



HUMBOLDT CAPITAL CORPORATION



2010 ANNUAL REPORT



Corporate Profile

Humboldt Capital Corporation is an investment company with its holdings concentrated in the resource sector.

The Company's principal business philosophy is to purchase securities for the long term. This is based on Humboldt's experience that both business cycles and company growth trends provide optimum returns with a longer term investment strategy. As such, Humboldt tends to avoid short term trading positions believing that investments in companies, with well thought out growth plans, will benefit Humboldt's shareholders over the long term.

Humboldt provides early stage risk capital, business experience and guidance to small oil and gas enterprises with attractive prospects and motivated high quality management. Humboldt also makes investments in other businesses that have potential for growth. Humboldt appoints representatives to the Boards of companies in which more significant investments are made, and is proactive in ensuring management maintains well considered, long term business plans.

Humboldt has investments in western Canadian energy companies, international oil and gas companies and in the mining sector, with particular emphasis on companies exploring or producing commodities which Humboldt anticipates have growth potential in this stage of the economic cycle.

Highlights

<i>(Thousands, except per share amounts)</i>	Year ended December 31,		
	2010	2009	2008
Earnings (loss) and comprehensive income (loss) for the period	\$ 15,967	\$ 16,199	\$ (22,486)
Earnings (loss) per share, diluted	\$ 1.32	\$ 1.33	\$ (1.84)
Eligible Dividends paid	\$ -	\$ 3,042	\$ -
Dividends per share	\$ -	\$ 0.25	\$ -
Share capital	\$ 2,015	\$ 2,033	\$ 2,047
Retained earnings	\$ 59,964	\$ 43,997	\$ 30,842
Shareholders' equity	\$ 62,605	\$ 46,694	\$ 33,669
Cash and cash equivalents	\$ 6,497	\$ 10,376	\$ 21,867
Shares outstanding	12,008	12,115	12,201
Net asset value per share, diluted	\$ 5.01	\$ 3.77	\$ 2.75

Annual Meeting

The Annual Meeting of the Shareholders of Humboldt Capital Corporation will be held at 11:00 a.m. on June 8, 2011 in the offices of Humboldt Capital Corporation, Suite 1800, 633 – 6 Avenue S.W., Calgary, Alberta.



To the Shareholders

Humboldt is pleased to report substantial earnings for the year ended December 31, 2010. The Company reported earnings of \$16.0 million, similar to the \$16.2 million reported for the prior year.

At year end, share holders equity had increased to \$62.6 million or \$5.01/share, fully diluted, compared with \$46.7 million or \$3.77/share reported for 2009.

Humboldt closed the year with \$7.0 million of working capital, equivalent to 11% of its asset value.

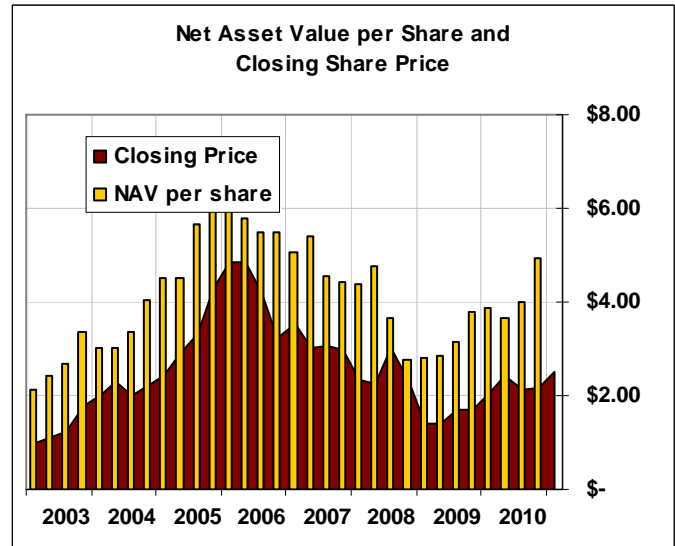
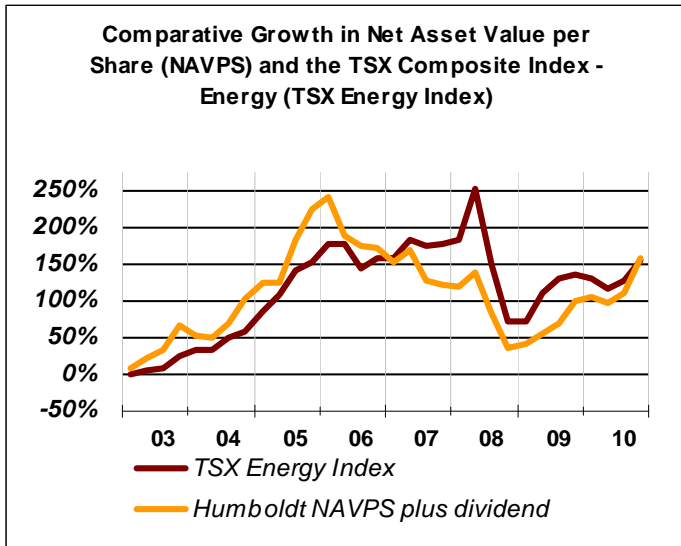
The Economy and the Markets

At the time of writing, international stock markets are completing the second year of a significant recovery, from the lows reached during the first quarter of 2009. The market recovery has been particularly strong in relation to commodity stocks, principally due to the rebounding prices related to the rapid growth of Far Eastern economies.

