BLUEFIRE ETHANOL FUELS INC
Form 10QSB/A
November 19, 2007

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB/A
Amendment No. 1

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2007

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _______TO _________ ________

Commission file number 000-52361

BLUEFIRE ETHANOL FUELS, INC.
(Name of small business issuer in its charter)

NEVADA	20-4590982
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

31 MUSICK, IRVINE, CALIFORNIA	92618
(Address of principal executive offices)	(Zip Code)

(Issuer's telephone number): (949) 588-3767

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 [ ]

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

On June 30, 2007, 21,558,014 shares of the Company's common stock, par value $.001 per share, were outstanding.
Transitional Small Business Disclosure Format (check one): YES [ ] NO [X]

EXPLANATORY NOTE

This Amendment No. 1 to the Company's Form 10-QSB for the quarterly period ended June 30, 2007 is being filed in conjunction with our decision to restate the financial statements contained in our report on form 10-QSB for the quarterly period ended June 30, 2007, filed with the Securities and Exchange Commission on August 14, 2007. Our board of directors determined, on November 14, 2007, that

the original financial statements for the period in question should no longer be relied upon due to certain costs that were incorrectly capitalized. We have filed a form 8-K on Item 4.02 Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review for the restatement.

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BLUEFIRE ETHANOL FUELS, INC. AND SUBSIDIARY
(A DEVELOPMENT-STAGE COMPANY)
BALANCE SHEET
(UNAUDITED)

	June 30, 2007
	As restated
ASSETS	
Current assets:	
Cash and cash equivalents	$ 26,805
Prepaid expenses and other current assets	19,978
Total current assets	46,783
Prepaid fees to related party	30,000
Property and equipment, net	2,040
Total assets	$ 78,823

LIABILITIES AND STOCKHOLDERS' DEFICIT	
Current liabilities:	
Accounts payable	$ 379,189
Accrued liabilities	37,873
Related party line of credit and accrued interest	602,600
Total current liabilities	1,019,662
Commitments and contingencies (Note 3)	
Stockholders' deficit:	
Preferred stock, no par value, 1,000,000 shares authorized; none issued and outstanding	--
Common stock, $0.001 par value; 100,000,000 shares authorized; 21,558,014 shares issued and outstanding	21,558
Additional paid-in capital	4,999,448
Deficit accumulated during the development stage	(5,961,845)
Total stockholders' deficit	(940,839)
Total liabilities and stockholders' deficit	$ 78,823

See accompanying notes to consolidated financial statements

BLUEFIRE ETHANOL FUELS, INC. AND SUBSIDIARY
(A DEVELOPMENT-STAGE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended June 30, 2007	For the Three Months Ended June 30, 2006	For the Six Months Ended June 30 2007	From M 28, (Incep Thro June 20
	As restated		As restated	
Revenues	$ --	$ --	$ --	$
Operating expenses:				
Project development	918,952	27,796	1,386,107	
General and administrative	1,126,493	31,758	2,796,581	
Total operating expenses	2,045,445	59,554	4,182,688	
Operating loss	(2,045,445)	(59,554)	(4,182,688)	(
Other income and (expense):				

Other income	--	--	--	
Financing related charges	--	--	(211,660)	
Related party interest expense	(4,000)	--	(12,000)	
Net loss	$ (2,049,445)	$ (59,554)	$ (4,406,348)	$ (
Basic and diluted loss per common share	$ (0.10)	$ (0.00)	$ (0.21)	$
Weighted average common shares outstanding, basic and diluted	21,511,998	17,132,800	21,474,388	17,1

See accompanying notes to consolidated financial statements

BLUEFIRE ETHANOL FUELS, INC. AND SUBSIDIARY
(A DEVELOPMENT-STAGE COMPANY)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
FOR THE PERIOD FROM DECEMBER 31, 2006 THROUGH JUNE 30, 2007
As restated

	Common Stock		Additional
	Shares	Amount	Paid-in Capital
Balances, December 31, 2006	21,125,764	$ 21,126	$ 1,382,390
January 2007, private offering at $2.00 per share to unrelated individuals, including costs associated with private placement of 6,250 shares and $12,500 cash paid	284,750	285	755,875
Share based compensation related to employment agreement in January 2007 $3.99 per share (Note 5)	10,000	10	39,890
Common shares issued for services in February 2007 at $5.92 per share (Note 5)	37,500	38	138,837
Adjustment to record remaining value of warrants at $4.70 per share issued for services in February 2007 (Note 5)	--	--	158,118
Common shares issued for services in March 2007 at $7.18 per share (Note 5)	37,500	37	269,213
Value of warrants at $6.11 for services vested in March 2007 (Note 5)	--	--	305,307
Value of warrants at $5.40 for services vested in June 2007 (Note 5)	--	--	269,839
Common shares issued for services in June 2007 at $6.25 per share (Note 5)	37,500	37	234,338

