MAGNEGAS CORP
Form 10-Q
November 10, 2011

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2011

or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

Commission File Number: 000-51883

MagneGas Corporation
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	26-0250418 (I.R.S. Employer Identification No.)
150 Rainville Rd Tarpon Springs, FL 34689 (Address of principal executive offices)	34689 (Zip Code)

(727) 934-3448
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o (do not check if smaller reporting company)	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of November 10, 2011, there were 152,562,296 shares of common stock, $0.001 par value issued and outstanding.

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Item 1. Financial Statements

Financial Statements

MagneGas Corporation

As of September 30, 2011 (unaudited) and December 31, 2010 (audited)
And for the Three and Nine Months Ended September 30, 2011 (unaudited) and 2010 (unaudited)

Contents

MagneGas Corporation
Balance Sheets

	September 30, 2011 (unaudited)	December 31, 2010 (audited)
Assets		
Current Assets		
Cash	$147,204	$917,495
Accounts receivable, net of allowance for doubtful accounts of $622 and $0, respectively	21,146	8,159
Inventory, at cost	2,184,381	1,554,807
Prepaid and other current assets	-	30,000
Total Current Assets	2,352,731	2,510,461
Property and equipment, net of accumulated depreciation of $25,800 and $8,839, respectively	98,114	50,616
Deferred tax asset	1,101,600	456,500
Intangible assets, net of accumulated amortization of $139,394 and $103,044, respectively	587,606	623,956
Investment in joint ventures	490,410	490,410
Total Assets	$4,630,461	$4,131,943
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$427,504	$378,215
Accrued expenses	211,051	31,495
Deferred revenue and customer deposits	449,995	569,994
Due to affiliate	10,000	10,000
Note payable to related party	43,552	46,692
Total Current Liabilities	1,142,102	1,036,396
Total Liabilities	1,142,102	1,036,396
Stockholders' Equity		
Preferred stock: $0.001 par; 10,000,000 authorized; 2,000 issued and outstanding	2	2
Common stock: $0.001 par; 900,000,000 authorized; 132,899,796 and 123,445,209 issued and outstanding, respectively	132,899	123,445
Additional paid-in capital	6,629,334	5,180,468
Issued and unearned stock compensation	(33,333)	(48,333)
Accumulated deficit	(3,240,543)	(2,160,035)
Total Stockholders' Equity	3,488,359	3,095,547
Total Liabilities and Stockholders' Equity	$4,630,461	$4,131,943

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

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MagneGas Corporation
Statements of Operation
For the Three and Nine Months Ended September 30, 2011 and 2010
(unaudited)

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Revenue	$61,253	$444,232	$226,103	$1,942,606
Direct Costs	40,491	183,308	91,087	724,299
	20,762	260,924	135,016	1,218,307
Operating Expenses:				
Advertising	14,716	18,942	48,535	38,827
Selling	54,276	15,962	239,554	192,280
Professional: technical	150	75,770	150	148,995
Professional: legal and accounting	2,066	22,351	141,931	60,014
Rent and overhead	28,623	30,563	77,409	54,321
Office and administration	331,205	53,259	681,312	208,515
Investor relations	15,087	23,386	31,409	61,795
Stock-based compensation	95,850	51,800	456,490	237,876
Research and development	48,031	56,310	130,535	78,460
Depreciation and amortization	17,769	14,361	53,311	42,215
Total Operating Expenses	607,773	362,704	1,860,636	1,123,298
Operating Income (Loss)	(587,011)	(101,780)	(1,725,620)	95,009
Other Income and (Expense)				
Interest	(30)	(9)	12	(1,709)
Sale of Asset(s)	-	-	-	-
Total Other (Income) Expense	(30)	(9)	12	(1,709)
Net Income (Loss) before tax benefit	(587,041)	(101,789)	(1,725,608)	93,300
Provision for Income Taxes	(221,000)	(38,300)	(645,100)	36,500
Net Income (Loss)	$(366,041)	$(63,489)	$(1,080,508)	$56,800
Loss per share:				
Basic	$(0.00)	$(0.00)	$(0.01)	$0.00
Diluted	$(0.00)	$(0.00)	$(0.01)	$0.00
Weighted average common shares:				
Basic	130,873,528	115,562,976	119,088,587	105,858,259
Diluted	130,873,528	115,562,976	119,088,587	106,721,014

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

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MagneGas Corporation
Statement of Cash Flows
For the Nine Months Ended September 30, 2011 and 2010
(unaudited)

	September 30, 2011	2010
Cash Flows from Operations		
Net income (loss)	$(1,080,508)	$56,800
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	53,311	42,215
Stock compensation	456,490	237,876
Waiver of related party expenses	16,830	16,830
Bad debts	622	-
Deferred income taxes	(645,100)	36,500
Changes in operating assets:		
Accounts receivable	(13,609)	(8,116)
Inventory	(629,574)	(606,952)
Prepaid & other current assets	30,000	(125,000)
Accounts payable	49,289	140,494
Accrued expenses	179,556	(55,057)
Deferred revenue and customer deposits	(119,999)	101,667
Total adjustments to net income	(622,184)	(219,543)
Net cash (used in) operating activities	(1,702,692)	(162,743)
Cash Flows from Investing Activities		
Acquisition of equipment	(64,459)	(23,210)
Net cash flows (used in) investing activities	(64,459)	(23,210)
Cash Flows from Financing Activities		
Advance from affiliate	-	14,750
Advances from (repayments to) related party	(3,140)	-
Proceeds from note payable to related party	-	22,000
Repayments on notes payable from related party	-	(158,000)
Proceeds from issuance of common stock	1,000,000	2,000,000
		-
Net cash flows provided by (used in) investing activities	996,860	1,878,750
Net increase (decrease) in cash	(770,291)	1,692,797
Cash balance, beginning	917,495	7,338
Cash balance, ending	$147,204	$1,700,135

Supplemental disclosure of cash flow information and non cash investing and financing activities:

Interest paid	$-	$-
Taxes paid	$-	$-

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

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MagneGas Corporation
Notes to Financial Statements
(Unaudited)
For the Three and Nine Months Ended September 30, 2011 and 2010

1. Background Information

MagneGas Corporation (the “Company”) was organized in the state of Delaware on December 9, 2005. The Company was originally organized under the name 4307, Inc, for the purpose of locating and negotiating with a business entity for a combination. On April 2, 2007 all the issued and outstanding shares of 4307, Inc. were purchased and the Company name was changed to MagneGas Corporation.

