

**CANADIAN SMALL CAP RESOURCE FUND
2006 No. 1 LIMITED PARTNERSHIP**

Unaudited Interim Financial Statements
For the three and six month periods ended June 30, 2007
(expressed in Canadian dollars)

CANADIAN SMALL CAP RESOURCE FUND 2006 NO.1 LIMITED PARTNERSHIP

Suite 450, 650 W. Georgia Street
Vancouver, B.C., CANADA V6B 4N8

**NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Partnership have been prepared by and are the responsibility of the General Partner.

The Partnership's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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Canadian Small Cap Resource Fund 2006 No. 1 Limited Partnership
Statement of Net Assets
As at June 30, 2007

(expressed in Canadian dollars)

	June 30, 2007 (unaudited) \$	December 31, 2006 (audited) \$
Assets		
Cash and cash equivalents	1,685,863	163,187
Investments at fair value	6,878,001	7,100,767
	8,563,864	7,263,954
Liabilities		
Promissory note (Note 5)	381,000	762,000
Accounts payable and accrued liabilities	35,220	57,972
Due to General Partner (Note 8)	27,052	21,235
	443,272	841,207
Net Assets	8,120,592	6,422,747
Number of partnership units		
Outstanding	762,271	762,271
Net asset value per partnership unit	10.65	8.43

**On behalf of the Board of Directors of Canadian Small Cap Resource 2006 No. 1 Management Ltd.
as General Partner**

“Sargent Berner”

Sargent Berner
Director

“Shannon Ross”

Shannon Ross
Director

Canadian Small Cap Resource Fund 2006 No. 1 Limited Partnership
Statement of Changes in Net Assets
For the three and six month periods ended June 30, 2007

(expressed in Canadian dollars) (unaudited)

	Three months ended June 30, 2007 \$	Six months ended June 30, 2007 \$	From inception March 2, 2006 to June 30, 2006 \$
Net assets, beginning of period	6,743,974	6,422,746	-
Increase in net assets from operations	1,376,618	1,697,846	18,000
Partners' transactions:			
Proceeds from issuance of partnership units	-	-	4,758,850
Cost of issuance of partnership units	-	-	(679,696)
	-	-	4,079,154
Net assets, end of period	8,120,592	8,120,592	4,097,194

See accompanying notes to financial statements.

Canadian Small Cap Resource Fund 2006 No. 1 Limited Partnership`
Statement of Operations
For the three and six month periods ended June 30, 2007

(expressed in Canadian dollars) (unaudited)

	Three months ended June 30, 2007 \$	Six months ended June 30, 2007 \$	From inception March 2, 2006 to March 31, 2006 \$
Investment income:			
Interest income	4,565	4,565	7,711
Realized gain on sale of investments	1,036,720	1,120,801	-
	1,041,285	1,125,366	7,711
Expenses:			
Interest expense	14,047	33,356	1,296
Audit fees	11,070	17,150	-
Legal fees	1,837	7,588	-
Unitholder administration and communication	11,600	33,463	3,125
Portfolio advisory fee	15,312	28,061	-
General partner fee	25,520	46,768	-
Agents' service commission	5,104	9,353	-
	84,490	175,739	4,421
Net investment income	956,795	949,627	3,290
Change in unrealized appreciation of investments	419,823	748,219	14,750
Increase in net assets from operations	1,376,618	1,697,846	18,040
Increase in net assets from operations per unit			
Net investment income	1.26	1.25	0.01
Unrealized appreciation of investments	0.55	.98	0.03
Increase in net assets from operations per unit	1.81	2.23	0.04

See accompanying notes to financial statements.

Canadian Small Cap Resource Fund 2006 No. 1 Limited Partnership
Statement of Cash Flows
For the three and six month periods ended June 30, 2007

(expressed in Canadian dollars) (unaudited)

	Three months ended June 30, 2007 \$	Six months ended June 30, 2007 \$	From inception March 2, 2006 to June 30, 2006 \$
Cash Flows used in Operating Activities			
Increase in net assets from operations	1,376,618	1,697,846	18,040
Realized gain on sale of investments	(1,036,720)	(1,120,801)	-
Change in unrealized appreciation of investments	(419,823)	(748,219)	(14,750)
	(79,925)	(171,174)	3,290
Purchase of investments	(608,620)	(608,620)	(385,250)
Proceeds on sale of investments	2,330,133	2,700,405	-
Net change in non-cash working-capital	(213,923)	(397,935)	651,962
	1,427,665	1,522,676	270,002
Cash Flows from (used in) Financing Activities			
Units issued	-	-	4,758,850
Issue costs	-	-	(358,474)
Sales commissions paid	-	-	(321,222)
	-	-	4,079,154
Increase in cash and cash equivalents during the period	1,427,665	1,522,676	4,349,156
Cash and cash equivalents beginning of period	258,198	163,187	-
Cash end of period	1,685,863	1,685,863	4,349,156