Share based compensation related to employment agreement in February 2007 at $5.52 per share (Note 5)	25,000	25	159,146
Share based compensation related to options (Note 5)	--	--	1,286,495
Net loss	--	--	--
Balances at June 30, 2007 (unaudited)	21,558,014	$ 21,558	$ 4,999,448

See accompanying notes to consolidated financial statements

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BLUEFIRE ETHANOL FUELS, INC. AND SUBSIDIARY
(A DEVELOPMENT-STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Six Months Ended June 30, 2007	From March 28, 2006 (Inception) through June 30, 2006	F
	As restated		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$(4,406,348)	$ (76,554)	
Adjustments to reconcile net loss to net cash used in operating activities:			
Founders' shares	--	17,000	
Costs associated with purchase of Sucre Agricultural Corp	--	(3,550)	
Discount on sale of stock associated with private placement	211,660	--	
Share-based compensation	2,861,330	--	
Depreciation	146	--	
Changes in operating assets and liabilities:			
Prepaid fees to related party	--	--	
Prepaid expenses and other current assets	(19,978)	--	
Accounts payable	312,240	62,950	
Accrued liabilities	20,181	--	
Accrued interest to related party	12,000	--	
Net cash used in operating activities	(1,008,769)	(154)	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(2,186)	--	
CASH FLOWS FROM FINANCING ACTIVITIES:	--	--	
Cash received in acquisition of Sucre Agricultural Corp.	--	690,000	
Proceeds from sale of stock through private placement	544,500	--	

Proceeds from related party notes	25,000	--
Proceeds from related party line of credit	592,000	1,000
Repayments of related party notes and line of credit	(126,500)	--
Net cash provided by financing activities	1,035,000	691,000
Net increase in cash and cash equivalents	24,045	690,846
Cash and cash equivalents beginning of period	2,760	--
Cash and cash equivalents end of period	$ 26,805	$ 690,846
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	$ 11,600	$ --

See accompanying notes to consolidated financial statements

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BLUEFIRE ETHANOL FUELS, INC. AND SUBSIDIARY
(A DEVELOPMENT-STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND BUSINESS

BlueFire Ethanol, Inc. ("BlueFire") was incorporated in the state of Nevada on March 28, 2006 ("Inception"). BlueFire was established to deploy the commercially ready and patented process for the conversion of cellulosic waste materials to ethanol ("Arkenol Technology") under a technology license agreement with Arkenol, Inc. ("Arkenol"). BlueFire's use of the Arkenol Technology positions it as a cellulose-to-ethanol company with demonstrated production of ethanol from urban trash (post-sorted "MSW"), rice and wheat straws, wood waste and other agricultural residues. The Company's goal is to develop and operate high-value carbohydrate-based transportation fuel production facilities in North America, and to provide professional services to such facilities worldwide. These "biorefineries" will convert widely available, inexpensive, organic materials such as agricultural residues, high-content biomass crops, wood residues, and cellulose from MSW into ethanol.

On June 27, 2006, BlueFire completed a reverse acquisition of Sucre Agricultural Corp. ("Sucre"), a Delaware corporation. At the time of acquisition, Sucre had no operations, revenues or liabilities. The only asset possessed by Sucre was $690,000 in cash which was included in the acquisition. Sucre was considered a blank-check company prior to the acquisition. In connection with the acquisition Sucre issued BlueFire 17,000,000 shares of common stock, approximately 85% of the outstanding common stock of Sucre, for all the issued and outstanding BlueFire common stock. The Sucre stockholders retained 4,028,264 shares of Sucre common stock.

NOTE 2 - RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS DUE TO ERROR

During 2007, the Company determined that the manner in which it accounted for the costs related to the construction of their Ethanol plant was not in accordance with generally accepted accounting principles of the United States of

America. The Company determined that the costs incurred related to engineering were more indicative of research and development activities as defined by Statements of Financial Accounting Standards No. 2 "Accounting for Research and Development Costs". Thus, the expenditures related to the development of the Company's Ethanol plant should have been expensed on the consolidated statement of operations. The Company had previously capitalized these costs.

