

O2DIESEL CORPORATION

CODE OF BUSINESS CONDUCT AND ETHICS

Introduction

This Code of Business Conduct and Ethics (“Code”) has been adopted by the Board of Directors of O2Diesel Corporation (the “Board”), to set forth the high standards of ethical business conduct expected of all directors, officers, employees and consultants of O2Diesel Corporation (“O2Diesel”). The Code does not specify appropriate conduct for every person in every situation but is intended to assist in the identification of common and/or sensitive business situations where public trust and confidence might be compromised or a statutory or regulatory requirement violated and to set forth guidelines governing such situations.

The Code is not a contract and does not create or describe any obligations of O2Diesel. This Code supplements but does not supplant those specific policies and procedures that may be adopted throughout O2Diesel.

It is the responsibility of each director, officer, employee and consultants to become familiar with the provisions of this Code. All directors, officers, employees and consultants of O2Diesel are expected and required to act in full compliance with the Code at all times. Strict adherence to this Code is a condition of continued employment or affiliation with O2Diesel. Under no circumstances shall there be deviations or exceptions to this Code unless authorized in advance and in writing by the Corporate Secretary. However, deviations and exceptions for executive officers and directors will be authorized only by the Board and will be promptly disclosed as required by law or the Securities and Exchange Commission (“SEC”) or stock exchange regulation.

This Code has been adopted to assist you in fulfilling your responsibilities at O2Diesel. If you have any questions concerning the Code, please contact the Corporate Secretary.

1. **Compliance with Laws, Rules and Regulations.** Obeying the law, both in letter and in spirit, is the foundation on which O2Diesel’s ethical standards are built. All employees and directors must respect and obey the laws, rules and regulations applicable to our business and operations, including those regarding equal opportunity, harassment in the workplace, political activities, insider trading in securities and all applicable regulations. Although not all employees and directors are expected to know the details of all of these laws, rules and regulations, it is important to know enough to determine when to seek advice from supervisors, managers or other appropriate personnel.

As a representative of O2Diesel, you are expected to conduct both your business and personal affairs in accordance with the highest standards of honesty, ethics and integrity. If you have any legal or ethical questions about business you conduct for O2Diesel, please consult the Corporate Secretary.

2. **Conflicts of Interest.** A “conflict of interest” exists when a person’s private interest interferes in any way with the interests of O2Diesel. A conflict situation can arise when an

employee, officer or director takes actions or has interests that conflict with or otherwise may make it difficult to perform his or her O2Diesel work objectively and effectively. Conflicts of interest may also arise when an employee, officer or director, or members of his or her family, receives improper personal benefits as a result of his or her position in O2Diesel.

It is almost always a conflict of interest for a O2Diesel employee to work simultaneously for a competitor, customer or supplier. Employees are not allowed to work for a competitor as a consultant or board member. The best policy is to avoid any direct or indirect business connection with our customers, suppliers or competitors, except on our behalf. Outside employment (of an employee) with even unrelated third parties other than these may still present conflicts of interest concerns if such employment interferes with job performance; any outside employment should be brought to the attention of your supervisor. Conflicts of interest are prohibited. Employees and directors should strive to avoid even the appearance of a conflict of interest. Conflicts of interest may not always be clear-cut, so if you have a question, you should consult with higher levels of management. Any employee, officer or director who becomes aware of a conflict or potential conflict should bring it to the attention of a supervisor, manager or other appropriate personnel or consult the procedures described in Sections 14 and 16 of this Code.

The purpose of business entertainment and gifts in a commercial setting is to create good will and sound working relationships, not to gain unfair advantage with customers. No gift or entertainment should ever be offered, given, provided or accepted by any O2Diesel employee, director, agent or family member thereof unless it: (1) is not a cash gift, (2) is consistent with customary business practices, (3) is not excessive in value, (4) cannot be construed as a “kickback,” bribe or payoff, and (5) does not violate any laws or regulations. Please discuss with your supervisor any gifts or proposed gifts that you are not certain are appropriate.

3. **Insider Trading.** Employees and directors who have access to confidential information are not permitted to use or share that information for stock trading purposes or for any other purpose except the conduct of our business, and should refrain from trading while in possession of such information. All non-public information about O2Diesel should be considered confidential information. To use non-public information for personal financial benefit or to “tip” others who might make an investment decision on the basis of this information is not only unethical but also illegal. In order to assist with compliance with laws against insider trading, O2Diesel will adopt a specific policy governing employees’ and directors’ trading in securities of the Company and distribute to every employee and director. Any of your securities trading should be conducted in compliance with this policy. If you have any questions, please consult O2Diesel’s Corporate Secretary.

4. **Corporate Opportunities.** Employees, officers and directors are prohibited from taking for themselves personally opportunities that are discovered through the use of corporate property, information or position without the consent of the Board of Directors. No employee may use corporate property, information, or position for improper personal gain, and no employee may compete with O2Diesel directly or indirectly. Employees, officers and directors owe a duty to O2Diesel to advance its legitimate interests when the opportunity to do so arises.

