

Canadian Small Cap Resource Fund 2006 No. 1 Limited Partnership

Semi-Annual Management Report of Fund Performance

For the period ended June 30, 2007

This semi-annual management report of fund performance contains financial highlights, but does not contain the complete semi-annual financial statements of the Canadian Small Cap Resource Fund 2006 No. 1 Limited Partnership (the "Partnership"). You can get a copy of the unaudited semi-annual and annual financial statements at your request, and at no cost, in the following ways: by calling our toll free number 1 888 350 8818, or by writing us at Suite 450, 650 W. Georgia Street, Vancouver, BC, CANADA V6B 4N8 or by visiting our website at www.cscrf.ca or SEDAR at www.sedar.com.

Securityholders may also contact us using one of these methods to request a copy of the Partnership's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Management Discussion of Fund Performance

This management discussion of the Partnership's performance presents the views of Canadian Small Cap Resource Fund 2006 No. 1 Management Ltd. (the "General Partner") about the significant factors and developments affecting the Partnership's performance and outlook for the period from January 1, 2007 to June 30, 2007.

Please read the caution regarding forward-looking statements located at the end of the document.

Results of Operations

For the six months ended June 30, 2007, the Partnership experienced an unrealized appreciation on its investment of \$748,219, or \$0.98 per Partnership unit. This represents the net increase in the fair value of the portfolio at June 30, 2007 over the December 31, 2006 value of the investments. During the period, the Partnership also realized gains on sale of investments in the amount of \$1,120,801, or \$1.47 per Partnership unit. The net result of activities for the period has led to an increase in net assets of \$1,697,846, or \$2.23 per Partnership unit.

For the period ended June 30, 2007, the Partnership earned investment income of \$4,565 from interest income on short term investments. For the period, audit fees were \$17,150, legal costs were \$7,588 and unitholder administration and communication costs were \$33,463. Portfolio Advisory fees of \$28,061 and General Partner fees of \$46,768 were calculated for two quarters in accordance with the formulas outlined in the prospectus. The net investment income for the period was \$949,627 or \$1.25 per Partnership unit.

In the prior year, the Partnership entered into a promissory note in the amount of \$762,000. The minimum amount borrowed during the period was \$381,000 and the maximum amount borrowed during the period was \$762,000. As at June 30, 2007, \$381,000 remains outstanding. At June 30, 2007, the promissory note represents 4.69% of NAV. The promissory note was used solely to finance the Agents' fees and other expenses of the sale of Partnership units, in order to maximize the Available Funds that could be invested in the Flow-through shares and thus write-offs to unit holders. The promissory note is repayable on demand and is secured by the cash and marketable securities of the Partnership. The Partnership incurred interest expense with respect to this loan in the amount of \$33,356. Interest is payable monthly at ten and a half per cent per annum.

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Recent Developments

The second quarter of 2007 was marked by a period of generally weaker base metal commodity prices, although prices of most precious metals and “rare earth” elements remained relatively strong. Liquidity continued to be very strong in most areas of the resource exploration markets, offering an opportunity for the Fund to sell a number of positions into this overall market strength.

Related Party Transactions

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

- Management fees paid to the General Partner for the six months ended June 30, 2007 was \$45,324
- As at June 30, 2007 \$25,521 included in accounts payable and accrued liabilities was due to the General Partner for management services rendered in the quarter.

Financial Highlights

The following tables show selected key financial information about the Partnership and are intended to help you understand the Partnership’s past financial performance. This information is derived from the Partnership’s unaudited quarterly financial statements for June 30, 2007 and the Partnership audited annual financial statements for the period ended December 31, 2006.

Net asset value (NAV) per Partnership unit ⁽³⁾⁽⁴⁾

	For the six months ended June 30, 2007⁽¹⁾	For the period ended December 31, 2006⁽²⁾
Net asset value, beginning of period	\$ 8.43	\$ 10.00
Increase (decrease) from operations:		
Total revenue	\$ 1.48	\$ 0.13
Total expenses	(0.23)	(0.24)
Realized gains (losses) for the period	-	-
Unrealized gains (losses) for the period	0.97	(0.20)
Total increase (decrease) from operation	\$ 2.22	\$ (0.31)
Distributions	\$ -	\$ -
Net asset value, end of period	\$ 10.65	\$ 8.43

⁽¹⁾ Results are for the period from January 1, 2007 to June 30, 2007.

⁽²⁾ Results are for the period from March 2, 2006 to December 31, 2006.

⁽³⁾ Net asset value and distributions are based on the actual number of Partnership units outstanding at the respective period. The increase (decrease) from operations is based on the weighted average number of Partnership units outstanding over the financial period.

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⁽⁴⁾ This schedule is not a reconciliation of NAV since it does not reflect partners' transactions as shows on the Statement of Changes in Net Assets, including issue costs, and accordingly columns may not add.

Ratios and Supplemental Data

	For the six months ended June 30, 2007	For the period ended December 31, 2006⁽²⁾
Net asset (000's) ⁽¹⁾	\$ 8,121	\$ 6,423
Number of Partnership units outstanding ⁽¹⁾	762,271	762,271
Management expense ratio ⁽³⁾	2.42%	2.65%
Portfolio turnover rate ⁽⁴⁾	8.86%	0.00%
Trading expense ratio ⁽⁵⁾	N/A	N/A
Net asset value per Partnership unit ⁽¹⁾	\$ 10.65	\$ 8.43

⁽¹⁾ This information is provided as at June 30, 2007 and December 31, 2006, respectively.

⁽²⁾ This information is provided for the period from March 2, 2006 to December 31, 2006.

⁽³⁾ Management expense ratio ("MER") is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period.