The Company’s operating plan and mission is to produce hydrogen based alternative fuel made from liquid waste. A patented process has been developed which transforms contaminated liquid waste through a proprietary plasma arc technology. A byproduct of this process is to produce a green fuel alternative to natural gas. The patented proprietary technology is owned by the Company. The Company produces bottled gas for the purpose of distribution to the metal working market. Additionally, the Company is marketing, for sale or licensure, its proprietary plasma arc machines.

2. Summary of Significant Accounting Policies

The significant accounting policies followed are:

Basis of Presentation

In the opinion of management, all adjustments consisting of normal recurring adjustments necessary for a fair statement of (a) the result of operations for the three and nine month periods ended September 30, 2011 and 2010; (b) the financial position at September 30, 2011; and (c) cash flows for the nine month periods ended September 30, 2011 and 2010, have been made.

The Company prepares its financial statements in conformity with generally accepted accounting principles in the United States of America. These principals require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that these estimates are reasonable and have been discussed with the Board of Directors; however, actual results could differ from those estimates.

Certain reclassifications have been made for comparability.

Use of Estimates

The Company prepares its financial statements in conformity with generally accepted accounting principles in the United States of America. These principals require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that these estimates are reasonable and have been discussed with the Board of Directors; however, actual results could differ from those estimates. The financial statements presented include estimates for patent life, recoverability of deferred tax assets and collections on our receivables. Our estimates include consideration of the useful lives of our intellectual property, allocations to research and development costs and recognition of deferred tax assets.

Variable Interest Entities

The Company considers the consolidation of entities to which the usual condition (ownership of a majority voting interest) of consolidation does not apply, focusing on controlling financial interests that may be achieved through arrangements that do not involve voting interest. If an enterprise holds a majority of the variable interests of an entity, it would be considered the primary beneficiary. The primary beneficiary is generally required to consolidate assets, liabilities and non-controlling interests at fair value (or at historical cost if the entity is a related party) and subsequently account for the variable interest as if it were consolidated based on a majority voting interest. The Company has investments in joint ventures that are in development of the MagneGas technology, however the Company is not identified as a primary beneficiary; therefore no consolidation is required and the investments are listed at their cost.

Fair Value of Financial Instruments

In September 2006, the Financial Accounting Standards Board (FASB) introduced a framework for measuring fair value and expanded required disclosure about fair value measurements of assets and liabilities. The Company adopted the standard for those financial assets and liabilities as of the beginning of the 2008 fiscal year and the impact of adoption was not significant. FASB Accounting Standards Codification (ASC) 820 “Fair Value Measurements and Disclosures” (ASC 820) defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity’s own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs that are both significant to the fair value measurement and unobservable.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of September 30, 2011. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include accounts receivable, inventory, other current assets, accounts payable, accrued compensation and accrued expenses. The fair value of the Company’s notes payable is estimated based on current rates that would be available for debt of similar terms which is not significantly different from its stated value.

The Company applied ASC 820 for all non-financial assets and liabilities measured at fair value on a non-recurring basis. The adoption of ASC 820 for non-financial assets and liabilities did not have a significant impact on the Company’s financial statements.

Cash and Cash Equivalents

The majority of cash is maintained with a major financial institution in the United States. Deposits with this bank may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed on demand and, therefore, bear minimal risk. The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable, Credit

Accounts receivable consist of amounts due for the delivery of MagneGas sales to customers. An allowance for doubtful accounts is considered to be established for any amounts that may not be recoverable, which is based on an analysis of the Company's customer credit worthiness, and current economic trends. Based on management's review of accounts receivable, no allowance for doubtful accounts was considered necessary. Receivables are determined to be past due, based on payment terms of original invoices. The Company does not typically charge interest on past due receivables.

Revenue Recognition

The Company generates revenue through two processes: (1) Sale of MagneGas fuel for metal cutting and (2) Sale of its Plasma Arc Flow units. Additionally we also recognize revenue from territorial license arrangements.

- Revenue for metal-working fuel is recognized when shipments are made to customers. The Company recognizes a sale when the product has been shipped and risk of loss has passed to the customer.
- Revenue generated from sales of its production unit is recognized on a percentage of completion, based on the progress during manufacturing of the unit. Our machine is a significant investment and generally requires a 6 to 9 month production cycle. During the course of building a unit the actual costs are tracked to our cost estimates and revenue is proportionately recognized during the process. Significant deposits are required before production. These deposits are classified as customer deposits. During our production, costs and progress earnings are accumulated and included in "Costs and earnings" as an asset.
- Licenses are issued, per contractual agreement, for distribution rights within certain geographic territories. We recognize revenue ratably, based on the amounts paid or values received, over the term of the licensing agreement.

Inventories

Inventories are stated at the lower of standard cost or market, which approximates actual cost. Cost is determined using the first-in, first-out method. Inventory is comprised of filled cylinders of MagneGas and accessories (regulators and tips) available for sale and accumulated costs incurred in the manufacturing process of units held for future sales.

Long-Lived Assets

Property and equipment is stated at cost. Depreciation is computed by the straight-line method over estimated useful lives (3-7 years). Intellectual property assets are stated at their fair value acquisition cost. Amortization of intellectual property assets is calculated by the straight line method over their specific life (15 years). Historical costs are reviewed and evaluated for their net realizable value of the assets. The carrying amount of all long-lived assets is evaluated periodically to determine if adjustment to the depreciation and amortization period or the unamortized balance is warranted. Based upon its most recent analysis, the Company believes that no impairment of property and equipment existed at December 31, 2010.

Long-lived assets such as property, equipment and identifiable intangibles are reviewed for impairment whenever facts and circumstances indicate that the carrying value may not be recoverable. When required impairment losses on assets to be held and used are recognized based on the fair value of the asset. The fair value is determined based on estimates of future cash flows, market value of similar assets, if available, or independent appraisals, if required. If the carrying amount of the long-lived asset is not recoverable from its undiscounted cash flows, an impairment loss is recognized for the difference between the carrying amount and fair value of the asset. When fair values are not available, the Company estimates fair value using the expected future cash flows discounted at a rate commensurate with the risk associated with the recovery of the assets. We did not recognize any impairment losses for any periods presented.