The current business cycle, while very severe, seems to be following a similar pattern of previous stock market and economic downturns, whereby a year of financial crisis is followed by a lengthy period of declining economic fundamentals. Ironically, by the time the worst of most economic recessions is reached, the stock market usually has already discounted economic problems and has commenced a recovery phase. This pattern appears to be unfolding at present, with very strong stock market recoveries since the market capitulation early in 2009, continuing into 2010, and improving further in the first quarter of 2011.

Furthermore, the fundamental seeds of the current worldwide economic recovery have been in place for some time. These comprise very low interest rates, a highly positive yield curve, reasonable energy and metal prices, and the availability of inexpensive labour. In addition, in the US there is an abundance of inexpensive homes and commercial properties. While the problems resulting from steady debt liquidation will hang over the Western economies for the next several years, most of the serious concerns now seem to be known and will gradually be eliminated.

However, the normal progression of this economic and stock market cycle in the long term should result in a steady weakening US dollar, increasing inflation fears and a steady increase in interest rates. The first signs of this trend are evident, but economic growth should continue for a number of years until interrupted by a significant spike in the cost of funds.



Commodities - General

Since early 2009, Humboldt focused on purchasing shares in companies in the oil, copper and precious metals businesses. The pricing of these three commodities have been positively impacted by the worldwide economic growth and debt of US dollar concerns.

Firstly, OPEC production curtailments and increased demand have shored up the price of oil. In the case of copper, the resumption of rapid growth, principally in the Far East led to an early rebound in the price of this metal. Lastly the pricing of precious metals have principally been driven upwards by a fear of a major financial implosion and concerns regarding the over issuance of fiat currencies.

Commodities - Oil & Gas

Due to rapid demand destruction, oil prices collapsed to the \$40 per barrel level in early 2009. Only the strenuous efforts by OPEC to constrain production brought supply back into line with demand and resulted in the gradual recovery of oil prices to approximately \$90 per barrel at year end. However, increasing political unrest and the outbreak of civil war in Libya has now pushed oil to the \$105 per barrel range. This pricing level is dangerous in that renewed demand destruction could reoccur; however barring this outcome, steady world wide industrial growth should hold prices at a satisfactory level for producers.

The recent natural gas cycle has been quite different, with greatly increased supply resulting from a boom in drilling of long reach horizontal wells, targeting fractured shale gas deposits. These wells actually increased the supply of gas during the economic down turn! This excess supply has now moved the BTU equivalent of gas to oil from a historic ratio in the 6:1 range, to an hitherto unheard of ratio of over 25:1

The only bright note regarding the future balance of gas supply and demand in North America is the recognition that many of the horizontal gas wells have much lower estimated ultimate recoveries per well than the operators originally hoped for. Indeed some large fractured gas fields may be sub economic as a result of very high capital costs, rapid production declines and low prevailing gas prices. However, the offset to this scenario is a great number of major energy companies now entering this field, incurring very high acquisition costs in the hope that gas development on these projects is simply a “manufacturing process”. While many of these acquisitions may turn out to be ill timed, the size and staying power of these companies may prolong the gas surplus for a substantial period.



Commodities - Mining

The mining sector has had an excellent 24 months of growth since the market capitulation of May 2009, for two fundamentally different reasons.

Firstly, gold and silver prices have steadily trended upwards as a result of the “safe haven” aspect of these metals. Indeed they appear now not to be an inflation hedge but, a catastrophe hedge as an investment medium, in case of significant sovereign debt defaults.

Secondly base metals which are easier to evaluate on a supply/demand basis, have been impacted positively by Far Eastern, principally Chinese, buying especially impacting copper and nickel prices. The continued rapid expansion of Asian economies has provided steady price increases in these metals, and should spill over into related metals such as molybdenum and tungsten in 2011. Tungsten has recently shown substantial price increases and Humboldt is adding some new positions in this sector.

Related Energy Companies

During the past year Humboldt’s management has spent a considerable effort to assist in financing and planning issues related to a number of its principal holdings. Some of these companies were badly impacted by the decline of natural gas prices as well as steady production declines. Also, they had limited capital with which to invest in maintaining production volumes. This process was set in motion in early 2009 and resulted in a total switch from natural gas targets to the development of heavy oil prospects on the Alberta/Saskatchewan border.

In addition, managements of these companies were encouraged to closely monitor expenditures and focus on production expansion while maintaining or reducing balance sheet leverage. With regard to these efforts, Tuscany Energy Ltd. has commenced developing the Evesham pool in Saskatchewan and is in a stable growth phase. Tuscany has proposed to merge with Sharon Energy Ltd., which is in an excellent financial condition as a result of selling a block of its Magnum Hunter shares, which were obtained when it disposed of its US properties.

