

Item 2. Legal Proceedings

Item 3. Changes in or Disagreements with Accountants on
Accounting and Financial Disclosure

Item 4. Indemnification of Directors and Officers

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Financial Statements

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Item 1. Index to Exhibits

Signatures

PART I

ITEM 1. DESCRIPTION OF BUSINESS

Mandalay Capital Corporation Inc. (the "Company") was incorporated under the laws of the State of Nevada on February 18, 1998. An application was approved in February, 1999, to change the name of the company to "Save The World" Air Inc.

The Company's primary business involves

A Zero Pollution-Fuel Saving Device for motor vehicles or petrol driven engines.

ZERO POLLUTION-FUEL SAVING DEVICE

On Tuesday the 15th December, 1998 the Company announced that it had begun negotiations to purchase the worldwide exclusive manufacturing, marketing and distribution rights for the Zero Pollution Fuel Saving Device, an attachment that when fitted to an internal combustion engine reduces the toxicity of exhaust gas emissions. The device works on the inlet manifold before the harmful gases are created and an improvement in fuel economy for the engine may also be achieved.

On Tuesday 29th December, 1998 the Company announced that it had purchased all rights to this device and this prompted the application for a name change to "Save The World" Air Inc.

The Company's main focus has been on the implementation of a business plan with the Zero Pollution Fuel Saving Device as it's flagship product.

While the Company is confident of the claims made in relation to the performance of the device, there can be no assurances that this will be the case.

The Company's executive offices are located in both the United States and Australia. The Australian address is 19-21 Garden Grove, Carrara, Queensland, Australia 4211 and its telephone number is 011-61-7-55945556. Additionally, the Company's principal office in the United States is located at 1285 Avenue of the Americas, 35th Floor, New York, NY 10019-6028.

GOVERNMENT REGULATIONS

The Company's goal is to sell licenses to manufacture and market its environmentally safe product throughout the world. As such, importation and exportation regulations may impact its activities, to some degree. A breach of such laws or regulations may result in the imposition of penalties, fines, suspension or revocation of licenses. The Company is not currently involved in any judicial or administrative proceedings and believes that it is in compliance with all applicable regulations.

Although it is impossible to predict, with certainty, the effect that additional

importation and exportation requirements may have on future earnings and operations, the Company is presently unaware of any future regulations that may have a material effect on the Company's financial position, but cannot rule out the possibility.

ITEM 2. MANAGEMENT'S PLAN OF OPERATION

During the period from the Company's inception in February of 1998 to December 31, 1999. The company had revenue of \$125,000 from sale of Licenses.

Over the next year, the Company intends to focus on the business development and marketing of its Zero Pollution Fuel Saving Device. In addition, the Company will endeavour to seek opportunities to acquire and develop other ecologically sound technologies that meet its requirements.

ITEM 3. DESCRIPTION OF PROPERTY

The Zero Pollution Fuel Saving Device is a product which is fitted to an internal combustion engine and results in a reduction of carbon monoxide, hydrocarbons and toxic exhaust emissions. The device works on the inlet manifold before the harmful gases are created and may also improve fuel economy.

ITEM 4. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following tables contain information, as of December 31, 1999, of all holders who, to the knowledge of the Company, were the beneficial owners of five percent (5%) or more of the outstanding shares of the Common Stock of the Company and of all Directors and Officers.

5% SHAREHOLDERS' LIST

Persons or entities owning more than 5% of the outstanding shares of the company are : Jeffrey A. Muller

ITEM 5. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

Set forth below are the names and ages of and the positions and offices held by each of the Directors and Executive Officers of the Company.

Name	Age	Positions and Officer
		With The Company
Jeffrey A. Muller	48	Director; President

*Jeffrey A. Muller, the Company's founder, is a Director of the Company and also serves as its President. In addition to Mr. Muller's involvement with the Company, Mr. Muller also serves as Chairman of several companies in the Muller Group in Australia. Mr. Muller has been the co-owner and managing director of several private real estate investment companies, since 1984.

EMPLOYEES

The Company has no employees (only expert consultants).

ITEM 6. EXECUTIVE COMPENSATION

There has been Nil compensation paid to date to Company's Directors and Executive Officers.

ITEM 7. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

100 % of the marketing and manufacturing rights for the Zero Pollution Fuel Saving Device was acquired from Mr. Jeffrey Muller on 29th December, 1998 for 5,000,000 shares and \$500,000 cash(yet to be paid).

The forgoing transactions between the Company and the members of management are, and any future transactions will be, on terms no less favorable to the Company than which could be obtained from unaffiliated third parties. In addition, any future transactions entered into between the Company and members of management or principal shareholders regarding such transactions are to be approved by the Board of Directors.

ITEM 8. DESCRIPTION OF SECURITIES

The following description is qualified in all respects by reference to the Company's Certificate of Incorporation and all amendments thereto and the Company's By laws, copies of which are attached hereto as exhibits.

The Company's Certificate of Incorporation, as amended, currently authorizes 200,000,000 shares of Common Stock, \$.001 par value. As of September 30, 1999, 15,297,125 shares of the Company's Common Stock were issued and are outstanding.

DIVIDENDS. The Company has not declared any dividends since its inception. Because the Company intends to retain future earnings to fund the development and growth of its business it does not anticipate paying cash dividends on the Common Stock in its foreseeable future. Any payment of dividends in the future is at the sole discretion of the Board of Directors of the Company. The Company's decision will be dependent upon the Company's financial condition, results of operations and other factors the Board deems relevant.

VOTING RIGHTS. Holders of shares of Common Stock will vote as a single class together on all matters submitted to a vote of stockholders, with each share of Common Stock entitled to one vote, except as otherwise provided by law.

PREEMPTIVE RIGHTS. The holders of Common Stock are not entitled to preemptive or subscription rights.

TRANSFER AGENT

The transfer agent for the shares of Common Stock of the Company is Nevada Agency and Trust Company The address of the transfer agent is 50 West Liberty Street, Reno, Nevada. 89501.

PART II

ITEM 1. MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND OTHER SHAREHOLDER MATTERS

The Company is authorized to issue 200,000,000 shares of Common Stock at \$.001 par value per share, of which 15,297,125 shares of Common Stock were issued and outstanding as of September 30, 1999.

ITEM 2. LEGAL PROCEEDINGS

There are currently no material pending legal proceedings as defined in Item 103 of Regulation S-B.

ITEM 3. CHANGES IN OR DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no changes in or disagreements with accountants on accounting and financial disclosure.

ITEM 4. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 78.751 of the General Corporation Law of the State of Nevada contains provisions entitling directors and officers of the Company to indemnification from judgments, fines, amounts paid in settlement, and reasonable expenses,

including attorney's fees, as the result of an action or proceeding in which they may be involved by reason of being or having been a director or officer of the Company, provided such officers or directors acted in good faith. There is provision in the by laws or the Certificate of Incorporation of the Company for indemnification of Officers and Directors.

PART F/S

For information regarding this item, reference is made to the "Index of Financial Statements."

Index of Financial Statements

PART III

Item 1. Index to Exhibits

For information regarding this item, reference is made to the "Index of Exhibits."

Index of Exhibits

Exhibit Description

Articles of Incorporation

By-Laws

December 1998 Agreement with Mr. Jeffrey A. Muller for 100% ownership of the international marketing and manufacturing rights for the Zero Pollution Fuel Saving Device

SIGNATURES

In accordance with Section 12 of the Securities Exchange Act of 1934, the registrant caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

SAVE THE WORLD AIR, INC.
(REGISTRANT)

Signature	Title	Date
/s/ Jeffrey A. Muller ----- (Jeffrey A. Muller)	Chairman and President	January 26, 2000

<TABLE>

SAVE THE WORLD AIR, INC.

BALANCE SHEET

AS AT DECEMBER 31, 1999
 <CAPTION>

	Dec 31, 1999	Dec 31, 1998
ASSETS		
<S>	<C>	<C>
CURRENT ASSETS		
Bank	595	38
Deposit	0	0
Prepaid Expenses	0	1,000
	-----	-----
	595	1,038
Marketing and Manufacturing Rights to Zero Pollution Fuel Saving Device	5,000	
MINERAL PROPERTY	0	1,955
	-----	-----
	\$ 5,595	\$ 2,993
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

 Accounts payable and accrued charges 36,200

STOCKHOLDERS EQUITY

 Common stock 200,000,000 shares authorised
 at \$0.001 par value 15,297,125 issued
 and outstanding 15,297 10,030

 Capital in excess of par 14,270 14,270

 Deficit accumulated from inception -23,972 -21,307

\$ 5,595 \$ 2,993
 =====

Related Party Transactions

Approved by the board:

</TABLE>

The accompanying notes are an integral part of these financial statements.

