any patents.

We have not completed testing and development of the jig and are presently focusing our resources on other projects.

We have not completed testing of, or developed a production model of, any series of the jig. We do not expect to complete testing and development of the jig during the coming years and have determined to focus most of our limited resources on the titanium processing technology and the Tennessee mineral property. We may never develop a production model of the jig.

Even if we completed development of the jig, the jig may prove unmarketable and may not perform as anticipated in a commercial operation.

The designed capacity of the Series 12 jig is too small for coal washing, heavy minerals extraction, and most other intended applications of the jig, except use in small placer gold mines or similar operations. Even if the Series 12 jig is completed and performs to design specifications in subsequent tests or at a commercial facility, we believe that, because of its small capacity, the potential market for the Series 12 jig is limited.

If we complete development of and begin marketing the Series 30 jig, it may not prove attractive to potential end users, may be rendered obsolete by competing technologies or may not recover end product at a commercially viable rate. Even if technology included in the jig initially proves attractive to potential end users, performance problems and maintenance issues may cause the market for the jig to disappear.

The jig faces competition from other jig-like products and from alternative technologies.

The jig currently faces competition in the commercial segregation of dense particles from several jig-like products, including the Kelsey jig, Falcon concentrators and the Knelsen batch concentrator unit. All of these products are currently being used in various parts of the world.

In addition, various alternative mineral processing technologies perform many functions similar or identical to those for which the jig and other jig-like products are designed. Results from further tests or actual operations may reveal that these alternative technologies are better adapted to any or all of the uses for which the jig is intended. Moreover, regardless of test results, consumers may view any or all of such alternative technologies as technically superior to, or more cost effective than, the jig.

We are dependent upon others to manufacture the jig.

We currently contract with a machine shop located in central Tennessee for assembly of the jig, but have no long-term contract with such entity. If we complete testing of the jig and develop a final production model, we do not currently have the know-how or resources to establish our own manufacturing

facility. We may not be able to obtain adequate manufacturing capacity at a reasonable cost.

Certain patents for the centrifugal jig have expired, and those that have not expired may be difficult to enforce.

All of the initial patents issued on the jig have expired, and we are unable to prevent a competitor from copying the technology once protected by such patents. Additional patents related to efficiency-enhancing components of the jig have been issued in the United States and various other countries, but expire during 2011 or 2018. The cost of enforcing patents is often significant, especially outside of North America. Accordingly, we may be unable to enforce even our patents that have not yet expired.

We have not completed examining the feasibility of mining the Tennessee mineral property.

The Tennessee mineral property is currently in the early exploratoration stage. Based on the results of a pre-feasibility study, we determined in August 1998 to commence additional feasibility testing of the Tennessee mineral property. Such additional feasibility testing is expected to involve the actual design, pricing, and analysis of equipment and facilities that would be used to mine the Tennessee mineral property. To date, we have constructed a pilot test facility on the Tennessee mineral property. The feasibility testing process is also expected to involve an examination of the market for products produced at the pilot facility, applications for permits necessary for any proposed full-scale mining facility and attempts to secure financing of any proposed full-scale mining facility.

If production at the pilot plant and our marketing, permitting and financing efforts are successful, a mine would not be operational for 24-36 months after financing is obtained. Our test production at the pilot plant may indicate that the Tennessee mineral property does not contain minable quantities of heavy minerals or that such deposits are not amenable to large-scale, low-cost mining. Even if the tests suggest that mining is economically feasible on the Tennessee mineral property, we may be unable to obtain the capital, resources and permits necessary to mine the property. Moreover, market factors, such as a decline in the price of, or demand for, minerals recoverable at the Tennessee mineral property, may adversely affect the development of mining operations on such property.

We may be unable to obtain necessary environmental permits and may expend significant resources in order to comply with environmental laws.

In order to begin construction and commercial mining on the Tennessee mineral property, we must obtain additional federal, state and local permits. We will also be required to conform our operations to the requirements of numerous federal, state and local environmental laws. Because we have not yet commenced design of a commercial mining facility on the Tennessee mineral property, we are not in a position to definitively ascertain which federal, state and local mining and environmental laws or regulations would apply to a mine on the Tennessee mineral property. Nevertheless, we anticipate having to comply with and/or obtain permits under the Clean Air Act, Clean Water Act, Resource Conservation and Recovery Act, and Comprehensive Environmental Response Compensation Liability Act, in addition to numerous state laws and regulations before commencing construction or operation of a mine on the Tennessee mineral property. We can provide no assurance that we will be able to comply with such laws and regulations or obtain any such permits. In addition, obtaining such permits and complying with such environmental laws and regulations may be cost

prohibitive.

The market for commodities produced using the jig or at the Tennessee mineral property may significantly decline.

If the jig is successfully developed and manufactured, we intend to use the jig, or lease the jig for use, to separate and recover valuable, heavy mineral particles. Active international markets exist for gold, titanium, zircon and many other minerals potentially recoverable with the jig. Prices of such minerals fluctuate widely and are beyond our control. A significant decline in the price of minerals capable of being extracted by the jig could have significant negative effect on the value of the jig. Similarly, a significant decline in the price of minerals being produced or expected to be produced on the Tennessee mineral property could have a significant negative effect on the viability of a mine or processing facility on such property.

Item 6. 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 ("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 U.S. dollars.

For the Year Ended December 31,	2000	1999	1998	1997	1996
STATEMENTS OF OPERATIONS					
Revenues from operations	$ --	$ --	$ --	$ --	$
Operating expenses	6,647,367	3,729,534	3,842,441	2,885,043	1,75
Interest expense	215,216	1,966	959,612	43,497	1
Interest income	(83,440)	(134,811)	(335,037)	(70,059)	(2
(Gain) loss on foreign exchange	(864,669)	160,619	17,109	123,612	(
Gain on forgiveness of debt	--	(67,442)	(25,805)	--	(70
Loss on redemption of convertible debentures	--	--	193,256	--	
Net Loss	$ 5,914,474	$ 3,689,866	$ 4,651,576	$ 2,982,093	$ 1,03
Basic and diluted net loss per common share from operations	$ 0.34	$ 0.24	$ 0.31	$ 0.21	$
Cash dividends declared per common share	$ --	$ --	$ --	$ --	$
Deficit, beginning of year	$ 15,691,904	$ 12,002,038	$ 7,350,462	$ 4,368,369	$ 3,33
Net loss	5,914,474	3,689,866	4,651,576	2,982,093	1,03
Deficit, end of year	$ 21,606,378	$ 15,691,904	$ 12,002,038	$ 7,350,462	$ 4,36
BALANCE SHEET DATA					
Working capital	$ 234,714	$ (5,931,717)	$ 3,008,789	$ 7,480,153	$ 2,97
Total assets	16,651,770	13,365,848	7,103,267	12,956,079	7,86
Long-term obligations	2,689,493	--	31,091	4,774,420	26
Current liabilities	3,741,366	7,578,083	222,431	712,810	30
Net shareholders' equity	10,220,911	5,787,765	6,849,745	7,468,849	7,29

Item 7. 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

From inception through the end of 1993, our business consisted principally of the exploration of mineral properties for acquisition and development. During 1994, our focus changed as we became engaged in the acquisition, development and testing of mineral processing equipment for use in the recovery of fine, heavy mineral particles including gold, titanium, zircon and environmental contaminants. Since that time, we have continued exploring mineral properties suitable for development using our patented mineral processing equipment. In November 1999, we acquired the titanium processing technology and titanium processing assets from BHP which we intend to initially use for commercial production of TiO2 nanoparticles.

In 1996, we acquired all patent rights to the Campbell Centrifugal Jig, since modified and renamed the Altair Centrifugal Jig. Since April 1996, we have acquired mineral leaseholds on approximately 14,000 acres of land in Tennessee which contain heavy mineral sand deposits. A prefeasibility study issued in July 1998 confirmed the existence of in-place mineralized materials and suggests that the property warrants further development. Based on the results of these independent studies, we have initiated additional feasibility testing and are assessing our options for developing the property.