Finally, Diaz Resources Ltd., which is presently substantially over levered, is in the process of reviewing a variety of financial initiatives which could result in the disposition of properties, a major refinancing or other financing methods which will enable it to recommence developing its heavy oil projects near Lloydminster.

International Energy Focus

Humboldt commenced to rebuild and expand upon its international energy holdings during 2010 as a result of the potential increase in share prices especially when compared with gas or Alberta focused energy companies.

In addition, Humboldt believed that exposure to large energy projects in favorable jurisdictions, would lead to significant gains as a result of careful risk assessment. Hence, Humboldt has increased its exposure to exploration companies operating in Europe, Australia, Africa, and the Far East while maintaining a substantial exposure to North Sea stocks.

Outlook

The stock market capitulation in Q1 09, clearly indicated the panic bottom for this market cycle and with the steady increase in world wide indices since, bodes well for a sustained, but choppy, upward move. Since the commencement of the economic recovery, many of Humboldt’s holdings have shown significant gains. This has resulted from higher commodity prices, companies focusing on their best projects, increased access to capital for substantial exploration targets and to general sector rotation back into high impact energy exploration.



Humboldt is in an enviable position, with a substantial cash balance originally built up during 2007 and early 2008, to allow it to weather any significant economic and stock market set back. From this position of strength Humboldt plans to continue to upgrade the quality of its holdings while reducing its portfolio diversity over the next year.

On behalf of the Board,

R.W. Lamond
Chairman of the Board
April 21, 2011



Management's Discussion and Analysis

April 21, 2011

The following discussion and analysis is management's assessment of Humboldt's historical, financial and operating results, together with future prospects, and should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2010. The reader should be aware that historical results are not necessarily indicative of future performance.

Basis of Presentation

The financial data presented herein has been prepared in accordance with accounting principles generally accepted in Canada. All dollar amounts are in Canadian dollars unless otherwise indicated.

BOE Presentation –The term “barrels of oil equivalent” (BOE) may be misleading, particularly if used in isolation. All BOE conversions in this report are derived by converting gas to oil in the ratio of six Mcf of gas to one Bbl of oil. A BOE conversion ratio of six Mcf to one Bbl of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Forward-looking Statements – Certain of the statements contained herein including, without limitation, financial and business prospects and financial outlook may be forward-looking statements. Words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue" and similar expressions may be used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risk and uncertainties.

A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, changes in investment climate, interest rates, commodity prices, income tax obligations and economic conditions. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could effect Humboldt's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) or at Humboldt's website (www.humboldtcapital.com). Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, management cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and the Company assumes no obligation to update or review them to reflect new events or circumstances except as required by applicable securities laws.

Forward-looking statements and other information contained herein concerning the resource industry and the Company's general expectations concerning this industry is based on estimates prepared by management using data from publicly available industry sources, market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any misstatements regarding any industry data presented herein, the resource industry involves risks and uncertainties and is subject to change based on a wide variety of factors.



The following is a summary of the operating results for the five years ended December 31, 2010:

Five Year Financial Summary

(Thousands, except per

December 31

share amounts)

	2010	2009	2008	2007(1)	2006(1)
Revenue:					
Net (loss) gain on sale of investments	\$ 3,485	\$ (2,364)	\$ 3,461	\$ 6,083	\$ 8,576
Unrealized appreciation (depreciation) in investment value	16,195	19,917	(26,679)	(22,183)	(21,676)
Interest from associated companies	-	-	-	153	299
Interest, dividends & other	78	93	338	446	168
Total revenue	19,758	17,646	(22,880)	(15,501)	(12,633)
General and administrative expense	1,374	966	1,127	2,066	2,022
Brokerage commissions	150	86	242	214	186
Loan impairment expense (recovered)	-	-	37	(25)	-
Income taxes (recovered)	2,267	395	(1,800)	(3,181)	(2,877)
Earnings (loss) and comprehensive earnings for the year	\$ 15,967	\$ 16,199	\$ (22,486)	\$ (14,575)	\$ (11,964)
Dividends paid	\$ -	\$ 3,042	\$ -	\$ -	\$ -
Dividends paid per share	\$ -	\$ 0.25	\$ -	\$ -	\$ -
Cash and cash equivalents	\$ 6,497	\$ 10,376	\$ 21,867	\$ 9,458	\$ 780
Total assets	\$ 64,356	\$ 46,720	\$ 33,825	\$ 57,138	\$ 75,507
Shareholders' equity	\$ 62,605	\$ 46,694	\$ 33,669	\$ 56,397	\$ 70,529
Shares outstanding	12,008	12,115	12,201	12,350	12,381
Earnings (Loss) per share, diluted	\$ 1.32	\$ 1.33	\$ (1.84)	\$ (1.18)	\$ (0.94)
Net asset value per share, diluted	\$ 5.01	\$ 3.77	\$ 2.75	\$ 4.42	\$ 5.47

(1) certain items have been reclassified to correspond with 2008 - 2010 classifications

The increase in the market value of Humboldt's portfolio during 2010 to \$5.01 per share increases the share value to its highest level in the past three years. Humboldt's net asset value has steadily recovered over the past two years after declining from a year end high of \$6.48 in 2005 to its year end low of \$2.75 at December 31, 2008. The recovery is largely the result of Humboldt's investments in the international oil sector and in the mining sector. The earlier decline commenced with the sharp decline in energy share prices during 2006, which significantly affected the value of the Company's holdings in Canadian energy shares and closely held companies, which are Canadian listed energy companies.