<TABLE>

SAVE THE WORLD AIR, INC.

STATEMENT OF OPERATIONS

FOR THE PERIOD ENDED DECEMBER 31, 1999

<CAPTION>

	Dec 31, 1999	Dec 31, 1998
<S>	<C>	<C>
INCOME		
Sale of Licences for Distributorships	125,000	0
	=====	=====

GENERAL AND ADMINISTRATIVE EXPENSES:

Accounting and auditing		1,400
Bank charges	144	73
Consulting	3,867	1,000
Delivery		20
Fax		47
Filing fees		3,109
Geology report		1,196
Incorporation costs written off		640
Mineral Claims written off	1,955	
Miscellaneous		127
Photocopying		115
Printing	1,053	1,250
Professional Fees	62,500	
Secretarial Fees	11,164	11,441
Transfer agent's fees		200
Travel	46,982	689
	-----	-----
TOTAL COSTS	127,665	21,307
	-----	-----
LOSS AND DEFICIT, END OF PERIOD	\$ (2,665)	\$ (21,307)
	=====	=====
LOSS PER COMMON SHARE		
Primary	0	0

</TABLE>

The accompanying notes are an integral part of these financial statements.

SAVE THE WORLD AIR, INC.

STATEMENT OF CASH FLOWS

JANUARY 1 1999 TO DECEMBER 31, 1999

<TABLE>

<CAPTION>

	Dec 31, 1999	Dec 31, 1998
	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cashflow Arising from Trading Activities	-2,665	-21,307
Adjustments to reconcile net loss to net cash provided by operating activities:		
Write off of Mineral Claims	1,955	
Consultancy paid in shares	267	
(Increase) in prepaid expenses		-1,000
	-----	-----
Net Cash Provided by Operations	-443	-22,307
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of mineral property		-1,955
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock		24,030

Net increase in cash	-443	-232
Cash at beginning of period	38	270
CASH AT END OF PERIOD	\$ (405)	\$ 38

The accompanying notes are an integral part of these financial statements.

<TABLE>

SAVE THE WORLD AIR, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

FEBRUARY 18, 1998 (DATE OF INCEPTION) TO DECEMBER 31, 1999

<CAPTION>

	Common Stock Shares	Capital in Excess of Par Value	Accumulated Deficit
<S>	<C>	<C>	<C>
BALANCE FEBRUARY 18, 1998 (date of inception)			
Issuance of Common Stock for cash - at \$0.015 - March 3, 1998	4,000,000	2,000	0
Issuance of common stock for cash - at \$0.003 - March 5, 1998	6,000,000	12,000	0
Issuance of common stock for cash - at \$0.01 per share	30,000	270	
Issuance of common stock for services rendered at \$0.001 per share	267,125		
Issuance of common stock for exchange of marketing rights	5,000,000		
Net Loss from operations for the period from February 18 1998 to December 31, 1999	0	0	-23,972
Balance as at December 31, 1999	\$ 15,297,125	\$ 14,270	\$ (23,972)

</TABLE>

The accompanying notes are an integral part of these financial statements.

<TABLE>

SAVE THE WORLD AIR, INC.

BALANCE SHEET

AS AT 30 SEPTEMBER 1999

<CAPTION>

	Sept 30 , 1999	Dec 31, 1998
<S>	<C>	<C>
ASSETS		

CURRENT ASSETS		
Bank	595	38
Deposit	0	0
Prepaid Expenses	0	1,000
	-----	-----
	595	1,038
Marketing and Manufacturing Rights to Zero Pollution Fuel Saving Device	5,000	
MINERAL PROPERTY	0	1,955
	-----	-----
	5,595	2,993
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable and accrued charges 36,200

STOCKHOLDERS EQUITY

Common stock		
200,000,000 shares authorised at \$0.001 par value		
15,297,125 issued and outstanding	15,297	10,030
Capital in excess of par	14,270	14,270
Deficit accumulated from inception	-23,972	-21,307
	-----	-----
	5,595	2,993
	=====	=====

Related Party Transactions

Approved by the board:

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The accompanying notes are an integral part of these financial statements.

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SAVE THE WORLD AIR, INC.

STATEMENT OF OPERATIONS

FOR THE PERIOD ENDED 30 SEPTEMBER 1999

<CAPTION>

	Sept 30, 1999	Dec 31, 1998
INCOME		
<S>	<C>	<C>
Sale of Licences for Distributorships	125,000	0
	=====	=====

GENERAL AND ADMINISTRATIVE EXPENSES:

Accounting and auditing		1,400
Bank charges	144	73
Consulting	3,867	1,000
Delivery		20
Fax		47
Filing fees		3,109
Geology report		1,196
Incorporation costs written off		640
Mineral Claims written off	1,955	
Miscellaneous		127

Photocopying		115
Printing	1,053	1,250
Professional Fees	62,500	
Secretarial Fees	11,164	11,441
Transfer agent's fees		200
Travel	46,982	689
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TOTAL COSTS	127,665	21,307
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LOSS AND DEFICIT, END OF PERIOD	(2,665)	(21,307)
	=====	=====
LOSS PER COMMON SHARE		
Primary	0	0

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SAVE THE WORLD AIR, INC.

STATEMENT OF CASH FLOWS

JANUARY 1 1999 TO 30 SEPTEMBER 1999

<CAPTION>

	Sept 30, 1999	Dec 31, 1998
CASH FLOWS FROM OPERATING ACTIVITIES		
<S>	<C>	<C>
Cashflow Arising from Trading Activities	-2,665	-21,307
Adjustments to reconcile net loss to net cash provided by operating activities:		
Write off of Mineral Claims	1,955	
Consultancy paid in shares	267	
(Increase) in prepaid expenses		-1,000
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Net Cash Provided by Operations	-443	-22,307
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of mineral property		-1,955
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock		24,030
	-----	-----
Net increase in cash	-443	-232
Cash at beginning of period	38	270
	-----	-----
CASH AT END OF PERIOD	(405)	38
	=====	=====

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The accompanying notes are an integral part of these financial statements.

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SAVE THE WORLD AIR, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

FEBRUARY 18, 1998 (DATE OF INCEPTION) TO SEPTEMBER 30, 1999

<CAPTION>

	Common Stock Shares	Capital in Excess of Par Value	Accumulated Deficit
<S>	<C>	<C>	<C>
BALANCE FEBRUARY 18, 1998 (date of inception)			
Issuance of Common Stock for cash - at \$0.015 - March 3, 1998	4,000,000	2,000	0
Issuance of common stock for cash - at \$0.003 - March 5, 1998	6,000,000	12,000	0
Issuance of common stock for cash - at \$0.01 per share	30,000	270	
Issuance of common stock for services rendered at \$0.001 per share	267,125		
Issuance of common stock for exchange of marketing rights	5,000,000		
Net Loss from operations for the period from February 18 1998 to June 30, 1999	0	0	(23,972)

Balance as at June 30, 1999	15,297,125	14,270	(23,972)
	=====		

</TABLE>

The accompanying notes are an integral part of these financial statements.

SAVE THE WORLD AIR, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31 1999

1. DESCRIPTION OF THE BUSINESS

The Company was incorporated under the Corporate Charter issued by the Secretary of State of Nevada in the United States on February 18, 1998.

The Company is deemed to be an investment company. The company holds the rights to manufacture and market a device that decreases the carbon dioxide output on internal combustion engines.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted and include the following accounting principles.

(a) BASIS OF PRESENTATION - GOING CONCERN

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and satisfaction of liabilities in the normal course of business. The company has been engaged in the identification and development of its zero pollution device. The Company's ability to meet its obligations and successfully develop its project and, ultimately, to attain profitable operations is dependent upon further developing and marketing the device known as Zero Pollution and obtaining additional financing from either third parties or its present shareholders.

