MAGNEGAS CORP
Form 10-Q
November 10, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2014

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: 001-35586

MagneGas Corporation

(Exact name of registrant as specified in its charter)

Delaware	**26-0250418**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

150 Rainville Rd

Tarpon Springs, Florida	**34689**
(Address of principal executive offices)	(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 3, 2014 there were 36,581,757 shares of common stock, $0.001 par value issued and outstanding.

MAGNEGAS CORPORATION

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September 30, 2014

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

MagneGas Corporation
Balance Sheets

	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Assets		
Current Assets		
Cash and cash equivalents	$5,113,791	$216,523
Accounts receivable, net of allowance for doubtful accounts of $77,311 and $83,069, respectively	72,888	125,930
Inventory, at cost	1,881,154	1,710,066
Prepaid and other current assets	400,690	46,473
Total Current Assets	7,468,523	2,098,992
Property and equipment, net of accumulated depreciation of $895,198 and $661,744, respectively	5,951,932	5,306,152
Intangible assets, net of accumulated amortization of $284,797 and $248,446, respectively	494,754	482,824
Investment in joint ventures	690,410	490,410
Security deposits	10,654	8,568
Total Assets	$14,616,273	$8,386,946
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$145,612	$231,008
Accrued expenses	347,426	341,579
Deferred revenue	69,999	139,998
Customer Deposits	0	39,341
Total Current Liabilities	563,037	751,926
Note payable-(Long Term)	520,000	0
Total Liabilities	$1,083,037	$751,926
Stockholders' Equity		
Preferred stock: $0.001 par; 10,000,000 authorized; 1,000,000 issued and outstanding	1,000	1,000
Common stock: $0.001 par; 90,000,000 authorized; 33,581,757 and 23,259,109 issued and outstanding, respectively	33,582	23,259
Additional paid-in capital	36,987,318	26,163,522
Accumulated deficit	(23,488,664)	(18,552,761)
Total Stockholders' Equity	13,533,236	7,635,020
Total Liabilities and Stockholders' Equity	$14,616,273	$8,386,946

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

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MagneGas Corporation
Statements of Operations
(Unaudited)

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Revenue:	$146,400	$125,410	$516,331	$391,698
Direct costs	98,484	84,994	328,943	235,032
	47,916	40,416	187,388	156,666
Operating Expenses:				
Selling, General and Administration	1,037,637	954,001	2,647,949	2,894,629
Investor Relations	307,288	38,059	788,657	119,704
Stock-based compensation	380,535	394,727	1,112,563	1,180,021
Research and development	124,351	59,622	306,010	75,733
Depreciation and amortization	104,707	113,390	269,921	420,289
Total Operating Expenses	1,954,518	1,559,799	5,125,100	4,690,376
Operating Income (Loss)	(1,906,602)	(1,519,383)	(4,937,712)	(4,533,710)
Other Income and (Expense):	901	45,964	1,423	45,964
Interest	0)	3	386	356
Total Other Income (Expense)	901)	45,967	1,809	46,320
Net Income (Loss) before tax benefit	(1,905,701)	(1,473,416)	(4,935,903)	(4,487,390)
Provision for Income Taxes				
Net Income (Loss)	(1,905,701)	(1,473,416)	$(4,935,903)	$(4,487,390)
Net Loss per share:				
Basic and diluted	$(0.06)	$(0.06)	$(0.16)	$(0.21)
Weighted average common shares:				
Basic and diluted	33,315,633	22,920,592	30,359,870	21,311,007

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

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MagneGas Corporation
Statement of Changes in Stockholders' Equity

(Unaudited)

	Preferred Shares	Amount	Common Shares	Amount	Additional Paid In Capital	Unearned Sock Comp	Accumulated Deficit
Balance at December 31, 2011	2,000	$2	15,438,930	$15,439	$10,334,904	$(28,333)	$(5,097,097)
Compensation recognized under consulting agreement, May 31, 2008						15,000	
Issued per resolution	998,000	998					
Issued for services			334,220	334	988,990		
Options issued					1,039,500		
Options exercised for cash			88,887	89	262,286		
Previous exercised			37,500	38	(38)		
Private placement			4,139,077	4,140	10,471,842		
Offerings costs					(824,039)		
Sale of shares for cash			4,000	4	11,396		
Net loss							(7,136,942)
Balance at December 31, 2012	1,000,000	$1,000	20,042,614	$20,044	$22,284,841	$(13,333)	$(12,234,039)
Compensation recognized under consulting agreement, May 31, 2008						13,333	
Common shares issued:			2,821,889	2,822	2,508,754		
Offerings costs					(125,981)		
Issued in exchange for services			394,606	394	1,495,908		
Net loss (audited)							(6,318,722)
Balance at December 31, 2013	1,000,000	$1,000	23,259,109	$23,259	$26,163,522	$0	$(18,552,761)
Private placement	4,242	4.	4,500,755	4,501	8,995,435		
Offerings costs					(979,918)		
Issued for services			849,751	850	1,034,624		
Options - Stock Comp					1,112,563		
Options exercised			600,000	600	665,400		
Preferred shares converted to Common Stock	(4,242)	(4)	4,372,142	4,372	(4,368)		
Net loss (unaudited)							(4,935,903)
Balance at September 30, 2014	1,000,000	$1,000	33,581,757	$33,582	$36,987,318	$0	$(23,488,664)

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

MagneGas Corporation
Statement of Cash Flows
For the Nine Months Ended September 30, 2014 and 2013
(Unaudited)

	September 30, 2014	2013
Cash Flows from Operations		
Net loss	$(4,935,903)	(4,487,390)
Adjustments to reconcile net loss to cash used in operating Activities:		
Depreciation and amortization	269,921	420,289
Stock compensation	1,112,563	1,180,021
Stocks issued for Services	1,035,474	0
Provision for bad debt	(5,759)	16,094
Loss on disposal of Fixed Assets	333	0
Changes in operating assets:		
Accounts receivable	58,655	(8,539)
Inventory	(171,088)	58,221
Prepaid & other current assets	(354,218)	(32,077)
Security Deposits	(2,086)	0
Accounts payable	(85,396)	(319,954)
Accrued expenses	5,994	23,434
Customer deposits	0	293,985
Deferred revenue and customer deposits	(109,340)	(69,999)
Total adjustments to net income	1,755,053	1,561,475
Net cash (used in) operating activities	(3,180,850)	(2,925,915)
Cash Flows from Investing Activities		
Acquisition of property and equipment	(359,684)	(174,036)
Security deposit	0	(6,750)
Acquisition of Intangibles	(248,281)	
Net cash flows (used in) investing activities	(607,965)	(180,786)
Cash Flows from Financing Activities		
Proceeds from issuance of common stock	8,686,053	2,215,157
Common Stock issued for Services	-	0
Net cash flows provided by (used in) financing activities	8,686,053	2,215,157
Net increase (decrease) in cash	4,897,238	(891,544)
Cash balance, beginning	216,523	1,470,642
Cash balance, ending	$5,113,791	579,098
Disclosure of cash flow information and non-cash investing and financing activities:		
Interest paid	$104	1,269

Taxes paid	$

There was a Note issued for $520,000 as part of the acquisition of Property

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

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MagneGas Corporation

Notes to the Unaudited Financial Statements

September 30, 2014

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.