The following tables present a summary of effects of the restatement adjustments on the Company's balance sheet at June 30, 2007 the consolidated statements of operations for three and six months ended June 30, 2007, and the consolidated statement of cash flows for the six months ended June 30, 2007:

	Balance Sheet		
	As Previously Reported	Adjustments	As Restated
Property and equipment, net	$ 292,940	$ (290,900)	$ 2,040
Total assets	$ 369,723	$ (290,900)	$ 78,823
Deficit accumulated during the development stage	$ (5,670,945)	$ (290,900)	$(5,961,845)
Total stockholders' deficit	$ (649,939)	$ (290,900)	$ (940,839)
Total liabilities and stockholders' deficit	$ 369,723	$ (290,900)	$ 78,823

	Consolidated Statements of Operations		
	As Previously Reported	Adjustments	As Restated
Three months ended June 30, 2007			
Project development expense	$ 628,052	$ 290,900	$ 918,952
Total operating expenses	$ 1,754,545	$ 290,900	$ 2,045,445
Operating loss	$ (1,754,545)	$ (290,900)	$(2,045,445)
Net loss	$ (1,758,545)	$ (290,900)	$(2,049,445)
Basic and diluted loss per common share	$ (0.08)	$ (0.02)	$ (0.10)

	Consolidated Statements of Operations		
	As Previously Reported	Adjustments	As Restated
Six months ended June 30, 2007			
Project development expense	$ 1,095,207	$ 290,900	$ 1,386,107

Total operating expenses	$ 3,891,788	$ 290,900	$ 4,182,688
Operating loss	$ (3,891,788)	$ (290,900)	$(4,182,688)
Net loss	$ (4,115,448)	$ (290,900)	$(4,406,348)
Basic and diluted loss per common share	$ (0.19)	$ (.02)	$ (0.21)

	Consolidated Statements of Cash Flows		
	As Previously Reported	Adjustments	As Restated
Net loss	$ (4,115,448)	$ (290,900)	$(4,406,348)
Net cash used in operating activities	$ (717,869)	$ (290,900)	$(1,008,769)
Purchases of property and equipment	$ (293,086)	$ 290,900	$ (2,186)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

MANAGEMENTS' PLANS

The Company is a development-stage company which has incurred losses since inception. Management has funded operations primarily through proceeds received in connection with the reverse merger, loans from its majority shareholder, the private placement of the Company's common stock in January 2007, and the issuance of convertible promissory notes with warrants in July 2007. In order for the Company's operations to continue, management will need to generate revenues from their intended operations sufficient to meet the Company's anticipated cost structure. The Company may encounter difficulties in establishing these operations due to the time frame of developing, constructing and ultimately operating the planned bio-refinery projects.

As of June 30, 2007, the Company has a working capital deficit of approximately $972,879. In March 2007, the Company obtained a line of credit in the amount of $1,500,000 from its Chairman/Chief Executive Officer and majority shareholder to provide additional liquidity to the Company as needed. During the three months ended June 30, 2007, the Company borrowed $497,000 from its Chairman/Chief Executive Officer and majority shareholder. The funds were used to fund the operations of the Company during the quarter. Management has estimated that operating expenses for the period from July 2007 to December 2007 will approximate roughly $800,000, excluding engineering costs related to the development of our bio-refinery projects. In July 2007, the Company obtained $500,000 through the issuance of convertible promissory notes with warrants. The proceeds received are expected to be used in operations.

In February 2007, the Company was awarded a grant for up to $40 million from the U.S. Department of Energy's ("DOE") cellulosic ethanol grant program to develop a solid waste bio-refinery project at a landfill in Southern California. In March 2007, the Company was selected to receive a grant of approximately $1,000,000 in funding from the California Energy Commission ("CEC"). Under the DOE and CEC programs, the Company may be reimbursed for project specific costs including salaries, engineering, development, etc.

(A DEVELOPMENT-STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company is in the process of reviewing terms for proposed financings to replace the line of credit provided by the CEO, repay the convertible promissory notes, and to fund the construction of their first plant in Lancaster, California. Management believes its plans will enable the Company to operate in the normal course of business until December 31, 2007.

BASIS OF PRESENTATION

The accompanying unaudited interim financial statements have been prepared by the Company pursuant to the rules and regulations of the United States Security Exchange Commission. Certain information and disclosures normally included in the annual financial statements prepared in accordance with the accounting principles generally accepted in the Unites States of America have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments and disclosures necessary for a fair presentation of these financial statements have been included. Such adjustments consist of normal recurring adjustments. These interim financials statements should be read in conjunction with the audited financial statements of the Company for the quarter ending June 30, 2007 and reviewed Financial Statements for the year ended December 31, 2006.

