

**CANADIAN SMALL CAP RESOURCE FUND
2006 No. 2 LIMITED PARTNERSHIP**

Unaudited Interim Financial Statements
For the Six Months Ended June 30, 2008
(Expressed in Canadian dollars)

CANADIAN SMALL CAP RESOURCE FUND 2006 NO.2 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.

For further information please contact:

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Canadian Small Cap Resource Fund 2006 No. 2 Limited Partnership

Statements of Net Assets

As at June 30, 2008 and December 31, 2007

(Expressed in Canadian Dollars)

(Unaudited – see notice of no auditor review of interim financial statements)

	June 30, 2008	December 31, 2007
Assets		
Investments at fair value	\$ 1,574,173	\$ 3,296,985
Cash	513,234	179,378
Accounts receivable	15,617	10,839
	\$ 2,103,024	\$ 3,487,202
Liabilities		
Promissory note (note 4)	\$ -	\$ 450,000
Due to General Partner (note 7)	6,607	33,283
Accounts payable and accrued liabilities	13,813	43,866
	\$ 20,420	\$ 527,149
Net Assets	\$ 2,082,604	\$ 2,960,053
Number of partnership units outstanding (notes 1,5)		
	450,373	450,373
Net asset value per partnership unit	\$4.62	\$6.57

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

“Stephen Wilkinson”

Stephen Wilkinson
Director

“Sargent Berner”

Sargent Berner
Director

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

Canadian Small Cap Resource Fund 2006 No. 2 Limited Partnership

Statements of Operations

For the Six Months Ended June 30, 2008 and 2007

(Expressed in Canadian Dollars)

(Unaudited – see notice of no auditor review of interim financial statements)

	Six Months Ended June 30, 2008 \$	Six Months Ended June 30 , 2007 \$
Investment income:		
Interest income	1,773	640
Expenses (note 3):		
General partner fee	13,538	26,845
Unitholder administration and communication	40,662	31,241
Portfolio advisory fee	8,123	16,107
Interest expense	3,558	24,435
Audit fees	8,662	6,000
Agents' service commission	2,708	5,369
Legal fees	9,640	4,220
	86,891	114,217
Net investment loss	(85,118)	(113,577)
Net realized gain (loss) on sale of investments	(303,476)	350,651
Change in unrealized appreciation (depreciation) of investments	(488,855)	44,451
Increase (decrease) in net assets from operations	(877,449)	281,525
Increase (decrease) in net assets from operations per unit		
Net investment loss	(0.19)	(0.26)
Net realized gain (loss) on sale of investments	(0.68)	0.78
Change in unrealized depreciation of investments	(1.08)	0.10
Increase (decrease) in net assets from operations per partnership unit	(1.95)	0.62

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

Canadian Small Cap Resource Fund 2006 No. 2 Limited Partnership

Statements of Changes in Net Assets

For the Six Months Ended June 30, 2008

(Expressed in Canadian Dollars)

(Unaudited – see notice of no auditor review of interim financial statements)

	Six Months Ended June 30, 2008 \$	Year Ended December 31, 2007 \$
Net assets, beginning of period	2,960,053	4,229,805
Adjustment resulting from adoption of CICA Section 3855 (notes 2)	-	(685)
Net assets, beginning of the year, adjusted	2,960,053	4,229,120
Increase (decrease) in net assets from operations	(877,449)	(797,065)
Partners' transactions:		
Cost of issuance of partnership units (notes 1,5)	-	(21,629)
Distribution of partnership capital (note 5)	-	(450,373)
	-	(472,002)
Net assets, end of period	2,082,604	2,960,053

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

Canadian Small Cap Resource Fund 2006 No. 2 Limited Partnership

Statements of Cash Flows

For the Six Months Ended June 30, 2008 and 2007

(Expressed in Canadian Dollars)

(Unaudited – see notice of no auditor review of interim financial statements)

