

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-QSB**

(Mark One)

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

For the quarterly period ended June 30, 2007

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-17232

FACT CORPORATION

(Exact name of registrant as specified in its charter)

Colorado

84-0888594

State or other jurisdiction of incorporation or  
organization

(I.R.S. Employer Identification No.)

1530 9<sup>th</sup> Ave S.E., Calgary, Alberta T2G0T7

(Address of principal executive offices)

(403) 693-8000

(Issuer's telephone number)

\_\_\_\_\_  
(Former name, former address and former fiscal year, if changed since last report)

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  No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE  
PRECEDING FIVE YEARS**

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes  No

**APPLICABLE ONLY TO CORPORATE ISSUERS**

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

17,154,406 Class A common shares outstanding as August 10, 2007.

Transitional Small Business Disclosure Format: Yes  No

## **PART I - FINANCIAL INFORMATION**

### **ITEM 1. FINANCIAL STATEMENTS**

|  | <b>Page</b> |
|--|-------------|
| Unaudited Financial Statements:            |             |
| Consolidated Balance Sheets                | F-1         |
| Consolidated Statements of Operations      | F-2         |
| Consolidated Statements of Cash Flows      | F-3         |
| Notes to Consolidated Financial Statements | F-4         |

**FACT CORPORATION**  
**Consolidated Balance Sheets**

|   | <b>June 30, 2007</b><br>(Unaudited) | <b>December 31, 2006</b><br>(Audited)<br>(Note 1) |
|---|-------------------------------------|---|
|   | <hr/>                               | <hr/>   |
| <b>Current Assets</b>   |                                     |   |
| Cash  | \$ 130,779                          | \$ 212,571  |
| Inventory   | 43,915                              | 72,564  |
| Accounts receivable   | 160,527                             | 486,060   |
| Prepaid expenses and deposits   | 35,613                              |   |
| <b>Total Current Assets</b>   | <hr/> 370,834 <hr/>                 | <hr/> 771,195 <hr/>                               |
| <br><b>Investment in Capital Reserve Canada Ltd.</b>  | <br>2,922                           | <br>19,272  |
| <br><b>Property and Equipment</b>   |                                     |   |
| Intellectual property   | 1,372,506                           | 1,497,024   |
| Real Property (net of accumulated depreciation of \$59)<br>(\$188 in 2006)  | 1,158                               | 1,190   |
| <b>Total Property and Equipment</b>   | <hr/> 1,373,664 <hr/>               | <hr/> 1,498,214 <hr/>                             |
| <br><b>Total Assets</b>   | <br>\$ <hr/> 1,747,420 <hr/>        | <br>\$ <hr/> 2,288,681 <hr/>                      |
| <br><b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>  |                                     |   |
| <b>Current Liabilities</b>  |                                     |   |
| Accounts payable and accrued expenses   | \$ 593,655                          | \$ 770,948  |
| Accounts payable (related parties)  | 442,732                             | 510,262   |
| Loans payable (related parties)   | 825,843                             | 837,739   |
| Loan payable  | 62,975                              | 60,000  |
| Current portion of long-term debt and acquisition cost  | 88,429                              | 76,895  |
| <b>Total Current Liabilities</b>  | <hr/> 2,013,634 <hr/>               | <hr/> 2,255,844 <hr/>                             |
| <br><b>Long Term Liabilities</b>  |                                     |   |
| Acquisition cost payable  | 1,685,982                           | 1,735,964   |
| <b>Total Liabilities</b>  | <hr/> 3,699,616 <hr/>               | <hr/> 3,991,807 <hr/>                             |
| <i>Commitments and contingencies</i>  |                                     |   |
| <br><b>Stockholders' Deficit</b>  |                                     |   |
| Class A Common Stock - authorized 100,000,000 shares of no<br>par value; 17,154,406 issued and outstanding as at June 30,<br>2007 and December 31, 2006 | 8,991,924                           | 8,991,924   |
| Accumulated deficit   | (11,037,758)                        | (10,805,170)                                      |
| Accumulated other comprehensive (loss)  | 93,638                              | 110,120   |
| <b>Total Stockholders' Deficit</b>  | <hr/> (1,952,196) <hr/>             | <hr/> (1,703,126) <hr/>                           |
| <b>Total Liabilities and Stockholders' Deficit</b>  | <br>\$ <hr/> 1,747,420 <hr/>        | <br>\$ <hr/> 2,288,681 <hr/>                      |

