

CANADIAN SMALL CAP RESOURCE FUND 2006 No. 2 LIMITED PARTNERSHIP

****IMPORTANT INFORMATION FOR FILING AN AMENDMENT OF YOUR 2006 INDIVIDUAL INCOME TAX RETURN.**

Dear Limited Partners:

Recently, Canadian Small Cap Resource Fund 2006 No. 2 Limited Partnership ("CSCRF 2006 No. 2") received amended tax information from one of its investee issuers for the taxation year 2006 as they were unable to incur the appropriate level of expenditures within the required time frame for renouncing such costs .

As a result of this, we have issued amended T5013(A) forms, the effect of which is as follows:

- The amount of Canadian Exploration Expenditures ("CEE") eligible for deduction has decreased by the amounts indicated:

<u>Categories</u>	<u>Previous amount</u>	<u>Revised amount</u>	<u>Difference</u>
CEE Deduction	\$9.30433	\$9.15017	\$(0.15415) per unit

- The amount of Canadian Exploration Expenditures eligible for Investment Tax Credit ("ITC") has decreased by the amounts indicated for the following categories:

<u>Categories</u>	<u>Previous amount</u>	<u>Revised amount</u>	<u>Difference</u>
Federal ITC	\$8.18303	\$8.02888	\$(0.15415) per unit
BC ITC	\$2.92140	\$2.76725	\$(0.15415) per unit

As a result, filing an amended 2006 individual income tax return will unfortunately increase your tax liability by the amount calculated using the new decreased CEE and ITC "revised amounts".

As the amount of ITC received in a year is taxable in the following year, the revised ITC for 2006 calculated for you when your return is amended will possibly result in a reduced tax liability for you in 2007.

The investee company has indicated that they are endeavouring to incur the CEE expenditures in 2008, and should they do so, all unitholders will obtain the benefits as part of the tax filings for this year.

You will be receiving your amended tax slip(s) [T5013(A)] directly from your Investment Advisor.

To submit the amended 2006 information to amend your 2006 individual income tax return you will be required to complete a form T1-ADJ E (T1 Adjustment Request) and submit at the same time as you file your 2007 individual tax return. To assist you in completing your form we attach 2 sample versions that we have completed assuming the following:

1. That an initial subscription of \$10,000 (1,000 units) was made;
2. You claimed all amounts eligible from the original T5013 received for 2006; and
3. Either:
 - that you are NOT a resident of British Columbia (not eligible for BC ITC); and
4. Or:
 - That you ARE a resident of British Columbia (eligible for BC ITC).

Each sample form shows how the information would be input into the form if you subscribed for 1,000 units. You will need to adjust those amounts to account for the number of units you owned at the end of 2006 to submit the correct numbers for your specific circumstances. As well, you will need to complete sections A and B with your own details, then sign and submit.

This information has been provided to assist you with the amendment of your 2006 individual income tax returns and is based on information and tax forms available at the time of writing. The information contained herein is strictly for information purposes only and should in no way be regarded as tax advice.

You are advised to obtain professional tax advice on your individual circumstances.

On behalf of Canadian Small Cap Resource 2006 No.2
Management Limited

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