Stock Based Compensation

The Company issues restricted stock to consultants for various services Cost for these transactions are measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. The value of the common stock is measured at the earlier of (i) the date at which a firm commitment for performance by the counterparty to earn the equity instruments is reached or (ii) the date at which the counterparty's performance is complete. The Company recognized consulting expenses and a corresponding increase to additional paid-in-capital related to stock issued for services. Stock compensation for the periods presented were issued to consultants for past services provided, accordingly, all shares issued are fully vested, and there is no unrecognized compensation associated with these transactions. In May 2008 the Company entered into a consulting agreement for services to be rendered over a five year period. The consulting expense is to be recognized ratably over the requisite service period.

Shipping Costs

The Company includes shipping costs and freight-in costs in cost of goods sold. .

Advertising Costs

The costs of advertising are expensed as incurred. Advertising expenses are included in the Company’s operating expenses. Advertising expense was $14,716, $18,942, $48,535 and $38,827 for the three and nine months ended September 30, 2011 and 2010, respectively

Research and Development

The Company expenses research and development costs when incurred. Research and development costs include engineering and laboratory testing of product and outputs. Indirect costs related to research and developments are allocated based on percentage usage to the research and development.

Income Taxes

The Company accounts for income taxes under the liability method. Deferred tax assets and liabilities are recorded based on the differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose, referred to as temporary differences. Deferred tax assets and liabilities at the end of each period are determined using the currently enacted tax rates applied to taxable income in the periods in which the deferred tax assets and liabilities are expected to be settled or realized.

Earnings (Loss) Per Share

Basic earnings (loss) per share calculations are determined by dividing net income (loss) by the weighted average number of shares outstanding during the year. Diluted earnings (loss) per share calculations are determined by dividing net income (loss) by the weighted average number of shares. In periods of net loss, stock equivalents are excluded, as those shares would be anti-dilutive. The Company has issued options to several investors, upon their purchase of shares. Options, whose strike price is less than the current market value, are considered common stock equivalents and are included in dilutive earnings per share.

	September 30,	
	2011	2010
Net Income (Loss)	$(1,080,508)	$56,800

Weighted Average Shares		
Common Stock	119,088,587	105,858,259
Common stock equivalents (Options)	- *	862,754
	119,088,587	106,721,014

* Net loss for the period, options and other dilutive common stock equivalents are anti-dilutive and are excluded from computation.

3. Recently Issued Accounting Pronouncements

Except for rules and interpretive releases of the SEC under authority of federal securities laws and a limited number of grandfathered standards, the FASB Accounting Standards Codification™ ("ASC") is the sole source of authoritative GAAP literature recognized by the FASB and applicable to the Company. Management has reviewed the aforementioned rules and releases and believes any effect will not have a material impact on the Company's present or future consolidated financial statements.

4. Inventory

Inventory primarily consists of:

	September 30, 2011	December 31, 2010
Cylinders and metal cutting fuel	$157,904	$8,381
Units, construction in process	2,026,477	1,546,426
	$2,184,381	$1,554,807

The Company is currently manufacturing four refineries for future sales.

5. Long Lived Assets

Property and equipment consists of:

	September 30, 2011	December 31, 2010
Machinery and equipment	$ 108,683	$ 46,666
Furniture and office equipment	10,906	-
Truck	4,325	4,325
	123,914	50,991
Less accumulated depreciation	25,800	375
	$ 98,114	$ 50,616

Depreciation of equipment was $5,653, $2,244, $16,961 and $5,865 for the three and nine months ended September 30, 2011 and 2010, respectively.

Intellectual property:

The Company owns intellectual property, which it is amortizing on a straight-line basis over the assets useful life. The Company assesses fair market value for any impairment to the carrying values. As of December 31, 2010 management concluded that there was no impairment to the intangible assets.

	September 30, 2011	December 31, 2010
Intellectual property	$727,000	$727,000
Less accumulated amortization	139,394	103,044
	$587,606	$623,956

Future amortization through December 31,:	
2011	$12,117
2012	48,467
2013	48,467
2014	48,467
2015	48,467

2016 and thereafter	381,621
	$587,606

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Amortization of the intangible assets was $12,116, $12,116, $36,350 and $36,350 for the three and nine months ended September 30, 2011 and 2010, respectively.

Management periodically reviews the valuation of this asset for potential impairments. Consideration of various risks to the valuation and potential impairment includes, but is not limited to: (a) the technology's acceptance in the marketplace and our ability to attain projected forecasts of revenue (discounted cash flow of projections); (b) competition of alternative solutions; and (c) federal and state laws which may prohibit the use of our production machinery as currently designed. Management has not impaired this asset, to date, and does not anticipate any negative impact from known current business developments. Management continuously measures the marketplace, potential revenue developments and competitive developments in the scientific industry.

6. Investment in Joint Ventures

On June 25, 2010, the Company entered into agreement with a Belgium company, whereby 250,000 shares of MagneGas Corporation's common stock and territorial license rights were exchanged for a 20% interest in MagneGas Europe. The Company valued the investment in the Joint Venture at the fair market value of the shares issued ($23,750). The Company does not have effective or beneficial control over the European entity and is to account for the investment under the Equity Method.

On June 28, 2010, the Company entered into agreement with DDI Industries, a China company, in formation of MagneGas China. The Company is to provide mechanical drawings (for complete construction), computer programs, license of patents (Greater China Region), trademarks, etc. of the Plasma Arc Flow Recyclers to the new entity in exchange for a $2 million investment in MagneGas Corporation (received as of September 30, 2010; subscription at a share price of $0.135 or 14,814,814 common shares) and 20% share in MagneGas China. The Company's investment has been valued at $466,660, a mutually agreed amount for the technology license. The MagneGas China entity has been funded in cash for an amount which reflects the intellectual property's value. The Company does not have effective or beneficial control over the China entity and is to account for the investment under the Equity Method.