Over the five year period Humboldt experienced a significant loss in the value of these closely held companies, referred to herein as Major Holdings, and consisting of a group of small resource companies in which Humboldt holds large share positions. This segment of Humboldt's portfolio declined from a high of \$37.8 million in 2005 to a low of \$2.9 million at the end of 2008. In a substantial reversal of this trend, during 2009 the value of the Major Holdings increased to \$10 million and they appear to be on a road to a steady recovery.



When Canadian based energy companies declined in 2006, Humboldt shifted its investment emphases to international based energy and mining companies which helped offset the continued decline in Canadian energy shares. In 2007 Humboldt commenced a move to increase its liquidity increasing its cash position to \$9.5 million at the end of 2007 and \$21.9 million by the end of 2008. This move helped the Company avoid the complete effect of the market crash of 2008 and provided the Company with a cash position to make a significant dividend of \$3.0 million and commence reinvestment during 2009, to take advantage of the weakened market.

The following is a summary of the investments held by Humboldt and other components of Humboldt's net asset value, as at December 31, 2010:

Portfolio Summary and Net Asset Value at December 31, 2010

(Thousands, except percentage and per share amounts)	Carrying Value ⁽¹⁾	Unrealized Gain (Loss) ⁽²⁾	Investment Cost ⁽³⁾	% of Portfolio	% of Net Asset Value
Major Holdings	\$ 10,000	\$ (5,918)	\$ 15,918	18%	16%
Oil & Gas					
- Canadian	5,966	3,113	2,854	10%	10%
- International	26,105	6,689	19,421	46%	42%
Mining	14,826	4,436	10,384	26%	24%
Total Portfolio	\$ 56,897	\$ 8,320	\$ 48,577	100%	91%
Working capital	6,980				11%
Other assets	316				1%
Future tax liability	(1,588)				-3%
	5,708				
Net asset value	\$ 62,605				100%
Net asset value, per share (diluted)	\$ 5.01				

- Notes: (1) Carrying Value is the quoted market value for liquid securities and the estimated fair value for illiquid securities. Fair value being the expected realization from the orderly disposition of the illiquid security over a reasonable time period.
- (2) Unrealized Gain (Loss) is the Carrying Value less Investment Cost.
- (3) Investment Cost represents the original cost of the security less any permanent impairment and cost recovery.
- (4) Columns and rows may not add due to rounding.

Early in 2009 Humboldt developed a view that certain segments of the market, such as the mining and international oil sectors, were over sold and investments in these areas would yield high returns. Humboldt commenced a phase of reinvesting a greater part of its cash reserves back into these sectors of the resource industry. This continued into 2010 and Humboldt increased its investment in the Mining sector investing \$5.8 million and realizing \$2.7 Million on the disposition of existing holdings, at loss of \$42,000. In the international oil and gas sector Humboldt realized a gain of \$3.2 Million on the disposition of \$6.1 Million of existing holdings, and Humboldt reinvested \$5.2 million in the sector. During the year Humboldt had a net increase of its total investments of \$3.0 million. Humboldt also paid out a dividend of \$3.0 million in April of 2009 and as a result its working capital was reduced to \$11.0 million at year end. The value of its holdings increased by \$22.5 Million over the year or 65% of its value at the beginning of the year, with the greatest increase a \$10.9 million increase in the year end value of its mining portfolio.



December 31

Asset Mix (Thousands)	2010	2009	2008	2007	2006
Equity investments, cost of shares	\$ 48,577	\$ 42,243	\$ 37,457	\$ 48,017	\$ 49,332
Unrealized gain (loss)	8,320	(7,837)	(27,736)	(1,088)	21,176
Investments, market value	56,897	34,406	9,721	46,929	70,508
Loans to associated companies	-	-	-	-	3,414
Cash and cash equivalents	6,497	10,376	21,867	9,458	780
Convertible debentures and loans	-	330	202	128	216
Other assets	316	293	287	260	247
Other working capital	483	639	(109)	10	(621)
Future tax asset (liability)	(1,588)	650	1,701	(388)	(4,015)
Shareholders' equity	\$ 62,605	\$ 46,694	\$ 33,669	\$ 56,397	\$ 70,529

Major Holdings

The Major Holdings consist of Humboldt's investment in four junior resource companies. During 2009 the market value of Humboldt's investments in these companies recovered from their low point in 2008, and increased by \$6.9 million to \$9.8 million including an additional investment of \$921,000. Over all these stocks showed little change in value during 2010.