(b) ACCOUNTING METHODS

The Company recognises income and expenses based on the accrual method of accounting.

SAVE THE WORLD AIR, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31 1999

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(c) DIVIDEND POLICY

The Company has not yet adopted any policy regarding the payment of dividends.

(d) CASH AND CASH EQUIVALENTS

The Company considers all highly liquid instruments purchased with a maturity, at the time of purchase, of less than three months, to be cash equivalents.

(e) LOSS PER SHARE

Primary loss per share amount is computed based on the weighted average number of shares actually outstanding during the period reported on. Fully diluted loss per share is computed under the same basis since there are not warrants or share subscriptions outstanding.

(f) INCOME TAXES

For the period ended December 31 1999 (the date of these financial statements), the Company had a net operating loss of \$23,972. The tax

SAVE THE WORLD AIR, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 1999

2. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(f) INCOME TAXES - CONTINUED

benefits from the loss carried forward is offset by a valuation reserve because the future tax benefit is indeterminable.

The net operating loss carryover will expire beginning in the year 1999 through 2013.

(g) FOREIGN CURRENCY TRANSLATION

The translations of the Company completed in foreign dollars have been translated to US dollars. Assets and liabilities are translated at the year end exchange rates and the income and expenses at the average

rates of exchange prevailing during the period reported on. Any gains or loss resulting from the translations would be shown in the Statement of Operations.

(h) FINANCIAL INSTRUMENTS

For cash, deposit and accounts payable and accrued liabilities, the carrying amount of these financial instruments approximates their fair value due to their short-term maturity capacity of prompt liquidation or settlement. The account payable does not bear any interest thereon.

FILED
IN THE OFFICE OF THE
SECRETARY OF STATE OF THE
STATE OF NEVADA
FEB 18 1999
C3325-98
/S/ Dean Heller
DEAN HELLER, SECRETARY OF STATE

ARTICLES OF INCORPORATION
OF

MANDALAY CAPITAL CORP.

The undersigned, acting as incorporator, pursuant to the provisions of the laws of the State of Nevada relating to private corporations, hereby adopts the following Articles of Incorporation:

ARTICLE ONE. [NAME] . The name of the corporation is:

MANDALAY CAPITAL CORP.

ARTICLE TWO. [RESIDENT AGENT]. The initial agent for service of process is Nevada Agency and Trust Company, 50 West Liberty Street, Suite 880, City of Reno, County of Washoe, State of Nevada 89501.

ARTICLE THREE. [PURPOSES]. The purposes for which the corporation is organized are to engage n any activity or business not in conflict with the laws of the State of Nevada or of the United States of America, and without limiting the generality of the foregoing, specifically:

I. [OMNIBUS] To Have to exercise all the powers now or hereafter conferred by the laws of the State of Nevada upon corporations organized pursuant to the laws under which the corporation is organized and any and all acts amendatory thereof and supplemental thereto.

II. [CARRYING ON BUSINESS OUTSIDE STATE]. To conduct and carry on its business or any branch thereof in any state or territory of the United States or in any foreign country in conformity with the laws of such state, territory, or foreign country, and to have and maintain in any state, territory, or foreign country a business office, plant, store or other facility.

III. [PURPOSES TO BE CONSTRUED AS POWERS]. The purposes specified herein shall be construed both as purposes arid powers and shall be in no wise limited or restricted by reference to, or inference from, the terms

of any other clause in this or any other article, but the purposes and powers specified in each of the clauses herein shall be regarded as independent purposes and powers, and the enumeration of specific purposes and powers shall not be construed to limit or restrict in any manner the meaning of general terms or of the general powers of the corporation; nor shall the expression of one thing be deemed to exclude another, although it be of like nature not expressed.

ARTICLE FOUR. [CAPITAL STOCK]. The corporation shall have authority to issue an aggregate of TWO HUNDRED MILLION (200,000,000) Common Capital Shares, PAR VALUE ONE MILL (\$0.001) per share for a total capitalization of TWO HUNDRED THOUSAND DOLLARS \$200,000).

The holders of shares of capital stock of the corporation shall not be entitled to pre-emptive or preferential rights to subscribe to any unissued stock or any other securities which the corporation may now or hereafter be authorized to issue.

The corporation's capital stock may be issued and sold from time to time for such consideration as may be fixed by the Board of Directors, provided that the consideration so fixed is not less than par value.

The stockholders shall not possess cumulative voting rights at all shareholders meetings called for the purpose of electing a Board of Directors.

ARTICLE FIVE. [DIRECTORS]. The affairs of the corporation shall be governed by a Board of Directors of no more than eight (8) nor less than one (1) person. The names and addresses of the first Board of Directors are:

NAME	ADDRESS
----	-----
Edward Skoda	Suite 101, 1763 Nelson Street Vancouver, B.C. V6G 1M6 Canada
Del Thachuk	1840 - 140 A Street Surrey, B.C. V4A 6S2 Canada
Michael Wolf	Suite 2101, 1238 Melville Street Vancouver, B.C. V3R 3L1 Canada

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ARTICLE SIX. [ASSESSMENT OF STOCK] The capital stock of the corporation, after the amount of the subscription price or par value has been paid in, shall not be subject to pay debts of the corporation, and no paid up stock and no stock issued as fully paid up shall ever be assessable or assessed.

ARTICLE SEVEN. [INCORPORATOR]. The name and address of the incorporator of the corporation is as follows:

NAME	ADDRESS
----	-----
Amanda Cardinalli	50 West Liberty Street, Suite 880 Reno, Nevada 89501

ARTICLE EIGHT. [PERIOD OF EXISTENCE]. The period of existence of the corporation shall be perpetual.

ARTICLE NINE. [BY-LAWS]. The initial By-laws of the corporation shall be adopted by its Board of Directors. The power to alter, amend, or repeal the By-laws, or to adopt new By-laws, shall be vested in the Board of Directors, except as otherwise may be specifically provided in the By-laws.

ARTICLE TEN. [STOCKHOLDERS' MEETINGS]. Meetings of stockholders shall be held at such place within or without the State of Nevada as may be provided by the By-laws of the corporation. Special meetings of the stockholders may be called by the President or any

other executive officer of the corporation, the Board of Directors, or any member thereof, or by the record holder or holders of at least ten percent (10%) of all shares entitled to vote at the meeting. Any action otherwise required to be taken at a meeting of the stockholders, except election of directors, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by stockholders having at least a majority of the voting power.

ARTICLE ELEVEN. [CONTRACTS OF CORPORATION]. No contract or other transaction between the corporation and any other corporation, whether or not a majority of the shares of the capital stock of such other corporation is own by this corporation, and no act of this corporation shall in any way be affected or invalidated by the fact that any of the directors of this corporation are pecuniarily or otherwise interested in, or are directors or officers of such other corporation. Any director of this corporation, individually, or any firm of which such director may be a member, may be a party to, or may be pecuniarily or otherwise interested in any contract or transaction of the corporation; provided, however, that the fact that he or such firm

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is so interested shall be disclosed or shall have been known to the Board of Directors of this corporation, or a majority thereof; and any director of this corporation who is also a director or officer of such other corporation, or who is so interested, may be counted in determining the existence of a quorum at any meeting of the Board of Directors of this corporation that shall authorize such contract or transaction, and may vote thereat to authorize such contract or transaction, with like force and effect as if he were not such director or officer of such other corporation or not so interested.

ARTICLE TWELVE. [LIABILITY OF DIRECTORS AND OFFICERS]. No director or officer shall have any personal liability to the corporation or its stockholders for damages for breach of fiduciary duty as a director or officer, except that this Article Twelve shall not eliminate or limit the liability of a director or officer for (i) acts or omissions which involve intentional misconduct, fraud or a knowing violation of law, or (ii) the payment of dividends in violation of the Nevada Revised Statutes.

IN WITNESS WHEREOF, the undersigned incorporator has hereunto affixed her signature at Reno, Nevada this 17th of February, 1998.

