MAGNEGAS CORP
Form 10-Q
August 16, 2010

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 June 30, 2010

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 No.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)

(Former name, former address, if changed since last report)

Tel: (727) 934-3448
(Registrant's telephone number)

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 during the preceding 12 months (or for such shorter period that the issuer 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 o 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	Non-accelerated filer o
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

State the number of shares outstanding of each of the issuer's classes of common equity, as of August 9, 2010: 115,318,802 shares of common stock.

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Financial Statements

MagneGas Corporation

As of June 30, 2010 (unaudited) and December 31, 2009 (audited)
And for the Three and Six Months Ended June 30, 2010 (unaudited) and 2009 (unaudited)

Contents

MagneGas Corporation
Balance Sheets

		June 30, 2010 (unaudited)		December 31, 2009 (audited)
ASSETS				
Current Assets				
Cash	$	1,046,600	$	7,338
Accounts receivable, net of allowance for doubtful accounts of $0		3,892		2,399
Costs and estimated earnings		1,477,853		
Inventory, at cost		6,384		8,381
Prepaid & other current assets		5,000		-
Total Current Assets		2,539,729		18,118
Property and equipment, net of accumulated depreciation of $3,996 and $375, respectively		35,191		22,125
Deferred Tax Asset		398,100		472,900
Intangible assets, net of accumulated amortization		648,189		672,422
Investment in joint venture		490,410		-
TOTAL ASSETS	$	4,111,619	$	1,185,565
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Accounts payable	$	263,658	$	94,577
Accrued expenses		190,622		77,395
Deferred revenue and customer deposits		1,516,660		100,000
Due to affiliate		10,000		10,000
Note payable to related party		25,838		140,087
TOTAL LIABILITIES		2,006,778		422,059
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; 115,318,802 and 105,954,395 issued and outstanding, respectively		115,319		105,954
Additional paid-in capital		4,111,199		2,909,518
Issued and unearned stock compensation		(58,333)		(68,333)
Accumulated deficit		(2,063,346)		(2,183,635)
TOTAL STOCKHOLDERS' EQUITY		2,104,841		763,506
TOTAL LIABILITIES AND EQUITY	$	4,111,619	$	1,185,565

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

MagneGas Corporation
STATEMENTS OF OPERATIONS
For the Three and Six Months June 30, 2010 and 2009
(unaudited)

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Revenue	$1,256,192	$2,585	$1,498,374	$4,051
Cost of Sales	388,433	2,289	540,991	3,548
Gross Profit	867,759	296	957,383	503
Operating Expenses:				
Advertising	9,708	24,397	19,885	34,772
Selling	117,580	24,572	176,318	29,640
Professional: technical	73,225	8,893	73,225	11,519
Professional: legal and accounting	15,676	40,510	37,663	41,599
Rent and overhead	12,233	5,163	23,758	25,223
Office and administration	85,531	4,088	155,256	5,059
Investor Relations	16,623	1,633	38,409	5,683
Stock-based compensation	60,666	123,608	186,076	226,328
Research and development	7,587	15,153	22,150	15,153
Depreciation and Amortization	14,034	12,117	27,854	24,234
Total Operating Expenses	412,863	260,134	760,594	419,210
Operating Income (Loss)	454,896	(259,838)	196,789	(418,707)
Other (Income) and Expense				
Interest expense	224	1,945	1,700	3,448
Sale of Asset(s)	-	-	-	-
Total Other (Income) Expenses	224	1,945	1,700	3,448
Net Loss before tax benefit	454,672	(261,783)	195,089	(422,155)
Provision for Income Taxes	172,300	-	74,800	-
Net Income (Loss)	$282,372	$(261,783)	$120,289	$(422,155)
Loss per share, basic and diluted	$0.00	$(0.00)	$0.00	$(0.00)
Weighted average number of common shares	109,805,492	101,726,394	108,229,422	100,717,953

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

MagneGas Corporation
STATEMENTS OF CASH FLOWS
For the Three and Six Months June 30, 2010 and 2009
(unaudited)