Our investments in joint ventures are considered as Level 3, as defined in FASB Accounting Standards Codification (ASC) 820 "Fair Value Measurements and Disclosures" (ASC 820), and management considers alternative methods for valuing these investments to determine if there would be impairment to the current carrying value, currently our cost basis. As of December 31, 2010, management does not believe any impairment exists with regard to the investments in joint ventures.

7. Deferred Revenue and Customer Deposits

The Company has received deposits on production units and fees for exclusive territorial license. We have deferred the associated revenues until such time that production order is placed and produced (recognition under percentage of completion method) or through the passage of time (recognition over the life of the license term).

	September 30, 2011	December 31, 2010
Mexico territory license, non-refundable payment from a company for a six-month period ending February 28, 2011	$150,000	$150,000
China territory license	466,660	466,660
Phillipines, deposit on production unit	100,000	100,000
	716,660	716,660
Portion recognized	266,665	146,666

Deferred revenue and customer deposits	$449,995	$569,994

The amount recognized as revenue under licensing arrangements was $23,333, $0, $119,666 and $0 for the three and nine months ended September 30, 2011 and 2010, respectively.

8. Income Tax

Provision (Benefit) for Income Taxes

The provision for income taxes consists of the following:

	September 30, 2011	September 30, 2010
Current Tax Provision	$ -	$ -
Deferred Tax(Benefit) Provision	(645,100)	36,500
Total Tax (Benefit) Provision	$ (645,100)	$ 36,500

A reconciliation of the expected Federal statutory rate of 34% to the Company's actual rate as reported for each of the periods presented is as follows:

	2010	2009
Expected statutory rate	(34.0)%	34.0%
State Income tax rate, net of federal benefit	(3.2)%	4.3%
Permanent Differences	0.0%	0.0%
Temporary Differences	0.0%	0.0%
Valuation Allowance	0.0%	0.0%
	(37.2)%	38,.3%

Deferred Income Taxes

Deferred income taxes are the result of timing differences between book and tax basis of certain assets and liabilities, timing of income and expense recognition of certain items and net operating loss carry-forwards.

The Company assesses temporary differences resulting from different treatments of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are recorded in our balance sheets. The Company evaluates the realizability of its deferred tax assets and assesses the need for a valuation allowance on an ongoing basis. In evaluating its deferred tax assets, the Company considers whether it is more likely than not that the deferred income tax assets will be realized. The ultimate realization of deferred tax assets depends upon generating sufficient future taxable income prior to the expiration of the tax attributes. In assessing the need for a valuation allowance the Company must project future levels of taxable income. This assessment requires significant judgment. The Company examined the evidence related to a recent history of tax losses, the economic conditions in which it operates recent organizational changes, its forecasts and projections. The Company therefore has recorded deferred tax assets as of December 31, 2010, as it is satisfied the realization standard for the year ended December 31, 2010. The Company will continue to evaluate its deferred tax assets to determine whether any changes in circumstances could affect the realization of their future benefit.

The Company had not previously recognized an income tax benefit for its operating losses generated since inception through December 31, 2009 based on uncertainties concerning its ability to generate taxable income in future periods of which, at the time, the realization could not be considered more likely than not. Based on events subsequent to the balance sheet date, management has re-assessed the valuation allowance and the recognition of its deferred tax losses, however, based on the Company's history of losses and other negative evidence resulting in the allowance, no income tax benefit will be recognized for prior periods. The tax benefit for the prior periods, in the amount of $348,800, arising from operating losses as a start-up company and other temporary differences, has been off-set by an equal valuation allowance.

The following is a schedule of the deferred tax assets and liabilities as of September 30, 2011 and 2010:

	September 30, 2011	December 31, 2010
Deferred Tax Assets		
Net Operating Loss Carry Forwards	$ 1,101,600	$ 456,500
Deferred Tax Liabilities		
Total Deferred Tax Assets (Liabilities)	$ -	$ -
Net Deferred Tax Asset (Liabilities)	$ 1,101,600	$ 456,500

For balance sheet presentation the Company nets its current deferred tax assets and liabilities and non-current deferred tax assets and liabilities.

Management believes that the Company has matured and product acceptance will generate the revenues and achieve a level of profitability that would create taxable income of approximately $1,212,000 which would utilize the recognized deferred tax assets.

Under the Internal Revenue Code of 1986, as amended, these losses can be carried forward twenty years. As of December 31, 2010 the Company has net operating loss carry forwards remaining from the following years:

Year Generated	Net Operating Loss	Expires
2007	375,000	2027
2008	977,000	2028
2009	1,255,000	2029
	$ 2,607,000	

The adoption of provisions, required by Accounting Standard Codification (“ASC”) No. 740, did not result in any adjustments.

The Company is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ending December 31, 2006 through 2010. The Company state income tax returns are open to audit under the statute of limitations for the years ending December 31, 2006 through 2010.

The Company recognizes interest and penalties related to income taxes in income tax expense. The Company had incurred no penalties and interest for the three and nine months ended September 30, 2011 and 2010.

9. Equity

The company has two classifications of stock:

Preferred Stock includes 10,000,000 shares authorized at a par value of $0.001. Preferred Stock has been issued as Series A Preferred Stock. Preferred Stock has liquidation and dividend rights over Common Stock, which is not in excess of its par value. The preferred stock has no conversion rights or mandatory redemption features. There have been 2,000 shares of Preferred Stock issued to an entity controlled by Dr. Ruggero Santilli and other members of the

Board of Directors. Each share of Preferred Stock is entitled to 100,000 votes.

Common Stock includes 900,000,000 shares authorized at a par value of $0.001. The holders of Common Stock and the equivalent Preferred Stock, voting together, shall appoint the members of the Board of the Directors. Each share of Common Stock is entitled to one vote.

Common Stock Issuances

Founding contributors were issued 67,052,000 shares during 2007. As management determined that the Company had negligible value, no value was attributed to the founders' shares.

During year ended December 31, 2009, the company issued 30,000,000 common shares, valued at $727,000 to secure intellectual property rights and 100,000 common shares under a consulting agreement (see Related Party Transactions). The Consulting agreement was for a five year period, the unearned portion is ratably charged to operations with corresponding reduction to unearned stock compensation, reflected as a contra-equity.