In November 1999, we acquired all patent applications and technology related to a hydrometallurgical process developed by BHP primarily for the production of titanium dioxide products from titanium bearing ores or concentrates (i.e., the "titanium processing technology") and all tangible equipment and other assets (i.e., the "titanium processing assets") used by BHP to develop and implement the titanium processing technology.

Results of Operations.

We have earned no revenues to date. Operating losses before extraordinary items totaled $5,914,474 ($0.34 per share) for the 2000 fiscal year, $3,757,308 ($0.24 per share) for the 1999 fiscal year, and $4,484,125 ($0.30 per share) for the 1998 fiscal year. Principal factors contributing to the losses during these periods were the absence of revenues coupled with the incurrence of operating expenses.

Fiscal Year 2000 vs. 1999

During 2000, we began construction of a mineral processing pilot plant at the Tennessee mineral property. In connection with such construction, we incurred $413,000 of costs for permitting, design and construction of the plant site and ancillary facilities, and $388,000 for design and fabrication of the processing equipment. The equipment was installed and testing of the facility began during the first quarter of 2001. During 2000, we also incurred $417,000 of ongoing costs for development work and maintenance of our mineral leaseholds.

The costs associated with the Tennessee mineral property are recorded as mineral exploration and development expenses.

Since acquiring the titanium processing technology and titanium processing assets from BHP in November 1999, we have directed our efforts toward the production and marketing of TiO2 nanoparticles. Our acquisition of the titanium processing technology and titanium processing assets in late 1999, and our subsequent production and marketing efforts during 2000, have caused a significant increase in our operating expenses for the year ended December 31, 2000 when compared to the year ended December 31, 1999.

In connection with the acquisition, we entered into a services agreement with BHP wherein BHP agreed to provide, through December 31, 2000, certain services necessary to continue development and testing of the titanium processing technology and operation of the titanium processing assets. The costs associated with this service agreement were approximately $1,368,000 for the year ended December 31, 2000 and were recorded as testing, research and development expense. Our comparable expense during the year ended December 31, 1999 was $171,000.

We also entered into a lease agreement with BHP to lease the space occupied by the titanium processing assets at a BHP facility in Reno, Nevada. The lease cost was $180,000 for the year ended December 31, 2000 and is included in general and administrative expenses in the Consolidated Statements of Operations. We incurred $22,500 of comparable lease costs for the year ended December 31, 1999. General and administrative expenses also increased by $80,000 due to the recognition of expense associated with options and warrants, by $75,000 due to the addition of one new employee, by $20,000 due to insurance costs for coverages on the titanium processing assets and by $34,000 due to additional Nasdaq listing fees in connection with the issuance of common shares.

Professional services for the year ended December 31, 2000 increased over the comparable period of 1999 due to legal costs associated with patent reviews and trademark filings related to the titanium processing technology, and consulting costs for marketing and production management related to TiO2 nanoparticle products.

We are depreciating the costs of the titanium processing technology and titanium processing assets acquired from BHP at approximately $61,000 per month. This amount (approximately $732,000 for the year ended December 31, 2000) represents the increase in depreciation expense for the year ended December 31, 2000 over the same period in 1999.

The purchase price for the titanium processing technology and titanium processing assets was 15,000,000 Australian dollars ("AUDS") (U.S. $9,625,500) and was payable in four equal installments. The first installment was paid at closing in November 1999, the second and third installments were paid on May 12, 2000 and the remaining payment was paid on August 1, 2000. Since the purchase price was payable in Australian dollars, the liability to BHP was subject to exchange rate fluctuations. From December 31, 1999 to March 31, 2000, the American dollar strengthened significantly against the Australian dollar, resulting in a gain on foreign exchange of approximately $559,000. From April 1, 2000 through June 30, 2000, the American dollar strengthened further, resulting in a gain on foreign exchange of approximately $237,000. When the final payment was paid on August 1, 2000, an additional foreign exchange gain of approximately $69,000 was realized, resulting in a total foreign exchange gain on the purchase of the titanium processing technology and titanium processing assets of approximately $865,000 for the year ended December 31, 2000.

Interest on long-term debt increased by $79,000 in the year ended December 31, 2000 over the comparable period of 1999 due to interest paid in connection with the rescheduling of the second installment due BHP from February 15, 2000 to May 15, 2000. It further increased by $129,000 due to interest charges associated with a $7,000,000 Asset-Backed Exchangeable Term Note which we entered into in December 2000 (see "Liquidity and Capital Resources" for discussion of this note).

Interest income in 2000 decreased from 1999 as we had lower cash balances available for investment during most of the year.

Fiscal Year 1999 vs. 1998

Prior to the acquisition of the titanium processing technology and titanium processing assets, our principal business activities centered around the exploration of the Tennessee mineral property and development of the jig. During 1998, we increased the amount of testing and development work on the Series 30/16 Jig, began testing of potential new applications for it, initiated the preliminary design work for a larger capacity jig, and increased our exploration efforts in Tennessee. In order to support this higher level of activity, we increased the number of employees in our Reno, Nevada office from four to eight personnel and expanded into new leased office space. The full-year effect of the costs associated with this additional staffing and office space are reflected in increased research and development expenses and general and administrative expenses in 1999.

Mineral exploration and development costs decreased by approximately $80,000 in 1999 due to a reduction in the exploration expenditures in the Little Benton area of the Tennessee mineral property. We explored the Little Benton area in 1998, incurring costs for sampling and other test work, and discovered an additional heavy mineral deposit.

In 1998, we completely amortized the balance of costs associated with certain jig license agreements. As a result, depreciation and amortization expense declined in 1999 from 1998.

In August 1998, we redeemed $2,250,000 of convertible debentures, incurring a redemption premium of $193,256. Interest expense in 1998 includes approximately $927,000 related to the convertible debentures. Of this amount, $390,000 represents premium and accretion on conversions of convertible debentures and $537,000 represents issuance costs written off as a result of the redemption of the debentures.

Interest income declined in 1999 from 1998 as a result of the redemption of the convertible debentures which decreased cash balances available for investment.

We incurred a $161,000 loss on foreign exchange in 1999 in connection with the purchase of the titanium processing technology and titanium processing assets. The purchase price was stated in Australian dollars, which strengthened in relation to U.S. dollars from the date of the purchase through December 31, 1999.

In connection with our acquisition of the rights to the Altair Centrifugal Jig, we assumed certain liabilities associated with the jig. During 1999 and 1998, we extinguished certain of such accounts payable and notes payable at less than the book amounts of such debt. The net of such forgiveness of debt was $67,442 in 1999, and $25,805 in 1998, with neither amount having a material effect on earnings per share.

Liquidity and Capital Resources.

We have earned no revenues from operations and have incurred recurring losses. At December 31, 2000, our accumulated deficit was $21,606,378, or an increase of $5,914,474 over the accumulated deficit at December 31, 1999. This increase was due to the net loss for the year.

Our cash and short-term investments increased from $153,580 at December 31, 1999 to $3,585,729 at December 31, 2000, principally as a result of two financing transactions which are described below.

On December 15, 2000, we and an investor entered into a Securities Purchase Agreement pursuant to which we issued to the investor a $7,000,000 Asset-Backed Exchangeable Term Note (the "Note") and a Warrant to purchase 350,000 common shares at an initial exercise price of $3.00 at any time on or before December 15, 2005 (the "Warrant"). The Note, Warrant and related rights were sold to the investor in exchange for $7,000,000 (less financing fees). Among certain other covenants, we have agreed to maintain a letter of credit in favor of the investor in an amount equal to 57.15% of the principal balance of the Note until certain conditions are met, after which the required amount will be reduced to 50% of the principal balance of the Note. The letter of credit is currently secured by cash proceeds from issuance of the Note equal to the face amount of the letter of credit. Such cash proceeds are reflected as restricted cash in the Consolidated Balance Sheets.

The Note is in the principal amount of $7,000,000 and bears interest at a rate of 10% per annum. Under the Note, we are required to make monthly payments on or before the 15th day of each calendar month in the principal amount of $291,667 plus accrued interest (the "Monthly Payment Amount"). The Note is due and payable in full on December 15, 2003.