	Six Months Ended June 30, 2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 120,289	$ (422,155)
Adjustments to reconcile net income (loss) to cash used in operating activities:		
Depreciation and amortization	27,854	24,234
Stock compensation	186,076	220,718
Waiver of related party expenses	11,220	16,830
Bad debts	-	1,500
Deferred income taxes	74,800	-
Changes in operating assets:		
Accounts Receivable	(1,493)	(255)
Costs and estimated profits	(1,477,853)	-
Inventory	1,997	(116)
Prepaid & other current assets	(5,000)	-
Accounts Payable	169,081	(63,316)
Accrued Expenses	113,227	(3,961)
Deferred revenue and customer deposits	950,000	100,000
Total adjustments to net income	49,909	295,634
Net cash provided by (used in) operating activities	170,198	(126,521)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	(16,687)	-
Net cash flows (used in) investing activities	(16,687)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from related party	3,751	3,348
Proceeds from note payable to related party	22,000	105,000
Repayments on notes payable from related party	(140,000)	(30,000)
Interest accrued on related party notes and advances	-	(5,039)
Proceeds from issuance of common stock	1,000,000	99,000
Net cash flows provided by investing activities	885,751	172,309
Net increase in cash	1,039,262	45,788
Cash - beginning balance	7,338	160
CASH BALANCE - END OF PERIOD	$ 1,046,600	$ 45,948

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.

MagneGas Corporation
(Previously a Development Stage Enterprise)

Notes to Financial Statements
For the Three and Six Months Ended June 30, 2010 and 2009

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 provide services in cleaning and converting contaminated liquid waste into fuel. A process has been developed which transforms contaminated waste through a proprietary incandescent machine. The result of the product is to carbonize waste for normal disposal. A byproduct of this process is to produce a green alternative to natural gas. The patented proprietary technology is owned by the Company.

The Company owns all relevant patents on the Technology for the United States and is operating under a license from a related party for the remainder of North, South and Central America. MagneGas Corporation also has minority ownership interests in the Greater China, European and African markets. The trading and manufacturing rights for other regions of the world are owned by other entities separate and distinct from MagneGas Corporation. However, the Company is seeking to expand globally through Distributorship and Joint Venture arrangements as they become available.

2. Going Concern and Business Development

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern.

The Company, in prior periods, presented financial statements as a development stage enterprise. In the initial years the Company devoted substantially all of its efforts to raising capital, planning and implementing the principal operations. During the development stage, the Company incurred significant net operating losses and accumulated deficits.

The Company may continue to incur significant operating losses and to generate negative cash flow from operating activities. The Company's ability to eliminate operating losses and to generate positive cash flow from operations in the future will depend upon a variety of factors, many of which it is unable to control. The key factors that are not within the Company's control and that may have a direct bearing on operating results include, but are not limited to, increased acceptance of the Company's business plan, the ability to raise capital in the future, the ability to expand its customer base, and the ability to hire key employees to build and manufacture our proprietary machines and provide services. There may be other risks and circumstances that management may be unable to predict.

The Company may still require additional capital to be derived from future financing activities such as subsequent offerings of its common stock or debt financing in order to operate and grow the business. There can be no assurance that the Company will be successful in raising such capital.

Management believes that the Company has established the primary business development plan and is in process of manufacturing the first unit sale. Management also believes the current status, from the sale of the production unit, increasing sales from the metal cutting fuel, and license agreements through joint ventures, there has been significant funding to support future efforts.

The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of the Company to continue as a going concern.

3. 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 six month periods ended June 30, 2010 and 2009; (b) the financial position at June 30, 2010, and (c) cash flows for the three and six month periods ended June 30, 2010 and 2009, have been made.

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.

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 June 30, 2010. 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, 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

Cash accounts are 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.

Revenue for metal-cutting 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. Costs and progress earnings are accumulated and included in "Costs and earnings" as an asset.

