

# **Canadian Small Cap Resource Fund 2006 No. 1 Limited Partnership**

## **Semi-Annual Management Report of Fund Performance**

### **For the period ended June 30, 2008**

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This semi-annual management report of fund performance contains financial highlights, but does not contain either the semi-annual or 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 or 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](http://www.cscrf.ca) or SEDAR at [www.sedar.com](http://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 development affecting the Partnership's performance and outlook for the period from January 1, 2008 to June 30, 2008.

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, 2008, the Partnership experienced an unrealized depreciation on its investment of \$1,048,037 or \$1.37 per Partnership unit. This represents the net decrease in the fair value of the portfolio at June 30, 2008 from the previous fiscal period's value of the investments. During the year, the Partnership also realized losses on sale of investment in the amount of \$272,926, or \$0.36 per Partnership unit. As a result, the decrease in net assets for the period was \$1,411,517 or \$1.85 per Partnership unit.

For the period ended June 30, 2008, the Partnership earned investment income of \$9,718 from interest income on short term investments. Audit fees accrued for the period were \$6,407, legal costs were \$8,329 and unitholder administration and communication costs were \$39,241. Portfolio Advisory fees of \$15,446 and General Partner fees of \$25,743 were calculated in accordance with the formulas outlined in the Prospectus. The net investment loss for the period was \$90,554 or \$0.12 per Partnership unit.

## **Recent Development**

There have been no significant developments affecting the Partnership since the most recent annual report.

## **Related Party Transactions**

The following transactions occurred with related parties and are recorded at the exchange amount being the price agreed between the parties:

- a. Management fees paid to the General Partner for the six months ended June 30, 2008 \$25,743;

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- b. Accounting and financial service fees paid to a corporation controlled by two directors of the parent corporation of the General Partner amounted to \$20,000 paid to a corporation of which an officer of the General Partner is a director and shareholder for the year and this amount is disclosed in unitholder communication and administration;
- c. Investments in companies related to common directorships were disposed of \$161,400 for proceeds of \$204,615;

As at June 30, 2008, \$21,633 was due to the General Partner for management services rendered. The balance is unsecured, non-interest bearing and due in the normal course of operations.

### 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. For the period ended December 31, 2006 and December 31, 2007, the information is derived from the Partnership's audited annual financial statements and for the period ended June 30, 2008 the information is derived from the Partnership's unaudited semi-annual financial statements.

#### Net asset value (NAV) per Partnership unit<sup>(4)(5)</sup>

	For the six months ended June 30, 2008 <sup>(3)</sup>	For the year ended December 31, 2007 <sup>(2)</sup>	For the period ended December 31, 2006 <sup>(1)</sup>
<b>Net asset value, beginning of period</b>	\$ 7.26	\$ 8.40 **	\$ 10.00
<b>Increase (decrease) from operations per unit:</b>			
Total revenue	\$ 0.02	\$ 0.04	\$ 0.13
Total expenses	(0.13)	(0.42)	(0.24)
Realized (losses) gains for the period	(0.36)	1.91	-
Unrealized (losses) gains for the period	(1.37)	(1.67)	(0.20)
<b>Total (decrease) increase from operations per unit</b>	\$ (1.84)	\$ (0.14)	\$ (0.31)
<b>Distributions</b>	\$ -	\$ (1.00)	-
<b>Net asset value, end of period</b>	\$ 5.41	\$ 7.26	\$ 8.43

\*\* - The opening net asset value per unit has been adjusted by \$0.03 to reflect adoption of section 3855 on January 1, 2007.

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

(2) Results are for the period from January 1, 2007 to December 31, 2007.

(3) Results are for the period from January 1, 2008 to June 30, 2008.

(4) 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.

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

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**Ratios and Supplemental Data**

	For the six months ended June 30, 2008	For the year ended December 31, 2007	For the period ended December 31, 2006 <sup>(2)</sup>
Net asset (000's) <sup>(1)</sup>	\$ 4,123	\$ 5,535	\$ 6,423
Number of Partnership units outstanding <sup>(1)</sup>	762,271	762,271	762,271
Management expense ratio <sup>(3)</sup>	2.08%	5.36%	2.65%
Portfolio turnover rate <sup>(4)</sup>	0.86%	28.67%	0.00%
Trading expense ratio <sup>(5)</sup>	0.14%	N/A	N/A
Net asset value per Partnership unit <sup>(1)</sup>	5.41	7.26	8.43

<sup>(1)</sup> This information is provided as at June 30, 2008, December 31, 2007 and December 31, 2006, respectively.

