

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

FORM 10-QSB

- (X) Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended SEPTEMBER 30, 2001
- () Transition report pursuant of Section 13 or 15(d) of the Securities Exchange Act of 1939 for the transition period ____ to_____

COMMISSION FILE NUMBER 0-29185

SAVE THE WORLD AIR INC.
(Exact name of registrant as specified in its charter)

Nevada

52-2088326

(State or other jurisdiction of
incorporation or organization)

(IRS Employer Identification No.)

29229 Canwood Street, Suite 206, Agoura Hills, California 91301
(818) 865-3500

(Address of Principal Executive Offices, including Registrant's zip code and
telephone number)

1285 Avenue of the Americas, 35th Floor, New York, NY 10019

Former name, former address and former fiscal year, if changed

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 No

The number of shares of the registrant's common stock as of September 30, 2001:
16,159,736 shares.

Transitional Small Business Disclosure Format (check one): Yes No

TABLE OF CONTENTS

PAGE

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

(a) Balance Sheet	3
(b) Statement of Operations	4
(c) Statement of Cash Flows	6
(d) Statement of Stockholders' Equity	7
(e) Notes to Financial Statements	8

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	10
--	----

PART II. OTHER INFORMATION 11

Item 1. Legal Proceedings

Item 2. Changes in Securities and Use of Proceeds

Item 3. Defaults On Senior Securities

Item 4. Submission of Items to a Vote

Item 5. Other Information

Item 6

- (a) Exhibits
- (b) Reports on Form 8K

SIGNATURES

12

2

<TABLE>

SAVE THE WORLD AIR INC.
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEETS
AS OF SEPTEMBER 30, 2001 AND DECEMBER 31, 2000
(UNAUDITED)

<CAPTION>

	September 30, 2001	December 31, 2000
	----- <C>	----- <C>
<S> ASSETS		
CURRENT ASSETS		
Cash at Bank	\$ -	\$ -
	-----	-----
	-	-
FIXED ASSETS		
Marketing and Manufacturing Rights Zero Pollution Fuel Device	505,000	505,000
	-----	-----
TOTAL ASSETS	\$ 505,000	\$ 505,000
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 941	\$ 4,354
Shareholder payable	1,016,930	857,555
	-----	-----
TOTAL LIABILITIES	1,017,871	861,909
STOCKHOLDERS' EQUITY		
Common stock 200,000,000 shares authorized at \$.001 par value 15,825,434 and 16,159,736 issued and outstanding at December 31, 2000 and September 30, 2001 respectively	16,160	15,645
Capital in excess of par	197,244	14,270
Accumulated Deficit	(726,275)	(386,824)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	(512,871)	(356,909)
	-----	-----
TOTAL LIABILITY AND STOCKHOLDERS' EQUITY	\$ 505,000	\$ 505,000
	=====	=====

</TABLE>

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

3

<TABLE>

SAVE THE WORLD AIR INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000
AND FOR THE PERIOD FROM INCEPTION TO SEPTEMBER 30, 2001
(UNAUDITED)

<CAPTION>

	For the Nine Months Ended		
	----- September 30, 2001	----- September 30, 2000	----- Inception to September 30, 2001

<S>	<C>	<C>	<C>
INCOME			
Sale of Licenses for Distributorships	\$ -	\$ -	\$ 125,000
Consultancy Fees	-	9,980	9,980
	-	9,980	134,980
GENERAL AND ADMINISTRATIVE EXPENSES			
Accommodation and international expenses	22,074	49,818	91,892
Accounting and Auditing	4,300	8,375	24,075
Automotive testing expenses	6,800	-	6,800
Bank Charges	30	3,895	4,479
Car Hire	7,825	7,119	14,944
Computer Services	727	9,408	11,295
Consulting Fees	3,900	88,277	135,306
Filing Fees	308	1,581	4,998
Internet Services	863	6,243	3,988
Legal Fees	43,200	68	43,908
Mineral Claims Written Off	-	-	3,151
Miscellaneous	4,681	1,077	6,960
Office Expense	974	-	974
Printing and Postage	967	365	3,863
Professional Fees	1,200	1,021	65,965
Radio and PR Fees	-	13,594	23,594
Rent	3,040	1,216	4,908
Secretarial Fees	2,400	866	25,871
Telephone Fees	7,646	7,629	20,282
Transfer Agents Fees	9,084	13,018	27,441
Travel, airline, and other travel related costs	37,193	58,099	154,322
Compensatory Element of Stock Issuances			
Legal Fees	45,230	-	45,230
Charitable Contributions	25,000	-	25,000
Public Relations	9,833	-	9,833
Filing Fees	2,276	-	2,276
Consulting Fees	99,900	-	99,900
TOTAL COSTS	339,451	271,669	861,255
Profit (Loss) for Period	\$ (339,451)	\$ (261,689)	\$ (726,275)
Shares outstanding	16,159,736	15,579,222	
Gain (Loss) per Common Share	\$ (0.02)	\$ (0.02)	

