

QUANTUMSPHERE, INC.

CODE OF ETHICS

1. Purpose of Code of Ethics. The purpose of this Code of Ethics (this “Code”) is to set forth written standards designed to deter wrongdoing and to promote:

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Full, fair, accurate, timely, and understandable disclosure in reports and documents that QuantumSphere, Inc. (the “Company”) files with, or submits to, the Securities and Exchange Commission and in other public communications made by the Company once it becomes publicly traded;
- Compliance with applicable governmental laws, rules and regulations;
- The prompt internal reporting to the person or persons identified in this Code of violations of this Code; and
- Accountability for adherence to this Code.

2. Persons Covered. This Code is applicable to the Company’s principal executive officer, principal financial officer, principal accounting officer or controller, or any persons performing similar functions, all other executive officers of the Company, the members of the board of directors (the “Board”), and the employees and key consultants of the Company (together, the “Covered Parties”, or individually, a “Covered Party”). We expect honest and ethical conduct in all aspects of our business from all of the Covered Officers. In particular, our executive officers are an example for other employees and we expect that each of them foster a culture of transparency, integrity and honesty. Compliance with this Code is a condition to your employment, consultancy or membership on the Board, as the case may be, and any violations of this Code may result in disciplinary action, up to and including termination of your employment, consultancy or membership on the Board, as the case may be. You have a duty to promptly report any possible violation of this Code or any questionable accounting or auditing matter to the Audit Committee. You can make a report to the Audit Committee in good faith without fear of reprisal, retaliation or punishment for your actions.

3. Conflicts of Interest. A “conflict of interest” occurs when the private interests of a Covered Party interferes in any way, or even appears to interfere, with the interests of the Company as a whole. A conflict situation can arise when a Covered Party takes actions or has interests that may make it difficult to perform his or her work for the Company objectively and effectively, or has other duties, responsibilities or obligations that run counter to his or her duty to the Company. Conflicts of interest also arise when a Covered Party, or a member of his or her immediate family, receives improper personal benefits (including loans to, or guarantees of

obligations of, such persons) as a result of his or her position with the Company. Personal conflicts of interest are prohibited as a matter of the Company policy.

If a Covered Party believes he/she or another Covered Party is involved in a conflict of interest or a potential conflict of interest, the Covered Party must consult with the Board of Directors (who has authority to approve or disapprove of any such conflict of interest or potential conflict of interest).

4. Corporate Opportunities. Covered Parties owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises. Covered Parties are prohibited from: (a) taking for themselves personally opportunities that are discovered through the use of corporate property, information or the Covered Parties' position; (b) using the Company's property, information, or position for personal gain; or (c) competing with the Company, directly or indirectly, for business opportunities.

5. Confidentiality. Covered Parties should maintain the confidentiality of information entrusted to them by the Company or its customers, except when disclosure is authorized or legally mandated. Confidential information includes all non-public information that might be of use to competitors, or harmful to the Company or its customers, if disclosed.

6. Fair Dealing. Executive Officers of the Company shall deal fairly and oversee fair dealing by employees and the Company's directors, officers, employees, key consultants, customers, suppliers and competitors. None should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair dealing practices. This Code is not intended to, and shall not be deemed to, alter existing legal rights and obligations of the Company and its employees, such as "at will" employment arrangements.

7. Protection and Proper Use of Company Assets. All Covered Parties should protect the Company's assets and ensure their efficient use. All Company assets should be used for legitimate business purposes only.

8. Compliance with Laws, Rules and Regulations. It is the Company's policy to comply with all applicable laws, rules and regulations (including insider trading laws). It is the personal responsibility of each Covered Parties to adhere to the standards and restrictions imposed by those laws, rules and regulations. Illegal action will be dealt with swiftly and violators reported to the appropriate authorities.

9. Public Filings and Communications. It is the Company's policy to provide full, fair, accurate, timely and understandable disclosure in all reports that it files with, or submits to, the Securities and Exchange Commission (the "SEC"), as well as in all of its other public communications. It is the responsibility of all personnel involved in or responsible for the preparation of such reports and communications, including executive officers of the Company, to

¹ "Immediate family" to include a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees of such person) who share such person's home.

use their best good faith efforts to ensure that all reports and communications meet the above standards. In addition, anyone who becomes aware of any material misstatement or omission in the Company's filings or other outside communications should contact the Company's Audit Committee.