	Six Months Ended June 30, 2008 \$	Six Months Ended June 30, 2007 \$
Cash Flows from (used in) Operating Activities		
Increase (decrease) in net assets from operations	(877,449)	281,525
Net realized loss (gain) on sale of investments	303,476	(350,651)
Change in unrealized depreciation (appreciation) of investments	488,855	(44,451)
	(85,118)	(113,577)
Purchase of investments	-	(99,000)
Proceeds on sale of investments	930,481	702,194
Net change in non-cash balances related to operations	(511,507)	(238,254)
	333,856	251,363
Cash Flows from (used in) Financing Activities		
Issue costs	-	(21,226)
	-	(21,226)
Increase in cash during the period	333,856	230,137
Cash, beginning of period	179,378	323,932
Cash, end of period	513,234	554,069
Supplemental cash flow information		
Interest paid	3,558	23,295

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

Canadian Small Cap Resource Fund 2006 No. 2 Limited Partnership

Statement of Investments

As at June 30, 2008

(Expressed in Canadian Dollars)

(Unaudited – see notice of no auditor review of interim financial statements)

Issuer	Notes	# of Common Shares	# of Warrants	Expiry Date of Warrants	Exercise Price of Warrants	Average Cost \$	Fair Value \$	% of Portfolio
Avalon Ventures Ltd.		88,900				107,158	160,020	10.17%
Benton Resource Corp.		87,000				96,160	40,890	2.60%
Berkley Resources Inc.		170,000				153,000	31,450	2.00%
Berkley Resources Inc.		280,000				252,000	51,800	3.29%
Black Panther Mining Corp.		300,000				299,850	121,500	7.72%
Garson Resources Ltd.		637,000				215,931	79,625	5.06%
Gold Bullion Development.		1,057,500				118,575	84,600	5.37%
Gold Bullion Development.			1,057,500	22-Dec-08	0.22	77,063	-	0.00%
Goldeye Exploration Ltd.		1,208,000				131,635	102,680	6.52%
Goldeye Exploration Ltd.			910,000	28-Dec-08	0.20	1,875	-	0.00%
International Bethlehem Mining Corp.		600,000				143,700	72,000	4.57%
Klondike Gold Corp.		1,000,000				93,250	55,000	3.49%
Klondike Gold Corp.			1,000,000	21-Dec-08	0.10	6,750	-	0.00%
Klondike Silver Corp.		400,000				194,600	88,000	5.59%
Klondike Silver Corp.			400,000	21-Dec-08	0.60	5,400	-	0.00%
Moneta Porcupine Mines Inc.		119,500				6,253	23,303	1.48%
Moneta Porcupine Mines Inc.		1,000,000				200,000	195,000	12.39%
Optima Minerals Inc.	(3)		200,000	none	0.00	100,000	100,000	6.35%
Patch International Inc.		100,000				100,000	18,000	1.14%
Q-Gold Resources Ltd.		325,000				52,490	24,375	1.55%
Q-Gold Resources Ltd.			580,000	28-Dec-08	0.27	10,725	-	0.00%
Sable Resources Ltd.	(2)	178,400				142,720	142,720	9.07%
Sedex Mining Corp.			625,000	21-Dec-08	0.30	3,900	-	0.00%
Tyhee Development Corp.		436,000				236,725	156,960	9.97%
ValGold Resources Ltd.	(2)	250,000				70,800	26,250	1.67%
ValGold Resources Ltd.	(2)		500,000	28-Dec-08	0.50	4,200	-	0.00%
						2,824,760	1,574,173	100.00%

(1) RESTRICTED

(2) RELATED THROUGH COMMON DIRECTORSHIPS

(3) PRIVATE

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

Canadian Small Cap Resource Fund 2006 No. 2 Limited Partnership

Notes to the Financial Statements

June 30, 2008

(Expressed in Canadian Dollars)

(Unaudited – see notice of no auditor review of interim financial statements)

1) Formation of Partnership

Canadian Small Cap Resource Fund 2006 No. 2 Limited Partnership (the Partnership) was formed as a limited partnership under the Partnership Act (British Columbia) on August 18, 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. 2 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 450,373 units at \$10 per unit for gross proceeds of \$4,503,730. At June 30, 2008 the General Partner held no units in the Partnership.