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

**FACT CORPORATION**  
**Consolidated Statements of Operations**  
(Unaudited)

|   | <u>For the Three Months</u> |                    | <u>For the Six Months Ended</u> |                     |
|---|-----------------------------|--------------------|---------------------------------|---------------------|
|   | <u>Ended June 30,</u>       |                    | <u>June 30,</u>                 |                     |
|   | <u>2007</u>                 | <u>2006</u>        | <u>2007</u>                     | <u>2006</u>         |
|   |                             | <u>Restated</u>    |                                 | <u>Restated</u>     |
| <b>Revenues</b>   |                             |                    |                                 |                     |
| Functional food premix  | \$ 921,016                  | \$ 299,861         | \$ 1,733,384                    | \$ 558,261          |
| Rental income   | 15,746                      | -                  | 31,989                          | -                   |
|   | <u>936,762</u>              | <u>299,861</u>     | <u>1,765,373</u>                | <u>558,261</u>      |
| <b>Costs and Expenses</b>   |                             |                    |                                 |                     |
| Functional food premix  | 831,768                     | 227,736            | 1,553,084                       | 431,296             |
| Italian Crème costs   | -                           | 209                | -                               | 11,276              |
| Legal   | 20,049                      | 20,966             | 59,990                          | 22,210              |
| Consulting fees   | 40,311                      | 20,761             | 90,933                          | 67,707              |
| Depreciation and amortization                                       | 62,332                      | 62,157             | 124,660                         | 126,021             |
| Gain on disposition of assets                                       | -                           | -                  | -                               | -                   |
| Administrative expenses   | 47,432                      | 41,518             | 130,284                         | 85,336              |
|   | <u>1,001,892</u>            | <u>373,347</u>     | <u>1,958,951</u>                | <u>743,846</u>      |
| <b>Income (Loss) from operations</b>                                | <u>(65,130)</u>             | <u>(73,486)</u>    | <u>(193,578)</u>                | <u>(185,585)</u>    |
| <b>Other income and expenses</b>                                    |                             |                    |                                 |                     |
| Interest income   | 2,557                       | -                  | 2,557                           | -                   |
| Gain(Loss) on disposal of marketable securities                     | 3,141                       | -                  | 7,127                           | -                   |
| Tax Paid  | (2,213)                     | -                  | (2,213)                         | -                   |
| Interest expense  | (24,963)                    | (18,178)           | (46,480)                        | (44,016)            |
|   | <u>(21,478)</u>             | <u>(18,178)</u>    | <u>(39,009)</u>                 | <u>(44,016)</u>     |
| Provision for income taxes  | -                           | -                  | -                               | -                   |
| <b>Net Income (Loss)</b>  | <u>\$ (86,608)</u>          | <u>\$ (91,664)</u> | <u>\$ (232,587)</u>             | <u>\$ (229,601)</u> |
| <b>Net Income (Loss) per Common Share</b>                           | <u>\$ (0.01)</u>            | <u>\$ (0.01)</u>   | <u>\$ (0.01)</u>                | <u>\$ (0.01)</u>    |
| <b>Weighted Average Number of Common Shares Used in Calculation</b> | <u>17,154,406</u>           | <u>17,196,367</u>  | <u>17,154,406</u>               | <u>17,196,367</u>   |
| <b>Other comprehensive income</b>                                   |                             |                    |                                 |                     |
| Net Gain (loss)   | \$ (86,608)                 | \$ (91,664)        | \$ (232,587)                    | \$ (229,601)        |
| Foreign currency translation adjustment                             | 12,982                      | (7,596)            | 16,482                          | (8,559)             |
| Unrealized profit (loss) on marketable securities                   | -                           | -                  | -                               | -                   |
| <b>Total other comprehensive income</b>                             | <u>\$ (73,626)</u>          | <u>\$ (99,260)</u> | <u>\$ (216,105)</u>             | <u>\$ (238,160)</u> |