The results of operations for the three and six-months ended June 30, 2007 are not necessarily indicative of the results that may be expected for the full year.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 reported periods. Actual results could materially differ from those estimates.

REVENUE RECOGNITION

The Company is currently a developmental-stage company. The Company will recognize revenues from 1) consulting services rendered to potential sub licensees for development and construction of cellulose to ethanol projects, 2) sales of ethanol from its production facilities when (a) persuasive evidence that an agreement exists; (b) the products have been delivered; (c) the prices are fixed and determinable and not subject to refund or adjustment; and (d) collection of the amounts due is reasonably assured.

PROJECT DEVELOPMENT

Project development costs are either expensed or capitalized. The costs of materials and equipment that will be acquired or constructed for project development activities, and that have alternative future uses, both in project development, marketing or sales, will be classified as property and equipment and depreciated over their estimated useful lives. To date, project development costs include the research and development expenses related to the Company's future cellulose-to-ethanol production facilities. During the three and six months ended June 30, 2007, the Company expensed all costs related to this facility development.

BLUEFIRE ETHANOL FUELS, INC. AND SUBSIDIARY
(A DEVELOPMENT-STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

INCOME TAXES

The Company accounts for income taxes in accordance with Financial Accounting Standards Board ("FASB") Statement No. 109 "Accounting for Income Taxes." SFAS No. 109 requires the Company to provide a net deferred tax asset/liability equal to the expected future tax benefit/expense of temporary reporting differences between book and tax accounting methods and any available operating loss or tax credit carry forwards.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments approximated their carrying values at June 30, 2007. The financial instruments consist of cash and accounts payable. The related party note and line of credit cannot be evaluated because this is not an arms-length transaction.

LOSS PER COMMON SHARE

The Company presents basic loss per share ("EPS") and diluted EPS on the face of the consolidated statement of operations. Basic loss per share is computed as net loss divided by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock options, warrants, and other convertible securities. As of June 30, 2007, the Company had options and warrants to purchase an aggregate of 2,190,000 shares of common stock that were excluded from the calculation of diluted loss per share as their effects would have been anti-dilutive. There were no dilutive securities outstanding as of June 30, 2006.

CONCENTRATIONS OF CREDIT RISK

The Company, at times, maintains cash balances at certain financial institutions in excess of amounts insured by federal agencies.

SHARE-BASED PAYMENTS

The Company accounts for stock options issued to employees and consultants under SFAS No. 123(R), "Share-Based Payment". Under SFAS 123(R), share-based compensation cost to employees is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the employee's requisite service period. Share based compensation cost to consultants is measured on a quarterly basis using the Black-Scholes option model. The Company has no awards with market or performance conditions.

The Company measures compensation expense for its non-employee stock-based compensation under the FASB Emerging Issues Task Force ("EITF") Issue No. 96-18 "Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services" ("EITF 96-18"). The fair value of the option issued or committed to be issued is used to measure the transaction, as this is more reliable than the fair value of the services received. The fair value is measured at the value of the Company's common stock on the date that the commitment for performance by the counterparty has been reached or the counterparty's performance is complete. The fair value of the equity instrument is charged directly to stock-based compensation expense and

credited to additional paid-in capital.

BLUEFIRE ETHANOL FUELS, INC. AND SUBSIDIARY
(A DEVELOPMENT-STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - COMMITMENTS AND CONTINGENCIES

OPTION TO PURCHASE LAND

On February 9, 2007, the Company paid a one time fee of $4,000 and signed a six-month option agreement to purchase 95 acres of vacant land in Lancaster, California for $95,000. The amount is currently showing on the balance sheet as a current asset.

PROFESSIONAL SERVICES AGREEMENTS

On February 26, 2007, the Company entered into an agreement with an engineering firm, whereby the engineering firm will prepare a design basis for a facility comprising a capacity of 2.5 to 9 million gallons per year as specified by the Company, incorporating cellulosic ethanol process technology and the Arkenol Technology. As of June 30, 2007, the Company has incurred total costs of $309,000 of of which all were expensed to project development costs in the statement of operations.

DEPARTMENT OF ENERGY

In February 2007, the Company was awarded a grant for up to $40 million from the DOE's cellulosic ethanol grant program to develop a solid waste bio-refinery project at a landfill in Southern California. As of June 30, 2007, the details for disbursement of this grant have not been finalized.

