

Canadian Small Cap Resource Fund 2006 No. 2 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 either the semi-annual or annual financial statements of the Canada Small Cap Resource Fund 2006 No. 2 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 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. 2 Management Ltd. (the "General Partner") about the significant factors and developments affecting the Partnership's performance and outlook for the period ended 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 \$149,297 or \$0.33 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 year, the Partnership also realized gain on sale of investments in the amount of \$350,651, or \$0.78 per Partnership unit. The net result of these activities for the period has led to an increase in net assets of \$438,680, or \$0.97 per Partnership unit.

For the period ended June 30, 2007, the Partnership accrued audit fees of \$3,000, and unitholder administration and communication costs of \$21,728. Portfolio Advisory fees of \$8,450 and General Partner fees of \$14,083 were calculated in accordance with the formulas outlined in the Prospectus. The net investment income for the period was \$289,383 or \$0.64 per Partnership unit.

In the prior year, the Partnership entered into a Promissory note in the amount of \$450,000. The minimum amount borrowed during the period was \$nil and the maximum amount borrowed during the period was \$450,000. At June 30, 2007, the balance outstanding of \$450,000 represents 10.02% 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 Flow-Through shares and thus write-offs to unit holders. Interest is payable monthly at ten and a half per cent per annum and secured by the Partnership's cash and marketable securities. For the period ended June 30, 2007, the Partnership incurred \$11,189 of interest expense as a result of this note.

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.

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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 \$26,845.
- As at June 30, 2007 \$8,979 was due to the General Partner for unpaid management fees.

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 2006, this information is derived from the Partnership's audited annual financial statements, and for 2007 it is derived from the Partnerships unaudited quarterly financial statements.

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

	For the six months ended June 30, 2007⁽²⁾	For the period ended December 31, 2006⁽¹⁾
Net asset value, beginning of period	\$ 9.39	\$ 10.00
Increase (decrease) from operations:		
Total revenue	\$ 0.78	\$ -
Total expenses	(0.26)	(0.07)
Unrealized gains for the period	0.10	0.97
Total increase from operations	\$ 0.62	\$ 0.90
Distributions	\$ -	\$ -
Net asset value, end of period	\$ 9.97	\$ 9.39

⁽¹⁾ Results are for the period from August 18, 2006 to December 31, 2006.

⁽²⁾ Results are for the period from January 1, 2007 to June 30, 2007.

⁽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.

⁽⁴⁾ 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, 2007	For the period ended December 31, 2006
Net asset (000's) ⁽¹⁾	\$ 4,490	\$ 4,230
Number of Partnership units outstanding ⁽¹⁾	450,373	450,373
Management expense ratio ⁽²⁾⁽³⁾	1.55%	16.30%
Portfolio turnover rate ⁽²⁾⁽³⁾	2.38%	0.00%
Trading expense ratio ⁽²⁾⁽⁴⁾	N/A	N/A
Net asset value per Partnership unit ⁽¹⁾	\$ 9.97	\$ 9.39

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

⁽²⁾ This information is for the period from January 1, 2007 to June 30, 2007 and August 18, 2006 to December 31, 2006, respectively.

⁽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 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.

⁽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 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 fee expensed for the period ended June 30, 2007 is \$14,083.

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 expensed for the period ended June 30, 2007 is \$8,450.

An annual service fee is payable to Agents equal to 0.25% of the NAV of the Partnership pursuant to terms of the Partnership Agreement. The fees for the period ended June 30, 2007 are \$2,818.

Management fees breakdown:

Administration, communication and marketing: 56%

Investment advice and agents' commissions: 44%

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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, as follows:

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 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 \$10.00 plus appreciation thereon of 12% per annum, compounded annually from the closing of the sale of the units.

Past Performance

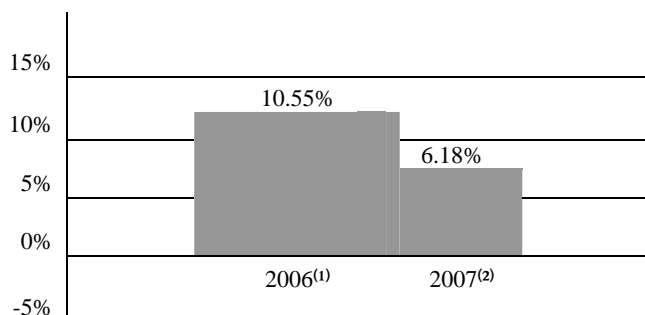
The information below indicates the compounded returns of the investment portfolio for the periods shown. NAV returns are calculated using NAV per Partnership unit.

For calculation purposes, the inception price is set equal to the NAV per Partnership unit on the Partnership's closing date of August 18, 2006, less issue costs.

Returns do 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 December 31 of that year and for the six months ended June 30, 2007.



⁽¹⁾ Total return for the period August 18, 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: \$4,490,104

Holdings		Portfolio Breakdown	
Name of security	% of Net Assets	Sector/Subgroup	% of Net Assets
Venturex Holdings	11.02	Precious Metals	49.10
Avalon Ventures	7.85	Base Metals	25.39
ValGold Resources	6.90	Cash	12.34
International Kirkland Minerals Inc.	6.35	Energy	9.86
Moneta Porcupine Mines	5.57	Rare Earth Elements	7.85
Berkley Resources	5.51	Uranium	6.35
Garson Gold	5.35	Liabilities - net of other assets	(10.89)
International Bethlehem Mining	5.21		100.00
Independent Nickel	4.74		
Goldeye Explorations	4.46		
Patch International	4.34		
Tyhee Development	3.98		
Sable Resources	3.84		
International KRL Resource Corp.	3.70		
Gold Bullion Development Corp.	3.53		
Klondike Silver Corp.	3.43		
Copper Ridge Explorations	2.92		
Klondike Gold Corp.	2.23		
Optima Minerals	2.23		
Q-Gold Resources Ltd.	2.00		
Action Minerals Inc.	1.96		
Amador Gold Corp.	1.42		

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 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.

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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. 2 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.