The use of an initial small production refinery has been contributed by Dr. Ruggero Santilli, Chief Executive Officer, Chief Scientist, and Chairman of the Board. The computed fair value of this refinery is approximately $210,000; the month to month rental agreement is $1,870 per month and has been charged to equipment rental expense in the operating expenses. To reflect the contributed value, the corresponding entry has been charged to additional paid in capital, and is included in the statement of stockholders' equity. Total contributed value was $5,610 and $11,220 for both three and nine months ended September 30, 2011 and 2010.

For the nine month periods ended September 30, 2011 and 2010, the Company issued 2,275,000 and 2,271,000 common shares to employees and consultants as compensation, valued at $441,490 and $220,768, respectively.

On June 1, 2011 (the "Closing Date"), the Company executed agreements for two private offerings of its common stock (each an "Offering"). In connection with the Offerings, the Company entered into two securities purchase agreements (each a "Securities Purchase Agreement") with DDI Industry International (Beijing) Co., Ltd (the "Investor"). Pursuant to the first Securities Purchase Agreement, the Company issued an aggregate of 3,846,254 shares of its common stock (the "Shares") to the Investor for a purchase price of $500,000, at $0.13 per share. Pursuant to the second Securities Purchase Agreement, the Company issued an aggregate of 3,333,333 Shares to the Investor for a purchase price of $561,248, at $0.168 per share. The Company has received the proceeds from both offerings. The second offering, in the amount of $561,248 was received in August 2011.

Prior to this Offering, the Company and the Investor did have a material relationship. In June 2010, the Company entered into an agreement with the Investor to form a Chinese joint venture ("MagneGas China"). Pursuant to the agreement, the Investor acquired exclusive MagneGas™ Technology and manufacturing rights for the Greater China Market. The Investor also acquired 14,814,815 shares of the Company's common stock at a purchase price of $2 million and purchased a 300Kw Plasma Arc Refinery at a purchase price of $1.855 million. The Company owns 20% of the equity in MagneGas China and the Company's Chief Executive Officer, Dr. Ruggero Santilli, is a member of the board of directors. Allen Feng, the President and Chief Executive Officer of the Investor, is also a member of the Board of Directors of the Company.

Options and Warrants

For the nine months ended September 30, 2011 the Company issued 500,000 warrants to a consultant, exercisable at the market price at the date of issuance. The value of the warrants, as calculated using the Black-Scholes Option Valuation resulted in the warrants value at less than the exercise price, therefore there was no intrinsic value and no compensation has been recorded. There are currently 1,694,763 options and warrants outstanding with exercise prices ranging from $.05 to $.21 per share.

10. Related Party Transactions

On December 28, 2009 the Company acquired all relevant patents and intellectual property for the MagneGas technology from a company, Hyfuels, Inc. related by common management, that originally secured an intellectual property license. The Company issued 30,000,000 shares of common stock, valued at the fair market trading value of the stock at the time of purchase, in exchange for the intellectual property. Significant terms of the agreement were:

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Territories defined as: North, South, Central America and all Caribbean Islands ("the Territories"), in perpetuity;

- The Company acquired the MagneGas domain names and trademarks and the following patents:

  - U.S. Patent No. 6,926,872, issued on August 9, 2005 entitled Apparatus and Method for Producing a Clean Burning Combustible Gas With Long Life Electrodes and Multiple Plasma-Arc-Flows;
  - U.S. Patent No. 6,972,118, issued on December 6, 2005 entitled Apparatus and Method for Processing Hydrogen, Oxygen and Other Gases;

- U.S. application no. 11/474,687, filed on June 26, 2006 entitled Operating Under High Power, Pressure and Temperature Conditions to Produce A Combustible Gas. The application has since been issued with Patent number 7,780,924

In February 2008, the Company entered into a 5 year consulting agreement with Dr. Santilli, whose knowledge and expertise of the technology is essential in the development of the MagneGas product. The terms of the consulting agreement consist of issuance of common stock (100,000 shares) and payment of $5,000 per month to Dr. Santilli, upon the determination by the Board of Directors of MagneGas Corporation of achieving adequate funding. The Board has since determined that Dr. Santilli's monthly accrued salary will be $20,000 per month.

In 2008 an advance in the amount of $10,000 was made by a company owned by a shareholder, for initial deposit for services. There are no repayment terms to this advance and the amount is payable upon demand.

At various times the Company received advances from a shareholder for an unsecured promissory note. All funds are at the same terms of the original shareholder note. These promissory notes have no repayment date; however it is payable within 30 days of written demand. Payment is to include accrued simple interest at 4%. The balance on the promissory note has been paid in full.

Beginning April 2008 the Company entered into a month-to-month lease, at a monthly rate of $2,500 per month for facilities to occupy approximately 3,000 square feet of a 6,000 square foot building and the use of certain equipment and utilities, as needed. In January of 2011,the Company expanded to occupy 5,000 square feet of the building and as a result, the rent was increased to $4,000 per month. The facility allows for expansion needs. The lease is held by a Company that is effectively controlled by Dr. Santilli.

The use of an initial small production refinery has been contributed by Dr. Ruggero Santilli, Chief Executive Officer, Chief Scientist, and Chairman of the Board. The value of the refinery is approximately $210,000; the computed fair value of this month to month rental agreement is $1,870 per month and has been charged to equipment rental expense in the operating expenses, beginning in July 2008. To reflect the contributed value, the corresponding entry has been charged to additional paid in capital, and is included in the statement of stockholders' equity. Total contributed value was $11,220 and $11,220 for the year ended September 30, 2011 and 2010, respectively.

The Company entered into an agreement to acquire a 20% ownership of Magnegas Europe. This Company is related by common management. The CEO of Magnegas Europe, Ermanno Santilli is also the Vice President of Magnegas Corporation and is the son of Dr. Ruggero M. Santilli. Dr. Santilli is also a shareholder of Magnegas Europe. There are no other related party transactions, joint venture or royalty agreements. The amounts and terms of the above transactions may not necessarily be indicative of the amounts and terms that would have been incurred had comparable transactions been entered into with independent third parties.

The amounts and terms of the above transactions may not necessarily be indicative of the amounts and terms that would have been incurred had comparable transactions been entered into with independent third parties.