The General Partner proposed to the Limited Partners at a special meeting of the limited partners that was held on June 23, 2008, one or more alternatives to the termination of the Partnership (Liquidity Alternatives). At the June 23, 2008 meeting it was decided, through extraordinary resolutions, to extend the terms of the Partnership Agreement for one year to June 30, 2009.

2) Significant Accounting Policies

Basis of presentation

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles and except for those noted below, follow the same accounting policies and methods of their application as the annual financial statements. These interim financial statements do not include in all respects the annual disclosure requirements of generally accepted accounting principles and should be read in conjunction with the most recent annual statements. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements. Certain information and footnote disclosure normally included in financial statements prepared in accordance with Canadian generally accepted accounting principles has been condensed or omitted. These interim period statements should be read together with the audited financial statements and the accompanying notes included in the Partnership's audited financial statements for the year ended December 31, 2007. In the opinion of the Partnership, its unaudited interim financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim period presented.

Canadian Small Cap Resource Fund 2006 No. 2 Limited Partnership

Notes to the Financial Statements

June 30, 2008

(Expressed in Canadian Dollars)

(Unaudited – see notice of no auditor review of interim financial statements)

2) Significant Accounting Policies (continued)

Change in accounting policy

Capital disclosures and financial instruments – disclosures and presentation

Recently, the CICA issued three new accounting standards: Handbook Section 1535, “Capital Disclosures”, Handbook Section 3862, “Financial Instruments – Disclosures”, and Handbook Section 3863, “Financial Instruments – Presentation”. Section 1535 specifies the disclosure of (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new Sections 3862 and 3863 replace Handbook Section 3861, “Financial Instruments – Disclosure and Presentation”, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how a company manages those risks. These new sections became effective January 1, 2008 and do not have a material impact on the Partnership’s financial position as of June 30, 2008.

New Accounting Pronouncements

The Partnership will adopt the new standard “Goodwill and Intangible Assets” (Section 3064) for its fiscal year beginning January 1, 2009. This Section replaces Section 3062 “Goodwill and Other Intangible Assets” and Section 3450 “Research and Development Costs”. The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in Section 3062. The Partnership is currently evaluating the impact of the adoption of this new Section on its financial statements.

In addition to the above new accounting pronouncements the Canadian Accounting Standards Board (“AcSB”) in 2006 published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (“IFRS”) over a five-year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-accountable enterprises to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Partnership for the year ended December 31, 2010. While the Partnership has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition of IFRS cannot be reasonably estimated at this time.

Canadian Small Cap Resource Fund 2006 No. 2 Limited Partnership

Notes to the Financial Statements

June 30, 2008

(Expressed in Canadian Dollars)

(Unaudited – see notice of no auditor review of interim financial statements)

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, Bolder Investment Partners Limited, is entitled to an annual fee of 0.75% of the NAV of the Partnership as defined.
- 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, 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.

As at June 30, 2008 this threshold had not been reached; accordingly, no provision for incentive bonus has been accrued.

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

4) Promissory note

The Partnership has issued promissory notes totalling \$450,000. 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. Interest is payable monthly at ten and a half per cent per annum and secured by the Partnership's investments. The promissory notes were repaid in full during the six months ended June 30, 2008.

Canadian Small Cap Resource Fund 2006 No. 2 Limited Partnership

Notes to the Financial Statements

June 30, 2008

(Expressed in Canadian Dollars)

(Unaudited – see notice of no auditor review of interim financial statements)

5) 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. All units were issued in 2006.