CALIFORNIA ENERGY COMMISSION

In March 2007, the Company was selected to receive approximately $1,000,000 in funding from the CEC. Under the CEC program, the Company will be reimbursed for project specific costs including salaries, engineering, development, etc. As of June 30, 2007, the details for disbursement of this grant have not been finalized.

NOTE 5 -STOCKHOLDERS' DEFICIT

STOCK OPTION PLAN

On December 14, 2006, the Company's board of directors and shareholders approved the Company's 2006 Incentive and Non-statutory Stock Option Plan authorizing the issuance of options to purchase 10,000,000 shares of the Company's common stock. In addition on December 14, 2006, the Company granted options to purchase 1,990,000 shares of common stock to various employees and consultants having a $2.00 exercise price. The Company accounts for the stock options to consultants under the provisions of EITF 96-18. As of June 30, 2007, all of the options are still outstanding.

During the three months ended June 30, 2007, the Company amortized stock based compensation, including consultants, of approximately $411,000 to general and administrative expenses and $229,000 to project development expenses. During the six months ended June 30, 2007, the Company amortized stock based compensation,

including consultants, of approximately $814,000 to general and administrative expenses and $472,000 to project development expenses. Related to these options, the Company will record future employee compensation expense of approximately $1,280,000 and $2,300,000 during the year ending December 31, 2007 and December 31, 2008, respectively.

In accordance with EITF 96-18, as of June 30, 2007, the options awarded to consultants we re-valued using the Black-Scholes option pricing model with the following assumptions: volatility of 122%, expected life of four years, risk free interest rate of 4.87% and no dividends.

PRIVATE OFFERING

On January 5, 2007, the Company completed a private offering of its stock, and entered into subscription agreements with four accredited investors. In this offering, the Company sold an aggregate of 278,500 shares of the Company's common stock at a price of $2.00 per share for total proceeds of $557,000. The shares of common stock were offered and sold to the investors in private placement transactions made in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933. Costs associated with three of these offerings are included in the November 21, 2006 agreement mentioned below. In addition, the Company paid $12,500 in cash and issued 6,250 shares of their common stock as a finder's fee. The common stock was sold at a significant discount to the quoted market price of the Company's common stock. Thus, the Company calculated the excess discount associated with the sale of their stock at approximate $0.76 per share. The Company expensed approximately $211,000 to the accompanying statement of operations during the six months ended June 30, 2007.

ISSUANCE OF COMMON STOCK RELATED TO EMPLOYMENT AGREEMENTS

In January 2007, the Company issued 10,000 shares of common stock to an employee in connection with an employment agreement. The shares were valued on the initial date of employment at $40,000 based on the closing market of the Company's common stock on that date. The Company expensed the value of the common stock within project development on the accompanying statement of operations during the six months ended June 30, 2007.

On February 12, 2007, the Company entered into an employment agreement with a key employee, and simultaneously entered into a consulting agreement with an entity controlled by such employee; both agreements were effective March 16, 2007. Under the terms of the consulting agreement, the consulting entity received 50,000 restricted shares of the Company's common stock. The common stock was valued at approximately $276,000 based on the closing market price of the Company's common stock on the date of the agreement. The shares vest in equal quarterly installments on February 12, 2007, June 1, September 1, and December 1, 2007. The Company is amortizing the fair value of the common stock over the vesting period. During the three and six months ended June 30, 2007, the Company recorded approximately $73,000 and $159,170, respectively, in compensation expense within general and administrative expenses on the accompanying statement of operations.

INVESTOR RELATIONS AGREEMENT

On November 21, 2006, the Company entered into an agreement with a consultant. Under the terms of the agreement, the Company is to receive investor relations and support services in exchange for a monthly fee of $7,500, 150,000 shares of common stock, warrants to purchase 200,000 shares of common stock at $5.00 per share, expiring in five years, and the reimbursement of certain travel expenses. The common stock and warrants vest in equal amounts on November 21, 2006, February 1, 2007, April 1, 2007 and June 1, 2007. The Company accounts for the agreement under the provisions of EITF 96-18.

The Company revalued the shares on June 1, 2007, vesting date, and recorded an additional adjustment of $234,375. On of June 1, 2007 the warrants were revalued at $5.40 per share based on the Black-Scholes option pricing method using the following assumptions: volatility of 129%, expected life of four and a half years, risk free interest rate of 4.97% and no dividends. The Company recorded an additional expense of $269,839 related to these vested warrants during the three months ended June 30, 2007.