We are an alternative energy company that creates a system that produces hydrogen based fuel through the gasification and sterilization of liquid and liquid waste. We have developed a process which gasifies various types of liquid waste through a proprietary plasma arc system. A byproduct of this process is an alternative to natural gas currently sold in the metalworking market as a cutting fuel. We produce gas bottled in cylinders for the purpose of distribution to the metalworking market as an alternative to various gases. Additionally, we market, for sale or licensure, our proprietary plasma arc technology for the processing of liquid waste (the "Plasma Arc Flow" or "Plasma Arc Flow System") and are developing the ancillary uses of our MagneGas fuel for co-combustion. Through the course of our business development, we have established a retail and wholesale platform to sell our fuel for use in the metalworking and manufacturing industries. We have also established a network of brokers to sell our Plasma Arc Flow equipment internationally.

2. Summary of Significant Accounting Policies

The significant accounting policies followed are:

Basis of Presentation

The accompanying unaudited financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") for interim financial information, the instructions to SEC Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In preparing the financial statements, management is required 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 balance sheet and the reported amounts of revenues and expenses for the period. Actual results could differ significantly from those estimates. The accompanying unaudited consolidated financial statements and the following notes should be read in conjunction with the audited consolidated financial statements and the notes thereto in the Company's Form 10-K for the year ended December 31, 2013.

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 nine months ended September 30, 2014 and 2013; (b) the financial position at September 30, 2014; and (c) cash flows for the nine months ended September 30, 2014 and 2013, have been made.

Certain reclassifications have been made to prior year classifications for comparability purposes.

Use of Estimates

The Company prepares its financial statements in conformity with GAAP. These principles 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. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principle or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. 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, 2014. 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.

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, an allowance for doubtful accounts was considered necessary, based on considerations of limited credit history with our customers and in consideration of the economy. 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) the sale of its MagneGas fuel for metal cutting and (2) the sale of its Plasma Arc Flow units. Additionally the Company also recognizes 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. The Company recognizes 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 spare parts, consumables used in the production of gas, regulators and tips 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 (3-30 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 September 30, 2014 and December 31, 2013.

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. The Company did not recognize any impairment losses for any periods presented.

On September 30, 2014, the Company closed on the purchase of a facility in Pinellas Park located at 11885 44th Street North, Clearwater, Florida 33762 for a purchase price of $720,000 of which $520,000 is being held as an interest only note by the seller with 6.5% interest and the balance was paid in cash. The Company intends on using the Facility as its headquarters. Consequently, the Company will be placing its current headquarters, located at 150 Rainville Road, Tarpon Springs, FL 34689, 150 Rainville Rd was a month to month lease and notice has been given as to our intentions to evacuate the facility..

Stock Based Compensation & Stock issued for Services

The Company issued 709,001 shares of restricted stock to consultants for various services and to Directors for their service on the Board of Directors. 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.

Shipping Costs

The Company includes shipping costs and freight-in costs in direct costs, for those expenses associated with revenue process. The Company has incurred shipping and delivery costs associated with establishing units at production sites as well as incurring costs in shipping samples, trade shows and other business related functions, which are charged as a selling or administrative expense. Shipping costs were $169,647 and $52,650 for the nine months ended September 30, 2014 and 2013, respectively.

Advertising Costs

The costs of advertising are expensed as incurred. Advertising expenses are included in the Company’s operating expenses. Advertising expense was $52,181 and $63,150 for the nine months ended September 30, 2014 and 2013, 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. Research and Development expense was $306,010 and $75,733 for the nine months ended September 30, 2014 and 2013, respectively. Research and Development expenses increased primarily as a result of additional activity related to projects for the use of MagneGas to reduce coal emissions through co-combustion and the development of a new oil processing system.

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.

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

	September 30, 2014	September 30, 2013
Net loss	$(4,935,903)	$(4,487,390)
Weighted Average Shares		
Common Stock	30,359,870	21,311,007
Common stock equivalents (Options)	*	*
	30,359,870	21,311,007

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

As of September 30, 2014, there are 115,000 options and 2,076,416 warrants vested above the current fair market trading value, which would be common stock equivalents.

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 these financial statements.

4. Inventory

Inventory primarily consists of:

	September 30, 2014	December 31, 2013
Production materials consumables, spare parts, & accessories	$637,953	$255,497
Units, Construction in process	1,243,201	1,454,569
	$1,881,154	$1,710,066

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5. Long Lived Assets

Property and equipment consists of:

	September 30, 2014	December 31, 2013
Machinery and equipment	$270,959	$230,563
Furniture and office equipment	57,036	52,115
Transportation	243,500	211,908
Production units & cylinders	3,956,841	3,935,020
Land and buildings	2,318,794	1,517,672
	6,847,130	5,967,896
Less accumulated depreciation	895,198	661,744
	$5,951,932	$5,306,152

Depreciation of equipment was $233,570 and $383,938 for the nine months ended September 30, 2014 and 2013, respectively. A unit designated for Production was moved out and into Construction-In Progress since the unit being re-designed to a specific customer's needs (to specific agreement) and will in the very near future be recognized as through a sale.

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 September 30, 2014 and December 31, 2013 management concluded that there was no impairment to the intangible assets.

	September 30, 2014	**December 31, 2013**
Intellectual property	$ 779,551	$ 731,270
Less accumulated amortization	284,797	248,446
	$ 494,754	$ 482,824

Future amortization through December 31,:

2014	48,467

2015	48,467
2016	48,467
2017	48,467
2018 and thereafter	300,886
	$ 494,754

Amortization of the intangible assets was $36,350 and $36,350 for the nine months ended September 30, 2014 and 2013, 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 the Company's 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 the Company's 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 Belgian company, whereby 250,000 shares of the Company'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 Cost Method.

On June 28, 2010, the Company entered into agreement with DDI Industries, a Chinese company, in contemplation of the formation of MagneGas China. The Company provided 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 $1.35 or 1,481,481 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 so it will not for the investment under the Cost Method.

On January 16, 2014, the Company established a subsidiary company, Supplemental Energy Solutions, LLC, to pursue the coal co-combustion coal market in the United States and Canada. The Company owns 25% of Supplemental Energy Solutions, LLC, FutureEnergy Pty Ltd. owns 25%, and a confidential partner from the United States owns 50%. Additional partners to be added as warranted. Currently there is no value placed on this subsidiary as it is a development stage company conduction research and development for this market.

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On March 19, 2014, the Company signed a Joint Venture agreement with FutureEnergy Pty Ltd of Australia. Under the terms of the agreement, both parties will own 50% of a new Company formed for the purpose of developing, licensing and commercializing new intellectual property for co-combustion of MagneGas fuels with hydrocarbon fuels to reduce emissions and increase energy. This agreement includes and extends beyond the existing partnership of coal co-combustion to include other current and future developments such as the combustion of MagneGas with diesel, heavy oil, aviation fuels, and liquid petroleum gas. The Company is working with FutureEnergy Pty Ltd and Supplemental Energy Solutions to finalize a license and commercialization agreement for the United Stated and Canada for Coal Co-Combustion. Currently there is no value placed on this joint venture as it is a development stage company conducting research and development.