Humboldt's investments in three of these companies has been evaluated at their market value, based on the bid prices of the securities held at the end of the year. The fourth company, Paris Energy Inc has been carried at no value because it is currently attempting to refinance its operations. If Paris is not successful in raising additional financing it may have no value. The actual value for these holdings, when realized, may vary significantly from the carrying value.

Diaz Resources Ltd.

Share Holdings	Value (Thousands)	Percentage of Humboldt's Value	Cost per Share	Value per Share
24,784,000	\$ 3,222	5.1%	\$ 0.27	\$ 0.13

The value of Humboldt's investment in Diaz Resources Ltd. declined to approximately 5.1% of Humboldt's net asset value. This decline in the share value of Diaz can be attributed to gas prices remaining very low and Diaz's higher debt leverage. Diaz is steadily increasing its oil production base and Humboldt is working with the company to help solve its balance sheet obstacles. Humboldt owned 27% of the outstanding shares of Diaz at December 31, 2010.

Sharon Energy Ltd.

Share Holdings	Value (Thousands)	Percentage of Humboldt's Value	Cost per Share	Value per Share
20,037,000	\$ 2,805	4.5%	\$ 0.23	\$ 0.14

The carrying value of Humboldt's investment in Sharon Energy Ltd. represents 4.5% of the Company's net asset value at December 31, 2010. Humboldt owned approximately 27.1% of the outstanding shares of Sharon.

During 2009 Sharon sold its US subsidiary in exchange for 2.3 million shares of Magnum Hunter Resources Corporation, a rapidly growing Texas based exploration and production company. The Magnum Hunter shares subsequently increased in value and Sharon disposed of the majority of its position at December 31, 2010 Sharon had working capital of \$8.3 million and Magnum Hunter shares having a market value of \$4.0 million Sharon is being managed by the Diaz management and plans to focus its exploration efforts on horizontal oil prospects in Alberta and Saskatchewan.

Tuscany Energy Ltd.

Share Holdings	Value (Thousands)	Percentage of Humboldt's Value	Cost per Share	Value per Share
23,368,000	\$ 3,973	6.3%	\$ 0.13	\$ 0.17

The value of Humboldt's holding in Tuscany increased to 6.3% of Humboldt's net asset value. Humboldt currently owns 37.2% of the outstanding shares of Tuscany.

On March 28, 2011 Tuscany and Sharon announce that they have entered into an agreement in principle in connection with a proposed business combination (the "Transaction") whereby Tuscany will acquire, subject to certain conditions, all of Sharon's issued and outstanding common shares on the basis of 0.84 common shares of Tuscany for each one (1) Sharon common share. Following completion of the Transaction, Tuscany will have approximately 125 million common shares outstanding, of which approximately 50% will be held by current shareholders of Tuscany and approximately 50% of which will be held by former shareholders of Sharon. The combined entity will have total proved plus probable reserves of approximately 1,345,000 barrels of oil equivalent ("BOE"), current estimated production of 250 BOE per day ("BOE/d"), approximately 17,000 net acres of undeveloped land, and marketable securities of \$4.0 million. The combined entity will also have working capital of approximately \$4.2 million and an unused bank line of \$4.6 million. Humboldt has indicated its intention to vote in favor of the business combination. Humboldt believes this will significantly benefit the shareholders of both companies.

Canadian Oil and Gas Sector

During the year Humboldt increased its investment in this sector by \$0.1 million and the carrying value of its portfolio increased by \$3.1 million to \$6.0 million as the Canadian energy sector continued its recovery. This sector represented 10% of Humboldt value at the end of the year.

International Oil Sector

Humboldt remained optimistic about the international oil sector throughout 2010 and this confidence was rewarded and the value of Humboldt's holdings increased to \$26.1 million by the end of 2010, and represents 42% of Humboldt's net asset value at December 31, 2010.

Mining Sector



During the year ending December 31, 2010, Humboldt increased its investments in the mining sector by \$3 million. The sector has increased in value over the year as commodity prices increased. During the year the value of the holdings in this sector increased by \$10.9 million to \$14.8 million, representing 24% of Humboldt's asset value.

Administration Costs

Administrative costs as a percent of assets (Thousands, except percentage amounts)	Year Ended December 31		
	2010	2009	2008
General and administrative	\$ 1,194	\$ 966	\$ 1,001
Stock based Compensation	\$ 180	\$ -	\$ 126
Total administration costs	\$ 1,374	\$ 966	\$ 1,127
Assets under management	\$ 64,356	\$ 46,720	\$ 33,825
Percentage (annualized)	2.1%	2.1%	3.3%

Total administrative costs, including the cost of stock based compensation, was \$1.4 million, or 2.1%, which was higher than the prior year because of the stock based compensation costs.

Stock Valuation and Market Price

(Thousands, except per share amounts)	December 31,		
	2010	2009	2008
Net asset value	\$ 62,605	\$ 46,694	\$ 33,669
NAV, per share (diluted)	\$ 5.01	\$ 3.77	\$ 2.75
Market price, per share	\$ 2.53	\$ 2.05	\$ 1.40

During the year ended December 31, 2010 Humboldt's net asset value per share increased by 31% from \$3.77 per share at December 31, 2009 to \$5.01 per share at the end of 2010. The market price of Humboldt's shares on December 31, 2010 was \$2.53, 23% higher than the closing share price at December 31, 2009.