/s/ Amanda Cardinalli

AMANDA CARDINALLI

STATE OF NEVADA }
 : ss.
COUNTY OF WASHOE }

On the 17th day of February, 1998, before me, the undersigned, a Notary Public in and or the State of Nevada, personally appeared AMANDA CARDINALLI, known to me to be the person described in and who executed the foregoing instrument, and who acknowledged to me that she executed the same freely and voluntarily for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

/s/ Margaret A. Oliver

NOTARY PUBLIC
Residing in Reno, Nevada

My Commission Expires:
October 10, 1998

MARGARET A. OLIVER
Notary Public stamp

FILED
IN THE OFFICE OF THE
SECRETARY OF STATE OF THE
STATE OF NEVADA
FEB 11 1999
No. C3325-98
/s/ Dean Heller
DEAN HELLER, SECRETARY OF STATE

CERTIFICATE OF AMENDMENT
OF
ARTICLES OF INCORPORATION
OF
MANDALAY CAPITAL CORP.

The undersigned, Jeffrey A. Muller, President, and Steven White, Assistant Secretary of Mandalay Capital Corp., a Nevada corporation (the "Corporation"), does hereby certify:

That the Board of Directors of said corporation at a meeting duly convened, held on the 3rd day of February, 1999, adopted a resolution to amend the original articles as follows:

RESOLVED, ARTICLE ONE is hereby amended to read as follows:

"The name of this corporation is:

SAVE THE WORLD AIR, INC."

The number of shares of the corporation outstanding and entitled to vote or an amendment to the Articles of Incorporation is 10,030,000; that the said charter and amendment have been consented to and approved by a majority vote of the stockholders holding at least a majority of each class of stock outstanding and entitled to vote thereon.

/s/ Jeffrey A. Muller

Jeffrey A. Muller, President

/s/ Steven White

Steven White, Assistant Secretary

State of New York
County of New York

February 3, 1999, personally appeared before me, a Notary Public, Jeffrey A. Muller and Steven White, who acknowledged that they executed the above instrument.

/s/ William S. Rosenstadt

(Signature of Notary)

William S. Rosenstadt notary stamp here

STATE OF NEVADA
Secretary of State

I hereby certify that this is a

true and complete copy of
the document as filed in this
office.

FEB 12 '99

/s/ Dean Heller
DEAN HELLER
Secretary of State
By: D. Farmer

BY LAWS

OF

MANDALAY CAPITAL CORP.

A Nevada Corporation

ARTICLE 1

OFFICES

SECTION 1. The registered office of this corporation shall be in the City of Reno, State of Nevada.

SECTION 2. The Corporation may also have offices at such other places both within and without the State of Nevada as the Board of Directors may from time to time determine or the business of the corporation may require

ARTICLE 2

MEETINGS OF STOCKHOLDERS

SECTION 1. All annual meetings of the stockholders shall be held at the registered office of the corporation or at such other place within or without the State of Nevada as the Directors shall determine. Special meetings of the stockholders may be held at such time and place within or without the State of Nevada as shall be stated in the notice of the meeting, or in a duly executed waiver of notice thereof.

SECTION 2. Annual meetings of the stockholders shall be held on the anniversary date of incorporation each year if not a legal holiday and, and if a legal holiday, then on the next secular day following, or at such other time as may be set by the Board of Directors from time to time, at which the stockholders shall elect by vote a Board of Directors and transact such other business as may properly be brought before the meeting.

SECTION 3. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the Articles of Incorporation, may be called by the President or the Secretary, by resolution of the Board of Directors or at the request in writing of stockholders owning a majority in amount of the entire, capital stock of the corporation issued and outstanding and entitled to vote. Such request shall state the purpose of the proposed meeting.

SECTION 4. Notices of meetings shall be in writing and signed by the President or Vice-President or the Secretary or an Assistant Secretary or by such other person or persons as the Directors shall designate. Such notice shall state the purpose or purposes for which the meeting is called and the time and the place, which may be within or without this State, where it is to be held. A copy of such notice shall be either delivered personally to or shall be mailed, postage prepaid, to each stockholder of record entitled to vote at such meeting not less than ten nor more than sixty days before such meeting. If mailed, it shall be directed to a stockholder at his address as it appears upon the records of the corporation and upon such mailing of any such notice, the service thereof shall be complete and the time of the notice shall begin to run from the date upon which such notice is deposited in the mail for transmission to such stockholder. Personal delivery of any such notice to an officer of the corporation or association, or to any member of a partnership shall constitute delivery of such notice to such corporation, association or partnership in the event of the transfer of stock after delivery of such notice of and prior to the holding of the meeting, it shall not be necessary to deliver or mail such notice of the meeting to the transferee.

SECTION 5. Business transactions at any special meeting of stockholders shall be limited to the purpose stated in to notice.

SECTION 6. The holders of a majority of the stock issued and outstanding and

entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the Articles of Incorporation. if, however, such

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quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcements at the meeting, until a quorum shall be presented or represented. At such adjourned meetings at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

SECTION 7. When a quorum is present or represented at any meeting, the vote of the holders of 10% of the stock having voting power present in person or represented by proxy shall be sufficient to elect Directors or to decide any question brought before such meeting, unless the question is one upon which by express provision of the statute or of the Articles of Incorporation, a different vote shall govern and control the decision of such question.

SECTION 8. Each stockholder of record of the corporation shall be entitled at each electing of the stockholders to one vote for each share standing in his name on the books of the corporation. Upon the demand of any stockholder, the vote for Directors and the vote upon any question before the meeting shall be by ballot.

SECTION 9. At any meeting of the stockholders any stockholder may be represented and vote by a proxy or proxies appointed by an instrument in writing. In the event that any such instrument in writing shall designate two or more persons to act as proxies, a majority of such persons present at the meeting, or, if only one shall be present, then that one shall have and may exercise all the powers conferred by such written instruction upon all of the persons so designated unless the instrument shall otherwise provide. No proxy or power of attorney to vote shall be voted at a meeting of the stockholders unless it shall have been filed with the Secretary of the meeting when required by the inspectors of election. All questions regarding the qualifications of voters, the validity of proxies and the acceptance of or rejection of votes shall be decided by the inspectors of election who shall be appointed by the Board of Directors, or if not so appointed, then by the presiding officer at the meeting.

SECTION 10. Any action which may be taken by the vote of the stockholders at a meeting may be taken without a meeting if authorized by the written consent of stockholders holding at least a majority of the voting power, unless the provisions of the statute or the Articles of Incorporation require a greater proportion of voting power to authorize such action in which case such greater proportion of written consents shall be required.

ARTICLE 3

DIRECTORS

SECTION 1. The business of the corporation shall be managed by its Board of Directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the Articles of Incorporation or by these Bylaws directed or required to be exercised or done by the stockholders.

SECTION 2. The number of Directors which shall constitute the whole board shall be not less than one and not more than eight. The number of Directors may foal time to time be increased or decreased to not less than one nor more than eight by action of the Board of Directors. The Directors shall be elected at the annual meeting of the stockholders and except as provided in section 2 of this Article, each Director elected shall hold office until his successor is elected and qualified. Directors need not be stockholders.

SECTION 3. Vacancies in the Board of Directors including those caused by an increase in the number of Directors, may be filled by a majority of the remaining

Directors, though less than a quorum, or by a sole remaining Director, and each Director so elected shall hold office until his successor is elected at the annual or a special meeting of the stockholders. The holders of a two-thirds of the outstanding shares of stock entitled to vote may at any time peremptorily terminate the term of office of all or any of the Directors by vote at a meeting called for such purpose or by a written statement filed with the Secretary or, in his absence, with any other officer. Such removal shall be effective immediately, even if successors are not elected simultaneously and the vacancies on the Board of Directors resulting therefrom shall only be filled from the stockholders.

A vacancy or vacancies on the Board of Directors shall be deemed to exist in ease of death, resignation or removal of any Director, or if the authorized number of Directors be increased, or if the stockholders fail at any annual or special meeting of stockholders at which any Director or Directors are elected to elect the full authorized number of Directors to be voted for at that meeting.

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The stockholders may elect a Director or Directors at any time to fill any vacancy or vacancies not filled by the Directors. If the Board of Directors accepts the resignation of a Director tendered to take effect at a future time, the Board or the stockholders shall have power to elect a successor to take office when the resignation is to become effective.

No reduction of the authorized number of Directors shall have the effect of removing any Director prior to the expiration of his term of office.