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BLUEFIRE ETHANOL FUELS, INC. AND SUBSIDIARY
(A DEVELOPMENT-STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

During the three and six months ended June 30, 2007, total compensation expense related to the common stock and warrants was $504,214 and $1,375,957 respectively, which is recorded within general and administrative expenses on the accompanying consolidated statement of operations.

NOTE 6 -RELATED PARTY TRANSACTION

RELATED PARTY LINE OF CREDIT

In March 2007, the Company obtained a line of credit in the amount of $1,500,000 from its Chairman/Chief Executive Officer and majority shareholder to provide additional liquidity to the Company as needed. Under the terms of the note, the Company is to repay any principal balance and interest, at 10% per annum, within 30 days of receiving qualified investment financing of $5,000,000 or more. As of June 30, 2007, the balance of the outstanding line of credit was $602,600 which included accrued interest of $9,500.

NOTE 7 -SUBSEQUENT EVENTS

CONVERTIBLE PROMISSORY NOTES

On July 13, 2007, the Company issued several convertible promissory notes aggregating a total of $500,000 with eight accredited investors including $25,000 from the Company's Chief Financial Officer. Under the terms of the notes, the Company is to repay any principal balance and interest, at 10% per annum within 120 days of the note. The holder also receives warrants to purchase common stock at $5.00 per share. The warrants vest immediately and expire in five years. The total warrants issued pursuant to this transaction were 200,000 on a pro-rata basis to investors. The convertible promissory notes are only convertible into shares of the Company's common stock in the event of a default. The conversion price is determined based on one third of the average of the last-trade prices of the Company's common stock for the ten trading days preceding the default date.

The fair value of the warrants was $990,367 as determined by the Black-Scholes

option pricing model using the following weighted-average assumptions: volatility of 113%, risk-free interest rate of 4.94%, dividend yield of 0% and a term of five years.

The proceeds were allocated between the convertible promissory notes and the warrants issued to the convertible promissory note holders based on their relative fair values and resulted in $167,744 being allocated to the convertible promissory notes and $332,256 allocated to the warrants. The resulting discount to the convertible notes payable of $332,256 is being amortized over the term of the convertible promissory notes.

In accordance with EITF 98-05 "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios", the Company calculated the value of the beneficial conversion feature to be $167,744. However, since the convertible promissory notes are only convertible upon a contingent event, the value will not be recorded until such event is triggered.

PRIVATE PLACEMENT AGREEMENTS

Subsequent to June 30, 2007, the Company has entered into various placement agent agreements, whereby payments are only ultimately due if capital is raised. As of June 30, 2007, no amounts are due under the agreements.

BOARD OF DIRECTOR ELECTIONS

Subsequent to June 30, 2007, the Company elected two new individuals to the board of directors. In connection with the elections, the Company issued 5,000 shares of common stock to each of the individuals.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Included in this prospectus are "forward-looking" statements, as well as historical information. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that the expectations reflected in these forward-looking statements will prove to be correct. Forward-looking statements include those that use forward-looking terminology, such as the words "anticipate," "believe," "estimate," "expect," "intend," "may," "project," "plan," "will," "shall," "should," and similar expressions, including when used in the negative. Although we believe that the expectations reflected in these forward-looking statements are reasonable and achievable, these statements involve risks and uncertainties and we cannot assure you that actual results will be consistent with these forward-looking statements. Important factors that could cause our actual results, performance or achievements to differ from these forward-looking statements include the following:

- the availability and adequacy of our cash flow to meet our requirements,
- failure to finance the construction of our planned ethanol production plants,
- economic, competitive, demographic, business and other conditions in our local and regional markets,
- changes or developments in laws, regulations or taxes in the ethanol or energy industries, actions taken or not taken by third-parties, including our suppliers and competitors, as well as legislative,

- regulatory, judicial and other governmental authorities,
- competition in the ethanol industry,
- the failure to obtain or loss of any license or permit, changes in our business and growth strategy (including our plant building strategy and co-location strategy),
- capital improvements or development plans,
- adverse publicity, including but not limited to, the recent adjustments in calculating mileage per gallon, and
- the availability of additional capital to support capital improvements and development.