At the current time we expect the remainder of the balance of our unit sale contract to be received. The inspection by the purchasing party does not have any refund or other terms of recourse of the initial deposit in the event of non-acceptance. The initial payment was made by the purchaser with understanding of the significant cost commitment associated with the manufacturing of such unit and therefore the deposit is non-refundable. The purchaser had performed extensive due diligence prior to their decision in placing the order for the unit. Their due diligence resulted in an extended relationship, whereby two separate events occurred with this customer: (1) they initiated a $2 million dollar investment in MagneGas Corporation (initial $1 million funding has been received during the period for the advancement of the technology); (2) the Customer initiated a joint venture agreement with MagneGas in exchange for licensing the manufacturing of unit in Greater China Region territory and a 20% interest in the joint venture. We believe that the commitment of our customer in our product and technology validates our beliefs and business plan and that collectability is reasonably assured.

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 estimated useful lives (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, 2009.

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.

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.

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. Total freight-in included in cost of goods sold expense was $410, $150, $4,498 and $430 for the three and six months ended June 30, 2010 and 2009, respectively.

Advertising Costs

The costs of advertising are expensed as incurred. Advertising expenses are included in the Company's operating expenses. Advertising expense was $9,708, $24,397, $19,885 and $34,772 for the three and six months ended June 30, 2010 and 2009, 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.

Segment Reporting

The Company considers the business activity associated through the technology developed. We produce our metal cutting fuel by utilizing our Plasma Arc Flow unit. We also market our Plasma Arc Flow machine for unit sale. For operating purposes we do segregate our operations. We have included a footnote to these financial statements for reporting analysis. We do not consider research and development to be a separate business segment; however our financial statements have segregated our research and development activity as a separate line item on the statement of operations.

4. Recently Issued Accounting Pronouncements

In June 2009, the FASB issued new accounting guidance that established the FASB Accounting Standards Codification ("Codification"), as the single source of authoritative GAAP to be applied by nongovernmental entities, except for the rules and interpretive releases of the SEC under authority of federal securities laws, which are sources of authoritative GAAP for SEC registrants. The FASB will no longer issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts; instead the FASB will issue Accounting Standards

Updates. Accounting Standards Updates will not be authoritative in their own right as they will only serve to update the Codification. These changes and the Codification itself do not change GAAP. This new guidance became effective for interim and annual periods ending after September 15, 2009. Other than the manner in which new accounting guidance is referenced, the Codification did not have an effect on the Company's consolidated financial statements.

In January 2010, the FASB issued ASU No. 2010-06 regarding fair value measurements and disclosures and improvement in the disclosure about fair value measurements. This ASU requires additional disclosures regarding significant transfers in and out of Levels 1 and 2 of fair value measurements, including a description of the reasons for the transfers. Further, this ASU requires additional disclosures for the activity in Level 3 fair value measurements, requiring presentation of information about purchases, sales, issuances, and settlements in the reconciliation for fair value measurements. This ASU is effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. We are currently evaluating the impact of this ASU; however, we do not expect the adoption of this ASU to have a material impact on our financial statements.

In February 2010, the FASB issued ASU No. 2010-09 regarding subsequent events and amendments to certain recognition and disclosure requirements. Under this ASU, a public company that is a SEC filer, as defined, is not required to disclose the date through which subsequent events have been evaluated. This ASU is effective upon the issuance of this ASU. The adoption of this ASU did not have a material impact on our financial statements.

In April 2010, the FASB issued ASU No. 2010-18 regarding improving comparability by eliminating diversity in practice about the treatment of modifications of loans accounted for within pools under Subtopic 310-30 – Receivable – Loans and Debt Securities Acquired with Deteriorated Credit Quality ("Subtopic 310-30"). Furthermore, the amendments clarify guidance about maintaining the integrity of a pool as the unit of accounting for acquired loans with credit deterioration. Loans accounted for individually under Subtopic 310-30 continue to be subject to the troubled debt restructuring accounting provisions within Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors. The amendments in this Update are effective for modifications of loans accounted for within pools under Subtopic 310-30 occurring in the first interim or annual period ending on or after July 15, 2010. The amendments are to be applied prospectively. Early adoption is permitted. We are currently evaluating the impact of this ASU; however, we do not expect the adoption of this ASU to have a material impact on our financial statements.