5. **Competition and Fair Dealing.** We seek to outperform our competition fairly and honestly, and in compliance with all applicable laws, including antitrust laws. Stealing proprietary information, possessing trade secret information that was obtained without the owner's consent, inducing past or present employees of other companies to disclose such proprietary, trade secret or other confidential information, and similar practices, are prohibited. Each employee should endeavor to respect the rights of and deal fairly with O2Diesel's customers, suppliers, competitors and employees. No employee should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other intentional unfair-dealing practice.

Employees and directors are expected to fully comply with all applicable antitrust laws. To that end, you should never discuss business strategy or similar issues with competitors of O2Diesel. In addition, to avoid even the appearance of an improper agreement or understanding, communications with competitors should be kept to a minimum. There should be a legitimate business reason for any such communication.

6. **Equal Opportunity; Discrimination and Harassment.** The diversity of O2Diesel's employees is a tremendous asset. We are firmly committed, in compliance with applicable federal, state and local laws and O2Diesel's policies, to providing equal opportunity in all aspects of employment and we will not tolerate any illegal discrimination or harassment of any kind. Decisions regarding employment, training, compensation and advancement will be made on the basis of qualification, merit and business needs, regardless of race, religion, sex, national origin, age, or other protected characteristic. Examples of impermissible harassment include derogatory comments based on sex, racial or ethnic characteristics, religion, national origin and similar characteristics, and unwelcome sexual advances.

7. **Health and Safety.** O2Diesel strives to provide each employee with a safe and healthy work environment. Each employee is responsible for maintaining a safe and healthy workplace for all employees by following applicable safety and health laws, rules and regulations, by complying with O2Diesel's health and safety policies and practices, and by reporting to a supervisor accidents, injuries and unsafe equipment, practices or conditions.

Violence and threatening behavior are not permitted. Employees should report to work in condition to perform their duties, free from the influence of illegal drugs or alcohol. The use of illegal drugs in the workplace will not be tolerated.

8. **Record-Keeping.** O2Diesel requires honest, accurate and complete recording and reporting of information in order to make responsible business decisions. For example, only the true and actual number of hours worked should be reported.

Many employees regularly use business expense accounts, which must be documented and recorded accurately. If you are not sure whether a certain expense is legitimate, ask your supervisor or your controller.

All of O2Diesel's books, records, accounts and financial statements must be maintained in reasonable detail, must appropriately reflect O2Diesel's transactions and must conform both to

applicable legal and other requirements and to O2Diesel's disclosure controls and procedures and system of internal controls. Financial records should, in addition, be maintained in accordance with generally accepted accounting principles.

Business records and communications often become public, and we should avoid exaggeration, derogatory remarks, guesswork, or inappropriate characterizations of people and companies that can be misunderstood. This applies equally to e-mail, internal memos, and formal reports. Records should always be retained or destroyed according to O2Diesel's record retention policies. In accordance with those policies, in the event of litigation or governmental investigation please consult the O2Diesel's Corporate Secretary.

9. **Confidentiality.** In compliance with O2Diesel's policies and procedures, employees and directors must maintain the confidentiality of confidential information entrusted to them by O2Diesel or its customers, even within O2Diesel, except when disclosure is authorized or required by law or regulation. Confidential information includes all non-public information that might be of use to competitors, or harmful to O2Diesel or its customers, if disclosed. It also includes non-public personal information and other confidential information that suppliers and customers have entrusted to us. The obligation to preserve confidential information continues even after employment ends. In connection with this obligation, every employee and director should have executed a confidentiality agreement when he or she began his or her employment with O2Diesel.

Keep in mind that disclosure of confidential information can often be inadvertent. You should avoid, for example, discussing confidential information in elevators, restaurants, and other public places where your discussion can be overheard. You should also avoid participating in chat rooms and other online discussions regarding the performance of O2Diesel or its stock.

10. **Protection and Proper Use of Company Assets.** All employees and directors should endeavor to protect O2Diesel's assets and ensure their efficient use. Theft, carelessness, and waste have a direct impact on O2Diesel's profitability. Any suspected incident of fraud or theft should be immediately reported for investigation. O2Diesel equipment should not be used for non-O2Diesel business, though incidental personal use may be permitted. However, use of O2Diesel assets, time or property for personal or *political activities* is never permissible.

The obligation of employees and directors to protect O2Diesel's assets includes its proprietary information. Proprietary information includes intellectual property such as trade secrets, patents, trademarks, and copyrights, as well as business, marketing and service plans, engineering and manufacturing ideas, designs, databases, records, salary information and any unpublished financial data and reports. Unauthorized use or distribution of this information would violate O2Diesel policy. It could also be illegal and result in civil or even criminal penalties.