We may redeem the Monthly Payment Amount in cash. In addition, we may pay accrued interest in cash at any time throughout the term and may prepay the Note in $250,000 increments at any time throughout the term at a price equal to 115% of the sum of outstanding principal and accrued interest.

If we elect not to redeem the Monthly Payment Amount, on each due date, the holder of the Note automatically will receive the right to exchange (immediately or at any later date during the term) the Monthly Payment Amount into common shares at the applicable "Exchange Price." The Exchange Price for any date is the lesser of (a) a fixed exchange price of $3.00 as adjusted, or (b) the average of the lowest three daily trading prices of the common shares during the 15 trading days ending on the day before an exchange right is exercised. The Note is secured by a pledge of the intellectual property and common stock of Altair Technologies, Inc., and by a pledge of the common stock of Mineral Recovery Systems, Inc.

On March 31, 2000, we and a private equity fund entered into a Common Stock Purchase Agreement and related agreements, pursuant to which the equity fund purchased 1,251,303 Common Shares of the Company for an aggregate purchase price of $6,000,000; however, the number of shares received by the equity fund in exchange for $6,000,000 was subject to "repricing" adjustments if the lowest average closing price for any ten days during each of four 30-day "repricing" periods did not meet a certain threshold. Prior to December 15, 2000, the equity fund repriced 750,782 of the initial shares it purchased under the Common Stock Purchase Agreement and received an additional 1,003,626 Common Shares.

Pursuant to an Assignment and Agreement dated December 15, 2000, in

exchange for $1,650,000, the equity fund transferred all of its remaining rights under the Common Stock Purchase Agreement, including its right to reprice the remaining 500,521 of the initial 1,251,303 shares, to the investor that purchased the Note. On December 15, 2000, pursuant to the Securities Purchase Agreement, the investor that purchased the Note exercised its right to reprice approximately 70,928 of the initial shares and received 247,678 Common Shares. Simultaneously with such exercise, in exchange for approximately $1,650,000, the investor terminated all remaining rights under the Common Stock Purchase Agreement, including all remaining repricing rights.

During 2000, we paid the remaining $7,363,600 due BHP in connection with the purchase of the titanium processing technology and titanium processing assets.

At December 31, 2000, we had unrestricted cash and cash equivalents of $1,335,729, an amount which, together with $561,300 of stock subscriptions receivable at December 31, 2000 that were collected during the first quarter of 2001, is sufficient to fund the Company's basic operations through June 30, 2001. In connection with the issuance of the Note, we are required to file a registration statement registering the common shares which may be exchanged under the Note. We are also required to maintain a letter of credit in favor of the lender in an amount equal to 57% of the Note balance, reducing to 50% when the registration statement is effective and the market price of our common shares closes at or above $2.25 for five consecutive days. After the registration statement is effective, and as payments are made on the Note, we have the right to draw against the restricted cash securing the letter of credit as long as the letter of credit amount meets the specified percentage of the Note balance. We presently anticipate that the Monthly Payment Amount will be satisfied through the exchange of common shares during the year 2001 and that draws against the restricted cash, together with cash from anticipated revenues and potential sales of common stock, will be sufficient to fund operations during the remainder of the year.

Item 8. Financial Statements and Supplementary Data.

The financial statements required by this Item appear on pages F-1 through F-18 of this Form 10-K.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Documents Filed

1. Financial Statements. The following Consolidated Financial Statements of the Company and Auditor's Reports are filed as part of this Annual Report on Form 10-K:

- Independent Auditors' Report of McGovern Hurley, Hurley, Cunningham, LLP
- Independent Auditors' Report of Deloitte & Touche LLP
- Consolidated Balance Sheets, December 31, 2000 and 1999
- Consolidated Statements of Operations for Each of the Three Years in the Period Ended December 31, 2000 and for the Period from April 9, 1973 (Date of Inception) to December 31, 2000
- Consolidated Statements of Shareholders' Equity from April 9, 1973

(Date of Inception) to December 31, 2000

- Consolidated Statements of Cash Flows for Each of the Three Years in the Period Ended December 31, 2000 and for the Period from April 9, 1973 (Date of Inception) to December 31, 2000

- Notes to Consolidated Financial Statements

2. Financial Statement Schedule. Not applicable.

3. Exhibit List

Exhibit No.	Exhibit	Incorporated by Referenc
3.1.1	Articles of Incorporation of the Registrant	Incorporated by reference t Statement on Form 10-SB fil Commission on November 25,
3.1.2	Amendment to Articles of Incorporation of the Registration dated November 6, 1996	Incorporated by reference t To Registration Statement o With the Commission on Dece
3.2	Bylaws of the Registrant	Incorporated by reference t Statement on Form 10-SB fil Commission on November 25,
4.1	Form of Common Stock Certificate	Incorporated by reference t Statement on Form 10-SB fil Commission on November 25,
4.2	Amended and Restated Shareholder Rights Plan dated October 15, 1999, between the Company and Equity Transfer Services, Inc.	Incorporated by reference t Current Report on Form 8-K Commission on November 19,
4.3	Form of Doral Warrant	Incorporated by reference t Current Report on Form 8-K Commission on December 26,
4.4	Asset-backed Exchangeable Term Note dated December 15, 2000	Incorporated by reference t Current Report on Form 8-K Commission on December 26,
10.1	Employment Agreement between Altair International Inc. and William P. Long dated January 1, 1998	Incorporated by reference t Annual Report on Form 10-K Commission on March 31, 199 Amendment No. 1 to Annual R 10-K/A filed on May 15, 199
10.2	Employment Agreement between Fine Gold Recovery Systems Inc. and C. Patrick Costin	Incorporated by reference t Statement on Form 10-SB fil

	dated August 15, 1994	Commission on November 25,
10.3	Altair International Inc. Stock Option Plan adopted by shareholders on May 10, 1996	Incorporated by reference t Registration Statement on F the Commission on July 11,
10.4	1998 Altair International Inc. Stock Option Plan adopted by Shareholders on June 11, 1998	Incorporated by reference t Definitive Proxy Statement with the Commission on May
10.5	Form of Mineral Lease	Incorporated by reference t Annual Report on Form 10-K Commission on March 31, 199 Amendment No. 1 to Annual R 10-K/A filed on May 15, 199
10.6	Lease dated November 15, 1999, between the Company and BHP Minerals International Inc.	Incorporated by reference t Current Report on Form 8-K Commission on November 19,

10.7	Asset Purchase and Sale Agreement dated November 15, 1999, between the Company and BHP Minerals International Inc	Incorporated by reference t Current Report on Form 8-K Commission on November 19,
10.8	Securities Purchase Agreement dated December 15, 2000.	Incorporated by reference t Current Report on Form 8-K Commission on December 26,
10.9	Registration Rights Agreement dated December 15, 2000.	Incorporated by reference t Current Report on Form 8-K Commission on December 26,
10.10	Stock Pledge Agreement dated December 15, 2000 (Mineral Recovery Systems common stock).	Incorporated by reference t Current Report on Form 8-K Commission on December 26,
10.11	Stock Pledge Agreement dated December 15, 2000 (Altair Technologies common stock).	Incorporated by reference t Current Report on Form 8-K Commission on December 26,
10.12	Assignment and Agreement dated December 15, 2000.	Incorporated by reference t Current Report on Form 8-K Commission on December 26,
10.13	Research Agreement dated August 1, 2000	Incorporated by reference t Amendment No. 1 on Form 10- the Commission on April 17,
23	Auditor's Consent	Filed herewith.
24	Power of Attorney	Included on the Signature P

(b) Reports on Form 8-K

The Company filed a Current Report on Form 8-K on December 26, 2000, in which it reported (i) the issuance of a $7 million Asset-Backed Exchangeable Term Note together with a Warrant to purchase 350,000 common shares at an initial exercise price of $3.00, and (ii) the assignment and termination of repricing rights under a March 31, 2000 Common Stock Purchase Agreement.

(c) Exhibits

Exhibits to this Report are attached following page F-19 hereof.

(d) Financial Statement Schedule

Not applicable.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Amendment No. 3 to Annual Report on Form 10-K/A to be signed on its behalf by the undersigned, thereunto duly authorized, on May 5, 2001.