Other recent accounting pronouncements issued by the FASB (including its EITF), the AICPA, and the SEC did not or are not believed by management to have a material impact on the Company's present or future financial statements.

5. Long Lived Assets

Equipment consists of:

		June 30, 2010		December 31, 2009
Equipment	$	34,812	$	18,125
Truck		4,375		4,375
		39,187		22,500
Less accumulated depreciation		3,996		375
	$	35,191	$	22,125

Depreciation of equipment was $1,917, $0, $3,621 and $0 for the three and six months ended June 30, 2010 and 2009, 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, 2009 management concluded that there is no impairment to the intangible assets.

		June 30, 2010		December 31, 2009
Intellectual property	$	727,000	$	727,000
Less accumulated amortization		78,811		54,578
	$	648,189	$	672,422

Future amortization through December 31,:		
2010	$	24,234
2011		48,467

2012	48,467
2013	48,467
2014	48,467
2015 and thereafter	430,087
	$ 648,189

Amortization of the intangible assets was $12,117, $12,117, $24,233 and $24,234 for the three and six months ended June 30, 2010 and 2009, 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 ($1 million paid June 22, 2010, $1 million to be received September 30, 2010, each at a share price of $0.135) 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.

7. Income Tax

Provision (Benefit) for Income Taxes

The provision for income taxes consists of the following:

	2009	2008
Current Tax Provision	$ -	$ -
Deferred Tax(Benefit) Provision	74,800	-
Total Tax (Benefit) Provision	$ 74,800	$ -

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 ability to realize 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, its projections and considers if those estimates satisfy the realization standard. 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, 2008 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 current events management has re-assessed the valuation allowance and the recognition of its deferred tax assets attributable to the net operating 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 approximately $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 June 30, 2010 and 2009:

	June 30, 2010	December 31, 2009
Deferred Tax Assets		
Net Operating Loss Carry Forwards	$ 398,100	$ 472,900
Deferred Tax Liabilities		
Total Deferred Tax Assets (Liabilities)	$ -	$ -
Net Deferred Tax Asset (Liabilities)	$ 398,100	$ 472,900

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Management believes that the Company has matured and product acceptance will generate the revenues and achieve a level of profitability creating taxable income of approximately $1,514,000 which would fully 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, 2009 the Company has net operating loss carry forwards expiring in the years 2027 through 2029.

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, 2005 through 2008. The Company state income tax returns are open to audit under the statute of limitations for the years ending December 31, 2005 through 2008.

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 six months ended June 30, 2010 and 2009.

8. 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 Director. 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.

During the six month period ending June 30, 2010, the Company issued 1,707,000 shares to consultants and other service providers, valued at the fair market value of the shares at the time of the grant, in the amount of $173,968.

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 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.

9. Related Party Transactions

On December 28, 2008 the Company acquired all relevant patents and intellectual property, which includes all possible inventions, discoveries and intellectual right of the MagneGas Technology, for 30,000,000 common shares with a market value of $727,000 at the time of the purchase option, for the MagneGas technology for the United States from a company, Hyfuels, Inc., related by common management. The Company purchased this technology from HyFuels, Inc. for exclusive rights to the technology for the remainder of North, South and Central America. Dr. Ruggero Santilli, Chief Executive Officer, Chairman of the Board and Chief Scientist of MagneGas Corporation, is also the Chief Executive Officer, Chief Scientist and President of Hyfuels, Inc. so as to expedite the patent work on behalf of both MagneGas Corporation and Hyfuels, Inc. It should be noted that Dr. Santilli is not and never has been a stockholder of Hyfuels, Inc., and is lending his knowledge and expertise for the mutually beneficial advancement of this technology.

Additionally, the purchase agreement triggered 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. At the time of this agreement, the shares were valued at $1 per share, the fair market value of shares issued at the time of the agreement, and was recorded as unearned compensation, contra-equity, and is ratably expensed over the life of the agreement (5 years).