See accompanying notes to financial statements

Canadian Small Cap Resource Fund 2006 No. 1 Limited Partnership
Statement of Investment Portfolio
As at June 30, 2007
(Unaudited)

Company	Number of Common Shares	Average Cost of Common Shares	Fair Value of Common Shares	Number of Warrants	Exercise Price	Warrant Expiry	Fair Value of Warrants	Total Fair Value
4316282 Canada Inc - PRIVATE	\$ 300,000	\$ 150,000	\$ 150,000	0	\$ -	n/a	\$ -	\$ 150,000
Action Minerals Inc	\$ 400,000	\$ 100,000	\$ 44,000	400,000	\$ 0.40	6/29/2008	\$ -	\$ 44,000
Arsenal Energy Inc	\$ 139,090	\$ 152,999	\$ 65,372	0	\$ -	n/a	\$ -	\$ 65,372
Avalon Ventures Ltd	\$ 301,000	\$ 316,050	\$ 490,630	180,000	\$ 1.35	12/28/2007	\$ 50,400	\$ 541,030
Benton Resources Corp	\$ 12,200	\$ 5,124	\$ 19,032	158,450	\$ 0.47	6/12/2008	\$ 172,711	\$ 191,743
Berkley Resources Inc	\$ 560,000	\$ 504,000	\$ 308,000	0	\$ -	n/a	\$ -	\$ 308,000
Brigadier Gold Ltd	\$ 500,000	\$ 75,000	\$ 60,000	250,000	\$ 0.20	1/7/2008	\$ -	\$ 60,000
Canarc Resources Corp	\$ 140,000	\$ 114,800	\$ 74,200	70,000	\$ 1.25	10/18/2007	\$ -	\$ 74,200
Chalice Diamond - RESTRICTED	\$ 666,500	\$ 99,975	\$ 99,975	666,500	\$ 0.15	5/10/2009	\$ -	\$ 99,975
Columbia Yukon Exploration Inc	\$ 150,000	\$ 82,500	\$ 258,000	167,500	\$ 0.75	8/4/2007	\$ 162,475	\$ 420,475
Columbia Yukon Exploration Inc			\$ -	100,000	\$ 0.50	4/11/2008	\$ 122,000	\$ 122,000
Venturex Holdings - RESTRICTED	\$ 1,000,000	\$ 170,000	\$ 145,000	500,000	\$ 0.20	6/4/2008	\$ -	\$ 145,000
Cusac Gold Mines Ltd	\$ 562,500	\$ 146,250	\$ 92,813	576,000	\$ 0.34	11/9/2007	\$ -	\$ 92,813
CZM Capital Corp	\$ 700,000	\$ 175,000	\$ 178,500	0	\$ -	n/a	\$ -	\$ 178,500
Eagle Plains Resources Ltd	\$ 400,000	\$ 320,000	\$ 324,000	400,000	\$ 1.00	6/13/2008	\$ -	\$ 324,000
El Nino Ventures Inc	\$ -	\$ -	\$ -	100,000	\$ 1.00	8/29/2007	\$ -	\$ -
Flying A Petroleum Ltd	\$ 1,705,500	\$ 529,019	\$ 298,463	400,000	\$ 0.35	6/27/2008	\$ -	\$ 298,463
Flying A Petroleum Ltd	\$ -	\$ -	\$ -	1,430,000	\$ 0.40	11/21/2007/8	\$ -	\$ -
Garson Resources Ltd*	\$ 1,375,500	\$ 342,520	\$ 412,650	0	\$ -	n/a	\$ -	\$ 412,650
Goldeye Explorations Ltd	\$ 1,365,000	\$ 204,750	\$ 150,150	700,000	\$ 0.25	10/6/2008	\$ -	\$ 150,150
International Bethlehem Mining Corp	\$ 1,500,000	\$ 375,000	\$ 480,000	1,500,000	\$ 0.25	10/26/2007	\$ 105,000	\$ 585,000
International Samuel Exploration Ltd	\$ -	\$ -	\$ -	500,000	\$ 0.15	6/30/2008	\$ -	\$ -
International Wayside Gold Ltd	\$ 400,000	\$ 100,000	\$ 102,000	200,000	\$ 0.35	7/28/2007	\$ -	\$ 102,000
Moneta Porcupine Mines Inc	\$ 1,790,500	\$ 214,860	\$ 223,813	1,000,000	\$ 0.20	10/18/2007	\$ -	\$ 223,813
Noront Resources Ltd	\$ 100,000	\$ 50,000	\$ 58,000	150,000	\$ 0.75	12/20/2008	\$ -	\$ 58,000
Opawica Explorations Inc	\$ 1,000,000	\$ 70,000	\$ 105,000	500,000	\$ 0.07	12/29/2007	\$ 17,500	\$ 122,500
Optima Minerals Inc	\$ 125,000	\$ 100,000	\$ 100,000	0	\$ -	n/a	\$ -	\$ 100,000
Patch International Inc	\$ 100,000	\$ 100,000	\$ 195,000	0	\$ -	n/a	\$ -	\$ 195,000
Piper Capital Inc	\$ 250,000	\$ 80,000	\$ -	0	\$ -	n/a	\$ -	\$ -
Prize Mining Corp	\$ 556,000	\$ 150,120	\$ 141,780	0	\$ -	n/a	\$ -	\$ 141,780
Pure Diamonds Exploration Inc	\$ 187,500	\$ 90,000	\$ 46,875	0	\$ -	n/a	\$ -	\$ 46,875
Purepoint Uranium Group Inc	\$ 365,800	\$ 248,744	\$ 303,612	0	\$ -	n/a	\$ -	\$ 303,612
Red Rock Energy	\$ 357,000	\$ 249,900	\$ 249,900	0	\$ -	n/a	\$ -	\$ 249,900
Sable Resources Ltd - RELATED	\$ 375,000	\$ 300,000	\$ 258,750	187,500	\$ 0.85	1/15/2008	\$ -	\$ 258,750
Sedex Mining Corp	\$ -	\$ -	\$ -	375,000	\$ 0.30	12/21/2007/8	\$ -	\$ -
Sultan Minerals Inc	\$ 263,000	\$ 47,340	\$ 89,420	555,000	\$ 0.25	10/18/2007	\$ 49,950	\$ 139,370
Tagish Lake Gold Corp	\$ 278,000	\$ 50,040	\$ 51,430	417,500	\$ 0.22	3/1/2008	\$ -	\$ 51,430
Tyhee Development Corp	\$ 760,000	\$ 418,000	\$ 311,600	455,000	\$ 0.65	12/21/2007	\$ -	\$ 311,600
ValGold Resources Ltd - RELATED	\$ 500,000	\$ 150,000	\$ 255,000	500,000	\$ 0.40	12/29/2007/8	\$ 55,000	\$ 310,000
	\$ 19,185,090	\$ 6,281,991	\$ 6,142,965				\$ 735,036	\$ 6,878,001