ALTAIR INTERNATIONAL INC.

By: /s/ William P. Long

William P. Long,
President, Chief Executive Officer

ADDITIONAL SIGNATURES

Signature	Title	Date
/s/ William P. Long --- William P. Long	President and Chief Executive Officer and Director (Principal Executive Officer)	May 5, 2001
/s/ Edward Dickinson Edward Dickinson	Chief Financial Officer (Principal Financial and Accounting Officer)	May 5, 2001
/s/ James I. Golla* --- James I. Golla	Secretary and Director	May 5, 2001
/s/ George Hartman* ---	Director	May 5, 2001

George Hartman

/s/ Robert Sheldon* Director May 5, 2001

Robert Sheldon

* By: /s/ William P. Long

William P. Long, Attorney-in-Fact

ALTAIR INTERNATIONAL INC. AND SUBSIDIARIES
(AN EXPLORATION STAGE COMPANY)

Consolidated Financial Statements as of December 31, 2000 and 1999 and for Each of the Three Years in the Period Ended December 31, 2000 and for the Period from April 9, 1973 (Date of Inception) to December 31, 2000 and Independent Auditors' Report

altair international, inc. and subsidiaries
(An Exploration Stage Company)

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Letterhead of McGovern, Hurley, Cunningham, LLP]

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors
Altair International Inc.

We have audited the consolidated statements of operations, stockholders' equity and cash flows of Altair International Inc. and subsidiaries (a development stage company) for the period from April 9, 1973 (date of inception) to December 31, 1997 (these financial statements are not presented separately herein). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated results of operations and cash flows of Altair International Inc. and subsidiaries (a development stage company) for the period from April 9, 1973 (date of inception) to December 31, 1997 in conformity with accounting principles generally accepted in the United States of America.

The consolidated financial statements referred to above have been prepared assuming that the Company will continue as a going concern. The Company is a development stage enterprise engaged in developing mineral processing equipment, producing titanium dioxide products, and exploring and developing mineral properties. As discussed in Note 1 to the consolidated financial statements, the Company's operating losses raise substantial doubt about its ability to continue as a gong concern. Management's plans concerning these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

We consent to the incorporation by reference of this report in the Registration Statements on Form S-3, file Nos. 333-54092, 333-36462 and 333-45511 and the Registration Statements on Form S-8, file Nos. 333-64495 and 333-33481 filed by Altair International Inc.

McGOVERN, HURLEY CUNNINGHAM, LLP

By: /s/ McGovern, Hurley Cunningham, LLP

McGovern, Hurley Cunningham, LLP
Chartered Accounts

TORONTO, Canada
February 17, 2000

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Altair International, Inc.
Reno, Nevada

We have audited the accompanying consolidated balance sheets of Altair International, Inc. (an exploration stage company) and subsidiaries (collectively referred to as the "Company") as of December 31, 2000 and 1999, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2000, and for the period from April 9, 1973 (date of inception) to December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The Company's consolidated financial statements for the period from April 9, 1973 (date of inception) to December 31, 1997 were audited by other auditors whose report, dated February 17, 2000 expressed an unqualified opinion on those statements. The other auditors' report has been furnished to us and our opinion, insofar as it related to the amounts included for such prior periods, is based solely on the report of such other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, and for the period from April 9, 1973 (date of incorporation) to December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company is a development stage enterprise engaged in developing mineral processing equipment, producing titanium dioxide products, and exploring and developing mineral properties. As discussed in Note 1 to the consolidated financial statements, the Company's operating losses raise substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

By: /s/ DELOITTE & TOUCHE LLP

DELOITTE & TOUCHE LLP

Salt Lake City, Utah
March 30, 2001

ALTAIR INTERNATIONAL INC. AND SUBSIDIARIES
(An Exploration Stage Company)

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2000 AND 1999
(Expressed in United States Dollars)

ASSETS	2000	1999
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,335,729	$ 153,580
Restricted cash	2,250,000	--
Other current assets	390,351	1,492,786
Total current assets	3,976,080	1,646,366
RESTRICTED CASH	1,750,000	--
PROPERTY AND EQUIPMENT, Net	6,601,917	7,093,569
PATENTS AND RELATED EXPENDITURES, Net	4,111,740	4,625,913
OTHER ASSETS	212,033	--
TOTAL ASSETS	$ 16,651,770	$ 13,365,848
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 158,642	$ 214,483
Notes payable - current portion	3,500,004	7,363,600
Capital lease obligations - current portion	24,763	--
Deferred revenue	57,957	--
Total current liabilities	3,741,366	7,578,083
NOTES PAYABLE, Long-term portion	2,687,181	--
CAPITAL LEASE OBLIGATIONS, Long-term portion	2,312	--
COMMITMENTS AND CONTINGENCIES (Notes 1, 3, 6, 7, 8, 9, 10, and 12)		
SHAREHOLDERS' EQUITY:		
Common stock, no par value, unlimited shares authorized; 19,325,488 and 15,474,915 shares issued and outstanding at December 31, 2000 and 1999	32,388,589	21,479,669
Stock subscription receivable	(561,300)	--

Deficit accumulated during the development stage	(21,606,378)	(15,691,904)
Total shareholders' equity	10,220,911	5,787,765
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 16,651,770	$ 13,365,848

See notes to the consolidated financial statements.

ALTAIR INTERNATIONAL INC. AND SUBSIDIARIES
(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2000 AND
FOR THE PERIOD FROM APRIL 9, 1973 (DATE OF INCEPTION) TO DECEMBER 31, 2000
(Expressed in United States Dollars)

	Year Ended December 31,		
	2000	1999	1998
REVENUES	None	None	None
OPERATING EXPENSES:			
Mineral exploration and development	$ 1,217,966	$ 714,893	$ 793,249
Research and development	1,555,472	354,462	259,630
Professional services	366,275	252,337	236,549
General and administrative expenses	2,271,250	1,899,759	1,867,420
Depreciation and amortization	1,236,404	508,083	685,593
Total operating expenses	6,647,367	3,729,534	3,842,441
LOSS FROM OPERATIONS	6,647,367	3,729,534	3,842,441
OTHER (INCOME) EXPENSE:			
Interest expense	215,216	1,966	959,612
Interest income	(83,440)	(134,811)	(335,037)
(Gain) loss on foreign exchange	(864,669)	160,619	17,109
Total other (income) expense, net	(732,893)	27,774	641,684
LOSS BEFORE EXTRAORDINARY ITEMS	5,914,474	3,757,308	4,484,125
EXTRAORDINARY ITEMS:			
(Gain) on forgiveness of debt	--	(67,442)	(25,805)
Loss on redemption of convertible debentures	--		193,256
Total extraordinary items	--	(67,442)	167,451
NET LOSS	$ 5,914,474	$ 3,689,866	$ 4,651,576
LOSS BEFORE EXTRAORDINARY ITEMS			

PER COMMON SHARE:			
Basic and diluted	$ 0.34	$ 0.24	$ 0.30
EFFECT OF EXTRAORDINARY ITEMS ON EARNINGS PER SHARE:			
Basic and diluted	0.00	(0.01)	0.01
LOSS PER COMMON SHARE -			
Basic and diluted	$ 0.34	$ 0.23	$ 0.31
WEIGHTED AVERAGE SHARES -			
Basic and diluted	17,371,214	15,472,075	15,175,743

See notes to the consolidated financial statements.

