

Canadian Small Cap Resource Fund 2007 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 either the semi-annual and annual financial statements of the Canadian Small Cap Resource Fund 2007 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 to 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 Canadian Small Cap Resource Funds 2007 No. 1 Limited Partnership’s (the “Partnership”) performance presents the views of Canadian Small Cap Resource Fund 2007 No. 1 Management Ltd. (the “General Partner”) about the significant factors and developments affecting the Partnership’s performance and outlook for the period from December 18, 2006 to June 30, 2007.

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

Investment objectives and strategies

The Partnership invested in Flow-Through Shares of Resource Issuers engaged in mineral exploration in Canada, with a view to maximizing the tax benefit of an investment in the Units and achieving capital appreciation. The Partnership invested the Available Funds such that Limited Partners were entitled to claim certain deductions from income and nonrefundable investment tax credits for income tax purposes for the 2007 taxation year.

Investments were made primarily in the junior resource sector with the objective of creating a diversified resource portfolio. The Partnership focused on companies in the junior resource sector with exploration programs considered to be of merit. The Partnership’s investment portfolio was managed with a view to capital appreciation of the Partnership’s investments. The Partnership’s investment strategy was to invest in Flow-Through Shares issued by Resource Issuers that the General Partner considered to: (i) represent good value; (ii) have experienced and capable senior management; (iii) have a planned exploration program; and (iv) offer potential for future growth.

Risk

The overall risk of the Partnership is as described in the prospectus dated April 27, 2007.

There were no material changes to the Partnership over the financial period that affected the overall level of risks associated with an investment in the Partnership. The suitability and investor risk tolerance of the Partnership remain as disclosed in the prospectus.

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Results of Operations

The Partnership was formed on December 18, 2006. A first closing of 692,607 Partnership units took place in May 2007. A second and final closing of 338,747 Partnership units took place on June 26, 2007 for a total issued and outstanding Partnership units of 1,031,354. The combined gross proceeds from the sales of Partnership Units were \$10,313,540 (\$10.00 per Partnership unit). The Partnership also incurred issue costs for these Partnership units issued of \$1,235,350 (\$1.20 per Partnership unit). All investments acquired with these proceeds, have been acquired with a strategy consistent with the Investment Guidelines as outlined in the April 27, 2007 Prospectus.

For the period ended June 30, 2007, the Partnership incurred unitholder administration and communication costs of \$14,443 and experienced an investment loss for the period of \$15,010 (\$0.01 loss per Partnership unit). The increase in net assets for the period was \$9,063,180 or \$8.79 per Partnership unit.

The Partnership entered into a credit facility with the Royal bank of Canada (the "Bank"); the minimum amount borrowed during the period was \$nil and the maximum amount borrowed during the period was \$830,000. At June 30, 2007 the outstanding loan balance of \$830,000, represents 9.16% of NAV. For the period ended June 30, 2007, the Partnership incurred net interest expense of \$567 on this loan. The loan 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 unitholder. The bank loan is repayable on demand and is secured by the guaranteed investment certificate of the Partnership. Interest is payable monthly at RBC prime plus half a percent per annum.

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

Related Party Transactions

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

- Administrative fees totaling \$81,692 were paid to a Company which an officer is a director. These amounts were reflected as Issue Costs; and
- \$8,690 was due from the General Partner for advances made to provide for operating costs prior to the earning of Management fees pursuant to the Limited Partnership Agreement.

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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.

Net asset value (NAV) per Partnership unit⁽²⁾⁽³⁾

	<u>2007⁽¹⁾</u>
Net asset value, beginning of period	<u>\$ 10.00</u>
Increase(decrease) from operations:	
Total revenue	\$ -
Total expenses	(0.01)
Realized gains (losses) for the period	-
Unrealized gains (losses) for the period	-
Total (decrease) increase from operations	<u>\$ (0.01)</u>
Distributions	<u>\$ -</u>
Net asset value, end of period	<u>\$ 8.79</u>

(1) Results are for the period from December 18, 2006 to June 30, 2007.

(2) 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.

(3) 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.

Ratios and Supplementary Data

As the Partnership was in its start-up phase during the period, no ratios and supplementary data are presented.

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 1.50% of the NAV. This fee will be calculated monthly and paid quarterly in arrears based on the NAV at the end of each preceding month.

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.

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Management fee breakdown:

Administration, communication and marketing: 66%

Investment advice: 34%

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 or before the dissolution of the Partnership, as follows:

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, the Partnership shall distribute to each of the General Partner and the Portfolio Advisor an amount in respect of each Partnership Unit then outstanding equal to 10% of the amount by which the sum of the NAV per Partnership Unit as of that date and all distributions per Unit on or prior to that date, exceeds \$11.65.

Past Performance

As the Partnership was in the start-up phase during this period, and whereas investments only started in the current period, past performance is not applicable.

Summary of Investment Portfolio

As at June 30, 2007

Net assets: \$9,063,180

Holdings

Name of security	% of Net Assets
Kettle River Resources	3.87
Menika Mining Ltd	2.20
Athabasca Potash Inc.	1.93

Portfolio Breakdown

Sector/Subgroup	% of Net Assets
Cash	85.78
Other assets – net of liabilities	6.22
Precious Metals	4.14
Diamonds	1.93
Potash	1.93
Total Net Asset	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.

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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 2007 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.