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

**FACT CORPORATION**  
**Unaudited Consolidated Statements of Cash Flows**

|   | June 30,           |                    |
|---|--------------------|--------------------|
|   | 2007               | 2006               |
| <b>Cash From Operating Activities:</b>                    |                    |                    |
| Net (loss)  | \$ (232,587)       | \$ (229,601)       |
| <b>Reconciling adjustments</b>                            |                    |                    |
| Depreciation, depletion and amortization                  | 124,550            | 126,021            |
| (Gain) loss on sale of securities                         | (7,127)            | -                  |
| <b>Changes in operating assets and liabilities</b>        |                    |                    |
| Accounts receivable                                       | 325,533            | 334,807            |
| Inventory   | 28,649             | (16,226)           |
| Prepaid Expense   | (35,613)           |                    |
| Accounts payable and accrued expenses                     | (244,824)          | 7,981              |
| <b>Net Cash Flows From (Used By) Operating Activities</b> | <b>(41,419)</b>    | <b>222,982</b>     |
| <b>Cash From Investing Activities:</b>                    |                    |                    |
| Acquisition of property and equipment                     | -                  | (1,429)            |
| Proceeds from sale of securities                          | 23,478             | -                  |
| <b>Net Cash Flows From (Used By) Investing Activities</b> | <b>23,478</b>      | <b>(1,429)</b>     |
| <b>Cash From Financing Activities:</b>                    |                    |                    |
| Loan proceeds   | 2,975              | 66,205             |
| Proceeds (Repayment) of related party loans               | (11,896)           | (328,200)          |
| Acquisition cost payable                                  | (38,448)           | (12,333)           |
| <b>Net Cash Flows From (Used By) Financing Activities</b> | <b>(47,369)</b>    | <b>(274,328)</b>   |
| <b>Foreign currency translation adjustment</b>            | <b>(16,482)</b>    | <b>8,531</b>       |
| <b>Net change in cash and cash equivalents</b>            | <b>\$ (81,792)</b> | <b>\$ (44,244)</b> |
| <b>Cash at beginning of period</b>                        | <b>212,571</b>     | <b>159,839</b>     |
| <b>Cash at end of period</b>                              | <b>\$ 130,779</b>  | <b>\$ 115,595</b>  |
| <b>Supplemental disclosure of cash flow information:</b>  |                    |                    |
| Interest paid   | \$ 49,213          | \$ -               |
| Income taxes paid   | \$ 2,213           | \$ -               |

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

**FACT CORPORATION**  
**Notes to the Consolidated Financial Statements for the six months ended June 30, 2007**  
**(Unaudited – prepared by Management)**

**Note 1- Basis of presentation**

The accompanying unaudited consolidated financial statements have been prepared in accordance with Securities and Exchange Commission requirements for interim financial statements. Therefore, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The financial statements should be read in conjunction with the FACT Corporation audited financial statements for the year ended December 31, 2006.

The interim financial statements present the balance sheet, statements of operations and cash flows of FACT Corporation. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

The interim financial information is unaudited. In the opinion of management, all adjustments necessary to present fairly the financial position as of June 30, 2007, and the results of operations, and cash flows presented herein have been included in the financial statements. All such adjustments are of a normal and recurring nature. Interim results are not necessarily indicative of results of operations for the full year.

**Note 2 – Reclassifications**

Certain reclassifications have been made to the Consolidated Statements of Operations and Consolidated Statements of Cash Flow for the six months ended June 30, 2006 to conform to the Company's current financial statement format.