ALTAIR INTERNATIONAL, INC. AND SUBSIDIARIES
(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM APRIL 9, 1973 (DATE OF INCEPTION) TO DECEMBER 31, 2000
(Expressed in United States Dollars)

	Common Stock		Stock	Deficit Accumulat During th
	Shares	Stated Amount	Subscription Receivable	Developme Stage
APRIL 9, 1973 (DATE OF INCEPTION)	None	None	None	None
Common stock issued	101,668	$ 387,073	$ --	$-
Net loss	--	--	--	(361,572
BALANCE, DECEMBER 31, 1984	101,668	387,073	--	(361,572
Common stock issued	40,000	240,770	--	--
Common stock issued for management fees	1,280	7,004	--	--
Net loss	--	--	--	(78,606
BALANCE, DECEMBER 31, 1985	142,948	634,847	--	(440,178
Common stock issued for property	3,333	18,058	--	--
Acquisition of subsidiary	780,000	44,551	--	--
Common stock issued for underwriter bonus	4,000	1	--	--
Net loss	--	--	--	(210,667
BALANCE, DECEMBER 31, 1986	930,281	697,457	--	(650,845
Common stock issued for property	6,667	8,027	--	--
Flow through shares	298,650	463,301	--	--
Common stock issued for rights offering	257,822	253,947	--	--
Net loss	--	--	--	(696,642

BALANCE, DECEMBER 31, 1987	1,493,420	1,422,732	--	(1,347,487
Common stock issued for services	16,667	14,592	--	--
Common stock issued	16,667	14,592	--	--
Common stock issued in settlement of debt	233,333	51,073	--	--
Net loss	--	--	--	(149,316
BALANCE, DECEMBER 31, 1988	1,760,087	1,502,989	--	(1,496,803
Common stock issued	127,500	75,058	--	--
Common stock issued in settlement of lawsuit	41,667	22,800	--	--
Net loss	--	--	--	(151,372
BALANCE, DECEMBER 31, 1989	1,929,254	1,600,847	--	(1,648,175

ALTAIR INTERNATIONAL, INC. AND SUBSIDIARIES
(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM APRIL 9, 1973 (DATE OF INCEPTION) TO DECEMBER 31, 2000
(Expressed in United States Dollars)

	Common Stock		Stock	Deficit Accumul During Develop
	Shares	Stated Amount	Subscription Receivable	Stag
BALANCE, DECEMBER 31, 1989	1,929,254	$ 1,600,847	$ --	$(1,648
Common stock issued	133,333	218,882	--	
Exercise of stock options	33,333	18,240	--	
Common stock issued for property	11,666	11,674	--	
Common stock issued for services	13,333	21,888	--	
Net loss	--	--	--	(230
BALANCE, DECEMBER 31, 1990	2,120,919	1,871,531	--	(1,878
Common stock issued	266,667	196,994	--	
Common stock issued for property	28,333	17,146	--	
Net loss	--	--	--	(258
BALANCE, DECEMBER 31, 1991	2,415,919	2,085,671	--	(2,136
Common stock issued	1,086,753	443,237	--	
Common stock issued for property	115,000	49,249	--	
Common stock issued for settlement of debt	55,177	24,155	--	
Net loss	--	--	--	(353

BALANCE, DECEMBER 31, 1992	3,672,849	2,602,312	--	(2,490
Common stock issued	48,000	36,393	--	
Common stock issued for property	46,667	55,012	--	
Net loss	--	--	--	(193
BALANCE, DECEMBER 31, 1993	3,767,516	2,693,717	--	(2,683
Common stock issued	600,000	131,329	--	
Common stock issued for shares of subsidiary	750,000	257,187	--	
Common stock issued for royalties	83,333	33,641	--	
Net loss	--	--	--	(227
BALANCE, DECEMBER 31, 1994	5,200,849	3,115,874	--	(2,911
Common stock issued	2,700,000	875,529	--	
Exercise of stock options	247,000	53,553	--	
Exercise of stock warrants	350,000	171,458	--	
Net loss	--	--	--	(424
BALANCE, DECEMBER 31, 1995	8,497,849	4,216,414	--	(3,335

ALTAIR INTERNATIONAL, INC. AND SUBSIDIARIES
(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM APRIL 9, 1973 (DATE OF INCEPTION) TO DECEMBER 31, 2000
(Expressed in United States Dollars)

	Common Stock		Stock Subscription	D A D
	Shares	Stated Amount	Receivable	
BALANCE, DECEMBER 31, 1995	8,497,849	$ 4,216,414	$ --	$
Common stock issued	554,027	1,637,307	--	
Exercise of stock options	702,000	526,850	--	
Exercise of stock warrants	3,012,463	2,471,219	--	
Stock options issued to non-employees	--	285,503	--	
Common stock issued for acquisition of TMI	1,919,957	2,521,469	--	
Net loss	--	--	--	
BALANCE, DECEMBER 31, 1996	14,686,296	11,658,762	--	
Exercise of stock options	362,500	1,530,406	--	
Stock options issued to non-employees	--	528,555	--	
Stock options issued to employees	--	62,800	--	
Exercise of stock warrants	443,949	1,038,788	--	

Net loss	--	--	--	
BALANCE, DECEMBER 31, 1997	15,492,745	14,819,311	--	
Stock options issued to non-employees	--	841,944	--	
Stock options issued to employees	--	15,420	--	
Common stock cancelled	(723,065)	--	--	
Common stock issued for convertible debenture	387,735	3,061,444	--	
Exercise of stock options	17,500	113,664	--	
Net loss	--	--	--	
BALANCE, DECEMBER 31, 1998	15,174,915	18,851,783	--	
Stock options issued to non-employees	--	765,386	--	
Common stock issued	300,000	1,862,500	--	
Net loss	--	--	--	
BALANCE, DECEMBER 31, 1999	15,474,915	21,479,669	--	
Stock options issued to non-employees	--	424,063	--	
Stock subscription receivable	--	--	(561,300)	
Stock warrants issued	--	1,245,050	--	
Exercise of stock options	71,300	335,778	--	
Common stock issued	3,779,273	8,904,029	--	
Net loss	--	--	--	
BALANCE, DECEMBER 31, 2000	19,325,488	$ 32,388,589	$ (561,300)	$

See notes to consolidated financial statements.

ALTAIR INTERNATIONAL INC. AND SUBSIDIARIES
(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2000 AND
FOR THE PERIOD FROM APRIL 9, 1973 (DATE OF INCEPTION) TO DECEMBER 31, 2000
(Expressed in United States Dollars)

	Year Ended December 31,		
	2000	1999	199
CASH FLOWS FROM DEVELOPMENT ACTIVITIES:			
Net loss	$ (5,914,474)	$ (3,689,866)	$ (4,651,5
Adjustments to reconcile net loss to net cash used			

in development activities:			
Depreciation and amortization	1,236,404	508,083	685,5
Shares issued for services	--	--	--
Shares issued for settlement of debt	--	--	--
Shares issued for property	--	--	--
Issuance of stock options to non-employees	424,063	765,386	841,9
Issuance of stock options to employees	--	--	15,4
Issuance of stock warrants	420,182	--	--
Amortization of discount on note payable	12,052	--	--
Loss on redemption of convertible debenture	--	--	193,2
Gain on forgiveness of debt	--	(67,442)	(25,8
Loss on disposal of fixed assets	--	--	1,9
Loss (gain) on foreign currency translation	(864,669)	160,619	17,1
Deferred financing costs written off	--	--	515,8
Changes in assets and liabilities (net of effects of acquisition):			
Restricted cash	(4,000,000)	--	--
Other current assets	990,579	172,512	(95,1
Other assets	(169,606)	--	10,1
Accounts payable and accrued liabilities	(75,161)	48,734	65,1
Deferred revenue	57,957	--	--
Net cash used in development activities	(7,882,673)	(2,101,974)	(2,426,0
CASH FLOWS FROM INVESTING ACTIVITIES:			
Asset acquisition (see Note 3)	--	(2,422,417)	--
Purchase of property and equipment	(226,612)	(207,048)	(146,2
Purchase of patents and related expenditures	--	(76,135)	(169,8
Net cash used in investing activities	(226,612)	(2,705,600)	(316,0
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of common shares for cash, net of share issue costs	8,904,029	1,862,500	--
Issuance of convertible debenture	--	--	--
Proceeds from exercise of stock options	335,778	--	113,6
Proceeds from exercise of warrants	--	--	--
Issuance of notes payable	7,000,000	--	--
Payment of notes payable	(6,498,931)	(6,191)	(177,5
Purchase of call options	(449,442)	--	--
Redemption of convertible debentures	--	--	(2,250,9
Net cash provided by (used in) financing activities	9,291,434	1,856,309	(2,314,8
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,182,149	(2,951,265)	(5,056,9
CASH AND CASH EQUIVALENTS, Beginning of period	153,580	3,104,845	8,161,7
CASH AND CASH EQUIVALENTS, End of period	$ 1,335,729	$ 153,580	$ 3,104,8

ALTAIR INTERNATIONAL INC. AND SUBSIDIARIES
(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2000, 1999, AND 1998,
AND THE PERIOD FROM APRIL 9, 1973 (DATE OF INCEPTION) TO DECEMBER 31, 2000
(Expressed in United States Dollars)

	Year Ended December 31,		
	2000	1999	1998
SUPPLEMENTAL DISCLOSURES:			
Cash paid for interest	$85,929	$1,966	$32,165
Cash paid for income taxes	None	None	None

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

For the year ended December 31, 2000:

- We entered into a capital lease obligation of $46,395 for laboratory equipment.
- We issued 1,003,626 shares of common stock as part of a repricing agreement (see Note 9).
- We recorded a stock subscription receivable for 165,000 shares of common stock with an investor.
- In conjunction with the Doral 18, LLC note (see Note 6), we issued warrants to purchase 350,000 common shares at $3.00 per share. The warrants had an estimated fair value of $824,900.

