

# **Canadian Small Cap Resource Fund 2007 No. 2 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 2007 No. 2 Limited Partnership (the "Partnership"). You can get a copy of the semi-annual or audited 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.cscr.ca](http://www.cscr.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 2007 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 period ended June 30, 2008, the Partnership experienced a decrease in the unrealized value of investments of \$1,253,157 or \$2.51 per Partnership unit. This represents the net decrease in the fair value of the portfolio at June 30, 2008 relative to the value of the investments as at December 31, 2007. During the six months ended June 30, 2008, the Partnership also realized a gain on sale of investments of \$142,555 or \$0.29 per Partnership unit. Overall, the Partnership experienced a \$1,207,542 or \$2.42 per Partnership unit decrease in net assets for the period.

For the six months ended June 30, 2008, the Partnership earned interest income of \$2,011, accrued \$6,000 of audit fees, incurred \$1,362 in legal fees and incurred unitholder administration and communication costs of \$34,528. Portfolio Advisory fees of \$9,749 and General Partnership fees of \$19,496 were expensed as calculated in accordance with the formulas outlined in the October 30, 2007 Prospectus. The net investment loss for the period was \$96,940 or \$0.20 per Partnership unit.

The Partnership entered into loans in the aggregate amount of \$500,000. The minimum and maximum amounts borrowed during the period were \$500,000. At June 30, 2008, the outstanding loan balance of \$500,000 represents 19.64% of NAV. The Partnership incurred \$27,816 in related interest expense as a result of these loans. The loans were 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 unitholders. These loans are secured by promissory notes from the Partnership, bear interest at 10.5% per annum, and are repayable on or before March 31, 2009.

## **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 period ended June 30, 2008 were \$19,496;
- b. Accounting and financial service fees paid to a company controlled by two directors of the parent corporation of the General Partner amounted to \$17,500 for the period and this amount is disclosed in unitholder administration and communication;
- c. As at June 30, 2008, \$14,724 was due to the General Partner for reimbursable costs and management services rendered in the period as yet unpaid. 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. This information is derived from the Partnership's unaudited semi-annual financial statements for the period ended June 30, 2008 and the audited annual financial statements for the period ended December 31, 2007.

**Net asset value (NAV) per Partnership unit <sup>(3)(4)</sup>**

	<b>For the six months ended June 30, 2008 <sup>(2)</sup></b>	<b>For the period ended December 31, 2007 <sup>(1)</sup></b>
<b>Net asset value, beginning of period</b>	\$ 7.51	\$ 10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	\$ -	\$ -
Total expenses	(0.19)	(0.09)
Realized gains for the period	0.29	-
Unrealized loss for the period	(2.51)	(1.18)
<b>Total decrease from operation</b>	<b>\$ (2.41)</b>	<b>\$ (1.27)</b>
<b>Distributions</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net asset value, end of period</b>	<b>\$ 5.09</b>	<b>\$ 7.51</b>

<sup>(1)</sup> Results are for the period from September 18, 2007 to December 31, 2007.

<sup>(2)</sup> Results are for the period from January 1, 2008 to June 30, 2008.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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**

	<b>For the six months ended June 30, 2008</b>	<b>For the period ended December 31, 2007<sup>(2)</sup></b>
Net asset (000's) <sup>(1)</sup>	\$ 2,546	\$ 3,753
Number of Partnership units outstanding <sup>(1)</sup>	500,000	500,000
Management expense ratio <sup>(3)</sup>	2.73 %	15.14 %
Portfolio turnover rate <sup>(4)</sup>	0.00 %	0.00 %
Trading expense ratio <sup>(5)</sup>	0.10 %	N/A
Net asset value per Partnership unit, end of period <sup>(1)</sup>	\$ 5.09	\$ 7.51

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

<sup>(2)</sup> This information is provided for the period from September 18, 2007 to December 31, 2007.

<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 1.50% 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 \$19,496.

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 \$9,749.

**Management fees breakdown:**

Administration, communication and marketing: 66%

Investment advice and agents' commissions: 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:

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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 (A) the NAV per Partnership Unit as of that date and (B) all distributions per Partnership Unit prior to that date, exceeds \$11.65.

### Past Performance

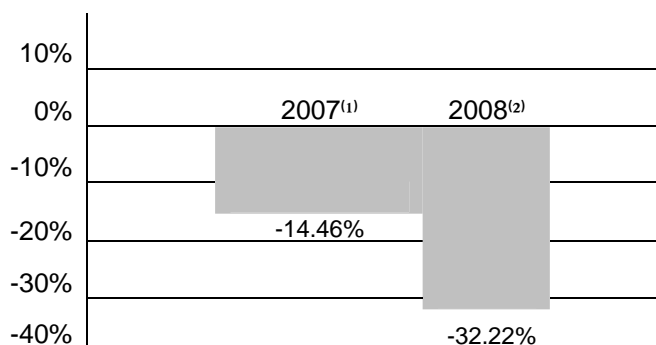
The indicated rates of return are compounded total returns for the specified fiscal periods. NAV returns are calculated using the NAV per Partnership unit.

For calculation purposes, the inception price is set equal to the NAV per Partnership unit on the Partnership's closing date of September 18, 2007, less issue costs.

Returns do not take into account sales, redemptions, distributions or optional charges, or income taxes payable that would have reduced returns. Past performance may not be indicative of future returns.

### 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.



<sup>(1)</sup> Total return for the period from September 18, 2007 to December 31, 2007

<sup>(2)</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: \$2,545,896

**Holdings**

<b>Name of security</b>	<b>% of Net Assets</b>
Arsenal Energy	17.37
Sentinel Rock Oilsands	9.83
Plato Gold	7.14
Rochester Energy	7.07
Uracan Resources	6.97
Meadow Bay Capital	6.55
Northern Continental Resources	6.01
Uranium North Resources	5.68
Gowest Amalgamated Resources	5.18
Silver Shield Resources	5.11
Goldeye Exploration	5.01
CMC Metals	4.81
Stratabound Minerals	4.59
Sage Gold	3.73
Tajzha Ventures	3.37
Geo Minerals	3.16
Cuda Capital	2.71
Garson Gold	2.69
Reef Resources	2.59
Eagle Plains Resources	2.10

**Portfolio Breakdown**

<b>Sector/Subgroup</b>	<b>% of Net Assets</b>
Energy	40.23
Precious Metals	28.57
Uranium	18.67
Molybdenum	11.25
Cash	8.60
Base Metals	7.86
Silver	5.11
Liabilities - net of other assets	(20.29)
	<u>100.00</u>

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 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.

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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. 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.