Additionally, as reported in the Company's Form 10-KSB for the fiscal year ended December 31, 2006, the Company restated certain figures included in prior fiscal periods which are impacted retroactively. The figures reported for the six month period ended June 30, 2006 have been restated to include the following adjustments:

*Restatement of compensation payments previously included in Intellectual Property*

The Company has reallocated certain additional compensation payments required during fiscal years 2004, 2005 and 2006, to retained earnings over each of the respective fiscal years. During the six month period ended June 30, 2006, an amount of \$22,648 has been expensed as consulting fees with respect to this restatement.

*Amortization of Intellectual Property*

The Company has restated its financial statements to include the amortization of the Company's intellectual property commencing the close of fiscal year 2003. The restated book value of the Company's intellectual property has been retroactively amortized on a ten (10) year straight line basis. As a result the figures reported for the six month period ended June 30, 2006 include an amortization expense of \$124,518 with respect to the amortization of the intellectual property over the six month period.

**FACT CORPORATION**  
**Notes to the Consolidated Financial Statements for the six months ended June 30, 2007**  
**(Unaudited – prepared by Management)**

**Note 2 – Reclassifications (continued)**

Results for the fiscal years ended 2005 and 2006 include adjustments with respect to the above noted disclosure in the Consolidated Statements of Operations and Consolidated Statement of Cash Flows for the six month period ended June 30, 2006.

## **Item 2. Management's Discussion and Analysis or Plan of Operation**

### **a. Plan of Operation**

At present, based on current operations, the Company does not have sufficient cash and liquid assets to satisfy its cash requirements on a monthly basis. While the Company does generate income from sales of functional premixes on a monthly basis, these proceeds are not sufficient to meet the Company's current monthly overhead, which includes the on-going business of the Company, FACT Group, Wall Street Real Estate and two (2) dormant subsidiaries. The Company will require approximately \$5,000,000 to cover its anticipated overhead and operational needs, inclusive of inventory requirements, for the upcoming twelve-month period. Revenues generated from operations are expected to contribute \$5,250,000 in gross revenues and are expected to be sufficient to meet all operational requirements for the coming twelve (12) months. While the Company has projected gross revenues from its food operations of approximately \$5,250,000 over the upcoming twelve (12) months, such projections are subject to numerous factors that are beyond its control. Projected operational costs and overhead of \$5,000,000 include approximately \$4,450,000 for inventory and premix costs associated with the Company's functional bakery premix business, and \$550,000 in general operating expenses, exclusive of amortization and depreciation expenses, relating to the Company and all of its existing subsidiaries. The Company may be required to raise approximately \$300,000 to meet its projected costs should it not be successful in achieving its projected gross revenues. The Company expects that it will be able to obtain additional equity and/or debt financing to meet this need should it be required.

The Company's budget of \$550,000 in general operating expenses includes the expenditure of approximately \$150,000 over the next twelve (12) months on ongoing product refinement, technical support, and the development of second and third generation functional bakery premix formulations, including amounts paid to employees and consultants retained for the purposes of providing research and development support.

Included in the cash requirements noted above of \$5,000,000 over the next twelve (12) months is an amount of approximately \$350,000 with respect to the operations of FACT Group, exclusive of inventory requirements and forecasted costs of goods sold. From the date of acquisition on November 2001 to December 31, 2006, the Company has funded a total of \$941,409 (net of associated interest charges) to FACT Group in respect of its ongoing operational expenses.

Should it be required, and if the Company is able to negotiate favorable terms, the Company may look to raise funds in excess of the current cash requirement by way of debt or equity financing in order to accelerate its growth. The Company is currently assessing strategic mergers and/or joint ventures with complimentary businesses in order to enhance and support its current operational objectives.

The Company anticipates that its subsidiary FACT Group will hire an additional one (1) to three (3) employees during the upcoming twelve (12) months should the functional foods business meet projected operational and revenue targets. The Company will also look to retain one (1) additional employee to assist in corporate development and financial operations.