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 September 30, 2014 and December 31, 2013, 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. The Company has 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, 2014	December 31, 2013
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, exclusive 5 year license, expiring June 28, 2015	466,660	466,660
Philippines, deposit on production unit	100,000	100,000
Mexico down payment on equipment	100,000	100,000
Installment payments from Kazakhstan for equipment	499,000	499,000
	$1,315,660	$1,315,660
Portion recognized	1,245,661	1,136,321
Deferred revenue and customer deposits	$69,999	$179,339

The amount recognized as revenue under licensing arrangements was, $69,999 and $69,999 for the nine months ended September 30, 2014 and 2013, respectively.

8. Income Tax

Provision (Benefit) for Income Taxes

The Company has not recognized a provision for income tax benefit during the periods presented, due to the net operating losses incurred. The Company may recognize benefits in future periods when management believes that any benefit will be recognized.

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 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.

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

Under the Internal Revenue Code of 1986, as amended, these losses can be carried forward twenty years. As of December 31, 2013 the Company has net operating loss carry forwards remaining from the following years:

Year Generated	**Net Operating Loss**	**Year Expires**
2007 – 2013 approx	$18,026,411	2033

The adoption of provisions, required by Accounting Standard Codification, 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, 2010 through 2013. The Company state income tax returns are open to audit under the statute of limitations for the years ending December 31, 2008 through 2013.

The Company recognizes interest and penalties related to income taxes in income tax expense. The Company had incurred no penalties and interest for the nine months ended September 30, 2014 and September 30, 2013

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 1,000,000 shares of Preferred Stock issued to an entity controlled by Dr. Ruggero Santilli, Ermanno Santilli, President and CEO, Luisa Ingargiola, CFO and Carla Santilli, Director,. Each share of Preferred Stock is entitled to 100,000 votes.

There were 2,141 shares of Series B Preferred stock that were authorized as part of a registered offering on January 27, 2014 with a conversion price of $0.80 cents per share. There are no shares currently outstanding of Class B Preferred stock.

There were 2,100.5 shares of Series C Preferred stock that were authorized on March 28, 2014 as part of a registered offering. There were no shares of Series C Preferred stock that were outstanding as of September 30, 2014.

Common Stock includes 90,000,000 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.

100,000 warrants were exercised in the period ending September 30, 2014 and 300,934 shares were issued for services rendered.

Common Stock Issuances

On June 5, 2013, the Company closed its previously-announced underwritten public offering of 2,728,139 shares of common stock, par value $0.001 per share, and 2,728,139 warrants to purchase 682,035 shares of common stock with an exercise price of $1.35 per share, which includes the full exercise of the over-allotment option by the underwriter to purchase an additional 355,844 shares of common stock and warrants to purchase 88,961 shares of common stock with an exercise price of $1.35, at a combined price to the public of $0.90, for gross proceeds to the Company of $2,455,325. The Company intended to use the proceeds from the offering for working capital and general corporate purposes. Northland Securities, Inc. acted as underwriter for the offering.

On September 27, 2013, the Company settled a dispute with GreenPlanet Aid C.V. of Mexico (GreenPlanet) to which GreenPlanet was requesting a refund of a non-refundable deposit and as settlement of this dispute the Company offered 93,750 shares of common stock. This resulted in a $43,750 gain which is recognized as Other Income. This is an unrelated entity to Clear Sky Energy S.A. de C.V. of Mexico, who have a current active contract with the Company.

On September 27, 2013, the Company issued 31,250 shares of Common Stock to Benewatt Holdings, Inc. as payment for consulting services rendered.

On January 27, 2014 MagneGas issued registered shares of the Company's common stock for $1,858,867 in gross proceeds and unregistered shares of Series B convertible preferred stock for $2,141,133 in gross proceeds, convertible into common stock of the Company at $0.80 per share. The transaction also provided for the issuance by the Company of unregistered warrants to purchase up to 2,676,416 shares of common stock of the Company with an initial exercise price of $1.11. All 2,141 of the Series B preferred shares issued were converted to 2,676,416 common shares on or prior to March 31, 2014.

On March 28, 2014 MagneGas issued 2,000,000 shares of its common stock and Series C Convertible Preferred Stock convertible into 1,448,276 shares of common stock. The per share purchase price for the common stock and the conversion price of the preferred stock was $1.45, resulting in gross proceeds of $5 million. The transaction also provided for the issuance by the Company of unregistered warrants to purchase up to 1,724,138 shares of common stock of the Company with an initial exercise price of $2.15. 725 shares of the Series C preferred stock were converted into 500,000 common shares on or prior to March 31, 2014. All remaining shares were converted prior to September 30, 2014.

Options and Warrants

In the period ending March 31, 2011, the Company issued 50,000 warrants to a consultant with an exercise term of 5 years and a strike price of $1.50. The Company calculated the value of these shares at $68,500, based on using Black Sholes model. Assumptions used in the calculation were volatility of 151.7%, estimated life of 2.5 years, 0% forfeiture and risk free interest rate of 1.8%. On June 28, 2012, these warrants were exercised on a cashless basis, resulting in the issuance of 37,500 common shares.

During 2011, the Company also issued options attached to the purchase of shares at a 1:1 ratio, resulting in the issuance of 2,079,563 options. Value for these attached options was included in the original capitalized transactions. These options are exercisable within 3 years at a price of $3.00 per share. During the quarter ended September 30, 2012, 84,125 options were exercised for proceeds of $252,375.

In the period ending March 31, 2012, the Company issued 60,000 options to a consultant with an exercise term of 5 years, vesting over a one year period, and a strike price of $1.50. The Company calculated the value of these shares at $19,300, based on using Black Sholes model. Assumptions used in the calculation were volatility of 31.6%, estimated life of 1.5 years, 0% forfeiture and risk free interest rate of 1.8%. On June 28, 2012 these warrants were exercised on a cashless basis, resulting in the issuance of 37,500 common shares.

On March 31, 2012 the Company issued 2,910,000 options to executives, in connection with employment agreements, at an exercise price of $1.50, vesting over a 3 year period. The Company calculated the value of these shares at $3,921,900, based on using Black-Sholes model. Assumptions used in the calculation were: volatility of 31.6%; estimated life of 2.5 years; 0% forfeiture; and risk free interest rate of .39%. The Company recognized stock-based compensation, on a straight-line basis over the ratable vesting period, in the amount of $1,135,294 for the nine months ending September 30, 2013.

On April 8, 2014, the Board of Directors approved an option plan for employees for 185,000 common shares, with a strike price of $1.49 with a 5 year term. Options vest 50% in 12 months, 25% in 24 months and 25% in 36 months.

