

Canadian Small Cap Resource Fund 2006 No. 2 Limited Partnership

Semi-Annual Management Report of Fund Performance

For the period ended June 30, 2008

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. 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, 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 \$488,855, or \$1.08 per Partnership unit. This represents the net decrease in the fair value of the portfolio at June 30, 2008 over the December 31, 2007 value of the investments. During the period, the Partnership also realized loss on sale of investments in the amount of \$303,476, or \$0.67 per Partnership unit. The net result of these activities for the period has led to a decrease in net assets of \$877,449, or \$1.95 per Partnership unit.

For the period ended June 30, 2008, the Partnership earned investment income of \$1,773 from interest income on short term investments. For the period, audit fees accrued were \$8,662, legal costs were \$9,640 and unitholder administration and communication costs were \$40,662. Portfolio Advisory fees of \$8,123 and General Partner fees of \$13,538 were calculated in accordance with the formulas outlined in the Prospectus. The net investment loss for the period was \$85,118 or \$0.19 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. The promissory notes were repaid in full during the six months ended June 30, 2008, and therefore, at June 30, 2008, represents 0% 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 investment. During the period ended June 30, 2008, the Partnership incurred \$3,558 in interest expense with respect of this note.

Recent Developments

There have been no significant developments affecting the Partnership since the most recent annual report for the period ended December 31, 2007.

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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;
- 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 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 for net proceeds of \$132,280;
- d. As at June 30, 2008, \$6,607 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 past six months. This information is derived from the Partnership's unaudited interim financial statements for the period ended June 30, 2008, and from the audited annual financial statements for the period ended December 31, 2007 and December 31, 2006.

Net asset value (NAV) per Partnership unit⁽⁴⁾⁽⁵⁾

	For the six months ended June 30, 2008⁽³⁾	For the year ended December 31, 2007⁽²⁾	For the period ended December 31, 2006⁽¹⁾
Net asset value, beginning of period	\$ 6.57	\$ 9.39	\$ 10.00
Increase (decrease) from operation:			
Total revenue	\$ 0.02	\$ 0.02	\$ -
Total expenses	(0.19)	(0.51)	(0.07)
Realized (losses) gains for the period	(0.38)	1.38	-
Unrealized (losses) gains for the period	(1.08)	(2.66)	0.97
Total (decrease) increase from operations	\$ (1.95)	\$ (1.77)	\$ 0.90
Distributions	\$ -	\$ (1.00)	-
Net asset value, end of period	\$ 4.62	\$ 6.57	\$ 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 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.

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⁽⁵⁾ 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, 2008	For the year ended December 31, 2007	For the period ended December 31, 2006
Net asset (000's) ⁽¹⁾	\$ 2,083	\$ 2,960	\$ 4,230
Number of Partnership units outstanding ⁽¹⁾	450,373	450,373	450,373
Management expense ratio ⁽²⁾⁽³⁾	3.45%	6.97%	16.30%
Portfolio turnover rate ⁽²⁾⁽⁴⁾	0.00%	14.64%	0.00%
Trading expense ratio ⁽²⁾⁽⁵⁾	0.32%	N/A	N/A
Net asset value per Partnership unit ⁽¹⁾	\$ 4.62	\$ 6.57	\$ 9.39

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

⁽²⁾ This information is for the period from January 1, 2008 to June 30, 2008, January 1, 2007 to December 31, 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 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 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, 2008 is \$13,538.

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, 2008 is \$8,123.

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, 2008 are \$2,708.

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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, 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, 2008.



⁽¹⁾ Total return for the period from August 18, 2006 to December 31, 2006

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

⁽³⁾ Total return for the period from January 1, 2008 to June 30, 2008.

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Summary of Investment Portfolio

As at June 30, 2008

Net Assets: \$2,082,604

Holdings

Name of security	% of Net Assets
Moneta Porcupine Mines	10.48
Avalon Ventures	7.68
Tyhee Development	7.54
Sable Resources	6.85
Black Panther Mining	5.83
Goldeye Exploration	4.93
Optima Minerals	4.80
Klondike Silver	4.23
Gold Bullion Development	4.06
Berkley Resources	4.00
Garson Gold	3.82
International Bethlehem Mining	3.46
Klondike Gold	2.64
Benton Resources	1.96
ValGold Resources	1.26
Q-Gold	1.17
Patch international	0.86

Portfolio Breakdown

Sector/Subgroup	% of Net Assets
Precious Metals	49.85
Cash	24.64
Base Metals	13.19
Rare Earth Elements	7.69
Energy	4.86
Liabilities - net of other assets	(0.23)
	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 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,

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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.