At various times the Company received advances from a shareholder for one of a small number of outstanding unsecured promissory notes. All funds are at the same terms of the original shareholder note. These promissory notes have no repayment date; however they are payable within 30 days of written demand. Payment is to include accrued simple interest at 4%. As of June 30, 2010, the principle balance on the promissory notes is $19,900. The notes have accrued interest, unpaid, in the amount of $9,509, which is included in accrued expenses.

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. 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 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 $5,610 and $11,220 for the three and six month periods ended June 30, 2010 and 2009, 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. 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.

10. Segment Information

For analysis purposes we have segregated the revenue and costs for our product offerings: (a) production of metal cutting fuel; and (b) unit sales of our Plasma Arc Flow.

	June 30, 2010		June 30, 2009	
	Unit Sales	Metal Cutting	Unit Sales	Metal Cutting
Revenue	$ 1,477,853	$ 20,521	$ -	$ 4,051
Cost of Sales	523,548	17,443	-	3,548
	$ 954,305	$ 3,078	$ -	$ 503

The unit sales margins represent the percentage of completion on the project for the delivery of a unit. Costs incurred represent approximately 78% of the total costs estimated for completion on the $1.9 million dollar project.

11. Contingencies

From time to time the Company may be a party to litigation matters involving claims against the Company. Management believes that there are no current matters that would have a material effect on the Company's financial position or results of operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation or Plan of Operation.

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

The Company's operating plan and mission is to provide services in cleaning and converting contaminated waste. A process has been developed which transforms contaminated waste through a proprietary incandescent machine. The result of the product is to carbonize waste for normal disposal. A byproduct of this process is to produce a green alternative to natural gas. The patented proprietary technology is owned by the Company.

Sales of Plasma Arc Flow Units

The Company has received and is in process of fulfilling its first order for a $1.9 million production unit for China, with receipt of a non-refundable $950,000 deposit. We anticipate the completion of this unit within a one to three month period. Additionally we have an order and deposit for a customer from the Philippines. However, due to the natural disasters sustained in this country, this order's production has been delayed.

Metal Working Market

The Company is seeking to expand sales in the Metal Working market through the use of established industry wholesalers, trade events and media coverage in trade journals. The Company has established relationships with several fuel distributors for the sale of MagneGas in the metal working market. The Company has identified two independent sales representatives to support these relationships and is in the process of recruiting for additional sales support personnel. In addition, in February of 2010, the Company received an order for 294 cylinders of MagneGas from a company in Dubai that plans to sell the fuel in the Metal Working market for the surrounding Middle East area. The Company is in the process of filling this order. We are also negotiating with potential fuel distributors from several countries, and across the United States. At the time of the filing of this document the Company can make no assurance as to the final outcome of these negotiations.

Municipal Market

The Company has received expressed interest from several municipalities for testing of the Plasma Arc Flow system on sewage and sludge processing. The Company will expand commercially into this market after it has established its first municipal plant scale demonstration center converting sludge or sewage to fuel and other byproducts. A local municipality's water treatment facility has agreed to set up a demonstration center and conduct plant scale testing of the MagneGas refinery. Our existing prototype equipment is being modified for the specifics required for this project. At this time we are unable to accurately estimate the volume that will be processed. Upon completion of the 12 month test the contract will be evaluated and subject to renegotiation. No date has been determined when this project is to commence and funding will be required to implement this project as per our plan of operations.

International Expansion

The Company is seeking to expand globally through the sale of equipment and the establishment of Distribution and Joint Venture arrangements. We currently have complete negotiations for joint venture agreements in China and Europe.

Results of Operations

For the three and six months ended June 30, 2010 and 2009

Revenues

For the three and six months ended June 30, 2010 we generated revenues of $1,256,192 and $1,498,374, respectively. For the three and six months ended June 30, 2009 we generated revenues of $2,585 and $4,051, respectively. For our six months ended June 30, 2010, we recognized $1,477,853 of a $1.9 million contract for the sale of our Plasma Arc Flow unit; the remainder of our sales ($20,521) was from our metal cutting fuel sales operations. In the comparative six month period ended June 30, 2009 we generated no sales from units and $4,051 from our metal cutting fuel. The increase was due to the unit sale, of which we have completed approximately 78% of the contractual estimated cost, as we recognize revenue on a percentage of completion. We initially estimated the production cycle to be approximately 6 months, followed by 2-3 months to complete manufacturing, testing and delivery of the unit.