The following is a summary of outstanding options & warrants:

	Options Outstanding	Options Vested	Weighted Average Intrinsic Value	Exercise Price	Remaining Term
Options, December 31, 2011	2,215,039	2,215,039			
Granted	3,977,687	1,320,187	$3.43	$ 2.17	4.8 years
Exercised	(88,887)	(88,887)			
Forfeited	(130,714)	(130,714)			2.3 years
31-Dec-12	5,973,125	3,315,625			
Granted	1,485,996		0.95	0.88	2.8 years
Exercised					
Forfeited	550,000				
December 31, 2013	6,909,121	4,553,922	$2.44	$ 1.43	**2.9 years**

	Options Outstanding	Options Vested	Weighted Average Intrinsic Value	Exercise Price	Remaining Term
Granted	6,225,554		1.51	1.48	3.5 years
Exercised	(675,000)	(75,000)			
Forfeited	(1,550,000)	(1,698,922)			
September 30, 2014	10,909,675	2,780,000	$2.38	$ 1.44	**2.5 years**

10. Related Party Transactions

The Company occupies 5,000 square feet of the building owned by a related party. Rent is payable at $4,000 on a month to month basis. The facility allows for expansion needs. The lease is held by EcoPlus, Inc., a company that is effectively controlled by Dr. Santilli. The Company purchased a 18,000 square foot industrial building in Clearwater, Florida and plans on moving its headquarters in the next 90 days and intends to terminate the lease with Dr. Santilli.

The Company holds a 20% ownership of MagneGas Europe acquired by the issuance of 25,000 shares of common shares, which were valued at the fair market price at the date of grant, June 25, 2010, at $0.95 per share for an aggregate of $23,750. Dr. Santilli is a stockholder of MagneGas Europe, and at the time of the agreement, Ermanno Santilli, our current Chief Executive Officer, was the Chief Executive Officer of MagneGas Europe and Vice President of MagneGas Corporation.

Employment Agreements

On March 31, 2012, we entered into employment agreements with our key employees. A summary of these agreements are as follows:

Executive Title	**Term***	**Annual Salary****	**Options*****
Luisa Ingargiola, Chief Financial Officer, Director****	March 31, 2014	$120,000	25,000 vesting per quarter, exercisable at $1.50
Carla Santilli, Director*****	March 31, 2014	$60,000	25,000 vesting per quarter, exercisable at $1.50
Ermanno Santilli, Chief Executive Officer, Director****	March 31, 2014	$144,000	37,500 vesting per quarter, exercisable at $1.50

*   Term is extendable at mutual consent.

** Annual salaries also stipulate performance bonuses, to be determined and approved by Board of Directors.

*** Options, valued to be $3,805,500, using Black-Scholes method, The Company recognizes stock-based compensation, on a straight-line basis over the ratable vesting period. Assumptions used in the calculation were: volatility of 47.9%; estimated life of 2.5 years; 0% forfeiture; and risk free interest rate of .51%.

****Luisa Ingargiola and Ermanno Santilli are in the process of working with the Board to renew their employment agreement. Effective April 1, 2014 their salary was changed to $100,000 and $120,000 respectively.

*****Carla Santilli is no longer a paid employee and effective May 1, 2014 is a paid member of the Board of Directors, paid at the same rate as other directors.

11. Product Line Information

The following information is the results of our operating product line revenues:

	Revenue	Costs	Margin
September 30, 2014			
Product Line:			
Metal Cutting	$391,991	$263,960	$128,031
License Fees	69,999	-	69,999
Unit Sales	54,341	64,983	(10,642)
	$516,331	$328,943	$187,388
September 30, 2013			
Product Line:			
Metal Cutting	$321,699	$235,032	$86,667
License Fees	69,999		69,999
Unit Sales			
	$391,698	$235,032	$156,666

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 Events

On October 10, 2014, MagneGas Corporation (the “Company”) signed a Letter of Intent (the “LOI”) with Pioneer Recycling (“Pioneer”), to test and treat liquid medical waste and expired pharmaceuticals. The LOI calls for Pioneer to provide initial testing of medical waste and expired pharmaceuticals. Ultimately, the companies want to form a joint venture to market a comprehensive treatment solution.

On October 23, 2014, the Company issued 3,000,000 shares, pursuant to an effective shelf registration statement, of the Company's common stock, par value $0.001 per share, at a purchase price of $1.00 per share, 1,060 shares, pursuant to an effective shelf registration statement, of the Company's Series D-1 convertible preferred stock, par value $0.001 per share, at a purchase price of $1,000 per share, which are convertible into a total of 1,060,000 shares of common stock for an aggregate purchase price of $4,060,000 and 940 unregistered shares, in a private placement, of the Company's Series D-2 convertible preferred stock, par value $0.001 per share, at a purchase price of $1,000 per share, which are convertible into a total of 940,000 shares of the Company's Common Stock for an aggregate purchase price of $940,000. In connection with the purchase of the Series D-2 Private Placement Preferred Shares, the Investor received unregistered warrants to purchase 5,000,000 shares of the Company's common stock at an exercise price equal to $1.31. Each Warrant shall be initially exercisable on the six (6) month anniversary of the issuance date and have a term of exercise equal to five (5) years from the date on which first exercisable.

On October 27, 2014, the Company purchased 100% of the outstanding issued and outstanding Capital Stock of Equipment Sales and Service, Inc. a Florida Corporation, from Robert A. Ficocelli Revocable Trust, Robert A Ficocelli and Stephen R. Homer. The purchase price was $3,000,000 of which $150,000 is being held in escrow for a period of 9 months to ensure no material events not previously disclosed occurred.

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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.

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," "m 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.

Our Company

We are an alternative energy company that creates a system that produces hydrogen based fuel through the gasification and sterilization of liquid and liquid waste. We have developed a process which gasifies various types of liquid waste through a proprietary plasma arc system. A byproduct of this process is a type of syngas that works as an alternative to natural gas currently sold in the metalworking market as a cutting fuel. We produce gas bottled in cylinders for the purpose of distribution to the metalworking market as an alternative to acetylene and other cutting gases. Additionally, we market, for sale or licensure, our proprietary plasma arc technology for the processing of liquid waste (the “Plasma Arc Flow” or “Plasma Arc Flow System”) and for the production of MagneGas for co-combustion with hydrocarbon fuels to reduce emissions. Through the course of our business development, we have established a retail platform to sell our fuel for use in the metalworking and manufacturing industries.

History

MagneGas Corporation was organized in the state of Delaware on December 9, 2005. We were 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 by Clean Energies Tech Co., a private company owned by Dr. Ruggero Santilli, the inventor of the Plasma Arc Flow™ technology. Following this stock purchase, our name was changed to MagneGas Corporation.

Recent Developments

The Company has spent the last several months developing its strategy for increasing revenue and reducing costs. To that end, it has identified three major market segments which it will pursue for generating revenue:

- Industrial Gas Sales
- Equipment Sales for Liquid Waste Processing
- Use of MagneGas™ for the Co-Combustion of Hydro-Carbon Fuels to Reduce Emissions

The Company has launched a new Research and Development initiative with the following focus:

- High volume processing of oil
- Combustion of MagneGas with Hydrocarbon fuels, such as coal, to reduce emission
- Third party verification of fuel and equipment safety and performance results

Sales

Industrial Gas Sales

The Company has signed several new fuel distributors for the metal working market, including Accugas and GTW Welding in Michigan and Welders Services Incorporated in Indiana. It also continues to sell fuel through existing distributors in Michigan, Florida and Pennsylvania. In addition, the Company is in various stages of negotiation with several other distributors and large end users in the Industrial Gas industry.