The accompanying notes are an integral part of these financial statements.
</TABLE>

4

SAVE THE WORLD AIR INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000
(UNAUDITED)

	For the Three Months Ended	
	September 30, 2001	September 30, 2000
INCOME		
Sale of Licenses for Distributorships	\$ -	\$ -
Consultancy Fees	-	9,980
	-	9,980
GENERAL AND ADMINISTRATIVE EXPENSES		
Accommodation and international expenses	5,794	9,007
Accounting and Auditing	1,500	3,500
Automotive testing expenses	-	-
Bank Charges	-	3,022
Car Hire	1,247	2,254
Computer Services	547	6,811
Consulting Fees	3,900	23,250

Filing Fees	-	-
Internet Services	503	2,906
Legal Fees	-	68
Mineral Claims Written Off	-	-
Miscellaneous	1,959	1,077
Office Expense	303	-
Printing and Postage	417	144
Professional Fees	-	-
Radio and PR Fees	-	-
Rent	500	-
Secretarial Fees	-	-
Telephone Fees	4,869	3,236
Transfer Agents Fees	-	-
Travel, airline, and other travel related costs	5,771	17,591
Compensatory Element of Stock Issuances		
Legal Fees	-	-
Charitable Contributions	-	-
Public Relations	-	-
Filing Fees	2,276	-
Consulting Fees	93,000	-
	-----	-----
TOTAL COSTS	122,586	72,866
	-----	-----
Profit (Loss) for Period	\$ (122,586)	\$ (72,866)
	=====	=====

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

5

<TABLE>

SAVE THE WORLD AIR INC.
(DEVELOPMENT STAGE COMPANY)
STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000
(UNAUDITED)

<CAPTION>

	Nine months ended September 30,	
	2001	2000
	-----	-----
<S>	<C>	<C>
CASH FLOW FROM OPERATING ACTIVITIES		
Net gain (loss) during development stage	\$ (339,451)	\$ (261,689)
Adjustment to reconcile net income (loss) to net cash		
Common shares value issued for services	182,992	-
Increase (decrease) in operating liabilities		
Accounts payable	(3,431)	-
	-----	-----
Net cash flow from operating activities	(159,890)	(261,689)
CASH FLOW FROM FINANCING ACTIVITIES		
Loans from shareholder	159,375	260,812
Proceeds from issuance of stock	515	282
	-----	-----
Net cash flow from financing activities	159,890	261,094
	-----	-----
Net cash from all activities	-	(595)
Cash balance at year end	-	595
	-----	-----
Cash balance at September 30	\$ -	\$ -
	=====	=====

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

</TABLE>

6

<TABLE>

SAVE THE WORLD AIR INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2001
(UNAUDITED)

<CAPTION>

	Common Stock			Deficit accumulated during development stage
	Number of shares	Issued at par	Paid in capital	
<S>	<C>	<C>	<C>	<C>
Balance at December 31, 1998	10,030,000	\$ 10,030	\$ 14,270	\$ (21,307)
Common stock issued for acquisition of rights to Zero Pollution Fuel Saving Device	5,000,000	5,000		
Common Stock issued for services rendered at par value \$0.001	267,125	267		
Net (Loss) during development stage				(2,665)
Balance at December 31, 1999	15,297,125	\$ 15,297	\$ 14,270	\$ (23,972)
Issuance of Common Stock for services rendered at par value \$0.001	348,810	348		
Net (loss) during development stage				(362,852)
Balance at December 31, 2000	15,645,935	\$ 15,645	\$ 14,270	\$ (386,824)
Issuance of Common Stock for services rendered at par value \$0.001	513,801	515	182,974	
Net (loss) for the period				(339,451)
Balance at September 30, 2001	16,159,736	\$ 16,160	\$ 197,244	\$ (726,275)