11. Segment Information

The following information is the results of our operating revenue segments:

	Revenue	Costs	Margin
September 30, 2011			
Segments:			
Unit Sales	$-	$-	$-

License Fees	119,999	-	119,999
Metal Cutting	106,104	91,087	15,017
	$226,103	$91,087	$135,016
September 30, 2010			
Segments:			
Unit Sales	$1,755,000	$658,637	$1,096,363
License Fees	-	-	-
Metal Cutting	187,606	65,662	121,944
	$1,942,606	$724,299	$1,218,307

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12. Contingencies

From time to time the Company may be a party to litigation matters involving claims against the Company. The Company operates with waste, hazardous material and within a highly regulated industry, which may lend itself to legal matters. Management believes that there are no current matters that would have a material effect on the Company’s financial position or results of operations.

13. Subsequent Event

On August 4, 2011, the Company entered into an Memorandum of Understanding with Grease Depot, Inc. of Florida to operate a refinery on their property, test various liquid waste and produce fuel for the metal working market. The Company will lease space from Grease Depot, Inc with a profit sharing arrangement.

On October 28, 2011 and November 8, 2011, the Company entered into definitive agreements with investors to sell in a private placement an aggregate of 19,662,500 shares of its common stock and warrants to purchase 19,662,500 shares of its common stock at a purchase price of $0.16 per unit, resulting in gross proceeds to the Company of $3,146,000, before deducting placement agent fees and other offering expenses. The warrants are exercisable at an exercise price of $0.30 per share and expire five years from the initial closing date.

Proceeds from the private placement will be used primarily to launch in full to the national metal working market by installing refinery filling stations in Detroit, wholly owned and operated by MagneGas Corporation, and to significantly expand the Company's fuel cylinder inventory to fill more and larger orders.

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

Cautionary Notice Regarding Forward Looking Statements

The information contained in Item 2 contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Actual results may materially differ from those projected in the forward-looking statements as a result of certain risks and uncertainties set forth in this report. Although management believes that the assumptions made and expectations reflected in the forward-looking statements are reasonable, there is no assurance that the underlying assumptions will, in fact, prove to be correct or that actual results will not be different from expectations expressed in this report.

We desire to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. This filing contains a number of forward-looking statements which reflect management's current views and expectations with respect to our business, strategies, products, future results and events, and financial performance. All statements made in this filing other than statements of historical fact, including statements addressing operating performance, events, or developments which management expects or anticipates will or may occur in the future, including statements related to distributor channels, volume growth, revenues, profitability, new products, adequacy of funds from operations, statements expressing general optimism about future operating results, and non-historical information, are forward looking statements. In particular, the words "believe," "expect," "intend," "anticipate," "estimate," "n variations of such words, and similar expressions identify forward-looking statements, but are not the exclusive means of identifying such statements, and their absence does not mean that the statement is not forward-looking. These forward-looking statements are subject to certain risks and uncertainties, including those discussed below. Our actual results, performance or achievements could differ materially from historical results as well as those expressed in, anticipated, or implied by these forward-looking statements. We do not undertake any obligation to revise these forward-looking statements to reflect any future events or circumstances.

Readers should not place undue reliance on these forward-looking statements, which are based on management's current expectations and projections about future events, are not guarantees of future performance, are subject to risks, uncertainties and assumptions (including those described below), and apply only as of the date of this filing. Our actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. Factors which could cause or contribute to such differences include, but are not limited to, the risks to be discussed in our Annual Report on form 10-K and in the press releases and other communications to shareholders issued by us from time to time which attempt to advise interested parties of the risks and factors which may affect our business. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Overview

Our operating plan and mission is to create a hydrogen based fuel through the gasification of liquid waste. A process has been developed which transforms various types of liquid waste through a proprietary plasma arc machine. The result of the product is to carbonize the waste for normal disposal. A byproduct of this process is to produce a green alternative to natural gas currently sold in the metal working market. The patented proprietary technology is owned by the Company. The Company is putting the majority of its efforts in launching fuel sales to the Metal Working market as we feel this is the best opportunity to generate revenue in the near term.

The majority of our revenue in 2010 was the result of a one-time sale of a refinery to our partner in China for the Municipal Wastewater market. However, since that time, the Company has determined that better opportunities exist in the Metal Working market to generate revenue in the immediate term. As a result, we have shifted our focus from selling refineries to generating recurring revenue in metal working fuel sales. This has resulted in a drop in revenue from 2010 to 2011 as the Company ramps up sales in this new market.

Sales of Plasma Arc Flow Units

At the close of the 2010 year end we received a non-recourse payment of $150,000 from a Mexican company for a six-month exclusivity period. The Mexican company, per the memorandum of understanding, intends to purchase a 100kW refinery. The original MOU expired and the Company is in negotiation to determine the next steps of this arrangement. However, no immediate plans for equipment sales to this customer are planned.

Metal Working Market

We are seeking to expand sales in the Metal Working market through the use of established industry wholesalers, trade events and media coverage in trade journals. We have identified independent sales representatives to support these relationships and are actively working with 5 fuel distributors. We have established a retail sales platform for the direct sale of Magnegas to end consumers in Florida for the metal working market. To that end, we have secured several large retail customers and have received approval from the Department of Transportation to deliver fuel within Florida. Magnegas is in the process of being tested by military and industrial end users for use in the metal working market as a replacement to other oxy-acetylene fuels. We are also negotiating with potential fuel distributors from several countries, and across the United States. We have four refineries available to support these efforts and several additional potential fuel customers that have indicated an interest in purchasing fuel for this purpose. In order to satisfy these fuel orders additional cylinders are required.

The Company will use the majority of the proceeds from the October 28, 2011 and November 8, 2011 offering to expand this market by purchasing cylinders and moving two existing refineries to Detroit. Our plan is to establish an operation in Detroit to support metal working fuel sales to the local market. We are in negotiation with a large automobile manufacturing company as well as other smaller companies in the Detroit area to use Magnegas for their metal working needs. Initially, the Company will use ethylene glycol to produce fuel to sell to this market. However, we plan to apply for the environmental permits necessary to process hazardous waste such as used motor oil in the future.