ARTICLE 4

MEETING OF THE BOARD OF DIRECTORS

SECTION 1. Regular meetings of the Board of Directors shall be held at any place within or without the State which has been designated from time to time by resolution of the Board or by written consent of all members of the Board. In the absence of such designation regular meetings shall be held at the registered office of the corporation. Special meetings of the Board may be held either at a place so designated or at the registered office.

SECTION 2. The first meeting of each newly elected Board of Directors shall be held immediately following the adjournment of the meeting of stockholders and at the place thereof. No notice of such meeting shall be necessary to the Directors in order legally to constitute the meeting, provided a quorum be present. In the event such meeting is not so held, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors.

SECTION 3. Regular meetings of the Board of Directors may be held without call or notice at such time and at such place as shall from time to time be fixed and determined by the Board of Directors.

SECTION 4. Special meetings of the Board of Directors may be called by the Chairman or the President or by the vice-President or by any two Directors.

Written notice of the time and place of special meetings shall be delivered personally to each Director, or sent to each Director by mail or by other form of written communication, charges prepaid, addressed to him at his address as it is shown upon the records or if not readily ascertainable, at the place in which the meetings of the Directors are regularly held. In case such notice is mailed or telegraphed, it shall be deposited in the postal service or delivered to the telegraph company at least forty-eight (48) hours prior to the time of the holding of the meeting. In case such notice is delivered or faxed, it shall be so delivered or faxed at least twenty-four (24) hours prior to the time of the holding of the meeting, Such mailing, telegraphing, delivery or faxing as above provided shall be due, legal and personal notice of such Director.

SECTION 5. Notice of the time and place of holding an adjourned meeting need not be given to the absent Directors if the time and place be fixed at the meeting adjourned.

SECTION 6. The transaction of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though transacted at a meeting duly held after regular call and notice, if a quorum be present, and if, either before or after such meeting, each of the Directors not present signs a written waiver of notice, or a consent of holding such meeting, or approvals of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting,

SECTION 7. The majority of the authorized number of Directors shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, unless a greater number be required by law or by the Articles of Incorporation. Any action of a majority, although not at a regularly called meeting, and the record thereof, if assented to in writing by all of the other members of the Board shall be as valid and effective in all respects as if passed by the Board in regular meeting.

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SECTION 8. A quorum of the Directors may adjourn any Directors meeting to meet again at stated day and hour; provided, however, that in the absence of a quorum, a majority of the Directors present at any Directors meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Board.

ARTICLE 5

COMMITTEES OF DIRECTORS

SECTION 1. The Board of Directors may, by resolution adopted by a majority of the whole Board, designate one or more committees of the Board of Directors, each committee to consist of two or more of the Directors of the corporation which, to the extent provided in the resolution, shall and may exercise the power of the Board of Directors in the management of the business and affairs of the corporation and may have power to authorize the seal of the corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be determined from time to time by the Board of Directors. The members of any such committee present at any meeting and not disqualified from voting may, whether or not they constitute a quorum, unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. At meetings of such committees, a majority of the members or alternate members at any meeting at which there is a quorum shall be the act of the committee.

SECTION 2. The committee shall keep regular minutes of their proceedings and report the same to the Board of Directors.

SECTION 3. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if a written consent thereto is signed by all members of the Board of Directors or of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board or committee.

ARTICLE 6

COMPENSATION OF DIRECTORS

SECTION 1. The Directors may be paid their expenses of attendance at each meeting of the Board of Directors and maybe paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as Director. No such payment shall preclude any Director from serving the corporation from any other capacity and receiving compensation therefor. Members of special or standing

committees may be allowed like reimbursement and compensation for attending committee meetings.

ARTICLE 7

NOTICES

SECTION 1. Notices to Directors and stockholders shall be in writing and delivered personally or mailed to the Directors or stockholders at their addresses appearing on the books of the corporation. Notices to Directors may also be given by fax and by telegram. Notice by mail, fax or telegram shall be deemed to be given at the time when the same shall be mailed.

SECTION 2. Whenever all parties entitled to vote at any meeting, whether of Directors or stockholders, consent either by a writing on the records of the meeting or filed with the Secretary, or by presence at such meeting or oral consent entered on the minutes, or by taking part in the deliberations at such meeting without objection, the doings of such meeting shall be as valid as if had at a meeting regularly called and noticed, and at such meeting any business may be transacted which is not excepted from the written consent to the consideration of which no objection for want of notice is made at the time, and if any meeting be irregular for want of notice or such consent, provided a quorum was present at such meeting, the proceedings of said meeting may be ratified and approved and tendered likewise valid and the irregularity or defect therein waived by a writing signed by all parties having the right to vote at such meeting; and such consent or approval of stockholders may be by proxy or attorney, but all such proxies and powers of attorney must be in writing.

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SECTION 3. Whenever any notice whatever is required to be given under the provisions of the statute, of the Articles of Incorporation or of these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE 8

OFFICERS

SECTION 1. The officers of the corporation shall be chosen by the Board of Directors and shall be a President, a Secretary and a Treasurer. Any person may hold two or more offices.

SECTION 2. The Board of Directors at its first meeting after each annual meeting of stockholders shall choose a Chairman of the Board who shall be a Director, and shall choose a President, a Secretary and a Treasurer, none of whom need be Directors.

SECTION 3. The Board of Directors may appoint a Vice-Chairman of the Board, Vice-Presidents and one or more Assistant Secretaries and Assistant Treasurers and such other officers and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

SECTION 4. The salaries and compensation of all officers of the corporation shall be fixed by the Board of Directors.

SECTION 5. The officers of the corporation shall hold office at the pleasure of the Board of Directors. Any officer elected or appointed by the Board of Directors may be removed any time by the Board of Directors. Any vacancy occurring in any office of the corporation by death, resignation, removal or otherwise shall be filled by the Board of Directors.

SECTION 6. The CHAIRMAN OF THE BOARD shall preside at meetings of the stockholders and the Board of Directors, and shall see that all orders and resolutions of the Board of Directors are carried into effect.

SECTION 7. The VICE-CHAIRMAN shall, in the absence or disability of the Chairman of the Board, perform the duties and exercise the powers of the Chairman of the Board and shall perform other such duties as the Board of Directors may from time to time prescribe.

SECTION 8. The PRESIDENT shall be the chief executive officer of the corporation and shall have active management of the business of the corporation. He shall execute on behalf of the corporation all instruments requiring such execution except to the extent the signing and execution thereof shall be expressly designated by the Board of Directors to some other officer or agent of the corporation.

SECTION 9. The VICE-PRESIDENTS shall act under the direction of the President. and in absence or disability of the President shall perform the duties and exercise the powers of the President. They shall perform such other duties and have such other powers as the President or the Board of Directors may from time to time prescribe. The Board of Directors may designate one or more Executive Vice-Presidents or may otherwise specified the order of seniority of the Vice-Presidents. The duties and powers of the President shall descend to the Vice-Presidents in such specified order of seniority.

SECTION 10. The SECRETARY shall act under the direction of the President. Subject to the direction of the President he shall attend all meetings of the Board of Directors and all meetings of the stockholders and record the proceedings. He shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors.

SECTION 11. The ASSISTANT SECRETARIES shall act under the direction of the President. In order of their seniority, unless otherwise determined by the President or the Board of Directors, they shall, in the absence or

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disability of the Secretary, perform the duties and exercise the powers of the Secretary. They shall perform other such duties and have such other powers as the President and the Board of Directors may from time to time prescribe.

SECTION 12. The TREASURER shall act under the direction of the President. Subject to the direction of the President he shall have custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all money and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the corporation as may he ordered by the President or the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors, at its regular meetings, or when the Board of Directors so requires; an account of all his transactions as Treasurer and of the financial condition of the corporation.

If required by the Board of Directors, the Treasurer shall give the corporation a bond in such sum and with such surety as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the corporation.

SECTION 13. The ASSISTANT TREASURERS in order of their seniority, unless otherwise determined by the President or the Board of Directors, shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer. They shall perform such other duties and have such other powers as the President or the Board of Directors may from time to time prescribe.

ARTICLE 9

CERTIFICATES OF STOCK

SECTION 1. Every stockholder shall be entitled to have a certificate signed by the President or a Vice-President and the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the corporation, certifying the number of shares owned by him in the corporation, if the corporation shall be authorized to issue more than one class of stock or more than one series of any class, the designations, preferences and relative, participating, optional or other special rights of the various classes of stock or series thereof and the qualifications, limitations or restrictions of such rights, shall be set forth in full or summarized on the face or back of the certificate which the corporation shall issue to represent such stock.