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

</TABLE>

SAVE THE WORLD AIR INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001
(UNAUDITED)

1. DESCRIPTION OF THE BUSINESS

The Company was incorporated on February 18, 1998 under the name "Mandalay Capital Corp.". The Company changed its name to "Save the World Air, Inc." on February 11, 1999 following the signing of the agreement by and between the Company and Jeffrey Muller with respect to the Company's purchase of "Zero Emissions Fuel Saver Device (ZEFS)". Under the terms of the agreement, the Company issued 5,000,000 shares of its common stock to Mr. Muller and agreed to pay \$500,000 and \$10 royalty for every unit of the device sold.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) BASIS OF PRESENTATION - GOING CONCERN

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The company has been engaged in the development of its zero emissions fuel saving device (ZEFS). The Company's ability to meet its obligations and successfully develop its project and, ultimately, to attain profitable operations is dependent upon further developing and marketing the device known as ZEFS and obtaining additional financing from either third parties or its present stockholders. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financials statements and accompanying notes. Actual results could differ from those estimates.

(b) ACCOUNTING METHODS

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

(c) DIVIDEND POLICY

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

(d) LOSS PER SHARE

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

(e) INCOME TAXES

The Company has a operating loss carry-forward incurred from inception to December 31, 2000 in the amount of \$386,824. No tax benefit from the operating loss carried forward has been recorded because the future tax benefit is uncertain.

8

(g) FOREIGN CURRENCY TRANSLATION

The transactions of the Company completed in foreign currencies have been translated to US dollars. Assets and liabilities are translated at the year end exchange rates and the income and expenses at the average rates of exchange prevailing during the period reported on. Any gains or loss resulting from the translations would be shown in the Statement of Operations.

(h) START UP EXPENSES

The Company has expensed all start up expenses in accordance with AICPA Statements of Position 98-5.

(i) STOCK ISSUED IN EXCHANGE FOR SERVICES

Stock issued in exchange for services were valued at an average of \$.63 per share.

3. RELATED PARTY TRANSACTIONS

All of the marketing and manufacturing rights for the Zero Pollution Fuel Saving Device were acquired from Jeffrey Muller, the Company's officer and sole director for 5,000,000 shares, \$500,000 and a \$10 royalty for each unit sold, pursuant to the agreement entered into in December 1998, by and between the Company and Mr. Muller.

Mr. Muller, the majority stockholder, is active in running the business of the Company. No compensation is paid and the Company has reflected no expense in the Statement of Operations.

In January 2000, the Company entered into an agreement offering Jeffrey Muller and Lyn Muller, Mr. Muller's wife, the rights to purchase five million shares each at \$0.10 per share (current market price as of the date of grant) as consideration for work done for the Company.

4. LEASES

The Company has no leases with respect to any property. The Company presently rents an office for \$250 per month at 1285 Avenue of the Americas, 35th Floor, New York, N.Y. 10019-6029 and also the office of one of its shareholders in Australia at no cost to the Company.