Issuer Bid	Year Ended December 31,		
	2010	2009	2008
Shares repurchased	107,800	85,500	148,900
Average cost paid, per share	\$ 2.19	\$ 1.54	\$ 2.47

Humboldt's shares trade at a discount to their net asset value and as a result, the Company from time to time repurchases its shares for cancellation, through a Normal Course Issuer Bid. The Company has repurchased a total of 342,200 shares over the past three years, or 3% of the outstanding shares.

Income Tax



(Thousands, except percentage amounts)	Year Ended December 31,		
	2010	2009	2008
Income tax expense (recovery)			
Current	\$ 29	\$ (656)	\$ 289
Future	2,238	1,051	(2,089)
Total income tax expense (recovery)	\$ 2,267	\$ 395	\$ (1,800)
Earnings (loss), before tax	\$ 18,234	\$ 16,594	\$ (24,286)
	12%	2%	7%

Future income tax assets and liabilities primarily result from unrealized gains or losses from portfolio holdings. Since the majority of the Company's revenue comes from capital gains from long term investments, the Company's tax rate should be approximately 13% in the current tax regime. The Company's rate for 2010 was 12% on the Company's earnings for the year. This compares with a rate of 2% in 2009 which was affected by the reduction of the Valuation allowance during 2009. The valuation allowance was reversed during 2009 as a result of the companies use of tax loss carry backs and by a reduction in the valuation of unrealized tax losses.

Liquidity and Capital Resources

Liquidity	December 31,		
	2010	2009	2008
(Thousands)			
Working capital	\$ 6,980	\$ 11,013	\$ 21,758

Humboldt's portfolio is principally comprised of small capitalization companies listed primarily on Canadian, Australian and British stock exchanges. Approximately 18% of its net asset value is in significant equity positions in three related oil and gas corporations. The remainder of Humboldt's non cash net asset value is invested in equity holdings in numerous oil and gas and mining corporations, the majority of which are characterized by their small capitalizations and public floats and low trading values. As such, the majority of Humboldt's portfolio is generally not highly liquid.

At December 31, 2010, Humboldt had working capital of \$7.0 million. Humboldt's working capital is invested primarily in investment certificates and government treasury bills. Humboldt's requirements for overhead are minimal in relation to its asset value.

Humboldt has no long term debt and does not plan to use long term debt leverage as part of its capital resources.

Cash flow from sale of investments and interest are anticipated to exceed general and administrative expenses during the next year.

Dividend

In 2010 no dividends were paid. In 2009 Humboldt paid a Special Dividend of \$0.25 per share. The dividend is a "Qualified Dividend" for Canadian Income tax purposes. The Dividend resulted in a distribution of approximately \$3 million of the Company's cash which the Board determined in excess of the Company's plans for reinvestment. There are currently no plans for future dividends however this will be reviewed from time to time as the Board deems necessary.



Critical Accounting Estimates

In the preparation of the financial statements and management's discussion and analysis, the Company utilized a number of different accounting estimates that are critical to the results.

Portfolio Value

The most significant estimates for Humboldt are the evaluation of the Company's portfolio of investments, loans and other assets.

Shareholdings having a quoted market price are recorded at the value of the last bid for the shares. Humboldt makes some investments that do not have a quoted market price; these are recorded at Management's estimated fair value. Humboldt's assessment of value is based on the information available to Management including the price of recent share issues by the companies or private market transaction. In most cases Humboldt's cost of the investment has been used as the most reasonable evidence of fair value. Loans and other receivables are recorded at their face value unless, in the opinion of Management, the value has been impaired. At December 31, 2010, investments carried at cost represent 1.3 % of the total investment value of the Humboldt portfolio. Humboldt also holds warrants to purchase shares of resource companies. Humboldt has valued these warrants at the amount at which the market price for the securities exceeds the stock price for the warrants.

Estimates of liquidity, fair value and the recoverability of loans are made using the information that is available to management at the time of the decision. Changing economic conditions may have a material effect on these estimates. Changes in the estimates will affect the Company's net asset value, unrealized gain on investments and earnings for the year.

Income Tax Accounting

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded by management.

Financial Reporting Update

Canadian GAAP for public companies will transition to International Financial Reporting Standards ("IFRS") over the next year by incorporating the complete IFRS into Canadian GAAP. The transition for most companies is to be completed by January 1, 2011. **The AcSB has decided to propose that entities currently applying Accounting Guideline AcG-18, Investment Companies, can continue to apply existing Canadian standards until fiscal years beginning on or after January 1, 2012, although earlier application would be permitted.**

Humboldt has developed a changeover plan to IFRS to meet the timetable published by the CICA. However the plan has been delayed until standards with respect to investment companies being **exempted from the requirement to consolidate investments in entities which are controlled by them.**

The key elements of the plan include:

- Identification of key differences between IFRS and GAAP;
- Determination of appropriate changes to accounting policies, if any, and required amendments to financial statement disclosures;
- Identification and implementation of changes in associated processes and information systems;



- Determination of any changes required to internal control processes;
- Communication of any collateral impacts on business processes outside of accounting and financial reporting; and
- Education and training of internal and external stakeholders.