* On July 9, 2007 the shares of Garson Resources Ltd. were rolled back
725 shares for each 1000 shares owned. The Company was also renamed Garson Gold Corp

Canadian Small Cap Resource Fund 2006 No. 1 Limited Partnership
Notes to Financial Statements
For the three and six month periods ended June 30, 2007

(expressed in Canadian dollars) (unaudited)

1 Formation of Partnership

Canadian Small Cap Resource Fund 2006 No. 1 Limited Partnership (the Partnership) was formed as a limited partnership under the Partnership Act (British Columbia) on March 2, 2006. The principal purpose of the Partnership is to invest in flow-through shares of resource sector issuers in accordance with the terms of the Limited Partnership Agreement.

The General Partner of the Partnership is Canadian Small Cap Resource Fund 2006 No. 1 Management Ltd. (the General Partner). Under the Limited Partnership Agreement between the General Partner and each of the limited partners, the General Partner is entitled to a 0.01% beneficial interest in the Partnership.

During the period ended December 31, 2006, the Partnership issued 762,271 units at \$10 per unit for gross proceeds of \$7,622,710. At June 30, 2007 the General Partner held no units in the Partnership.

The General Partner may propose to the Limited Partners at a special meeting of the Limited Partners, that will be held no later than March 31, 2008, one or more alternatives to the termination of the Partnership (Liquidity Alternatives). If a Liquidity Alternative is not approved by a majority of the Limited Partners, the Partnership will be dissolved on or about June 30, 2008, unless this date is extended by extraordinary resolution of the Limited Partners.

2 Significant Accounting Policies

These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles and the following is a summary of significant accounting policies followed by the Partnership.

(a) Investments:

Investments in publicly traded securities are carried at fair value as determined by the bid price at the close of business at the period end. The difference between fair value and average cost, as recorded in the accounts, is described as unrealized appreciation (depreciation) of investments and is included as a separate component of the partners' equity.

Investment in securities that are not publicly traded are valued based on fair value as determined by the General Partner using the following guidelines: they are initially carried at cost until there is a substantial arm's length transaction that establishes a different value, or there is a significant change in the General Partner's expectations. These values may differ from values that would have been used had a ready market existed for these investments.

The fair value of share purchase warrants is determined by the excess of market price over exercise price.

Canadian Small Cap Resource Fund 2006 No. 1 Limited Partnership
Notes to Financial Statements
For the three and six month periods ended June 30, 2007

(expressed in Canadian dollars) (unaudited)

(b) Cash and cash equivalents

Cash equivalents are comprised of highly liquid investments having terms to maturity of 3 months or less when acquired.