Municipal Market

Although the majority of our focus has shifted to establishing sales in the Metal Working market, our long term plan is to still expand commercially into the Municipal Wastewater market. In order to pursue this market, a municipal plant scale demonstration center converting sludge or sewage to fuel and other byproducts is needed. This will not occur until late 2012 or 2013 as the Company is focusing its efforts on generating revenue in the Metal Working market and converting existing equipment to produce gas for that market.

Our latest generation wastewater refinery was placed at a local municipality for testing earlier in 2011. Insufficient power was available from the grid at that location and an industrial diesel generator was rented to power our facility. However, after extensive testing, it was determined that the variable voltage of the generator was not compatible with the automatic control of our submerged electric arc and this prevented proper operation of our equipment As a result, this recycler has since been moved to a private waste water facility with sufficient power to allow testing and operation. An important expected function of this new facility, in addition to various industrial water treatment tests, will be the completion of all the necessary industrial tests of hydrogen separated from Magnegas via a conventional Vacuum Swing Adsorption (VSA) or Pressure Swing Adsorption (PSA) station. The Company plans to use this location to apply for the Governmental permits necessary to process wastewater and other liquid waste to support gas production for the Metal Working market.

The Company is putting the majority of their efforts in launching the Metal Working market as it feels this is the best opportunity to generate revenue in the near term. Although it still plans to pursue the Municipal Wastewater market in the long term, it is relying on its partners in China and Europe to conduct the extensive testing needed to provide the empirical data to launch this market properly.

International Expansion

We are seeking to expand globally through the sale of equipment and the establishment of Distribution and Joint Venture arrangements. We currently have completed negotiations for joint venture agreements in China and Europe and are in negotiation with representatives from various other countries seeking to establish Magnegas distribution networks in their country.

Business Continuation and Succession

We have developed and trained a team of engineers and consultants to become knowledgeable with the MagneGas technology. Our team is comprised of academic and industrial consultants throughout Europe and China.

Results of Operations

For the three and nine months ended September 30, 2011 and 2010

Revenues

For the three and nine months ended September 30, 2011 and 2010 we generated revenues of $61,253, $444,232, $226,103 and $1,942,606, respectively. For the nine months ended September 30, 2011 and 2010 we generated revenues from our metal cutting fuel of $106,104 and $187,606, respectively. Our increase for our metal cutting fuel was due to industry acceptance and sales focus, as we believe that there is a significant market share which we should attract. We are experiencing increased interest from new and existing customers. We believe that our metal cutting fuel orders will increase significantly as the economy and the building market recovers.

The majority of our revenue in 2010 was the result of a one-time sale of a refinery to our partner in China for the municipal wastewater market. However, since that time, the Company has determined better opportunities exist in the Metal Working market to generate revenue in the immediate term. As a result, it has shifted its focus from selling refineries to generating recurring revenue in metal working fuel sales. This has resulted in a drop in revenue from 2010 to 2011 as the Company ramps up sales in this new market.

During the second half of 2010 we received contracts for our technology licensing. We have recognized $23,333, $0, 119,999 and $0 for the three and nine month periods ended September 30, 2011 and 2010, respectively. These license fees are ratably earned over the terms of the licensing agreement.

For our nine months ended September 30, 2011 and 2010, we recognized $0 and $1,775,000, respectively, from our contract for the sale of our Plasma Arc Flow production unit. Our only contract to date was completed in the third quarter of 2010. We have completed four units for sale or fuel production, currently in our inventory. It is anticipated that there will be required modifications for the intended production use of these units.

Of our four available units, we anticipate that we will deliver one or possibly two units for production and distribution at key locations for our metal fuel resellers. Based on our volume projections, we anticipate that there will be cost recovery within a 3 – 4 year period.

Operating Expenses

Operating costs for the three and nine months ended September 30, 2011 and 2010 were $607,773, $362,704, $1,860,636 and $1,123,298, respectively. The increase was primarily attributable to increases in: (a) technical sales support for production (technical consulting was included in professional expense); (b) office administration, as we increase our infrastructure to handle our anticipated growth; (c) stock-based compensation; and (d) research and development efforts, due to testing. During the course of the last year we have executed our operating plan which included the hiring of personnel, primarily technical persons, thereby certain expenses are not comparable to prior year expenses, specifically expenses for technical professionals.

In the current quarter, as in prior quarters, we used common stock as a method of payment for certain services, primarily the advertising and promotion of the technology to increase investor awareness and as incentive to its key employees and consultants. We expect to continue these arrangements, though due to a stronger operating position this method of payment may become limited to specific vendors.

Net Loss

Our operating results have recognized a loss in the, amount of $366,041, $63,489, $1,080,508, and income of $56,800 for the three and nine months ended September 30, 2011 and 2010, respectively. The increase in loss was for a general increases incurred for our general internal support for our increasing metal cutting segment.

Liquidity and Capital Resources

In June 2011 and August 2011, we received investments of $500,000 and $561,248, respectively. Additionally, on October 28, 2011 and November 8, 2011, the Company entered into definitive agreements with investors to sell in a private placement an aggregate of 19,662,500 shares of its common stock and warrants to purchase 19,662,500 shares of its common stock at a purchase price of $0.16 per unit, resulting in gross proceeds to the Company of $3,146,000. We believe we can currently satisfy our cash requirements for the next twelve months with our current cash and expected revenues. Management plans to increase revenue to sustain future operational growth.

Completion of our plan of operation is subject to attaining adequate and continued revenue. We cannot assure investors that adequate revenues will be generated. In the absence of our projected revenues, we believe that we will be able to proceed with limited plan of operation. Even without significant revenues within the next twelve months, based on our current cash position, we anticipate being able to continue with our present activities. Although we believe we currently are adequately financed for limited growth, we plan to complete a second round of funding through a fully registered offering in the next six months to allow the complete fulfillment of our long term strategic plan.

As reflected in the unaudited financial statements we have an accumulated a deficit of over $3.2 million dollars. Our cash flow from operations used $1,702,692 of cash, primarily used in the manufacturing and completion of four refineries for future sales. Our investing activities used $64,459 of cash for the acquisition of equipment; there were $23,210 expenditures for equipment in the comparable prior year period. Our financing activities resulted in cash provided in the amount of $996,860 for the nine months ended September 30, 2011, primarily due to the sale of our common shares for gross proceeds of $1,000,000, compared to $1,878,750 provided for the nine months ended September 30, 2010 ($2 million investment received).