The Partnership completed its first and final closing in December 2006 by issuing 450,373 for gross process of \$4,503,730 less issuance costs of \$678,367 for net proceeds of \$3,825,363. In 2007, the Partnership incurred an additional \$21,629 in issuance costs.

6) Financial instruments

Market risks – Unfavorable economic conditions may negatively impact the Partnership's net asset value. The Partnership manages market risk by having a diversified portfolio which is not singularly exposed to any one issuer. The Partnership's investment activities are currently concentrated in the natural resource industry. To minimize overexposure, the Partnership has set thresholds on individual investments which also require the approval of its Investment Review Committee.

Cash flow/revenue – The Partnership's liquidity and operating results may be adversely affected if the value of the Partnership's investments decline resulting in capital losses on disposition. The Partnership generates cash flow primarily from its cash position, proceeds from the disposition of its investments, in addition to interest income earned on its cash position. The Partnership has sufficient cash and marketable securities which are freely tradable and relatively liquid to fund its obligations as they become due under normal operating conditions.

Interest and credit risk – As the Partnership holds cash balances with its brokers, those balances are exposed to the risk of a financial loss occurring as a result of default. The Partnership believes it is not significantly exposed to credit risk as the brokers that it deals with are financially stable. As at June 30, 2008, the Partnership has no significant interest bearing assets or liabilities other than its cash balance.

Liquidity risk – The Partnership invests in early stage resource companies which may be publicly available securities but thinly traded or in privately held companies. The resulting values for its securities may differ from values reflected had a more liquid market existed, and as such may be exposed to liquidity risk.

Under the terms of the Partnership Agreement there are no redemptions permitted until the dissolution of the Partnership, and management monitors the liquidity of the portfolio as the dissolution date becomes a factor, at which time liquidity alternatives, if required, are considered. As such management believes liquidity risk is adequately managed.

Canadian Small Cap Resource Fund 2006 No. 2 Limited Partnership

Notes to the Financial Statements

June 30, 2008

(Expressed in Canadian Dollars)

(Unaudited – see notice of no auditor review of interim financial statements)

7) Management of capital

The Partnership's objectives when managing capital (defined as Partnership Equity plus Loan Facility) are:

- a) To ensure that the Partnership maintains the level of working capital necessary to meet the requirements of its operations and loan facility;
- b) To allow the Partnership to respond to changes in economic and/or marketplace conditions by maintaining the Partnership's ability to purchase new investments;
- c) To optimize the limited partners':
 - a. Income tax deductions through the acquisition of flow-through investments; and
 - b. Unit value by capitalizing on investment opportunities;
- d) To ensure that the obligations to the limited partners for distributions are met.

The Partnership manages its capital and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Partnership maintains or adjusts the components of its capital to enable it to meet its objectives by:

- i) Realizing proceeds from the disposition of its investments;
- ii) Borrowing funds in the form of advances from related parties;

The Partnership is not subject to any capital requirement imposed by a regulator. It is required to maintain a guaranteed investment certificate as collateral for its loan facility. There were no changes in the Partnership's approach to capital management during the period. The Partnership's management is responsible for the management of capital and monitors the Partnership's requirements on a daily basis. The Partnership expects that its current capital resources will be sufficient to discharge its liabilities as at June 30, 2008.

Canadian Small Cap Resource Fund 2006 No. 2 Limited Partnership

Notes to the Financial Statements

June 30, 2008

(Expressed in Canadian Dollars)

(Unaudited – see notice of no auditor review of interim financial statements)

8) 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 were \$13,538 (2007 - \$26,845);
- b. Accounting and financial service fees paid to a company controlled by two directors of the parent corporation of the General Partner amounted to \$20,000 (2007 - \$20,000) for the period and this amount is disclosed in unitholder administration and communication.
- c. Investments in a company related through common directorships that were disposed of \$167,700 (2007 - \$nil) for net proceeds of \$132,280;
- d. As at June 30, 2008, \$6,607 (2007 – \$8,979) 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.