For the year ended December 31, 1999:

- On November 16, 1999, we acquired certain assets from BHP Minerals International, Inc. Liabilities assumed in the acquisition are as follows:

Fair value of assets purchase	$9,625,500
Cash paid	None
Note payable denominated in U.S. dollars (15,000,000 Austrailian dollars)	$9,625,500

For the year ended December 31, 1998:

- Convertible debentures having a principal amount of $2,750,000 and accrued interest of $66,528 were converted into 387,735 shares of common stock with a fair market value of $3,061,444.

See notes to consolidated financial statements. (Concluded)

ALTAIR INTERNATIONAL INC. and subsidiaries
(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2000, 1999, AND 1998,
AND FOR THE PERIOD APRIL 9, 1973 (DATE OF INCEPTION) TO DECEMBER 31, 2000
(Expressed in United States Dollars)

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1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of Business - Altair International Inc. is incorporated in the province of Ontario, Canada and is engaged in the business of (1) producing titanium dioxide products, (2) exploring and developing mineral properties in the United States, and (3) developing mineral processing equipment for use in the recovery of fine and heavy mineral particles, including titanium, zircon, gold and environmental contaminants. Our authorized capital stock is comprised of an unlimited number of common shares with no par value.

Prior to fiscal year 1998, we prepared our financial statements in accordance with accounting principles generally accepted in Canada. Due to substantially all of our operations being located in the United States, we have elected to present our financial statements in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation - The consolidated financial statements include the accounts of Altair International Inc. and its subsidiaries which include (1) Mineral Recovery Systems, Inc. (MRS), (2) Fine Gold Recovery Systems, Inc. (FGRS), (3) Altair Technologies, Inc. (ATI), (4) California Recovery Systems, Inc. (CRS), (5) Tennessee Valley Titanium, Inc. (TVT), and (6) 660250 Ontario Limited (OL) (collectively referred to as the "Company"), all of which are 100% owned. Intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation - Our accompanying consolidated financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the consolidated statements of operations, we have not yet achieved profitable operations. We incurred a net loss of $5,914,474, $3,689,866, and $4,651,576 for the years ended December 31, 2000, 1999, and 1998, respectively, and a cumulative loss of $21,606,378 for the period April 9, 1973 (date of inception) to December 31, 2000. In addition, development of the titanium processing technology, the Tennessee mineral property, and the centrifugal jig will require additional financing or capital to bring these assets into commercial operation. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern.

Our continuation as a going concern is dependent upon our ability to generate sufficient cash flow to meet our obligations on a timely basis and ultimately to develop commercially viable products and processes and then attain successful operations. We are in the process of developing the titanium processing technology, the Tennessee mineral property, and the centrifugal jig. We have financed operations primarily through the issuance of equity securities (common stock, convertible debentures, stock options and warrants), and by the issuance of a $7 million term note as discussed in Note 6. Additional funds will be required to complete development activities. We believe that current working capital, cash receipts from anticipated sales, and funding through sales of common stock will be sufficient to enable us to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of

America requires that we make estimates and assumptions that affect the reported

amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents are recorded at cost, which approximates fair value.

Property and Equipment - Property and equipment are stated at cost less accumulated depreciation. Depreciation is recorded using the straight-line method over the following useful lives:

Furniture and office equipment	3 - 7 years
Vehicles	5 years
Centrifugal jig equipment	7 years
Jig testing equipment	7 years
Pigment production equipment	5 - 10 years

Patents and Related Expenditures - Patents related to the pigment production technology and centrifugal jig technology are carried at cost and amortized on a straight-line basis over their estimated useful lives, which range from 3 to 17 years.

Exploration - Expenditures incurred in the search for mineral deposits and the determination of the commercial viability of such deposits are charged to expense as incurred.

Research and Development Expenditures - Research and development expenditures are charged to expense as incurred.

Foreign Currency Translation - Asset and liability accounts, which are originally recorded in the appropriate local currencies, are translated into U.S. dollars at year-end exchange rates. Revenue and expense accounts are translated at the average exchange rates for the period. Transaction gains and losses are included in the accompanying consolidated statements of operations. Substantially all of our assets are located in the United States of America.

Stock-Based Compensation - We have elected to follow the accounting provisions of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees for Stock-Based Compensation, and to furnish the pro forma disclosures required under Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation.

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

Net Loss Per Common Share - Basic net loss per common share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. The existence of stock options, warrants, and convertible

debentures affects the calculation of loss per share on a fully diluted basis. When a net loss is reported, the number of shares used for basic and diluted net loss per share is the same since the effect of including the additional common stock equivalents would be antidilutive. During the three years in the period ended December 31, 2000, because the exercise price of the options and warrants (see Note 7) was equal to or greater than the fair market value of the stock, the warrants and options would be antidilutive and excluded from fully diluted loss per share. See Notes 8 and 9 for a summary of convertible securities that potentially could effect the fully diluted loss per share.

Recent Accounting Pronouncements - In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, as amended, Accounting for Derivative Instruments and Hedging Activities, and established standards for

derivative instruments, including certain derivative instruments embedded in other contracts and hedging activities. We adopted the standard on January 1, 2001. The adoption of SFAS No. 133 did not have any effect on us.

On September 29, 2000, the Financial Accounting Standards Board issued SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - A Replacement of FASB Statement No. 125. SFAS 140 is effective for transfers occurring after March 31, 2001 and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. We do not expect that the adoption of this statement will have a material impact on our financial statements.

Effective the fourth quarter of fiscal year 2000, we adopted Staff Accounting Bulletin (SAB) 101. The adoption of this standard had no effect on our consolidated financial statements.

Comprehensive Income - We classify components of other comprehensive income by their nature in the consolidated financial statements and display the accumulated balance of other comprehensive income as a separate component of shareholders' equity in the consolidated balance sheets. There were no other components of comprehensive income other than the net loss.

Deferred Income Taxes - We use an asset and liability approach for financial accounting and reporting for income taxes. Deferred income taxes are provided for temporary differences in the bases of assets and liabilities as reported for financial statement purposes and income tax purposes. We have recorded a valuation allowance against all deferred tax assets.

Extraordinary Items - As a result of a 1994 merger with TransMar, Inc. (TMI), FGRS assumed all of TMI's liabilities. During 1999, 1998, and 1996, FGRS extinguished certain of TMI's liabilities at less than the recorded amounts of such debt. The forgiveness of debt totaled $67,442, $25,805, and $702,725 in 1999, 1998, and 1996, respectively.

During 1998, we redeemed $2,250,000 of the convertible debentures, incurring a redemption premium of $193,256.

Deferred Revenue - We entered into a sales contract on October 6, 2000 with a customer for titanium dioxide nanoparticles under which the total contract amount was prepaid. Product delivery dates are not fixed but are anticipated to be during 2001. We will recognize revenue as the product is shipped.

Financial Instruments - Our financial instruments, when valued using market interest rates, would not be materially different from the amounts presented in the consolidated financial statements.

