

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 MARCH 31, 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.)

1285 Avenue of the Americas, 35th Floor New York, NY 10019-6028 (212) 554 4197

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

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 [X] No []

The number of shares of the registrant's common stock as of March 31, 2001:
15,825,434 shares.

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

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	5
(d) Statement of Stockholders' Equity	6
(e) Notes to Financial Statements	7

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	9
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PART II. OTHER INFORMATION 10

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

11

2

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

	March 31, 2001	December 31, 2000
	-----	-----
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	\$ 6,237	\$ 4,354
Shareholder payable	891,046	857,555
	-----	-----
TOTAL LIABILITIES	897,283	861,909
STOCKHOLDERS' EQUITY		
Common stock 200,000,000 shares authorized at \$.001 par value 15,825,434 issued and outstanding	15,825	15,645
Capital in excess of par	58,965	14,270
Accumulated Deficit	(467,073)	(386,824)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	(392,283)	(356,909)
	-----	-----
TOTAL LIABILITY AND STOCKHOLDERS' EQUITY	\$ 505,000	\$ 505,000
	=====	=====

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 THREE MONTHS ENDED MARCH 31, 2001 AND 2000
AND FOR THE PERIOD FROM INCEPTION TO MARCH 31, 2001
(UNAUDITED)

<CAPTION>

	For the Three Months Ended		
	March 31, 2001	March 31, 2000	Inception to March 31, 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	5,168	-	74,986
Accounting and Auditing	1,040	-	20,815
Bank Charges	-	-	4,449
Car Hire	1,728	-	8,847
Computer Services	-	-	10,568
Consulting Fees	-	-	131,406
Filing Fees	-	965	4,690
Internet Services	360	-	3,485
Legal Fees	-	-	708
Mineral Claims Written Off	-	-	3,151
Miscellaneous	2,500	-	4,779
Office Expense	172	-	172
Printing and Postage	-	-	2,896
Professional Fees	-	420	64,765
Radio and PR Fees	7,375	6,000	30,969
Rent	1,540	-	3,408
Secretarial Fees	-	866	23,471
Telephone Fees	473	-	13,109
Transfer Agents Fees	1,883	785	20,240
Travel Costs	20,510	786	137,639
Compensatory Element of Stock Issuances			
Legal Fees	37,500	-	37,500
Public Relations	7,375	-	7,375
TOTAL COSTS	80,249	9,822	602,053
Profit (Loss) for Period	\$ (80,249)	\$ 158	\$ (467,073)
Shares outstanding	15,825,434	15,417,125	
Gain (Loss) per Common Share	\$ (0.005)	\$ 0.00	

The accompanying notes are an integral part of these financial statements.
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4

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SAVE THE WORLD AIR INC.
(DEVELOPMENT STAGE COMPANY)
STATEMENT OF CHANGES IN CASH FLOW
MARCH 31, 2001

<CAPTION>

	Three months ended March 31,	
	2001	2000
	-----	-----
	<C>	<C>
<S>		
CASH FLOW FROM OPERATING ACTIVITIES		
Net gain (loss) during development stage	\$ (80,249)	\$ 158
Adjustment to reconcile net income (loss) to net cash		
Common shares value issued for services	44,695	-
Increase (decrease) in operating liabilities		
Accounts payable	6,237	-
Net cash flow from operating activities	(29,317)	158
CASH FLOW FROM FINANCING ACTIVITIES		
Loans from shareholder	29,137	-
Proceeds from issuance of stock	180	120
Net cash from all activities	-	278
Cash balance at year end	-	595
Cash balance at March 31	\$ -	\$ 873

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

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5

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SAVE THE WORLD AIR INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2000 AND MARCH 31 1999
(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	237,125	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	179,499	179	44,695	
Net (loss) for the period				(79,339)
Balance at March 31, 2001	15,825,434	\$ 15,824	\$ 58,965	\$ (466,163)

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

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6

SAVE THE WORLD AIR INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2001
AND MARCH 31, 2000
(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.

(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) CASH AND CASH EQUIVALENTS

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

(e) LOSS PER SHARE

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

(f) INCOME TAXES

The Company has a operating loss carry-forward incurred from inception to December 31, 1999 in the amount of \$23,972. No tax benefit from the operating loss carried forward has been recorded because the future tax benefit is uncertain.

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

7

(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 \$.25 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.

8

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

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 together with any deferred compensation due to the shareholder.

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 this first quarter and the first three months of 2000 with the first quarter and first three months of 1999 indicates that the Company has increased 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.

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

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

SAVE THE WORLD AIR, INC.
(REGISTRANT)

Signature

Title

Date

/s/ Jeffrey A. Muller

(Jeffrey A. Muller)

Chairman and President

July 11, 2001