The Company has received approval by the Clearwater Florida and New York City Fire Departments and they have confirmed that they are in final stages of testing for the use of MagneGas fuel as a replacement for acetylene in metal cutting for extractions and demolitions. Both cities have placed their initial order for fuel and the Company has been in extensive training with fire fighters from both locations for its proper use. These relationships further validate the safety and effectiveness of the MagneGas fuel for metal cutting.

On October 27, 2014, the Company closed on the purchase of 100% of the outstanding issued and outstanding Capital Stock of Equipment Sales and Service, Inc. a Florida Corporation, from Robert A. Ficocelli Revocable Trust, Robert

A Ficocelli and Stephen R. Homer (each, a Seller Party and together, the “Seller Parties”), The purchase price was $3,000,000 of which $150,000 is being held in escrow for a period of 9 months to ensure no material events not previously disclosed occurred. ESSI will be used as a launching platform to accelerate MagneGas fuel sales into the Florida market by allowing the Company access to a variety of goods and services for the metal working market and access to acetylene customers for potential conversion into MagneGas.

Equipment Sales

On August 23, 2013, we entered into a definitive agreement with a group from the Central Asian country of Kazakhstan to supply them with a mini-refinery for $499,000 which they plan to use to test various liquid wastes. Based on the results of these tests, they anticipate purchasing an industrial size unit in 2014 or 2015.

On August 19, 2013, the Company entered into a Memorandum of Understanding with “EAWC Technologies” of Florida and “Swiss Water Tech” of Switzerland to promote the sale of the MagneGas™ refineries through their network of clean energy and clean water distribution platforms. EAWC Technologies has continued its efforts to sell the technology in Switzerland, Hungary and Pakistan.

The Company has started a new marketing campaign aimed at pursuing international equipment sales in strategic areas of the world through social media, industry events and a network of independent brokers. It is in the process of launching a new platform of brochures and other related media to promote international sales in this market. The Company is in various stages of negotiation and testing for the sale of equipment.

MagneGas for the Co-Combustion of Hydro-Carbon Fuels to Reduce Emissions

On October 8, 2013, the Company signed a Memorandum of Understanding with a confidential party (the “USA MOU”), an unrelated group from the United States, to enter into a joint venture arrangement for the testing, development and pursuit of the Co-Combustion of MagneGas™ with Coal Fired Power Plants to reduce the stack emissions and increase heat extraction (the “Joint Venture”). This Joint Venture included a $100,000 deposit, which was paid to the Company in September 2013 by the confidential party. The Joint Venture includes the creation of a New Company which will hold the exclusive rights for this market for the United States and Canada. A major research center in the United States associated with a large utility company is currently conducting third party testing and validation. The Company has completed internal testing both in the United States and Australia and has demonstrated reduced hydrocarbon emission and increased heat with the Co-Combustion of Coal and MagneGas™. The third party testing is anticipated to also include an analysis of the volume of gas needed to achieve lowered emission results and the economic impact of this solution. Once third party testing is complete, the Company will work through the new Joint Venture to sell equipment, fuel and byproducts to end user coal power plants in this market.

On January 16, 2014, the Company established a subsidiary company, Supplemental Energy Solutions, LLC (“SES”), to pursue this market. On June 16, 2014, the Company and the confidential party entered into a Supplement to the USA MOU (the “Supplement”) pursuant to which the parties agreed: 1) that the Company is allowed to transfer half of its interest in SES to FutureEnergy Pty Ltd. of Australia; and 2) to extend the term during which SES has the option to purchase a recycler under the USA MOU in order to retain certain exclusivity rights. Currently, the Company owns 25% of SES, FutureEnergy Pty Ltd. owns 25% of SES, and the confidential party owns 50% of SES. Additional partners will be added as warranted.

The Company conducted the initial testing of Co-Combustion with Future Energy LLC of Australia, who has since filed a provisional patent for the combustion system used for these tests. The Company entered into a Memorandum of Understanding with Future Energy LLC on September 14, 2013 to share in ownership of this Intellectual Property. The Company is currently negotiating an extended version of this agreement to include other Intellectual Property. On March 19, 2014, the Company signed a Joint Venture agreement with FutureEnergy Pty Ltd of Australia that superseded the Future Energy MOU (the “Future Energy JV Agreement”). Under the terms of the Future Energy JV Agreement, both parties will own 50% of a new Company formed for the purpose of developing, licensing and commercializing new intellectual property for co-combustion of MagneGas fuels with hydrocarbon fuels to reduce emissions and increase energy. The Future Energy JV Agreement t includes and extends beyond the existing partnership of coal co-combustion to include other current and future developments such as the combustion of MagneGas with diesel, heavy oil, aviation fuels, and liquid petroleum gas.

Research and Development

High Volume Processing of Oil

The Company has historically processed oil through the addition of water or other dilution, which limits the volume of oil processed and decreases the flame temperature. There are several customers that have requested larger volume processing of oil based waste. The Company has spent considerable effort to achieve lower dilution levels and higher volume processing and has made significant progress to date. It anticipates the oil processing system will be completed in 2014. This research resulted in an entirely new family of MagneGas gasifiers based on the Venturi system for which MagneGas filed a definitive patent.

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Smaller Scale Recycler

The MagneGas Research and Development team has focused on developing smaller units at lower cost and shorter turnaround times allowing the rapid testing of a variety of liquids. The Company has created a new 20kW micro-unit for the testing of various liquid waste. This unit expedites the testing process for customers and includes a new venturi design which is expected to be the next generation of MagneGas™ refineries. The creation of this new unit has substantially increased the speed and efficiency of the testing process for new customers.

Third Party Validation of Fuel and Equipment

- The Company received independent test results from a laboratory in Europe that demonstrated that sewage, swine blood and leachates, when passed through the MagneGas™ system, results in full sterilization of bio-contaminates suspended in the liquid.
- MagneGas Australia (an unrelated MagneGas distributor) completed testing of MagneGas™ combusted with coal and found that the emissions from the coal were reduced and the heat output was increased.
- An independent laboratory in the United States provided certified results that cutting metal with MagneGas does not impact the metal or impede the strength of the weld.
- An independent laboratory in the United States provided certified results that MagneGas™ made from a proprietary blend of liquid does not contain Carbon Dioxide.
- An independent laboratory tested MagneGas2 vs acetylene on 2 inch plate and found that it cut 38% faster and consumed 30% less oxygen.
- An independent laboratory completed shock testing and rapid high compression testing of MagneGas and certified its safety under those conditions.
- The Company obtained confirmation from the Environmental Protection Agency that manure which is processed through the MagneGas sterilization system meets Class A treatment requirements.

Our Industry

Metalworking

We produce fuel for the metalworking fuel market. This market is currently dominated by acetylene. Acetylene is a gas that is considered toxic, unstable, emits soot when it burns and can be volatile. In recent years, several acetylene production plants have exploded which has resulted in a restriction of supply, increased regulation and rising prices. MagneGas™ on the other hand, emits oxygen when it burns and independent users have rated MagneGas™ as a cleaner alternative to acetylene.