An assessment has not been finalized, because the IFRS for investment companies has not been finalized and therefore the Company is not able to assess the impact on net asset value from the changeover to IFRS. Except for the issues regarding the consolidation of controlled companies, the impact of IFRS on accounting policies and implementation decisions will mainly be in the areas of additional note disclosures in the financial statements of the Company.

Risks

Humboldt's external business risks arise from the economic environment in which the Company makes investment decisions.

Humboldt is engaged in making investments in a range of very small to large companies, which are in turn engaged in the exploration, development, production and acquisition of crude oil and natural gas or minerals, or companies which provide services to such companies.

Humboldt's business is inherently risky in that there is no assurance that the Company will be able to sell its investments in any of these companies in the future.

Humboldt records its investments on its balance sheet on the basis of the Company's estimate of their fair value, as of the balance sheet date. Humboldt reports unrealized gains or losses on shares based on the Company's estimate of the value of the shares held at the end of the year. The estimates in part are based on a quoted market price. The companies in which Humboldt holds shares have varying degrees of liquidity and there is no assurance that the investments can be sold at the quoted market price.

Markets on which the shares held by the Company trade may experience significant fluctuations on the valuation date and therefore the market value of the holdings may change significantly after the valuation date.

The Company held a small weighting in private companies, 1.3 % of its net asset value at year end, which are typically more illiquid than publicly listed securities. The holding of privately held entities presents additional market price risk as there is no actively traded market that enables these investments to be valued on a daily basis, as exists for publicly traded entities.

Humboldt loans monies to companies in which it has large equity investments. There can be no assurance that such loans will be repaid in accordance with their terms, and actions by Humboldt to enforce repayment of such loans may have an adverse effect on the value of Humboldt's equity position in these companies.

Humboldt attempts to limit some of the adverse effects of these investment risks by maintaining sufficient financial liquidity in order to retain the ability to assist its portfolio companies in working through financing difficulties and to provide short-term capital in order to take advantage of growth opportunities.

An economic downturn may have a significant impact on the value and liquidity of Humboldt's investments. Resulting tight credit markets and reduced access to equity markets increase the risk that some of the companies in which Humboldt invests will not remain solvent.



Quarterly Information

The following table summarizes selected financial results of Humboldt for each of the eight quarters ended December 31, 2010. The information has been summarized from the unaudited financial statements, which were prepared in accordance with Canadian generally accepted accounting principles.

Selected Quarterly Information (Unaudited)
(Thousands, except per share amounts)

	For the Three Months Ended							
	2010				2009			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Total revenue	\$ 15,624	\$ 5,638	\$ (2,602)	\$ 1,098	\$ 8,730	\$ 2,999	\$ 3,884	\$ 2,033
General and administrative	\$ 229	\$ 452	\$ 222	\$ 291	\$ 246	\$ 200	\$ 194	\$ 326
Earnings (loss)	\$ 13,318	\$ 4,376	\$ (2,369)	\$ 642	\$ 8,036	\$ 2,920	\$ 3,540	\$ 1,703
per share, basic	\$ 1.11	\$ 0.36	\$ (0.20)	\$ 0.05	\$ 0.66	\$ 0.24	\$ 0.29	\$ 0.14
per share, diluted	\$ 1.11	\$ 0.36	\$ (0.20)	\$ 0.05	\$ 0.66	\$ 0.24	\$ 0.29	\$ 0.14

	As at the Period Ended							
	2010				2009			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Cash and cash equivalents	\$ 6,497	\$ 8,261	\$ 9,221	\$ 9,408	\$ 10,376	\$ 14,699	\$ 16,140	\$ 21,476
Share Capital	\$ 2,015	\$ 2,017	\$ 2,029	\$ 2,033	\$ 2,033	\$ 2,033	\$ 2,035	\$ 2,042
Retained earnings	\$ 59,964	\$ 45,783	\$ 42,416	\$ 44,677	\$ 43,996	\$ 35,967	\$ 33,051	\$ 32,605
Net asset value	\$ 62,605	\$ 49,297	\$ 44,924	\$ 47,336	\$ 46,694	\$ 38,664	\$ 35,757	\$ 35,328
per share, basic	\$ 5.21	\$ 4.10	\$ 3.71	\$ 3.91	\$ 3.85	\$ 3.19	\$ 2.95	\$ 2.90
per share, diluted	\$ 5.01	\$ 3.99	\$ 3.68	\$ 3.86	\$ 3.77	\$ 3.16	\$ 2.86	\$ 2.82

The decline in commodity prices and most equity markets resulted in the value of Humboldt's portfolio to decline throughout 2008. This began to reverse itself in 2009 and share values increased through the end of 2010.