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

<sup>(3)</sup> 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.

<sup>(4)</sup> 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 buying and selling all of the securities in its portfolio once in the course of the year. The higher a Partnership's portfolio turnover 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.

<sup>(5)</sup> 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 Partnership 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 expensed for the period ended June 30, 2008 is \$25,743.

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 fee will be paid by the General Partner. The fees expensed for the period ended June 30, 2008 is \$15,446.

Pursuant to the Partnership Agreement the Partnership incurs an annual service fee payable to Agents equal to 0.25% of the NAV at the Partnership. The amount incurred for the period ended June 30, 2008 is \$5,106.

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#### 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 distributions 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

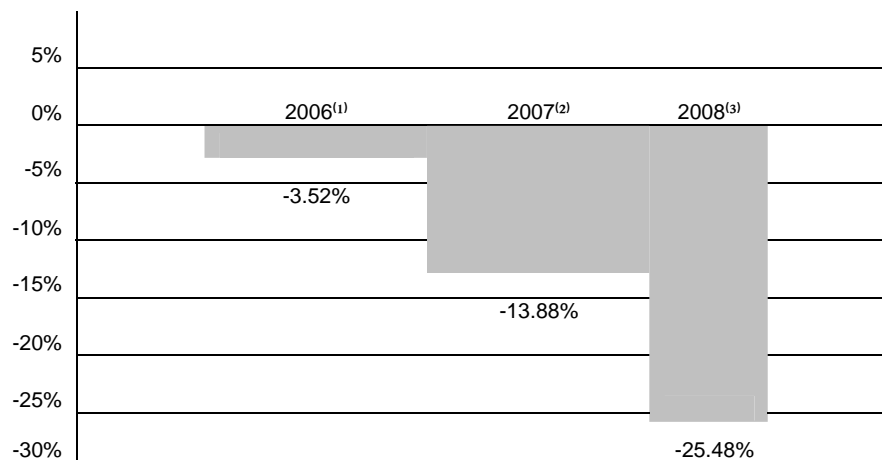
The information below indicates the compounded returns of the investment portfolio for the periods shown. NAV returns are calculated using the NAV per Partnership unit.

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.

The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Past performance of the investment portfolio does not necessarily indicate its future performance.

### Year by Year Returns

The chart shows the performance of the investment portfolio for each of the periods shown and illustrates how the investment portfolio's performance has changed from period to period. The chart shows, in percentage terms, how an investment made on the first day of each financial period would have grown or decreased by the end of the specified fiscal periods.



<sup>(1)</sup> Total return for the period from March 2, 2006 to December 31, 2006

<sup>(2)</sup> Total return for the period from January 1, 2007 to December 31, 2007

<sup>(3)</sup> Total return for the six months ended June 30, 2008

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**Summary of Investment Portfolio**

As At June 30, 2008

Net Assets: \$4,123,588

<b>Holdings</b>		<b>Portfolio Breakdown</b>	
<b>Name of security</b>	<b>% of Net Assets</b>	<b>Sector/Subgroup</b>	<b>% of Net Assets</b>
Tyhee Development	6.63	Cash	32.67
Avalon Ventures	6.18	Precious Metals	29.48
Sable Resources	5.66	Energy	7.99
Moneta Porcupine Mines	5.21	Molybdenum	7.98
Columbia Yukon Exploration	5.07	Base Metals	7.45
International Bethlehem Mining	4.37	Uranium	7.31
Garson Gold	3.43	Rare Earth Element	6.18
Eagle Plains Resources	2.91	Diamonds	1.29
Red Rock Energy	2.60	Liabilities - net of other assets	(0.35)
Arsenal Energy	2.56		100.00
Delta Uranium	2.55		
Berkley Resources	2.51		
Flying A Petroleum	2.48		
Sultan Minerals	2.43		
Purepoint Uranium Group	2.16		
CZM Capital	2.12		
Goldeye Explorations	1.70		
Optima Minerals	1.52		
Chalice Diamond	1.29		
Benton Resources	1.23		
Prize Mining	1.00		
Black Panther Mining	0.98		
ValGold Resources	0.64		
Patch International	0.44		

The summary of investment portfolio may change due to ongoing portfolio transactions. A quarterly update is available at [www.cscrf.ca](http://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 perform in a manner consistent with the investment strategies. Forward looking statements are

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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.