(c) Income and expense recognition:

The accrual method of recording income and expense is followed, with dividends being recorded on the ex-dividend date. Gains or losses arising from the sale of investments and unrealized appreciation (depreciation) of investments are determined on a weighted average cost basis and are recognized on the trade date. Unrealized appreciation (depreciation) of investments is determined on a weighted average cost basis.

(d) Net asset value per partnership unit

Net asset value and increase (decrease) in net assets from operations per partnership unit is calculated as net assets at fair value, after the General Partner's entitlement, and increase (decrease) in net assets from operations divided by the number of units of the Partnership outstanding.

(e) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

(f) Allocation of Partnership income or loss

Income or loss is allocated 99.99% to the Limited Partnership and 0.01% to the General Partner.

These financial statements include only the assets, liabilities, and operations of the Partnership, and do not include other assets, liabilities, revenues or expenses, including income taxes, of the partners.

Canadian Small Cap Resource Fund 2006 No. 1 Limited Partnership
Notes to Financial Statements
For the three and six month periods ended June 30, 2007

(expressed in Canadian dollars) (unaudited)

- (g) Issuance costs

Expenses related to the offering of partnership units have been accounted for as a reduction of partners' equity.

3 Expenses of the Partnership

- (a) The General Partner is entitled to an annual fee of 1.25% of the Net Asset Value ("NAV") of the Partnership as defined.

- (b) The Portfolio Advisor is entitled to an annual fee of 0.75% of the NAV of the Partnership as defined.

For the three and six month period ended June 30, 2007 there were no soft dollar amounts paid.

- (c) An annual service fee is payable to Agents equal to 0.25% of the NAV of the Partnership as defined.

- (d) On dissolution of the Partnership or implementation of a Liquidity Alternative (the payment due date), the General Partner and the Portfolio Advisor will each be entitled to an incentive bonus of an amount calculated as 10% of the amount by which:

- i) the Net Asset Value per unit at the payment date, plus
- ii) all distributions per unit on or prior to the payment date plus 10% per annum, completed annually from the date of distribution, exceeds
- iii) the sum of \$10 plus appreciation thereon of 12% per annum, compounded annually from the closing of the sale of the units.

- (e) The Partnership will pay all costs for the offering of units in the Partnership and all costs of administration of the Partnership.

4 Partnership units

All Partnership units are of the same class with equal rights and privileges, including equal participation in any distribution made by the Partnership and the right to one vote at any meeting of the limited partners.

Canadian Small Cap Resource Fund 2006 No 1 Limited Partnership
Notes to Financial Statements
For the three and six month periods ended June 30, 2007

(expressed in Canadian dollars) (unaudited)

As at June 30, 2007 there were 762,271 Partnership units issued and outstanding as follows:

	Number of units	Per unit	Amount
Issue of Partnership units	762,271	\$10	\$7,622,710
Issue costs incurred			(962,430)
Balance, June 30, 2007	762,271		\$6,660,280

5 Promissory note

The Partnership has signed a promissory note in the amount of \$762,000. The original funding was used solely to finance the Agents' fees and other expenses of the sale of units, in order to maximize the Available Funds that could be invested in Flow-Through shares. The promissory note is repayable on demand and is secured by the cash and marketable securities of the Partnership. Interest is payable monthly at ten and a half per cent per annum. As at June 30, 2007, \$381,000 remains outstanding.

6 Income taxes

No provision for income taxes has been recorded in the accompanying financial statements as the annual earnings (loss) of the Partnership is allocated to unit holders, who are responsible for any income taxes applicable thereto.

7 Financial instruments

As disclosed in note 2(a) investments are carried at fair value. The quoted market values can be impacted by trading volumes and the quoted market volume may not be indicative of what the Partnership could realize on the immediate sale as it may take an extended period of time to liquidate positions without causing a significant negative impact on the market price.

In the event of the wind-up of the Partnership, a liquidity discount, as calculated by an independent evaluator, may be applied to the investments held by the Partnership to reflect this reduced value.

The carrying values of cash and cash equivalents and accounts payable approximate their fair values due to the relatively short period to maturity of the instruments.

The Partnership is not subject to significant interest rate or credit risk.

Canadian Small Cap Resource Fund 2006 No. 1 Limited Partnership
Notes to Financial Statements
For the three and six month periods ended June 30, 2007

(expressed in Canadian dollars) (unaudited)

8 Related party transactions

The following transactions occurred with related parties and are measured at the exchange amount:

- Management fees paid to the General Partner were as follows:
 - For the three months ended June 30, 2007 \$24,076
 - For the six months ended June 30, 2007 \$45,324

- As at June 30, 2007 \$25,521 (December 31, 2006 \$21,235) included in accounts payable and accrued liabilities was due to the General Partner for management services rendered in the quarter.