All forward-looking statements attributable to us are expressly qualified in their entirety by these and other factors. We undertake no obligation to update or revise these forward-looking statements, whether to reflect events or circumstances after the date initially filed or published, to reflect the occurrence of unanticipated events or otherwise.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

THE FOLLOWING DISCUSSION OF OUR PLAN OF OPERATION SHOULD BE READ IN CONJUNCTION WITH THE FINANCIAL STATEMENTS AND RELATED NOTES TO THE FINANCIAL STATEMENTS INCLUDED ELSEWHERE IN THIS QUARTERLY REPORT.

PLAN OF OPERATION

Management plans to raise additional funds through joint venture partnerships, project debt financings or through future sales of the Company's common stock, until such time as the Company's revenues are sufficient to meet its cost structure, and ultimately achieve profitable operations. There is no assurance that the Company will be successful in raising additional capital or achieving profitable operations. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. The Company will need financing within 12 months to continue its operations.

The Company has not developed its own proprietary technology but rather is a licensee of the Arkenol Technology and therefore has benefited from Arkenol's research and development efforts and cost expenditures.

The Company's business will encompass development activities culminating in the construction and long-term operation of ethanol production biorefineries, as such, BlueFire is currently in the development-stage of finding suitable locations and deploying project opportunities for converting cellulose fractions of municipal solid waste and other opportunistic feedstock into ethanol fuels.

For the next 12 months, the Company's Plan of Operations is as follows:

- Obtain additional operating capital from joint venture partnerships, debt financing or equity financing to fund ongoing Company operations and the development of initial biorefineries in North America.

- The Energy Policy Act provides for grants and loan guarantee programs to incentivize the growth of the cellulosic ethanol market. These programs include a Cellulosic Biomass Ethanol and Municipal Solid Waste Guarantee Program under which the U.S. Department of Energy could provide loan guarantees up to $250,000,000 per qualified project. The Company has filed a

pre- application for loan guarantees to support the development of a 55 million gallon per year project in California to be located adjacent to an existing biomass power plant.

- The 2005 Energy Act created a Biorefinery Demonstration Project Program under which $100,000,000 or another amount appropriated by Congress is available to fund up to three (3) biorefinery demonstration projects. The Company submitted a proposal for funding under this solicitation for its projected El Sobrante, California biorefinery. In February 2007, the Company was awarded a grant of up to $40 million from the U.S. Department of Energy under this biorefinery grant program. The specifics of this award are to be determined during the third quarter of 2007.

- The California Energy Commission has provided a competitive grant solicitation with the intent of accelerating research, development and demonstration of biofuel energy conversion technologies and refineries using lignocellulosic biomass (such as agricultural and forest residues, and urban waste), food waste, beverages, waste grease, purpose-grown or energy crops. This solicitation will help advance science, technology, and market acceptance of ethanol in California that will help reduce petroleum consumption and help meet the Governor's Executive Order S-06-06, the Bioenergy Action Plan, and AB 32 (Nunez & Pavley 2006). In March 2007, the Company received notice that it has been accepted as a recipient of up to $1 million under this program for equipment testing and preliminary engineering for use in its proposed project under this solicitation. The specifics of this award are to be determined, but Bluefire is planning on finalizing study procedures and contract terms during the third or fourth quarter of 2007.

- As available and as applicable to the business plans of the Company, applications for public funding will be submitted to leverage private capital raised by the Company.

BlueFire's initial planned projects in North America are projected as follows:

- A facility that will process approximately 100 tons of green waste material to produce between 2.5 and 3 million gallons of ethanol annually. The Company has entered into an Option and Purchase Agreement on a parcel located in Lancaster, California. Permits applications were filed on June 24th to allow for construction of the Lancaster facility. BlueFire is currently in preliminary engineering. Although the cost of construction is not readily determinable, the Company estimates the cost to be approximately $20 - $30 million for this first plant. The Company is currently in discussions with potential sources of financing for this facility but no definitive agreements are in place.

- A facility proposed for development and construction at the El Sobrante Landfill located in Corona, California. This facility will use approximately 700 metric dry tons of green waste and wood waste currently disposed in the landfill to produce about 16.6 to 18 million gallons of ethanol annually. Preliminary engineering design is in progress and permitting for this facility will commence once all required preliminary

engineering design is completed. A definitive agreement is being finalized with Petro-Diamond for the purchase and sale of the ethanol produced from the facility. BlueFire has received an Award from the Department of Energy of up to $40 million for the El Sobrante Facility, although the specifics of the award are yet to be determined. BlueFire is currently finalizing contract terms for the Award. The remainder of financing for this project is yet to be determined.