At September 30, 2011 we had $147,204 in cash to meet current obligations.

Management believes that current revenue generated and recent proceeds from the sale of our common stock provides the opportunity for the Company to continue as a going concern and fund the-long term strategic plan.

Subsequent Events

The Company is in negotiation to expand into Israel, the Middle East and other potential territories through Joint Venture agreements, royalty arrangements or intent to purchase refinery units. These agreements are in various stages of negotiation. However, the Company can make no assurance as to the final outcome of these negotiations.

On October 28, 2011 and November 8, 2011, the Company entered into definitive agreements with investors to sell in a private placement an aggregate of 19,662,500 shares of its common stock and warrants to purchase 19,662,500 shares of its common stock at a purchase price of $0.16 per unit, resulting in gross proceeds to the Company of $3,146,000, before deducting placement agent fees and other offering expenses. The warrants are exercisable at an exercise price of $0.30 per share and expire five years from the initial closing date.

Proceeds from the private placement will be used primarily to launch in full to the national metal working market by installing refinery filling stations in Detroit, wholly owned and operated by MagneGas Corporation, and to significantly expand the Company's fuel cylinder inventory to fill more and larger orders.

Recent Accounting Pronouncements

We have reviewed accounting pronouncements and interpretations thereof that have effectiveness dates during the periods reported and in future periods. We have carefully considered the new pronouncements that alter previous generally accepted accounting principles and does not believe that any new or modified principles will have a material impact on the corporation’s reported financial position or operations in the near term. The applicability of any standard is subject to the formal review of our financial management and certain standards are under consideration. Those standards have been addressed in the notes to the unaudited financial statement and in our Annual Report, filed on Form 10-K for the period ended December 31, 2010.

Critical Accounting Policies

The Company’s significant accounting policies are presented in the Company’s notes to financial statements for the period ended September 30, 2011 and fiscal year ended December 31, 2010, which are contained in the Company’s 2010 Annual Report on Form 10-K. The significant accounting policies that are most critical and aid in fully understanding and evaluating the reported financial results include the following:

The Company prepares its financial statements in conformity with generally accepted accounting principles in the United States of America. These principals require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that these estimates are reasonable and have been discussed with the Board of Directors; however, actual results could differ from those estimates.

The Company issues restricted stock to consultants for various services. Cost for these transactions are measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. The value of the common stock is measured at the earlier of (i) the date at which a firm commitment for performance by the counterparty to earn the equity instruments is reached or (ii) the date at which the counterparty's performance is complete.

Long-lived assets such as property, equipment and identifiable intangibles are reviewed for impairment whenever facts and circumstances indicate that the carrying value may not be recoverable. When required impairment losses on assets to be held and used are recognized based on the fair value of the asset. The fair value is determined based on estimates of future cash flows, market value of similar assets, if available, or independent appraisals, if required. If the carrying amount of the long-lived asset is not recoverable from its undiscounted cash flows, an impairment loss is recognized for the difference between the carrying amount and fair value of the asset. When fair values are not available, the Company estimates fair value using the expected future cash flows discounted at a rate commensurate with the risk associated with the recovery of the assets. We did not recognize any impairment losses for any periods presented.

The Company generates revenue through three processes: (a) Sale of MagneGas fuel for metal cutting; (b) Sale of its Plasma Arc Flow units; and (c) licensing.

- Revenue for metal-working fuel is recognized when shipments are made to customers. The Company recognizes a sale when the product has been shipped and risk of loss has passed to the customer.
- Revenue generated from sales of its production unit is recognized on a percentage of completion, based on the progress during manufacturing of the unit. Our machine is a significant investment and generally requires a 6 to 9 month production cycle. During the course of building a unit the actual costs are tracked to our cost estimates and revenue is proportionately recognized during the process. Significant deposits are required before production. These deposits are classified as customer deposits. During our production, costs and progress earnings are accumulated and included in “Costs and earnings” as an asset.
- Licenses are issued, per contractual agreement, for distribution rights within certain geographic territories. We recognize revenue ratably, based on the amounts paid or values received, over the term of the licensing agreement.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are a Smaller Reporting Company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 4. Controls and Procedures.

Disclosure of controls and procedures.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports, filed under the Securities Exchange Act of 1934, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable and not absolute assurance of achieving the desired control objectives. In reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. In addition, the design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, a control may become inadequate because of changes in conditions or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

As required by the SEC Rule 13a-15(b), we carried out an evaluation under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in internal controls over financial reporting.

There has been no change in our internal control over financial reporting that occurred during the fiscal quarter covered by the Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

We are not currently involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our company or any of our subsidiaries, threatened against or affecting our company, our common stock, any of our subsidiaries or of our companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

Item 1A. Risk Factors.

We believe there are no changes that constitute material changes from the risk factors previously disclosed in the Company's 2010 Annual Report filed on Form 10-K. We are a smaller reporting company and are not required to provide information required by this item.

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

None

Item 3. Defaults Upon Senior Securities.

None

Item 4. (Removed and Reserved).

Item 5. Other Information

None

Item 6. Exhibits

Exhibit Number	Exhibit Title
31.1	Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
101.INS *	XBRL Instance Document
101.SCH *	XBRL Taxonomy Schema
101.CAL *	XBRL Taxonomy Calculation Linkbase
101.DEF *	XBRL Taxonomy Definition Linkbase
101.LAB *	XBRL Taxonomy Label Linkbase
101.PRE *	XBRL Taxonomy Presentation Linkbase

In accordance with SEC Release 33-8238, Exhibit 32.1 and 32.2 are being furnished and not filed.

* Furnished herewith. XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MagneGas Corporation

By: /s/ Dr. Ruggero Maria Santilli
Dr. Ruggero Maria Santilli
Chief Executive Officer
(Duly Authorized Officer and Principal Executive Officer)

Dated: November 10, 2011

By: /s/ Luisa Ingargiola
Luisa Ingargiola
Chief Financial Officer
(Principal Financial Officer)

Dated: November 10, 2011