The inherent instability of the chemical composition of acetylene also causes significant and unpredictable risks for firefighters resulting in significant delays and disruption caused by fires involving acetylene. The rescue and fire services of the United Kingdom, US and Australia and the department of labor all recommend alternatives to acetylene and have specific and different firefighting technics for fires involving acetylene. As a result MagneGas is very attractive to fire services as a safer and faster alternative to acetylene for extractions.

Liquid Waste Processing

Water-based liquid waste such as sewage, sludge and manures, are traditionally sterilized through the use of anaerobic digestion systems or the addition of chemical sterilization agents. Independent chemical analysis shows that the Company’s patented Plasma Arc Flow System sterilizes water based waste, without the use of chemical additives or anaerobic digestion, while producing a fuel for use as a natural gas alternative. The byproduct of this process is to produce a sterilized liquid that is under development for use as a liquid fertilizer or irrigation water. Recent studies have shown incomplete sterilization at many sewage treatment facilities resulting in elevated levels of drug resistant microbes in the liquid effluent and air surrounding sewage treatment plants. The recent worldwide scare on Ebola and other infection diseases is driving the industry to develop better and more complete ways to sterilize sewages and sludges.

Co-Combustion

The Company has tested in the United States and Australia the co-combustion of MagneGas with hydrocarbon fuels to reduce toxic emissions. The results of the tests included a reduction in carbon dioxide and other particulates and an increase in heat output. The power industry traditionally uses external filtration “scrubbing” systems to reduce emissions of hydrocarbon fuels in the production of electricity. It is the Company’s opinion that MagneGas can be used to better reduce emissions at a lower cost. It is currently conducting third party testing to confirm the results and determine the volume of gas needed to analyze the economic viability of this solution.

Our Products

We currently have two products: the fuel called MagneGas™ and the machines that produce that gas known as, Plasma Arc Flow refineries.

Fuel

In the United States, we currently produce MagneGas™, which is comprised primarily of hydrogen. The fuel can be used as an alternative to natural gas to power industrial equipment, automobiles and for metal cutting. The fuel is stored in hydrogen cylinders which are then sold to market on a rotating basis. However, the Company has found that its current feedstock creates a fuel that has a flow rate which is difficult to control without repeated training of the user. As a result, we are in the process of developing a new version of MagneGas with a slower flow rate. The Company anticipates that it will introduce this new fuel by the end of 2014. The new fuel has a lower cost feedstock, which we believe can not only compete against acetylene but also all other cutting gases such as propane.

On July 16, the Company launched a new fuel it has named “MagneGas2”. This fuel is produced from renewable waste and independent tests have confirmed that it cuts 38% faster than acetylene. The fuel has similar properties as acetylene making it easier for end users to adopt with limited training.

On September 29, the Company launched a new product line it has named “MagneTote”. This product is a storage and transport system that can be used by firefighters which allows quicker access to fuel. The system has been designed to be used in emergency extraction situations.

Equipment

The Plasma Arc Flow System can gasify many forms of liquid waste such as ethylene glycol and sterilize sewage and sludge. Plasma Arc Flow refineries have been configured in various sizes ranging from 50kw to 500kw depending on the application. Plasma Arc Flow refineries range in price from $500,000 to $5 Million. A 200Kw refinery was sold in 2010 to a customer in China for $1.855 Million. We signed an agreement on August 23, 2013 with a group from Central Asia for $499,000 which has been paid in full.

Manufacturing

Equipment

MagneGas™ systems are produced by us at our facility in Tarpon Springs, Florida. The proprietary components of the system are manufactured on location, while commercially available components such as generators and compressors are purchased from existing suppliers and assembled in Tarpon Springs. A new facility was purchased in September in Clearwater, Florida and the Company plans to relocate its headquarters to this new location.

Fuel

MagneGas™ currently has the ability to produce fuel in Florida and ship the fuel to its various distributors. The fuel is compressed into standard industrial gas cylinders and delivered directly to local retail customers and distributors.

Current MagneGas™ production is temporarily from a feedstock of virgin ethylene glycol (anti-freeze) and used vegetable oil. We are currently working to enhance our ability to process and compress fuels produced from waste oils on a high volume basis. Jointly, our plan includes provisions to secure the feedstock supplies, relationships and logistical abilities to process post-consumer waste oils such as used motor oils and/or anti-freeze. We estimate that the cost of using post-consumer waste steam feedstock, including related costs such as permitting and waste disposal, will be least 50% lower than the cost of virgin feedstock furthering MagneGas's advantage over acetylene and allowing us to effectively compete in the propane market.

Customers

We distribute products through several industrial gas companies in Michigan, Florida, Georgia, Indiana, and Pennsylvania. In addition, we have direct retail customers in both Michigan and Florida. In order to become a full service supplier of metal cutting fuel and hard goods, we have entered into an agreement with Matheson Tri-Gas, Inc. to purchase oxygen, argon, nitrogen and other gases at wholesale prices. In addition, we have now started distributing hard goods such as tips, torches, and regulators through Nasco, Inc. a national company that distributes welding supplies. On October 27, 2014, the Company closed on the acquisition of a regional gas distributor from Florida.

Strategic Relationships

We recently entered into commercial testing and discussion with a select group of leading U.S. strategic industrial companies and military contractors which, after conducting preliminary reviews of MagneGas™, are now seeking further testing or have agreed to purchase MagneGas™. These types of relationships inherently have a long sales cycle and have been under development for several years.

Navy

The U. S. Navy has been working with us to explore both the use of MagneGas™ for metal working and the use of the Plasma Arc Flow system for liquid waste processing. The National Center for Manufacturing Sciences, a testing contractor for the U.S. Navy, completed testing of MagneGas™ as an environmentally-friendly alternative for major metal cutting projects, particularly to reduce emissions during the breakup and recycling of retiring vessels. The final written report compared seven methods and gases for metal cutting to find the lowest opacity and showed MagneGas™ as one of the only two methods with positive results. The Company has developed a gas without Carbon Monoxide to meet the Navy standards for this project. On November 1, 2013 the Navy accepted the specifications of this gas and requested onsite testing which occurred in December 2013. The Company has provided the Navy pricing on fuel and is awaiting response. Due to the slow response time, the Company has hired two independent consultants with military backgrounds to assist with the project.

Fire Department Initiatives

Both the Clearwater, Florida and New York City Fire Departments have begun to purchase and test MagneGas as a replacement to acetylene and other cutting systems used by firefighters. Most vehicles used by fire departments in the United States are equipped with acetylene gas to use with demolition and extraction emergencies. MagneGas is stored in cylinders that are much lighter than acetylene, making it easier to handle. In addition, MagneGas has a much smaller heat affected zone, which can be critical to prevent further injury in the event of human extraction from a vehicle or dwelling.