SECTION 2. If a certificate is signed (a) by a transfer agent other than the corporation or its employees or (b) by a registrar other than the corporation or its employees, the signatures of the officers of the corporation may be facsimiles. In case any officer who has signed or whose facsimile signatures have been placed upon a certificate shall cease to be such officer before such certificate is issued, such certificate may be issued with the same effect as though the person had not ceased to be such officer. The seal of the corporation, or a facsimile thereof, may; but need not be, affixed to certificates of stock.

SECTION 3. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost or destroyed upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost or destroyed.

SECTION 4. Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the corporation, if it is satisfied that all provisions of the laws and regulations applicable to the corporation regarding transfer and ownership of shares have been complied with, to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

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SECTION 5. The Board of Directors may fix in advance a date not exceeding sixty (60) days nor less than ten (10) days preceding the date of any meeting of stockholders, or the date of the payment of any dividend, or the date of the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, or a date in connection with obtaining the consent of stockholders for any purpose, as a record date for the termination of the stockholders entitled to notice of and to vote at any such meeting, and any adjournment thereof, or entitled to receive payment of any such dividend, or to give such consent, and in the such case, such stockholders, and only such stockholders as shall be stockholders of record on the date so fixed, shall be entitled to notice of and to vote at such meeting, or any adjournment thereof, or to receive such payment of dividend, or to receive such allotment of rights, or to exercise such rights, or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the corporation after such record date fixed as aforesaid.

SECTION 6. The corporation shall be entitled to recognize the person registered on its books as the owner of the share to be the exclusive owner for all purposes including voting and dividends, and the corporation shall not be bound to recognize any equitable or other claims to or interest in such shares or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Nevada.

ARTICLE 10

GENERAL PROVISIONS

SECTION 1. Dividends upon the capital stock of the corporation, subject to the provisions of the Articles of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property or in shares of the capital stock, subject to the provisions of the Articles of Incorporation.

SECTION 2. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the Directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends or for repairing and maintaining any property of the corporation, or for such other purpose as the Directors shall think conducive to the interests of the corporation, and the Directors may modify or abolish any such reserve in the manner in which it was created.

SECTION 3. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

SECTION 4. The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

SECTION 5. The corporation may or may not have a corporate seal, as may be from time to time determined by resolution of the Board of Directors. If a corporate seal is adopted, it shall have inscribed thereon the name of the corporation and the words "Corporate Seal" and "Nevada". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any manner reproduced.

ARTICLE 11

INDEMNIFICATION

Every person who was or is a party or is a threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or a person of whom he is the legal representative is or was a Director or officer of the corporation or is or was serving at the request of the corporation or for its benefit as a Director or officer of another corporation, or as its representative in a partnership, joint venture, trust or other enterprise, shall be indemnified and held harmless to the fullest legally permissible under the General Corporation Law of the State of Nevada from time to time against all expenses, liability and loss (including attorney's fees, judgments, fines and amounts paid or to be paid in settlement) reasonably incurred or suffered by him in connection therewith. The expenses of officers and Directors incurred in defending a civil or criminal action, suit or proceeding must be paid by the corporation as they are incurred and in advance of the final disposition of the action, suit or proceeding upon receipt of an undertaking by or on behalf of the

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Director or officer to repay the amount if it is ultimately determined by a court of competent jurisdiction that he is not entitled to be indemnified by the corporation. Such right of indemnification shall be a contract right which may be enforced in any manner desired. by such person. Such right of indemnification shall not be exclusive of any other right which such Directors, officers or representatives may have or hereafter acquire and, without limiting the generality of such statement, they shall be entitled to their respective rights of indemnification under any bylaw, agreement, vote of stockholders, provision of law or otherwise, as well as their rights under this Article.

The Board of Directors may cause the corporation to purchase and

maintain insurance on behalf of any person who is or was a Director or officer of the corporation, or is or was serving at the request of the corporation as a Director or officer of another corporation, or as its representative in a partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred in any such capacity or arising out of such status, whether or not the corporation would have the power to indemnify such person.

The Board of Directors may from time to time adopt further Bylaws with respect to indemnification and amend these and such Bylaws to provide at all times the fullest indemnification permitted by the General Corporation Law of the State of Nevada.

ARTICLE 12

AMENDMENTS

SECTION 1. The Bylaws may be amended by a majority vote of all the stock issued and outstanding and entitled to vote at any annual or special meeting of the stockholders, provided notice of intention to amend shall have been contained in the notice of the meeting.

SECTION 2. The Board of Directors by a majority vote of the whole Board at any meeting may amend these Bylaws, including Bylaws adopted by the stockholders, but the stockholders may from time to time specify particulars of the Bylaws which shall not be amended by the Board of Directors.

APPROVED AND ADOPTED February 19, 1998.

CERTIFICATE OF THE SECRETARY

I, E. Del Thachuk, hereby certify that I am the Secretary of MANDALAY CAPITAL CORP., and the foregoing Bylaws, consisting of 8 pages, constitute the code of Bylaws of this company as duly adopted at a regular meeting of the Board of Directors of the corporation held on February 19, 1998.

IN WITNESS WHEREOF, I have hereunto subscribed my name on February 19, 1998.

/s/ E. Del Thachuk

Secretary

AGREEMENT

This Agreement entered into as of the 29th December 1998 by and between Jeffrey Alan Muller ("Seller") and Save the World Air Inc. ("Buyer"), a Nevada corporation having its principal office at 1285 Ave of the Americas New York City is made with reference to the following facts.

A. Seller controls the ownership of certain secret know-how, technology, methodology, prototypes, machinery and equipment relating to a ZERO POLLUTION EMISSION DEVICE together with certain letters, and patent rights and has adopted certain unregistered trademarks, service marks, logotypes, and trade styles, for use therewith.

B. Buyer desires to Purchase and Seller desires to Sell to Buyer 100% of the international marketing and manufacturing rights of Seller in and to the Zero Pollution Emission Device.

1.0 DEFINITIONS

1.01 ZERO POLLUTION EMISSION DEVICE. The term "Zero Pollution Emission Device" shall mean all of Seller's drawings, blueprints, sketches, diagrams, specifications, bills of material, manufacturing cost records, cost estimates, engineering records, engineering notes and notebooks service manuals, service instructions, manufacturing instructions, assembly instructions, testing instructions, operating instructions, parts lists, know-how data, technology, methodology, prototypes, programs, models, tools, patterns, and other physical and written descriptions and embodiments, including parts, subsystems and subassemblies and all associated fittings for the production of a Zero Pollution Emission Device, which Seller has tested which are possessed by Seller as of the date hereof, together with any future improvements thereto or betterments thereof whether made by Seller or Buyer;

1.02 MARKS. The term "Marks" shall mean all/any of Seller's trademarks, trademark rights, service marks, trade usages, logotypes all of which are unregistered, and all other rights including goodwill worldwide relating to, or indicating the source or origin or, the Zero Pollution Emission Device.

1.03 NET REVENUES. The term "Net Revenues" shall mean all revenues of any kind or nature whatsoever, whether in cash or in kind, actually received by or applied on behalf of Buyer or any person or entity which is an Affiliate or licensee or sublicensee of the Zero Pollution Device from Buyer, from the sale, rental or other disposition of products oil processes utilizing the Zero Pollution Device (including for this purpose spare or repair parts, modifications, improvements, and attachments thereto) to any person or entity which is not an Affiliate of Buyer, excluding, however, all interest, finance charges, import, export or customs duties or similar sales and excise taxes, shipping charges, packing charges, insurance or other separately related charges relating to transportation charges paid by Buyer directly with respect to the sale; and less (i) genuine trade discounts and quantity discounts, if any, allowed and taken and (ii) genuine allowances or credits, if any, given to customers on account of settlement of complaints, rejections or returns with respect to the sale or other disposition, all as actually invoiced or billed to customers.

1.04 AFFILIATE. The term "Affiliate" means any corporation or other business entity with respect to which Seller or Buyer as the case may be, directly or indirectly owns or controls the majority of the voting stock, or has the right or power to designate or elect the directors or other management personnel, or otherwise has the right or power to control its operating management decision.