### **b. Management's Discussion and Analysis of Financial Condition**

**This current report contains forward-looking statements as that term is defined in section 27A of the United States Securities Act of 1933 and section 21E of the United States Securities Exchange Act of 1934. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such**

as "may", "should", "intends", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors which may cause our or our industry's actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity or performance. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

## **Results of Operations**

### **Comparison of quarters ended June 30, 2007 and 2006**

For the six month periods ended June 30, 2007 and 2006 the Company incurred operating losses of \$193,578 and \$185,585 respectively. Fiscal 2007 results include a substantial increase in revenues generated from the sale of functional bakery premises from \$ 558,261 (2006) to \$1,733,384 (2007) as a result of the addition of a new customer account, as well as increased sales to the Company's two key customers. Associated costs of goods sold relating to functional bakery premix sales increased from \$431,296 (2006) to \$1,553,084 (2007), reflecting a decline in average net profit from product sales from 22% (2006) to 10% (2007). This decline in gross margin can be attributed to the requirement to offer extremely competitive pricing to certain of the Company's customers, which has significantly reduced the Company's gross margins, in order to obtain additional sales volumes and top-line revenue growth. There are no costs associated with the whipped topping in 2007 compared to costs of \$11,276 related to disposal of inventory in fiscal 2006. Legal fees increased from \$22,210 (2006) to \$59,990 (2007) as a direct result of ongoing litigation costs related to an action commenced by the Company during May 2006, and an action brought against the Company during the fourth quarter of fiscal 2006. Consulting fees increased to \$90,933 (2007) from \$67,707 (2006) as a result of the need for additional part-time services in order to meet ongoing customer needs. Administrative expenses increased from \$85,336 (2006) to \$130,284 (2007) predominantly as a result of the expenditure of \$35,750 during the first quarter on the commencement of a marketing and investor relations program.

Depreciation and amortization costs decreased from \$126,021 (2006) to \$124,660 (2007).

Interest expenses increased slightly in 2007 as a result of additions to the principal balances of loans owing to related parties during the previous fiscal year.

Figures reported during the six month period ended June 30, 2007, also include a gain on sale of marketable securities totalling \$7,127, with no comparable income during the prior period.

Net losses for the two completed quarters were \$232,587 (2007) and \$229,601 (2006) respectively.

## **Liquidity and Capital Resources**

### **Summary of Working Capital and Stockholders' Equity**

As of June 30, 2007 the Company had negative working capital of \$1,642,800 and negative Stockholders' Equity of \$1,952,196 compared with negative working capital of \$1,484,649 and Stockholders' Equity of \$1,703,126 as of December 31, 2006. The Company's negative working capital has increased as a result of the reduction of accounts receivable and inventory, reducing the Company's available cash, as well as an increase to accounts payable and short term liabilities.

### **Liquidity**

The Company anticipates it may require up to \$300,000 over the next twelve months to fully implement its short term business plan, which includes significant marketing efforts, the continued development and refinement of functional bakery premixes, formulations and products, concepts for development of new product opportunities, manufacturing and distribution of a line of our own master brand food products for specialty channels, expanded management resources and support staff, and other day to day operational activities. The Company may require additional funds over the next three years to assist in realizing its goals should it not achieve anticipated bench marks over the 2007, 2008 and 2009 fiscal years. The amount and timing of additional funds required can not be definitively stated as at the date of this report and will be dependent on a variety of factors. As of the filing of this report, the Company has been successful in raising funds required to meet our existing revenue shortfall for the funding of our operations. Funds have been raised through private loans, equity financing and conventional bank debt, as well as through the sale of certain active and passive investments. The Company anticipates revenues generated from its functional food business will greatly reduce the requirement for additional funding; however, we can not be certain the Company will be successful in achieving revenues from those operations. Furthermore the Company cannot be certain that we will be able to raise any additional capital to fund our ongoing operations.