3. ACQUISITION OF CERTAIN ASSETS

On November 16, 1999, we entered into an Asset Purchase and Sale Agreement with BHP Minerals International Inc. (BHP), an Australian company, pursuant to which we purchased all tangible equipment and other assets related to a hydrometallurgical process developed by BHP primarily for the production of titanium dioxide products from titanium bearing ores or concentrates (the "Technology"), in process patent applications and the use of the services of certain BHP personnel involved in the development of the Technology for a period of one year.

The purchase price for the assets and technology was 15,000,000 Australian dollars (AUD$), or $9,625,500 U.S. dollars (US$), and was payable in four equal installments. The first installment was paid at closing on November 16, 1999, the second and third installments were paid on May 12, 2000 and the remaining installment was paid on August 1, 2000. The installments due in AUD$ were translated into US$ at the date of payment and the related foreign currency gain (loss) was recorded as other income or expense. We are also required to pay to BHP, until the earlier of (1) November 15, 2014 or (2) the date we have paid an aggregate royalty of 105,000,000 AUD$, a quarterly royalty of from 1.5% to 3% of certain titanium dioxide products produced and 3% of other products sold. As we have not yet entered commercial production with this technology, no royalties are due under this agreement.

In connection with the Asset Purchase Agreement, we entered into a lease with BHP pursuant to which we lease approximately 20,000 square feet of laboratory and testing space at BHP's testing facility in Reno, Nevada for a monthly rent of $15,000. The lease is subject to automatic renewal for six-month periods at inflation-adjusted rent until terminated by us. The lease grants us a right of first refusal in the event BHP intends to sell the building and property subject to the lease.

The acquisition was accounted for as a purchase. The assets (consisting of property and equipment, service agreement, and technology) have been recorded at their estimated fair values at the date of acquisition. The amount of the purchase price allocated to property and equipment was $6,568,839, service agreement was $1,538,985, and technology was $1,517,736. The technology is being amortized using the straight-line method over seventeen years, which approximates the remaining life of the patents pending. Subsequent to the acquisition, we applied for four United States patents related to the technology acquired from BHP.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2000 and December 31, 1999:

	2000	1999
Furniture and office equipment	$ 82,582	$ 76,228
Vehicles	125,031	125,031
Centrifugal jig equipment	644,632	644,632
Jig testing equipment	91,521	45,128
Pigment production equipment	6,776,286	6,568,839
Total	7,720,052	7,459,858
) Less accumulated depreciation	(1,118,135)	(366,289)

Total property and equipment	$ 6,601,917	$ 7,093,569

Depreciation expense for the years ended December 31, 2000, 1999, and 1998 totaled $751,846, $169,234, and $76,934, respectively.

5. PATENTS AND RELATED EXPENDITURES

Patents and related expenditures consisted of the following at December 31, 2000 and December 31, 1999:

	2000	1999
Pigment production patent applications	$ 1,523,670	$ 1,553,286
Centrifugal jig patents	4,210,987	4,223,800
Royalty agreement	424,881	424,881
Mineral recovery technology rights	243,000	243,000
	6,402,538	6,444,967
Less accumulated amortization	(2,290,798)	(1,819,054)
Total patents and related expenditures	$ 4,111,740	$ 4,625,913

6. NOTES PAYABLE AND CAPITAL LEASE OBLIGATIONS

Notes payable consisted of the following at December 31, 2000 and 1999:

	2000	1999
Note payable to Doral 18, LLC	$ 7,000,000	--
Note payable to BHP Minerals International, Inc. (amount reported herein is reflected in U.S. dollars; however, actual payments were made in Australian dollars)	--	$ 7,363,600
Total	7,000,000	7,363,600
Less current portion	(3,500,004)	(7,363,600)
Less discount resulting from allocation of debt proceeds to warrant	(812,815)	--
Long-term portion of notes payable	$ 2,687,181	None

On December 15, 2000, pursuant to a securities purchase agreement, we sold to Doral 18, LLC a $7 million 10% Asset-Backed Exchangeable Term Note (the Note) and detachable warrants to purchase 350,000 common shares (the "Common Shares") at $3.00 per share. At the same time, we acquired call options on 247,678 shares of our common stock held by Doral 18, LLC (see Note 9).

Net proceeds of $4 million from the Note were placed in a restricted bank account to secure a letter of credit and are scheduled to be released as principal payments are made. Under the Note, we are required to make monthly payments on or before the 15th day of each calendar month in the principal amount of $291,667 plus accrued interest. The Note is due and payable in full on

December 15, 2003.

We may redeem the monthly payment amounts in cash at any time throughout the term of the Note and may prepay the Note in $250,000 increments at any time at a price equal to 115% of the sum of outstanding principal and accrued interest. If we elect not to redeem the monthly payment amount in cash, on each due date, the holder of the Note automatically will receive the right to exchange (immediately or at any later date during the term) the monthly payment amount into common

shares at the applicable exchange price. The exchange price for any date is the lesser of (a) a fixed exchange price of $3.00, subject to adjustment, and (b) the average of the lowest three daily trading prices of the common shares during the 15 trading days ending on the day before an exchange right is exercised. At its option, the holder of the Note may reduce at fair market value the number of shares subject to the call option described in Note 9 in lieu of receiving shares upon the exercise of exchange rights. Because this is a contingent embedded beneficial conversion feature, no amounts have been allocated to the beneficial conversion feature until the contingency is resolved.

The Note is secured by a pledge of the equipment, intellectual property and common stock of ATI, and by a pledge of the common stock of MRS.

The warrants have an exercise price of $3.00, and are exercisable at any time on or before the earlier of (a) December 15, 2005, and (b) the date 60 days after we provide notice to the holder that the market price of the Common Shares has been equal to or greater than $12.00 for five consecutive days. The exercise price is subject to reduction pursuant to a formula set forth in the warrant. The warrants have an estimated fair value of $824,900, as determined using the Black-Scholes pricing model. The proceeds of the debt were allocated between the debt and the warrants based on relative fair values on the date of issuance. The portion allocated to the warrants resulted in a discount on the note payable which is being accreted to interest expense over the term of the debt agreement.

Upon the occurrence of a default or specified major corporate event, the holder of the Note has the right to exchange the entire principal balance of the Note for common shares. Upon the occurrence of other specified events, we may be required to redeem the monthly payment amount in cash at 120% of face value. As of December 31, 2000, we had no occurrences of default or corporate events.

We have long-term capital leases related to the acquisition of equipment. Long-term capital lease obligations as of December 31, 2000 are as follows:

Year ending December 31:	
2001	$ 28,235
2002	2,352
Subtotal	30,587
Less amounts representing interest	(3,512)
Less current portion	(24,763)
Total	$ 2,312

At December 31, 2000, the gross book value of equipment under capital leases was $46,395. There were no capital leases at December 31, 1999. The amortization expense associated with these capital leases is included in depreciation expense.

7. STOCK OPTIONS AND WARRANTS

Stock Options - We have stock option plans administered by the Board of Directors that provide for the granting of options to employees, officers, directors and other service providers of the Company. Options granted under the plans generally are granted with an exercise price equal to the market value of a common share at the date of grant, have two- to five-year terms and typically vest over periods ranging from immediately to three years from the date of grant.

Stock option activity for the years ended December 31, 2000, 1999 and 1998 is summarized as follows:

	2000		1999		
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	
Outstanding at beginning of year	3,060,000	$ 5.92	1,965,000	$ 6.61	
Granted during the year	420,000	3.86	1,550,000	5.74	1
Cancelled	(450,000)	7.80	(455,000)	8.30	
Exercised	(71,300)	4.71	--	--	
Outstanding at end of year	2,958,700	$ 5.37	3,060,000	$ 5.92	1
Options exercisable at year end	2,153,700	$ 5.45	1,835,000	$ 5.64	1
Weighted average fair value of options granted during year		$ 3.24		$ 2.83	

The following table summarizes information about stock options outstanding at December 31, 2000:

	Stock Options Outstanding			
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Nu Exer
$2.00 to $4.00	670,000	1.5	$ 2.83	6
$4.38 to $4.75	915,000	4.0	4.39	3
$4.94 to $7.50	908,700	2.5	6.64	8
$8.00 to $10.00	465,000	2.6	8.69	3
	2,958,700	4.6	$ 5.37	2,1

We have elected to follow the measurement provisions of APB Opinion No. 25, under which no recognition of expense is required in accounting for stock options granted to employees for which the exercise price equals or exceeds the fair market value of the stock at the grant date. Generally stock options are granted at an option price at or greater than fair market value on the date of grant. We recorded compensation expense of $15,420 for stock options granted to employees for which the fair market value exceeded the exercise price of the stock at the grant date for the year ended December 31, 1998. We recorded compensation expense of $424,063, $765,386, and $841,944 for stock options granted to non-employees for the years ended December 31, 2000, 1999, and 1998, respectively.