Subsequent to June 30, 2010, we have completed the building stage of this production unit and anticipate the completion of the testing and inspection by August 31, 2010. At that time we expect to receive the remaining balance of the contract. In the event of non-acceptance following its inspection, the purchasing party is not eligible for a refund or other recourse. The initial payment was made by the purchaser with an understanding of the significant cost commitment associated with the manufacturing of such a unit and therefore the deposit was non-refundable. The purchaser had performed extensive due diligence prior to their decision in placing the order for the unit. Their due diligence resulted in extended relationship, whereby two separate events occurred with this customer: (1) they initiated a $2 million dollar investment in MagneGas Corporation (initial $1 million funding has been received during the period); (2) the Customer initiated a joint venture agreement with MagneGas in exchange for licensing the manufacturing of unit in China and a 20% interest in the joint venture. We believe that the commitment of our customer in our product and technology validates our beliefs and business plan and collectability is reasonably assured.

Although we have increased sales in our metal cutting fuel, we believe that our marketing efforts have not generated the revenue we had anticipated; we believe this is due to the economy and the target market channels' inability to commit funds for new technology and capital expenditures. We believe that our metal cutting fuel orders will increase as the economy and the housing market recovers.

Operating Expenses

Operating costs for the three and six months ended June 30, 2010 were $412,863 and $760,594, respectively. Operating costs for the three and six months ended June 30, 2009 were $260,134 and $419,210, respectively. The increase was primarily attributable to increases in selling expense. The sale of the unit incurred commissions and other selling associated costs (travel, etc). Commissions are accrued on the sale over the production period, while payment is made over a one year interval, in effort to match the commission expense with the earning process and payment payout to maximize the Company’s cash flows. Operating expenses also increased due to salaries paid for the manufacturing of the production unit and technical and engineering consulting. Salary expense was approximately $78,000 for the three and six month periods ended June 30, 2010, compared to $0 for the three and six month periods ended June 30, 2009.

In prior quarters, the Company had routinely used common stock as a method of payment for certain services, primarily the advertising and promotion of the technology, and to increase investor awareness. We expect to continue these arrangements, though due to a stronger operating position this method of payment may become limited to specific vendors.

Net Income (Loss)

The Company has achieved a profit of $282,372 and $120,289, respectively, for the three and six months ended June 30, 2010, comparing favorably to net losses incurred of $261,783 and $422,155, respectively, for the three and six months ended June 30, 2009. We anticipate that our ability to fund future production of our units will result in lower costs, as stock-based payments result in recognition of expense in excess of what would be paid in cash.

Liquidity and Capital Resources

The Company, with the availability of money received from our customer deposits and the $2 million dollar investment commitment ($1 million received as of June 30, 2010), is in position to fund its operation for the near term. Previously we had financed our operations primarily through cash generated through the sale of stock through a private offering. We believe we can currently satisfy our cash requirements for the next twelve months with our current cash and expected revenues from our delivery of the contracted unit sale. Additionally, we may secure additional funds through our private placement of common stock as our technology is more widely accepted. 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 our plan of operations. Even without significant revenues within the next twelve months, based on our current cash and anticipated delivery of our unit, we anticipate being able to continue with our present activities. Although we believe we currently are adequately financed, we may require additional financing for sales and marketing objectives to achieve our goal of sustained profit, revenue and growth.

In the event we are not successful in reaching our sustained revenue targets, we anticipate that depending on market conditions and our plan of operations, we could incur operating losses in the future. We base this expectation, in part, on the fact that we may not be able to generate enough gross profit from our services to cover our operating expenses. Consequently, there remains the possibility that the Company may not continue to operate as a going concern in the long term.