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- Several other opportunities are being evaluated by BlueFire in North America but no definitive plans have been made. However, the project proposed at the El Sobrante Landfill provides a model that can be replicated at over 3,000 landfills located in North America (U.S. EPA website). Discussions with various landfill owners are underway to duplicate the proposed development at the El Sobrante landfill although no definitive agreements have been reached.

CRITICAL ACCOUNTING POLICIES

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Our management periodically evaluates the estimates and judgments made. Management bases its estimates and judgments on historical experience and on various factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates as a result of different assumptions or conditions.

The methods, estimates, and judgment we use in applying our most critical accounting policies have a significant impact on the results we report in our financial statements. The SEC has defined "critical accounting policies" as those accounting policies that are most important to the portrayal of our financial condition and results, and require us to make our most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based upon this definition, our most critical estimates are described below under the heading "Revenue Recognition." We also have other key accounting estimates and policies, but we believe that these other policies either do not generally require us to make estimates and judgments that are as difficult or as subjective, or it is less likely that they would have a material impact on our reported results of operations for a given period. For additional information see Note 1, "Summary of Organization and Significant Accounting Policies" in the notes to our audited financial statements appearing elsewhere in this report. Although we believe that our estimates and assumptions are reasonable, they are based upon information presently available, and actual results may differ significantly from these estimates.

REVENUE RECOGNITION

The Company is currently a developmental-stage company and has recognized minimal revenues to date. The Company will recognize revenues from 1) consulting services rendered to potential sub licensees for development and construction of

cellulose to ethanol projects, 2) sales of ethanol from its production facilities when (a) persuasive evidence that an agreement exists; (b) the products have been delivered; (c) the prices are fixed and determinable and not subject to refund or adjustment; and (d) collection of the amounts due is reasonably assured.

PROJECT DEVELOPMENT

Project development costs are either expensed or capitalized. The costs of materials and equipment that will be acquired or constructed for project development activities, and that have alternative future uses, both in project development, marketing or sales, will be classified as property and equipment and depreciated over their estimated useful lives. To date, project development costs include the research and development expenses related to the Company's cellulose fractions of municipal solid waste into ethanol fuels. The Company allocates operating expenses between project development and General and Administrative based on the ratio of employees dedicated to project development. The Company includes all engineering expenses in project development costs.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

ITEM 3. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As required by Rule 13a-15(e) under the Exchange Act, as of June 30, 2007, the end of the period to which this quarterly report relates, we have carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We have reviewed the effectiveness of the design and operation of our disclosure controls and procedures and our internal controls over financial reporting during the period ended June 30, 2007 that have materially affected or are reasonably likely to materially affect such controls. Our certifying officers have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the small business issuer's auditors and the audit committee of small business issuer's board of directors (or persons performing the equivalent functions):

In connection with the review of our consolidated financial statements for the period ended June 30, 2007, management identified an internal control deficiency that they considered to be, in the aggregate, a material weakness. This deficiency related to the inadequate training of accounting personnel leading to the untimely identification and resolution of certain accounting matters. Management considered this deficiency to be a material weakness as that term is defined under standards established by the American Institute of Certified Public Accountants. A material weakness is a significant deficiency in one or more of the internal control components that alone or in the aggregate precludes our internal control from reducing to an appropriately low level the risk that material misstatements in our consolidated financial statements will not be prevented or detected on a timely basis.

The Company is in the process of retaining a financial reporting and accounting expert as its corrective action. Management believes that the retention of such expert will improve the Company's internal controls over financial reporting. The Company restated its Form 10-QSB for the quarterly period ended June 30, 2007, filed with the Securities and Exchange Commission on August 14, 2007. Our board of directors determined, on November 14, 2007, that the original financial statements for the period in question should no longer be relied upon due to certain costs that were incorrectly capitalized.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(a) The following documents are filed as a part of this Report.

EXHIBIT NO.	DESCRIPTION
31.1	Rule 13a-14(a)/ 15d-14(a) Certification of Arnold Klann.

31.2	Rule 13a-14(a)/ 15d-14(a) Certification of Christopher Scott.
32.1	Certification Pursuant to 18 U.S.C. section 1350 of Arnold Klann.
32.2	Certification Pursuant to 18 U.S.C. section 1350 of Christopher Scott.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DATED: November 19, 2007

BLUEFIRE ETHANOL FUELS, INC.

/s/ ARNOLD KLANN

ARNOLD KLANN
Chief Executive Officer

/s/ CHRISTOPHER SCOTT

CHRISTOPHER SCOTT

Chief Financial Officer and
Principal Accounting Officer