10. Gifts and Fees. Covered Parties and their immediate family¹ may not solicit or accept gifts, fees, bequests, services or entertainment from customers, suppliers or prospective customers. A gift is regarded as any type of gratuity, favor, loan, legacy, fee, compensation, or anything of monetary value. All such gifts are prohibited except:

- Business entertainment and other courtesies such as meals, sporting events, and the like, which involve no more than ordinary amenities, and can be properly reciprocated by the Covered Party and charged as a business expense. Lavish or extravagant entertainment, such as weekend trips, etc., should not be accepted unless reimbursement is made to the donor.
- Gifts received because of kinship, marriage, or social relationships and not because of any business relationship.
- Unsolicited advertising or promotional materials that are generally available.
- Customer or supplier paid travel or lodging where the trip has a legitimate business purpose. Any such trips must be approved in advance in writing by the Chief Executive Officer or Chief Operating Officer of the Company.
- Fees or other compensation received from an organization in which membership or an official position is held, subject to prior written approval and possible requirement to pay such compensation to the Company.

Covered Parties who believe that acceptance of a permitted gift might make them feel obligated and therefore improperly influenced in the performance of their duties should not accept it, or turn it over to the Company. Covered Party's who are unsure whether a gift is violative of the law and these standards, should seek guidance from the Company's Chief Executive Officer or Chief Operating Officer. Likewise, no individual representing the Company or members of his or her family may extend a gift to any existing or prospective customer or supplier that will not meet these same criteria.

All gifts received or extended which are in the categories above and are valued in excess of \$200 should be reported to your manager, or the Chief Executive Officer or Chief Operating Officer. All gifts which do not fit the above guidelines, no matter what the value, should be reported to your manager, or the Chief Executive Officer or Chief Operating Officer. From time to time, executive officers of the Company may be asked to speak, testify, or consult with outside organizations and regulators. An honorarium or gift in excess of \$25.00 for such outside activity shall be reported to the Chief Executive Officer or Chief Operating Officer, as applicable, for determination of the disposition of the honorarium.

Covered Parties may not accept from customers or suppliers any fee or other form of remuneration which violates the law or the spirit of this statement. Covered Parties and members of their immediate family should not, except under very exceptional circumstances, accept directly or indirectly any bequest or legacy from a customer of the Company. If the Covered Party learns of such a legacy in a customer's will, the employee must report all pertinent facts as soon as he or she learns of the legacy. In any event, a Covered Party may not accept such a bequest or legacy that arises from relationships solely based upon the Company's position unless approved by the Chief Executive Officer or Chief Operating Officer.

No Covered Party may accept a personal fee for arranging a loan from the Company or from any other person or lending institution.

11. Reporting of Violations; Nonretaliation. All Covered Parties are responsible for bringing violations of this Code promptly to the attention of the Board of Directors or the Audit Committee, as appropriate. Any Covered Party who is found to have violated these standards and practices will be subject to immediate disciplinary action, up to and including reassignment, demotion or, where appropriate, termination and to legal proceedings to recover the amount of any improper expenditures and any other losses that the Company may have incurred as a result of the violation.

The Company understands that individuals may not report concerns if they feel they will be subject to retaliation, retribution, or harassment for such reports. Therefore, all Covered Parties are strictly prohibited from engaging in retaliation, retribution, or any form of harassment directed against anyone who reports a compliance concern in good faith. Any Covered Party who engages in such actions (including discharge, demotion, suspension, threatening, harassing, or in any other manner discriminating against a reporting person because of any lawful act done by the reporting person) shall be subject to discipline, up to and including dismissal. Any instances of retaliation, retribution, or harassment against reporting persons should be brought to the attention of the Board of Directors, who will investigate the matter and determine the appropriate remedies or sanctions, if any.

12. Amendments and Waivers. Amendments to, exceptions from or waivers of this Code must be in writing and approved by the Board of Directors, and shall be promptly disclosed to shareholders in accordance with applicable law and rules of the Securities and Exchange Commission once the Company is publicly traded.

13. No Rights Created. This Code is a statement of certain fundamental principles, policies and procedures that govern the Covered Parties in the conduct of the Company's business. It is not intended to, and does not, create any rights in any employee, customer, supplier, competitor, shareholder or any other person or entity.

ACKNOWLEDGMENT FORM

I have received and read the Code of Ethics and I understand its contents. I agree to comply fully with the standards contained in the Code of Ethics and the Company's related policies and procedures. I understand that I have an obligation to promptly report to the appropriate person or persons any suspected violations of the Code of Ethics.

Printed Name

Signature

Date