9

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

PRELIMINARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

ALL FORWARD-LOOKING STATEMENTS CONTAINED HEREIN ARE DEEMED BY THE COMPANY TO BE COVERED BY AND TO QUALIFY FOR THE SAFE HARBOR PROTECTION PROVIDED BY THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 THE 1995 ACT SHAREHOLDERS AND PROSPECTIVE SHAREHOLDERS SHOULD UNDERSTAND THAT SEVERAL FACTORS GOVERN WHETHER ANY FORWARD-LOOKING STATEMENT CONTAINED HEREIN WILL BE OR CAN BE ACHIEVED. ANY ONE OF THOSE FACTORS COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE PROJECTED HEREIN. THESE FORWARD-LOOKING STATEMENTS INCLUDE PLANS AND OBJECTIVES OF MANAGEMENT FOR FUTURE OPERATIONS, INCLUDING PLANS AND OBJECTIVES RELATING TO THE PRODUCTS AND THE FUTURE ECONOMIC PERFORMANCE OF THE COMPANY. ASSUMPTIONS RELATING TO THE FOREGOING INVOLVE JUDGMENTS WITH RESPECT TO, AMONG OTHER THINGS, FUTURE ECONOMIC, COMPETITIVE AND MARKET CONDITIONS, FUTURE BUSINESS DECISIONS, AND THE TIME AND MONEY REQUIRED TO SUCCESSFULLY COMPLETE DEVELOPMENT PROJECTS, ALL OF WHICH ARE DIFFICULT OR IMPOSSIBLE TO PREDICT ACCURATELY AND MANY OF WHICH ARE BEYOND THE CONTROL OF THE COMPANY. ALTHOUGH THE COMPANY BELIEVES THAT THE ASSUMPTIONS UNDERLYING THE FORWARD-LOOKING STATEMENTS CONTAINED HEREIN ARE REASONABLE, ANY OF THOSE ASSUMPTIONS COULD PROVE INACCURATE AND, THEREFORE, THERE CAN BE NO ASSURANCE THAT THE RESULTS CONTEMPLATED IN ANY OF THE FORWARD-LOOKING STATEMENTS CONTAINED HEREIN WILL BE REALIZED. BASED ON ACTUAL EXPERIENCE AND BUSINESS DEVELOPMENT, THE COMPANY MAY ALTER ITS MARKETING,

CAPITAL EXPENDITURE PLANS OR OTHER BUDGETS, WHICH MAY IN TURN AFFECT THE COMPANY'S RESULTS OF OPERATIONS. IN LIGHT OF THE SIGNIFICANT UNCERTAINTIES INHERENT IN THE FORWARD-LOOKING STATEMENTS INCLUDED THEREIN, THE INCLUSION OF ANY SUCH STATEMENT SHOULD NOT BE REGARDED AS A REPRESENTATION BY THE COMPANY OR ANY OTHER PERSON THAT THE OBJECTIVES OR PLANS OF THE COMPANY WILL BE ACHIEVED.

The Company was incorporated in February 1998 and the sole purpose of the Company is the manufacture and distribution of the device commonly referred to as the Zero Emission Fuel Saving Device ("ZEFS").

The Company has yet to make a profit and the Board of Directors believe that the Company will not make a profit in the immediate future.

The purpose of the Company is to develop the technology and then to sell licenses world wide for the distribution of the device. At the same time, the Company continues to research and develop the product for increasing technological efficiency. It is also examining the market capabilities of other new environmentally friendly technologies.

Obviously the Company does not have sufficient liquidity or the funding surplus to continue without help either its research and development or its day-to-day operations. These costs are being met from the personal resources of the majority shareholder, officer and director. Once the Company reaches a level of profitability, the shareholder's loans will be expected to be repaid by the Company.

This shareholder has not placed an upper limit on the Company expenditure, but the Company anticipates that its reliance on this shareholder will diminish within the next two fiscal quarters as distribution licenses are sold within mainland America and other countries.

The comparison of the nine month quarter ended September 30, 2000 and the nine months ended September 30, 2001 indicates that the Company has maintained its level of spending on Company operations. Marketing efforts will be stepped up as finances allow.

The Company will continue in its efforts to raise capital. There can be no assurance that the Company will be able to obtain capital.

QUARTERLY REVIEWS

The Company's 10-QSB filing for the period ended September 30, 2001 was not reviewed by its independent certified public accountants in accordance with Statement of Auditing Standards No. 71, "Interim Financial Information", as required by the Securities and Exchange Commission. Management intends to file an amended 10-QSB in the near term that has been reviewed by its current independent certified public accountants.

10

PART II. OTHER INFORMATION

Item 1. Legal proceedings	NONE
Item 2. Changes in securities and use of proceeds	NONE
Item 3. Defaults on senior securities	NONE
Item 4. Submission of items to a vote	NONE
Item 5. Other information	NONE
Item 6.	
a) Exhibits	
b) Reports on 8K	NONE

11

SIGNATURES

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

SAVE THE WORLD AIR, INC.
(REGISTRANT)

Signature

Title

Date

- -----
/s/ Jeffrey A. Muller

Chairman and President

November 14, 2001

(Jeffrey A. Muller)