2.0 SALE OF ZERO POLLUTION EMISSION DEVICE AND OTHER INTANGIBLES

2.01 SALE OF ASSETS. Subject to the terms and conditions hereunder, Seller agrees to assign, sell, transfer, grant and convey and does hereby assign, sell, transfer, grant and convey unto Buyer 100% of his marketing rights throughout the world in and to the Zero Pollution Devices. Seller agrees to

promptly execute and deliver all papers and perform such other acts which are reasonably deemed necessary or appropriate by Buyer to transfer to Buyer or perfect in Buyer the right title and interest hereby conveyed, all of the same being in form and substance reasonably satisfactory to the counsel for Seller and Buyer. As the owner of the Zero Pollution Device, and any Marks, and Copyrights, Buyer has the right to grant licenses and sub-licenses thereunder but to protect Seller's security interest, Buyer shall provide Seller promptly with a copy of each such licenses or sub-licenses shall be on terms consistent with and subject to the Buyer's obligations hereunder.

2.02 RESTRICTIONS ON SELLER. The sale herein is exclusive in all respects and Seller agrees that during the term of this Agreement, neither Seller nor any of its officers, employees, agents or Affiliates will, except as expressly requested by Buyer otherwise required to carry out the provisions of this Agreement:

- a. Manufacture or sell the Zero Pollution Device or related equipment, either for its own account or on behalf of any other person or organization; or
- b. Provide technical information or assistance relating to the Zero Pollution Device to any person or organizations other than Buyer or persons authorized by Buyer to receive such information or assistance; or
- c. Assist any other organization in engaging in the design, development, engineering, manufacture or sale of the Zero Pollution Device or related equipment; or
- d. Directly or indirectly reveal to anyone or utilize in any way the Zero Pollution Device (i,) except as required by this Agreement or (ii) as expressly requested by the Buyer. This provision, however, shall not apply to information which is, or through no fault of Seller becomes publicly available.

2.03 FUTURE ASSURANCES. Subject to the limitations set forth elsewhere in this Agreement, Seller covenants and agrees to cooperate with Buyer, and upon request from Buyer to execute and delivery such documents and take such action as may be reasonably requested in order to fully carry out the intent and purpose of this Agreement.

3.0 PAYMENT OF PURCHASE PRICE

3.01 PAYMENT OF VARIABLE PURCHASE PRICE. The purchase price for all of the marketing and manufacturing rights sold shall be an amount equal to the total sums payable to Seller pursuant to the provisions of this Paragraph 3.01. Subject to the terms and conditions hereof, including termination, in payment of the purchase price for the assets being conveyed hereunder, Buyer agrees to:

- a. Pay Seller an amount equal to \$500,000 and \$10 royalty for every unit sold;
- b. Issue and transfer 5,000,000 shares of Common Stock of Buyer to Seller within 120 days of the Agreement.

4.0 SELLER'S COVENANTS

4.01 MARKETING ASSISTANCE. Seller covenants and agrees is requested by during the term of this Agreement, to reasonably assist Buyer in obtaining license agreements with third parties, under which such third parties would be licensed to produce devices in accordance with the Zero Pollution Device and any Rights thereto.

4.02 PROSECUTION OF INFRINGEMENT SUITS. Buyer shall provide reasonably prompt notice to Seller upon becoming aware of possible infringement of any Rights by any third party. In any such event, except as provided below, buyer shall have sole right, but not the obligation, to file and prosecute suit at its own expense and to collect damages and other compensation, provided, however, that Buyer shall report and make payment to Seller with respect to the amount of any such recovery, net of all costs and expenses incurred therewith as if the infringer were a licensee. Buyer shall provide reasonable prior notice of all decisions with respect to any infringement actions, and an opportunity for Seller's counsel to collaborate and advise with respect thereto. If Buyer does not take action against any third party infringer within a reasonable time,

Seller then shall have the sole right to do so in the name of buyer, but at Seller's own expense, and to collect damages and other compensation therefor.

5.0 SELLER'S COVENANTS

5.01 MARKETING. Promptly following the date on which payment becomes due from Buyer's customer for the production of prototype (whether under sale or lease) or, if the production prototype is put into use by Buyer or an Affiliate, the date on which payment becomes due from the customer of Buyer or its Affiliate for the Zero Pollution Device from the first commercial production run of such machine, as the case may be (which date is hereafter referred to as the "Prototype Machine Acceptance Date"), Buyer agrees to engage in reasonable marketing efforts for the purpose of creating a market for the sale, lease or license of additional machines, and to promote and popularize the Zero Pollution Device, including the preparation and distribution of promotional literature for use in the promotion of sales of products utilizing the Zero Pollution Device, the recruiting and maintenance of a sales personnel force commensurate with Buyer's reasonable projection of the market for the Zero Pollution Device and Net Revenues, and to continue to engage in such efforts until the termination of this agreement, provided, however, Buyer shall be entitled to submit to Seller promptly after the Prototype Acceptance Date and annually thereafter during the term of this Agreement a detailed marketing plan which, if not disapproved with specific objections by Seller within thirty (30) days, shall be deemed satisfactory. In the event that the parties are unable to agree on the marketing plan, the matter shall be submitted to arbitration. Buyer agrees to use reasonable efforts to continually implement the marketing plan during the period covered thereby and when necessary modify the same to reflect changed marketing conditions, if any, and further agrees to keep Seller timely informed of the nature, extent and results of all such sales and marketing efforts.

5.02 IMPROVEMENTS AND ADDITIONAL PATENTS. Buyer shall promptly disclose to Seller all improvements to the Zero Pollution Device by Buyer and, Buyer at its sole cost and expense, shall promptly prepare, file and prosecute applications to register any additional applications for letters patent which provide material protection for the Zero Pollution Device and related equipment products and processes, as being practiced at that time or as expected by Buyer to be practiced in the future in the United States and such foreign countries as Buyer may reasonably determine are likely to have market conditions that warrant obtaining such protection. In the event that Buyer shall fail to perform any of its obligations under this subparagraph, Seller shall have the right to direct or take over such activities in the name and on behalf of Buyer as Seller in its sole discretion may reasonably determine to be in its best interests. Thereupon, Buyer shall reimburse Seller for the reasonable expenses actually incurred by Seller for prosecuting such applications. In the event that Buyer decides not to appeal any final determination of the Examiner, Seller shall have

the right to file and prosecute such appeal at its own expense. Seller, at its cost and expense, shall in good faith have the right to obtain such protection in any country in which Buyer elects not to do so, and Buyer shall cooperate with Seller in doing so.

5.03 SECRECY AND NON-COMPETITION. During the term of this Agreement, Buyer and its Affiliates will provide the same degree of protection for all trade secrets communicated to Buyer by Seller and identified at that time as "Seller Trade Secrets" as Buyer exercises with respect to its own information of similar character and importance. Buyer shall use its best efforts to obtain from each of its employees or agents (present or future) who will spend substantial time working on the Zero Pollution Device and/or who will have any trade secrets, confidential information or unpublished know-how relating to the Zero Pollution Device and Employee Invention and Secrecy Agreement substantially and shall include appropriate secrecy provisions in all contracts with its customers, licensees and sublicensees of the Zero Pollution Device or parts thereof, of which agreements Seller, as secured party hereunder, shall be a beneficiary.

6.0 WARRANTIES

6.01 WARRANTIES BY SELLER. Seller expressly warrants and represents Buyer that; a) Seller has the power, right and authority to enter into and perform its obligations under this Agreement. All necessary action has been

taken to authorize the execution, delivery and performance of this Agreement.

6.02 WARRANTIES BY BUYER. Buyer represent and warrants to Seller as follows;

a) Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada, United States; b) All necessary and corporate actions have been taken to authorize the execution, delivery and performance of this Agreement by Buyer; and c) This Agreement when duly signed by Seller and Buyer will be a binding obligation of buyer enforceable in accordance with its terms.