Sterilization Equipment Sale Strategic Alliances

The Company has entered into three Memorandum of Understanding with a select group of strategic partners to launch the sterilization equipment sale market. One was signed with a major hog farm in Indiana, one with a fish farm in Louisiana and one with a waste treatment company in Florida for treating medical waste. The strategy of the

Company is to test various liquid wastes in key industries, place MagneGas recyclers on site for industrial testing and use and then take advantage of the various sites as demonstration centers to further sales in those markets.

Regulation

We are subject to several state, federal and local laws and oversight by several agencies, including the U.S. Environmental Protection Agency, Florida Department of Transportation, Florida Department of Environmental Protection ("DEP") and the Occupational Safety and Health Act in addition to local city and state zoning, fire and other regulations.

We have obtained a hazardous material transportation permit from the Department of Transportation to allow the transport of MagneGas throughout the state of Florida. We use licensed hazardous waste transporters to deliver fuel to the rest of the country.

We currently use virgin ethylene glycol to produce fuel and thereby are not subject to the DEP permit required to process liquid waste. However, we are currently exploring the application process to obtain a hazardous and non-hazardous liquid waste processing permit.

Internationally, we recently obtained a compliance certification that confirms that the manufacturing and operation of our equipment is in conformance with the mechanical and electrical safety requirements of the European Community laws.

We and our customers may be required to comply with a number of federal, state and local laws and regulations in the areas of safety, health and environmental controls. In as much as we intend to market the Plasma Arc Flow System internationally, we will be required to comply with laws and regulations and, when applicable, obtain permits in those other countries.

We cannot be certain that required permits and approvals will be obtained, that new environmental regulations will not be enacted, or that if they are, our customers and we can meet stricter standards of operation or obtain additional operating permits or approvals.

Facilities

We presently lease 5,000 square feet for our principal offices at 150 Rainville Rd, Tarpon Springs, FL 34689 on a month-to-month basis. The property is a commercial property for our production facility with an attached office. In addition, we have purchased a manufacturing facility adjacent to our current offices, which will allow the construction of up to 30 refineries at a time. This manufacturing facility consists of 2.7 acres of land, a structure to be converted to future office space and a structure currently used to manufacture refineries. In addition, in September we purchased an industrial building in Clearwater, Florida and will be moving our headquarters to that location. The Company will be terminating the lease at its current headquarters, located at 150 Rainville Road, Tarpon Springs, FL 34689, and will be placing the property at 1500 Rainville Road for sale.

Intellectual Property

The Plasma Arc Flow refinery forces a high volume flow of liquid waste through an electric arc between carbon electrodes. The benefit of this from a competitive perspective is that it sterilizes the bio-contaminants within the waste without the need to add any chemical disinfecting agents. In addition, while sterilizing the liquid, a clean burning fuel is produced. In addition to the patents list below, the Company has several patents pending.

MagneGas Corporation has patent ownership on the technology in the United States and is exploring filing patents under the Patent Cooperation Treaty in other areas of the world as needed. MagneGas Corporation has a 20% ownership interest in MagneGas entities that control the intellectual property in Europe, Africa and China. MagneGas Corporation owns the following U.S. 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. Patent No. 7,780,924 – issued August 24, 2010 entitled Operating Under High Power, Pressure and Temperature Conditions to Produce A Combustible Gas.

U.S. Patent No. 8,236,150 – issued on August 20, 2012 entitled, "Plasma-Arc-Through Apparatus and Process for Submerged Electric Arcs."

We also own the United States and Mexico Trademark for "MAGNEGAS."

Recent Financings

On January 27, 2014, the Company closed on a sale of securities to an institutional investor (the "January 2014 Investor") providing for the issuance and sale by the Company (the "January 2014 Offering") of 2,323,584 shares of the Company's common stock, par value $0.001 per share, for a purchase price of $1,858,867.20 and $2,141,132.80 million of shares of the Company's Series B convertible preferred stock (the "Series B Preferred Stock") which were convertible into a total of 2,676,416 shares of common stock (the "Series B Conversion Shares"). In connection with the purchase of shares of Series B Preferred Stock in the January 2014 Offering, the January 2014 Investor received warrants to purchase a number of shares of common stock equal to 100% of the number of Series B Conversion Shares at an exercise price equal to $1.11 (the "January 2014 Warrants"). Each January 2014 Warrant shall be initially exercisable on the six (6) month anniversary of the issuance date and have a term of exercise equal to five (5) years from the date on which first exercisable. As of March 31, 2014, all of the shares of Series B Preferred Stock had already been converted into the Series B Conversion Shares.

On March 28, 2014, the Company completed an offering (the “March 2014 Offering”) with an institutional investor (the “March 2014 Investor”). The securities sold in the March 2014 Offering consisted of 2,000,000 shares (the “Shares”) of the Company’s common stock, par value $0.001 per share, and 2,100.5 shares of the Company’s Series C convertible preferred stock (the “Series C Preferred Stock”) which are convertible into a total of 1,448,276 shares of common stock (the “Series C Conversion Shares”) for an aggregate purchase price of $5,000,000 (the Shares, the Preferred Stock and the Conversion Shares shall be referred to as the “Registered Stock”). The Registered Stock is being offered by the Company pursuant to an effective shelf registration statement on Form S-3, which was initially filed with the SEC on May 17, 2013 and declared effective on May 28, 2013 (File No. 333-188661) (the “Registration Statement”).

In connection with the purchase of shares of the Registered Stock in the March 2014 Offering, the Company issued warrants to the March 2014 Investor to purchase 1,724,138 shares of common stock at an exercise price equal to $2.15 (the “March 2014 Warrants”). Each March 2014 Warrant shall be initially exercisable on the six (6) month anniversary of the issuance date and have a term of exercise equal to five (5) years from the date on which first exercisable.

On October 23, 2014, the Company issued 3,000,000 shares, pursuant to an effective shelf registration statement, of the Company’s common stock, par value $0.001 per share, at a purchase price of $1.00 per share, 1,060 shares, pursuant to an effective shelf registration statement, of the Company's Series D-1 convertible preferred stock, par value $0.001 per share, at a purchase price of $1,000 per share, which are convertible into a total of 1,060,000 shares of common stock for an aggregate purchase price of $4,060,000 and 940 unregistered shares, in a private placement, of the Company’s Series D-2 convertible preferred stock, par value $0.001 per share, at a purchase price of $1,000 per share, which are convertible into a total of 940,000 shares of the Company’s Common Stock for an aggregate purchase price of $940,000. In connection with the purchase of the Series D-2 Private Placement Preferred Shares, the Investor received unregistered warrants to purchase 5,000,000 shares of the Company’s common stock at an exercise price equal to $1.31. Each Warrant shall be initially exercisable on the six (6) month anniversary of the issuance date and have a term of exercise equal to five (5) years from the date on which first exercisable.

Employees

We presently have twenty six full-time employees. We have leased employees and independent technicians perform production and other duties, as required. We consider our relationship with our employees to be excellent.

Results of Operations

Comparison for the three and nine months ended September 30, 2014and 2013

Revenues

For the three months ended September 30, 2014 and 2013 we generated revenues of $146,400 and $125,410, respectively. For the three months ended September 30, 2014 and 2013, we generated revenues from our metal cutting fuel of $123,067and $102,077, respectively.