⁽⁴⁾ The Partnership's portfolio turnover rate indicates how actively the Partnership's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Partnership's buying and selling all of the securities in its portfolio once in the course of the year. The higher a Partnership's portfolio turnovers rate in a year, the greater the trading costs payable by the Partnership in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Partnership.

⁽⁵⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

Management fees

The General Partner has coordinated the organization of the Partnership. The General Partner will develop and implement all aspects of the Partnership's communications, marketing and distribution strategies and will manage the ongoing business, investment and administrative affairs of the Partnership.

In consideration for these services and pursuant to the terms of the Partnership Agreement, the Partnership will pay to the General Partner an annual fee equal to 1.25% of the NAV. This fee will be calculated and paid quarterly in arrears based on the NAV at the end of each preceding quarter. The fees for the period ended June 30, 2007 are \$46,768.

The Portfolio Advisor will provide advice to the Partnership and support for the General Partner in identifying, analyzing and selecting investment opportunities and structures and negotiating prospective investments as agent for the Partnership. For these services the Portfolio Advisor is entitled to an annual fee of 0.75% of the NAV calculated and paid quarterly. The fees for the period ended June 30, 2007 are \$28,061.

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Pursuant to the Partnership Agreement the Partnership incurs an annual service fee is payable to Agents equal to 0.25% of the NAV of the partnership. The amount incurred for the period ended June 30, 2007 is \$5,104.

Management fees breakdown:

Administration, communication and marketing: 56%

Investment advice and agents' commissions: 44%

In addition to the management and portfolio advisory fees described above, the General Partner and the Portfolio Advisor will each be entitled to an incentive bonus, to be paid on the earlier of (i) the business day prior to the implementation of a Liquidity Alternative and (ii) the date of dissolution of the Partnership, equal to 10% of the amount by which:

- i) the Net Asset Value per Partnership unit at the payment date, plus
- ii) all distribution per Partnership unit on or prior to the payment date plus 10% per annum, compounded 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.

Past Performance

The indicated rates of return are compounded total returns for the specified periods. NAV returns are calculated using the NAV per Partnership unit.

For calculation purposes, the inception price is set equal to the NAV per Partnership unit on the Partnership's closing date of March 2, 2006, less issue costs.

Returns do not take into account sales, redemptions, distributions or optional charges, or income taxes payable that would have reduced returns or performance. Past performance may not be indicative of future returns.

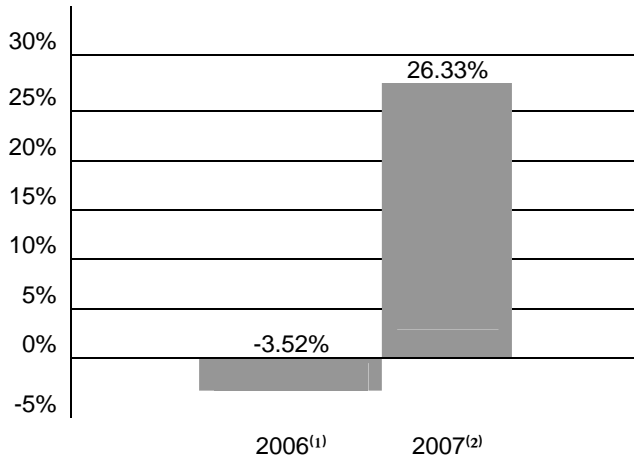
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Year by Year Returns

The chart shows the performance of the investment portfolio for each of the period shown and illustrates how the investment portfolio's performance has changed from period to period. The charts shows, in percentage turns, how an investment made on the first day of each financial period would have grown or decreased by December 31 of that period for the six months ended June 30, 2007.



⁽¹⁾ Total return for the period from March 2, 2006 to December 31, 2006.

⁽²⁾ Total return for the period from January 1, 2007 to June 30, 2007.

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Summary of Investment Portfolio

As At June 30, 2007

Net Assets: \$8,120,592

Top 25 Holdings

Name of Security	% of Net Assets
International Bethlehem Mining	7.20
Columbia Yukon Exploration	6.68
Avalon Ventures	6.66
Garson Gold	5.08
Eagle Plains Resources	3.99
Tyhee Development	3.84
ValGold Resources	3.82
Berkley Resources	3.79
Purepoint Uranium Group	3.74
Flying A Petroleum	3.68
Sable Resources	3.19
Red Rock Energy	3.08
Moneta Porcupine Mines	2.76
Patch International	2.40
Benton Resources	2.36
CZM Capital	2.20
Goldeye Explorations	1.85
4316282 Canada Inc.	1.85
Venturex Holdings	1.79
Prize Mining	1.75
Sultan Minerals	1.72
Opawica Explorations Inc.	1.51
International Wayside Gold Ltd.	1.26
Optima Minerals	1.23
Chalice Diamond	1.23

Portfolio Breakdown

Sector/Subgroup	% of Net Assets
Precious Metals	33.73
Cash	20.76
Base Metals	12.49
Energy	10.67
Molybdenum	10.67
Uranium	6.82
Rare Earth Element	6.66
Industrial Metals	1.85
Diamonds	1.81
Liabilities - net of other assets	(5.46)
	100.00

The summary of investment portfolio may change due to ongoing portfolio transactions. A quarterly update is available at www.cscrf.ca.

Forward-Looking Statement

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions which include, among other things that (i) the Partnership will have sufficient capital under management to effect its investment strategies, (ii) the investment strategies will produce the results intended by the Manager, and (iii) the markets will react and

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perform in a manner consistent with the investment strategies. Forward looking statements are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate.

We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Partnership may invest in and the risks detailed from time to time in the Partnership's prospectus. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Partnership, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, Canadian Small Cap Resource Fund 2006 No. 1 Limited Partnership does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.