7.0 TERMINATION.

7.01 TERMINATION FOR DEFAULT OF BUYER. This Agreement may be terminated by Seller in the event; (a) Buyer fails to make any payment as provided under Paragraph 3.01 hereof, provided however, Seller shall have first given written notice to Buyer specifying such failure and Buyer shall not have cured such failure within thirty (30) days after receipt of such notice; or (b) Buyer shall fail to substantially and continuously satisfy its promotion and exploitation obligations under Paragraph 3.02 after written notice to buyer specifying such failure except on account of a material breach by Seller of a material warranty hereunder; or c) Buyer shall fail to perform any other obligation under this Agreement, provided, however, Seller shall have first given written notice to Buyer specifying such failure and Buyer shall have not cured such failure with thirty (30) days after receipt of such notice, and further provided, that is such failure by its nature is not readily curable within such initial time period but Buyer has undertaken good faith efforts to cure such failure, Buyer shall, have an additional twenty-one (21) days within which to complete such action, provided the default may be reasonably expected to be cured within said additional 21 Days.

7.02 MISCELLANEOUS TERMINATION BY SELLER. Seller shall have the right to terminate the Agreement upon written notice to Buyer in the event that; (a) Buyer files a voluntary petition under any Chapter of Bankruptcy Code or similar insolvency law of any jurisdiction or proposes a dissolution or liquidation; OR (b) Buyer has filed against it any petition under any Chapter of the Bankruptcy Code or similar insolvency law of any jurisdiction, which petition is not dismissed. It is further provided that should the provisions of subparagraphs (a) or (b) above be invalid or unenforceable under then applicable provisions of the Bankruptcy Code or any similar insolvency law of any jurisdiction, the Trustee in Bankruptcy or Debtor in Possession of Buyer shall continue to have the same rights and obligations to perform under this Agreement by such Trustee

or Debtor in Possession shall have the right to terminate this Agreement on 30 days' written notice or such other reasonable period of time as may be determined by the court then having jurisdiction over Buyer.

8.0 RIGHTS UPON TERMINATION

8.01 TERMINATION BY SELLER. In addition to any other rights it may have in law or equity, Seller shall have the following rights upon termination of this Agreement:

(a) In the event that Seller terminates this Agreement because Buyer has failed to comply with the performance standards and Seller elects to terminate this Agreement: (i) title to the Zero Pollution Device, Rights and Copyrights, to the extent and in the form delivered by Seller to Buyer, together with drawings of betterments, modifications and improvements to any production prototype machine built by Buyer, will automatically be deemed to be acquired or required by Seller upon the effective date of termination of this Agreement without compensation being or becoming due to Buyer, (ii) Buyer, at its sole cost and expense, shall promptly thereafter return to Seller all equipment, machines and documents relating to the Zero Pollution Device which buyer originally received from Seller. After such a termination, Buyer, its affiliates, licencees and sublicensees will immediately cease and desist from using, manufacturing and exploiting the Zero Pollution Device and Marks.

(b) In the event Buyer does not substantially and continuously satisfy

its promotion and exploitation obligations as set forth herein except on account of a material breach by Seller of a warranty hereunder, and Seller elects to terminate this Agreement, Seller upon the effective date of the termination of this Agreement will be deemed to have acquired a fully paid royalty free, world-wide license from Buyer to manufacture, use and exploit the Zero Pollution Device, Rights, Marks and Copyrights including the right to grant sublicenses thereunder, which shall be exclusive except as to buyer's then excluding licensees and sublicensees, but only as applied to machines and cartons utilizing the Zero Pollution Device sold or leased or licensed by Buyer prior to the effective date of the termination. In all other respects the provisions of (a) above shall be applicable.

(c) To the event that Seller terminates this Agreement on account of the default by Buyer of any sums due and owing to Seller hereunder, or for any other reason the provisions of (a) above shall be applicable and, in addition, Seller, as secured creditor, shall have such other remedies as may then be available to it under law of in equity including the exercise of its security interest granted herein.

(d) In the event of any termination of this Agreement by Seller, Buyer shall have the right to complete the manufacture of any devices in the process of design, manufacture or delivery and to sell the same, provided, however, the proceeds thereof shall be subject to the rights of Seller (i) to recover sums then due and owing to it, and (ii) Buyer shall continue to have the obligation to report and pay over to Seller the sums due thereon determined in accordance with the provisions of Paragraph 3.01. Further, in the event the provisions of subparagraphs (b) or (c) above are applicable upon Seller's termination of this Agreement, Buyer shall have the right to continue to receive royalties under any existing licenses or similar agreement with third parties, subject, however, to the obligation to report and pay to Seller the sums due determined under the provisions of Paragraph 3.01 hereof.

9.0 GENERAL LIMITATIONS.

9.01 NO AGENCY, PARTNERSHIP OR JOINT VENTURE. This Agreement does NOT render, and nothing herein contained shall be construed to render Buyer or Seller as an agent for the other or liable for any debts, obligations or liabilities of the other now existing or to be incurred in the performance of this Agreement. Nothing in this Agreement shall be deemed or construed to constitute or create between the parties hereto, a partnership or joint venture.

10.0 NOTICES.

10.01 NOTICES. Except as provided elsewhere in this Agreement, all statements, payment and documents required or permitted by this Agreement to be provided or given to either party shall be deemed to have been so provided or given upon the mailing thereof postage paid by first-class mail, and all notices required hereunder shall be deemed to have been given upon the mailing thereof by postage paid certified mail, return receipt requested, addressed to such party as its following address or at such other addresses and to the attention of such other officers or individuals as it may from time to time designate in writing to the other party:

11.0 ENTIRE AGREEMENT.

11.01 ENTIRE AGREEMENT. This Agreement shall represent the entire agreement by and between Buyer and Seller and all previous agreements between Buyer and Seller are hereby terminated and superseded. This Agreement shall not be modified except by an Agreement in writing signed by both parties hereto.

12.0 MISCELLANEOUS.

12.01 ARBITRATION. In the event that the parties are unable to reach any future agreement specifically provided for herein within 120 days of commencement of a request for such agreement by either party, the matter shall be finally settled by arbitration pursuant to the rules then in effect of the American Arbitration Association. The arbitration shall take place in Australia if commenced by Seller, or in America (U.S.A) if commenced by Buyer. Such arbitration shall not include any issue with respect to breach of this Agreement, specific performance, damages, injunctive relief or any equitable

relief, all of which may be resolved by an action in law or equity in a court of appropriate jurisdiction at any time.

12.02 SEVERABILITY. If any provision of this Agreement is held invalid or unenforceable for any reason, such provision is fully separable, and shall thereupon be separated from, the remaining provisions of this Agreement, and the remaining provisions are nevertheless validated and enforceable as if such of the provisions held invalid or unenforceable were not a part of this Agreement.

12.03 HEADINGS. Headings and captions of this Agreement are included for purposes of convenient reference only and shall not be construed as limiting, expanding or modifying in any way a text of any paragraph or section.

12.04 USE OF MARKS. Buyer shall have the non-exclusive right, but not the obligation, to use the Marks, but the purchase price shall not be reduced if Buyer elects not to use the Marks, or if Buyer is prevented from using the Marks because such infringes prior rights.

12.05 WAIVER. The failure of either party at any time to require performance by the other party of any provision of this Agreement shall not affect in any way derogate the full right to require such performance at any time thereafter; nor shall the waiver by either party of a breach of any provision thereof be held to be a waiver of the provision itself.

12.06 GOVERNING LAW. This Agreement shall be governed by construed in accordance WITH the laws of Nevada.

12.07 ASSIGNMENT AND BENEFIT. Neither party shall have the right to assign its rights or to delegate its duties hereunder without prior written consent of the other party, but in the case of an assignment of rights or to delegate its duties hereunder without the prior written consent of the other party, but in the case of an assignment of rights such consent will not be reasonably withheld. Such consent of either party shall not be required for any such assignment by Buyer or Seller to any of its affiliates, but such an assignment shall not relieve Seller or Buyer, as the case may be, of any of its obligations hereunder. Subject to the above, this Agreement shall be binding upon, and inure to the benefit of, the successors and assigns of the parties hereto.

12.08 COUNTERPARTS. This Agreement shall be executed in duplicate with one executed copy to be retained by Seller and the other by Buyer.

EXECUTED as a bind contract by their duly authorized officers or representatives.

/S/ Jeffrey A. Muller

Jeffrey A. Muller

BY:/S/ Jeffrey A. Muller

President
SAVE THE WORLD AIR, INC.

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