11. **Corporate Communications and SEC Filings.**

It is our policy to make full, fair, accurate, timely and understandable public disclosure of all information relating to O2Diesel as required by law and the SEC, or other rules and regulations, and/or business policy. In addition, it is our policy to comply with all securities and

other laws that prohibit us from making “selective disclosures,” including SEC Regulation Fair Disclosure (“Regulation FD”). In order to ensure that all disclosures of company information, including but not limited to information relating to our financial performance, material contracts, and other information important to investors, regulators and the general public, are accurate and in full compliance with applicable laws and regulations, it is our policy that all such disclosures will be made only through specifically established channels. Unless you have been specifically authorized to do so, you are prohibited from discussing company affairs with securities analysts, media representatives, government officials, pension plan or similar fund administrators and other outside persons. If you are contacted by any such persons requesting any information about O2Diesel, even if such information is not proprietary or confidential, you should refer them to the Corporate Secretary or his or her designee designate.

All employees are expected to comply with O2Diesel’s disclosure controls and procedures to ensure that material information relating to our company is timely recorded, processed, summarized, and reported in accordance with all applicable SEC and other rules and regulations. If the scope of your employment involves the reporting of material information, you will be trained in these controls and procedures. All employees are expected to report to their supervisor information they believe might be material about the company, but which they believe is not known at higher levels of the company.

12. **Payments to Government Personnel.** The U.S. Foreign Corrupt Practices Act prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. In compliance with O2Diesel policies, it is strictly prohibited to make illegal payments to government officials of any foreign country.

In addition, the U.S. government has a number of laws and regulations regarding business gratuities which may be accepted by U.S. government personnel. The promise, offer or delivery to an official or employee of the U.S. government of a gift, favor or other gratuity in violation of these rules would not only violate O2Diesel policy but could also be a criminal offense. State and local governments, as well as foreign governments, may have similar rules. No employee may confer any benefit on a government official (or on any family member or friend of the government official because of the official’s status) using O2Diesel funds or resources unless it is approved in advance by the O2Diesel’s Corporate Secretary and is lawful in the jurisdiction in which the official serves. The O2Diesel’s Corporate Secretary can provide guidance to you in this area.

13. **Political Activities.** It is the policy of O2Diesel to comply with any laws regarding political contributions. Employees and directors must not make any political contribution in the name of O2Diesel or on our behalf without prior approval from the O2Diesel’s Corporate Secretary. This prohibition includes not only direct contributions to candidates, but also indirect assistance or support of candidates or political parties such as through the purchase of tickets to fund-raising events, the providing of any other goods, services or equipment to political parties or committees, or paying for advertisements and other campaign expenses.

Political contributions or activities by employees and directors on their own behalf and time are, of course, permissible. Bear in mind that you will not be reimbursed directly or

indirectly by O2Diesel for any political contribution or for the cost of attending any political event. In addition, employees and directors should not use O2Diesel facilities or assets for the benefit of any political party or candidate, including an employee or director individually running for office.

14. **Waivers of the Code of Business Conduct and Ethics.** Any waivers of this Code must be made in writing by the Corporate Secretary. Any waivers of this Code for Executive Officers and Directors may be made only by the board of directors, and must be promptly disclosed to stockholders in accordance with SEC rules and regulations.

15. **Reporting any Violations of O2Diesel's Policy or Illegal or Unethical Behavior.** Employees and directors are required to report violations or suspected violations of this Code, other O2Diesel policies or any applicable law, regulatory requirement or other rule or regulation applicable to O2Diesel promptly after becoming aware of such violation or potential violation. Reports may be made to either a supervisor, manager or the O2Diesel's Corporate Secretary. To the extent possible, your identity will be kept secret and your anonymity will be protected if the circumstances so warrant.

Employees are encouraged to talk to supervisors, managers or other appropriate personnel if they have questions about the appropriateness of observed behavior and when in doubt about the best course of action in a particular situation. Employees are expected to cooperate in internal investigations of misconduct.

It is the policy of O2Diesel not to allow retaliation of any kind for reports of misconduct by others made in good faith.

16. **Disciplinary Measures.** Violations of the O2Diesel Code of Business Conduct and Ethics or other policies, or of applicable laws, rules and regulations, may result in disciplinary measures against the violator. Such measures, depending on the nature and severity of the violation, whether the violation was a single or repeated occurrence, and whether the violation appears to have been intentional or inadvertent, may include written notices to the individual involved, censure by the Board, demotion or re-assignment, suspension with or without pay or benefits and termination of employment.

Disciplinary action will also apply to supervisors who, with respect to those employees reporting to them, know that prohibited conduct is contemplated by such employees and do nothing to prevent it, or know that prohibited conduct has been engaged in by such employees and fail to take appropriate corrective action. Supervisors may also be subject to disciplinary action for their failure to effectively monitor the actions of their subordinates.

In addition, violations of legal and regulatory requirements may carry their own civil and criminal penalties, including fines and imprisonment.

CERTIFICATION

I, _____, have read and understand the O2Diesel Corporation Code of Business Conduct and Ethics. I understand that the Corporate Secretary is available to answer any questions I have regarding the Code.

Since [date Code became effective], or such shorter period of time that I have been a director, d officer or employee for purposes of the Code, that I have complied with the O2Diesel Corporation Code of Business Conduct and Ethics.

I will continue to comply with the Code of Business Conduct and Ethics for as long as I am subject to the Policy.

Signature: _____

Date: _____

Print name: _____