As reflected in the unaudited financial statements we have an accumulated a deficit of $2,063,346. Our cash flow from operations was positive and provided us $170,198 of cash for future operating expenses. The Company's investing activities used $16,687 of cash for the acquisition of equipment. There were $0 expenditures for equipment in the comparable period. Our investing activities resulted in positive cash in the amount of $885,751 for the six months ended June 30, 2010, primarily due to the sale of common stock in the amount of $1 million dollars (sold at fair market value of $0.135 per share), less the net repayment of $118,000 of debt. This favorably compared to the $172,309 provided by financing activities for the six months ended June 30, 2009, provided by the raising of cash through stock issuances ($99,000) and short-term financing by the majority shareholder (net financing in the amount of $75,000).

At June 30, 2010 the Company had $1,046,600 in cash to meet current obligations.

Management believes that current revenue generated and recent investment commitment provides the opportunity for the Company to continue as a going concern and fund the strategic plan.

Subsequent Events

The company is in negotiation to expand into India and other potential territories through Joint Venture agreements or royalty arrangements. These agreements are in various stages of negotiation and as of June 30, 2010, there are agreements in principle to expand into all three territories. However, the Company can make no assurance as to the final outcome of these negotiations.

The events subsequent to the date of our report are detailed in the notes to the unaudited financial statements.

Recent Accounting Pronouncements

We have reviewed accounting pronouncements and interpretations thereof that have effectiveness dates during the periods reported and in future periods. The Company has 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, 2009.

Critical Accounting Policies

The Company’s significant accounting policies are presented in the Company’s notes to financial statements for the period ended June 30, 2010 and fiscal year ended December 31, 2009, which are contained in the Company’s 2009 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 two processes: (a) Sale of MagneGas fuel for metal cutting; and (b) Sale of its Plasma Arc Flow units.

- Revenue for metal-cutting 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. Costs and progress earnings are accumulated and included in “Costs and earnings” as an asset.

At the current time we expect the remainder of the balance of our unit sale contract to be received. The inspection by the purchasing party does not have any refund or other terms of recourse of the initial deposit in the event of non-acceptance. The initial payment was made by the purchaser with understanding of the significant cost commitment associated with the manufacturing of such unit and therefore the deposit is non-refundable. The purchaser had performed extensive due diligence prior to their decision in placing the order for the unit. Their due diligence resulted in an extended relationship, whereby two separate events occurred with this customer: (1) they initiated a $2 million dollar investment in MagneGas Corporation (initial $1 million funding has been received during the period for the advancement of the technology); (2) the Customer initiated a joint venture agreement with MagneGas in exchange for licensing the manufacturing of unit in Greater China Region territory and a 20% interest in the joint venture. We believe that the commitment of our customer in our product and technology validates our beliefs and business plan and that collectability is reasonably assured.

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 4T. Controls and Procedures.

Evaluation of disclosure 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 chief executive officer and chief 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 chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

There has been no change in our internal control over financial reporting during our most recent fiscal quarter 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 2009 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.

Not Applicable.

Item 5. Other Information

On August 5, 2010, the Company's Board of Directors appointed Mr. Allen Feng as a member of the Company's Board of Directors.

Mr Feng, Age 43, received a Bachelor's degree in Chemical Engineering from Taiyuan University of Technology in July 1989. Mr. Feng has been the CEO and President of DDI Industry International Inc., since January of 2005. DDI is a Beijing-based engineering company with 10 years of involvement in the Environment Protection field and related engineering projects. Allen Feng has successfully lead his team made a 35% sales growth each year from 2005 to 2009. Up to date, under Mr. Feng's management, DDI have accomplished 159 municipal waste water and 56 industry projects in total for equipment supply and installation. DDI now has been one of leading company in China environmental area.

Item 6. Exhibits

Exhibit Number	Exhibit Title
31.1	Certification of Dr. Ruggero Santilli 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 Luisa Ingargiola, 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 Dr. Rugerro Maria Santilli 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 Luisa Ingargiola, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

MagneGas Corporation

By: /s/ Dr. Ruggero Maria Santilli
Dr. Ruggero Maria Santilli
Chief Executive Officer

Dated: August 16, 2010