We have adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ("SFAS 123"). To estimate compensation expense that would be recognized under SFAS 123, we have used the modified Black-Scholes option pricing model. If we had accounted for our stock options using the accounting method prescribed by SFAS 123, our net loss and loss per share would be as follows:

	2000	1
Net loss (both basic and diluted):		
As reported	$ 5,914,474	$3,689,
Pro forma	9,637,609	4,628,
Loss per common share (both basic and diluted):		
As reported	0.34	0
Pro forma	0.56	0

In calculating pro forma compensation, the fair value of each stock option is estimated on the date of grant using the Black-Scholes option-pricing model and the following weighted average assumptions:

	2000	1999	1998
Dividend yield	None	None	None
Expected volatility	93 %	75 %	77 %
Risk-free interest rate	6.40 %	5.80 %	5.43 %
Expected life (years)	4.6	5.0	4.9

Warrants - As of December 31, 2000, there were 1,883,672 warrants issued and outstanding for the purchase of our common shares. The warrants were issued in conjunction with debt offerings, issuance of common stock, and payment for outside services. The warrants have a weighted average exercise price of $5.175 per share and expire on various dates ranging from March 2002 to January 2006. Most warrants contain provisions whereby the expiration date is accelerated if our common shares close at or above specified prices ranging from $6.00 to $14.00 per share.

8. CONVERTIBLE DEBENTURES

On December 29, 1997, we issued $5,000,000 in convertible subordinated debentures due December 29, 2001 (the "Debentures") bearing interest at 5% per annum payable in cash or common shares either annually or upon conversion or maturity, at our discretion. Subject to certain restrictions during the first 180 days after closing, the Debentures were convertible by holders into common shares at a conversion rate equal to the lesser of (a) 92% of the average price of the common shares for the five trading days prior to submission of a notice of conversion by the holder, or (b) $14.36875 per share. The purchasers of the Debentures also received transaction warrants entitling the holders to purchase 75,000 common shares on or before December 29, 1999 at a price of $16.7188 per share. In addition, the placement agent received 105,000 placement warrants entitling the agent to purchase 105,000 common shares at $16.7188 per share on or before December 29, 1999. The proceeds of the debt were allocated between the debt, the warrants and the beneficial conversion feature based upon fair values. The amount allocated to the beneficial conversion feature and warrants was accreted to interest expense in 1998 when the debentures were converted and/or retired.

During the period May 20, 1998 through July 31, 1998, the holders of the Debentures elected to convert $2,750,000 of the principal amount of the Debentures and $66,528 of accrued interest. These conversions resulted in the issuance of 387,735 common shares. On August 28, 1998, we elected to redeem the remaining $2,250,000 of Debentures using cash previously invested in short-term instruments. The total cash of $2,550,938, required to redeem the Debentures, included a redemption premium of $193,256 and accrued interest of $107,682. In conjunction with this redemption, we wrote off deferred financing costs totaling $515,842.

9. OTHER TRANSACTIONS

On March 31, 2000, we entered into a common stock purchase agreement with a private equity fund pursuant to which the equity fund purchased 1,251,303 common shares of Altair for an aggregate purchase price of $6,000,000; however, the number of shares received by the equity fund in exchange for $6,000,000 was subject to repricing adjustments if the lowest average closing price for any ten days during each of four 30-day repricing periods did not meet a certain threshold. Prior to December 15, 2000, the equity fund repriced 750,782 of the initial shares it purchased under the common stock purchase agreement and received an additional 1,003,626 common shares.

Pursuant to an assignment and agreement dated December 15, 2000, the equity fund referred to in the preceding paragraph transferred all of its remaining rights under the common stock purchase agreement, including its right to reprice the remaining 500,521 of the initial 1,251,303 shares, to Doral 18, LLC (Doral) (see Note 6). Pursuant to this purchase agreement, Doral exercised its right to reprice approximately 70,928 of the initial shares and received 247,678 common shares. In exchange for approximately $1,650,000, we bought from Doral and terminated all remaining rights under the common stock purchase agreement, including all remaining repricing rights. In conjunction with this buyout, Doral granted us a call option to purchase 247,678 common shares for a nominal exercise price. At the option of Doral, the number of shares subject to such option may be reduced at fair market value in lieu of our making payments of interest and principal. From December 15, 2000 through December 31, 2000, 19,222 of such common shares were used to satisfy accrued interest on the $7 million 10% Asset-Backed Exchangeable Term Note. Accordingly, the call option is valued at the fair value of the underlying stock (228,456 shares) subject to call, and totaled $342,684 and is included in other current assets as of December 31, 2000.

10. LEASES

Operating Leases - We lease certain premises and equipment under operating leases. Future minimum lease payments under non-cancelable operating leases as of December 31, 2000 are as follows:

Year ending December 31:	
2001	$ 154,980
2002	5,415
Total	$ 160,395

Lease expense for the years ended December 31, 2000, 1999, and 1998 totaled $283,964, $104,622, and $79,471, respectively.

Mineral Leases - Our subsidiary, MRS, has entered into various mineral leases for a 100% interest in approximately 14,000 acres of land in the state of Tennessee, United States with minimum annual advance royalty payments as follows:

Year ending December 31:	
2001	$ 152,306
2002	194,704
2003	212,479
2004	424,227
2005	430,623
Thereafter	1,137,661

The mineral leases are subject to a production royalty; however, MRS will receive a credit against production royalties for all advance royalties paid. The lessors can only terminate the leases upon failure of MRS to make the minimum payments as required by the leases. As of December 31, 2000, we are current on revenue payments to lessors.

11. INCOME TAXES

Because of the net operating losses and a valuation allowance on deferred tax assets, there was no provision for income taxes recorded in the accompanying consolidated financial statements for the three years in the period ended December 31, 2000.

A reconciliation of the federal statutory income tax rate and our effective income tax rates is as follows:

	Year Ended December		
	2000	1999	1998
Federal statutory income taxes	$(2,010,921)	$(1,254,554)	$(1,581,536)
Meals and entertainment	1,824	2,349	3,013
Valuation allowance	2,009,097	1,252,205	1,578,523
Total	None	None	None

The components of the deferred tax assets consisted of the following as of

December 31, 2000 and 1999:

	2000	1999
Deferred tax assets:		
Net operating loss carryforward	$ 3,349,475	$ 1,412,607
Unrealized loss	24,312	--
Total deferred tax assets	3,373,787	1,412,607
Deferred tax liabilities - basis difference in assets	(725,740)	(773,597)
Valuation allowance	(2,648,047)	(639,010)
Total deferred tax assets	None	None

The net operating loss carryforwards expire at various dates beginning in 2001 through 2020.

12. COMMITMENTS AND CONTINGENCIES

Employment Agreement - Under the current employment agreement between Altair and our president, Dr. William P. Long, Dr. Long is entitled to receive 200,000 common shares in the event (i) voting control of over 35% of the issued stock is acquired in a merger, takeover or similar transaction (a "change of control") and Dr. Long's employment agreement is terminated within 180 days before or at any time after such change of control, or (ii) absent a change of control, if Dr. Long's employment agreement is terminated for any reason except by Dr. Long, by mutual consent, by Altair for cause, or at the end of the term.

Litigation - We are currently not aware of any investigations, claims, or lawsuits which we believe could have a material adverse effect on our consolidated financial position or on our consolidated results of operations.

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