For the nine months ended September 30, 2014 and 2013 we generated revenues of $516,331 and $391,698, respectively. For the nine months ended September 30, 2014 and 2013, we generated revenues from our metal cutting fuel of $391,991 and $321,699, respectively.

Our increase in revenue was primarily due to an increase in metal cutting gas sales, along with the balance of the revenue recognized from the sale of a recycler to our customer from Kazakhstan. The increase in metal cutting gas sales were a result of the signing of new distributors, the addition of new direct customers and the selection of MagneGas fuel for several demolition projects.

For our technology licensing, we have recognized $23,333 and $23,333 for the three months ended September 30, 2014 and 2013, respectively, and $69,999 and $69,999 for the nine months ended September 30, 2014 and 2013, respectively. These license fees are ratably earned over the terms of the licensing agreement.

Operating Expenses

Operating costs for the three months ended September 30, 2014 and 2013 were $1,954,518 and $1,559,799, respectively, and for the nine months ended September 30, 2014 and 2013 were $5,125,100 and $4,690,376, respectively. During the three months ended September 30, 2014 we recognized a non-cash charge of $380,535 in stock based compensation, compared to $394,727 in the comparable three months ended September 30, 2013. Other non-cash operating expenses were due to depreciation and amortization charges of $104,707 for the three month period ended September 30, 2014, compared to $113,390 for the three months ended September 30, 2013. During the nine months ended September 30, 2014 we recognized a non-cash charge of $1,112,563 in stock based compensation, compared to $1,180,021 in the comparable nine months ended September 30, 2013. Other non-cash operating expenses were due to depreciation and amortization charges of $269,921 for the nine month period ended September 30, 2014, compared to $420,289 for the nine months ended September 30, 2013. The increase in expenses were primarily due to the an increased focus on investor relations as well as for research and development related to co-combustion and the new oil processing system, while still being able to recognize an offset in our general and administrative operating expenses.

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 employees.

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Net Loss

Our operating results have recognized losses in the amount of $1,905,701 and $1,473,416 for the three months ended September 30, 2014 and 2013, respectively, and losses in the amount of $4,935,903 and $4,487,390 for the nine months ended September 30, 2014 and 2013, respectively. The increase in the losses was attributable to increase in expenses related to investor relations of which some were offset by decreases in general and administrative expenses through better utilization of funds and implementing tighter controls and policies focusing on priorities to develop new strategies and approaches to the market.

Liquidity and Capital Resources

The Company recently completed three capital raises and has $5,113,791 in cash as of September 30, 2014. The Company does not anticipate any additional capital raises in 2014 as it strives to obtain cash through the sale of fuel and equipment.

As reflected in the unaudited financial statements we currently have an accumulated a deficit of approximately $23.5 million dollars. Our cash flow from operations for the nine month period ending September 30, 2014 used approximately $2.7 million of cash. Cash was used primarily to fund ongoing operations.

Recent 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 these consolidated financial statements.

Critical Accounting Policies

Our significant accounting policies are presented in this Report in our notes to financial statements for the period ended September 30, 2014 and in our notes to financial statements for the fiscal year ended December 31, 2013, which are contained in the Company’s 2013 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 GAAP. These principles 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 our board of directors; however, actual results could differ from those estimates.

We issue 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.

We generate revenue through three processes: (a) our sale of our 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. We recognize 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.

Subsequent Events

On October 10, 2014, MagneGas Corporation (the “Company”) signed a Letter of Intent (the “LOI”) with Pioneer Recycling (“Pioneer”), to test and treat liquid medical waste and expired pharmaceuticals. The LOI calls for Pioneer to provide initial testing of medical waste and expired pharmaceuticals. Ultimately, the companies want to form a joint venture to market a comprehensive treatment solution.

On October 23, 2014, the Company issued 3,000,000 shares, pursuant to an effective shelf registration statement, of the Company’s common stock, par value $0.001 per share, at a purchase price of $1.00 per share, 1,060 shares, pursuant to an effective shelf registration statement, of the Company's Series D-1 convertible preferred stock, par value $0.001 per share, at a purchase price of $1,000 per share, which are convertible into a total of 1,060,000 shares of common stock for an aggregate purchase price of $4,060,000 and 940 unregistered shares, in a private placement, of the Company’s Series D-2 convertible preferred stock, par value $0.001 per share, at a purchase price of $1,000 per share, which are convertible into a total of 940,000 shares of the Company’s Common Stock for an aggregate purchase price of $940,000. In connection with the purchase of the Series D-2 Private Placement Preferred Shares, the Investor received unregistered warrants to purchase 5,000,000 shares of the Company’s common stock at an exercise price equal to $1.31. Each Warrant shall be initially exercisable on the six (6) month anniversary of the issuance date and have a term of exercise equal to five (5) years from the date on which first exercisable.

On October 27, 2014, the Company purchased 100% of the outstanding issued and outstanding Capital Stock of Equipment Sales and Service, Inc. a Florida Corporation, from Robert A. Ficocelli Revocable Trust, Robert A Ficocelli and Stephen R. Homer. The purchase price was $3,000,000 of which $150,000 is being held in escrow for a period of 9 months to ensure no material events not previously disclosed occurred.

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 this 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.

There have been no changes that constitute material changes from the risk factors previously disclosed in our 2013 Annual Report filed on Form 10-K.

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

During the period ending September 30, 2014, a total of 300,934 common shares were issued to consultants for various services rendered.

The above shares were issued in reliance on the exemption under Section 4(2) of the Securities Act. These shares of our common stock qualified for exemption under Section 4(2) since the issuance shares by us did not involve a public offering. The offering was not a “public offering” as defined in Section 4(2) due to the insubstantial number of persons involved in the deal, manner of the issuance and number of shares issued. We did not undertake an offering in which we sold a high number of shares to a high number of investors. In addition, the investors had the necessary investment intent as required by Section 4(2) since they agreed to and received share certificates bearing a legend stating that such shares are restricted pursuant to Rule 144 of the Act. This restriction ensures that these shares would not be immediately redistributed into the market and therefore not be part of a “public offering.” Based on an analysis of the above factors, we have met the requirements to qualify for exemption under Section 4(2) of the Securities Act for this transaction.

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

Not applicable

Item 5. Other Information.

None

Item 6. Exhibits

Exhibit Number	**Exhibit Title**	**Filing Method**

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.	Filed herewith
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.	Filed herewith
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.	Furnished herewith
32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith

101.INS	XBRL Instance Document	Filed herewith
101.SCH	XBRL Taxonomy Schema	Filed herewith
101.CAL	XBRL Taxonomy Calculation Linkbase	Filed herewith
101.DEF	XBRL Taxonomy Definition Linkbase	Filed herewith
101.LAB	XBRL Taxonomy Label Linkbase	Filed herewith
101.PRE	XBRL Taxonomy Presentation Linkbase	Filed herewith

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

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/ *Ermanno Santilli*
Ermanno Santilli
Chief Executive Officer

(Principal Executive Officer)

Dated: November 10, 2014

By: /s/ *Luisa Ingargiola*
Luisa Ingargiola
Chief Financial Officer

(Principal Financial and Accounting Officer)

Dated: November 10, 2014