### **Sources of Working Capital**

During the six months ended June 30, 2007 the Company's primary sources of working capital have come from revenues generated from our functional foods business and the net proceeds from:

- \$41,367 in the collection of certain outstanding accounts receivable due from prior periods; and,
- \$23,478 from the proceeds of sale of marketable securities.

#### **(c) Off-balance sheet arrangements**

Not Applicable

## **ITEM 3. CONTROLS AND PROCEDURES**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the United States Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation, under the supervision and with the participation of our management, including our President and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-14 as of the end of the period covered by this report. Based upon the foregoing, our President and our Chief Financial Officer concluded that our disclosure controls and procedures are effective and adequate for the purposes set forth in the definition in the Exchange Act rules.

There were no changes in our internal control over financial reporting identified in connection with the evaluation referred to in the immediately preceding paragraph that occurred during our last fiscal quarter that has materially affected or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II – OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

The Company is presently involved in certain litigation more particularly described in our Form 10-KSB for the fiscal year ended December 31, 2006, as filed with the Securities and Exchange Commission on April 16, 2007.

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

Not Applicable

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

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

Not Applicable

### **ITEM 5. OTHER INFORMATION**

Not Applicable

### **ITEM 6. EXHIBITS**

| <b>REGULATION S-B NUMBER</b> | <b>EXHIBIT</b>                        | <b>REFERENCE</b>   |
|------------------------------|---------------------------------------|--|
| 3.1                          | Articles of Incorporation, as amended | Incorporated by reference to the Exhibits previously filed with Capital Reserve Corporation's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1990 |

|      |  |  |
|------|--|--|
| 3.2  | Amended Bylaws   | Incorporated by reference to the Exhibits previously filed with Capital Reserve Corporation's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1994 |
| 3.3  | Articles of Amendment to Articles of Incorporation, filed with the State of Colorado Secretary of State on November 26, 2001   | Incorporated by reference to the Exhibits previously filed with FACT Corporation's Annual Report for Form 10-KSB for the fiscal year ended December 31, 2002 herewith. |
| 3.4  | Articles of Amendment to Articles of Incorporation, filed with the State of Colorado Secretary of State on February 8, 2002  | Incorporated by reference to the Exhibits previously filed with FACT Corporation's Annual Report for Form 10-KSB for the fiscal year ended December 31, 2002 herewith  |
| 10.5 | Share Exchange Agreement dated November 20, 2001 by and between Capital Reserve Corporation, Food and Culinary Technology Group, Inc. and Shareholders of Food and Culinary Technology Group, Inc. | Incorporated by reference to the Exhibits previously filed with the Registrant's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2001.             |
| 10.7 | Fourth Amendment to the Share Exchange Agreement dated February 2, 2004.   | Incorporated by reference to the Exhibits previously filed with the Registrant's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2003.             |
| 10.8 | Amended and Restated Shareholders Agreement dated February 2, 2004   | Incorporated by reference to the Exhibits previously filed with the Registrant's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2003.             |
| 10.9 | Mortgage between FACT Corporation and 948783 Alberta Inc. dated March 17, 2004   | Incorporated by reference to the Exhibits previously filed with the Registrant's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2003.             |

|       |  |  |
|-------|--|--|
| 10.10 | Offer to Purchase between FACT Corporation and Calfrac Well Services Ltd. dated December 21, 2004                            | Incorporated by reference to the Exhibits previously filed with the Registrant's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2004. |
| 10.11 | Removal of Conditions and Amending Agreement dated February 25, 2005 between FACT Corporation and Calfrac Well Services Ltd. | Incorporated by reference to the Exhibits previously filed with the Registrant's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2004. |
| 31.1  | Section 302 Certification-Principal Executive Officer and Principal Financial Officer  | Filed herewith   |
| 32.1  | Certification Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002        | Filed herewith   |

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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, on this 14<sup>th</sup> day of August, 2007.

**FACT CORPORATION**

By: /s/ Jacqueline R. Danforth

Name: Jacqueline R. Danforth

Title: President, Principal Executive, Financial and Accounting Officer

Date: August 14, 2007