Related Party Transactions

Humboldt, and certain officers, holds significant interests in some of the companies in its investment portfolio and certain officers and directors of Humboldt are also officers and directors of some of the companies, and as such, they are considered related parties to Humboldt. Humboldt's business includes the acquisition and sale of the securities of such related parties through the market and directly from the companies through public and private offerings. All such offerings are at market values and approved by the appropriate regulatory bodies.

In addition, from time to time Humboldt provides financing to companies in which it holds significant share positions. The financing is provided on an interest bearing debt basis at negotiated interest rates between Humboldt and the recipients. There were no amounts outstanding at the end of the year.

Diaz Resources Ltd.

At December 31, 2010, Humboldt owned 27% (2009 – 32%) of the outstanding shares of Diaz. All of Humboldt's officers and the majority of its directors are also officers and/or directors of Diaz.



During 2010, Humboldt, Diaz, Sharon, and Paris entered into an overhead sharing agreement pursuant to which the companies shared certain costs in managing and administering the companies on the basis of time spent on each of the companies. Pursuant to this agreement Humboldt paid Diaz \$352,000 (2009 - \$302,000) as its share of overhead costs. The transaction was recorded at the exchange value. The charge is estimated based on, among other things, the time spent by Diaz employees on Humboldt's business.

On October 16, 2009 Humboldt acquired an additional 5,000,000 common shares of Diaz from a private placement offering completed by Diaz. The Common Shares acquired by Humboldt represent approximately 7.8% of the outstanding Common Shares of Diaz, after giving effect to the Common Shares issued pursuant to the private placement. To facilitate a transaction in which Diaz raised \$939,900 by way of a non-brokered private placement of 9,399,000 common shares, Humboldt sold 3,131,000 common shares at \$0.10 per share pursuant to a "gypsy swap" through the facilities of the Toronto Stock Exchange, and then bought the same number of common shares under the private placement.

Tuscany Energy Ltd.

At December 31, 2010, Humboldt owned 37% (2009 - 39%) of the outstanding common shares of Tuscany Energy Ltd. Certain of Humboldt's officers and directors are also officers and directors of Tuscany.

During 2010 Humboldt acquired an additional 1,833,334 common shares, at \$0.15 per share, of Tuscany as part of a private placement of 8,000,000 common shares.

During 2009 Humboldt acquired an additional 6,000,000 common shares of Tuscany as part of a rights offering of shares at \$0.06 per share and a further 3,653,400 pursuant to a merger between Tuscany and Goldmark Minerals Ltd.

Sharon Energy Ltd.

At December 31, 2008, Humboldt owned 24% (2007-24%) of the outstanding shares of Sharon. Certain of Humboldt's officers and directors are also officers and directors of Sharon.

Paris Energy Inc.

At December 31, 2009, Humboldt owned 18% (2009 - 18%) of the outstanding common shares of Paris Energy Inc. Certain of Humboldt officers and directors are also officers and directors of Paris. During 2009 Humboldt purchased a 10% convertible debenture from Paris with a face value of \$330,000, convertible into common shares at \$0.06 per share for two years. During 2010 Humboldt earned \$33,000 (2009 - \$7,685) of interest from Paris in relation to the debenture.

Capital Stock

As of April 21, 2011, Humboldt had 11,989,595 common shares outstanding and employees and directors had options to purchase an additional 1,030,000 common shares from the Company.

Outlook

The stock market capitulation in Q1 09, clearly indicated the panic bottom for this market cycle and with the steady increase in world wide indices since, bodes well for a sustained, but choppy, upward move. Since the commencement of the economic recovery, many of Humboldt's holdings have shown significant gains. This has



resulted from higher commodity prices, companies focusing on their best projects, increased access to capital for substantial exploration targets and to general sector rotation back into high impact energy exploration.

Humboldt's investment outlook for the remainder 2011 is now very optimistic and the Company plans to continue to look for growth companies in sectors of interest to Humboldt.

Humboldt is in an enviable position, with a substantial cash balance originally built up during 2007 and early 2008, to allow it to weather any significant economic and stock market set back. From this position of strength Humboldt plans to continue to upgrade the quality of its holdings while reducing its portfolio diversity over the next year.



Management's Report

The accompanying financial statements of Humboldt Capital Corporation have been prepared by management in accordance with generally accepted and consistently applied accounting principles. The Company's accounting procedures and related systems of internal controls are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable. In recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been prepared accordingly and within reasonable limits of materiality. Furthermore, management is satisfied that the financial information throughout the balance of this annual report is consistent with the information presented in the financial statements.

PricewaterhouseCoopers LLP have been appointed by the shareholders of Humboldt Capital Corporation and serve as the Company's independent auditors. They have examined the financial statements of the Company for the years ended December 31, 2010 and 2009. The Audit Committee has reviewed these statements with management and the auditors, and has reported to the Board of Directors. The Board has approved the financial statements of Humboldt Capital Corporation, which are contained in this annual report.

Robert W. Lamond
President and Chairman of the Board
April 21, 2011

Charles A. Teare
Executive Vice President and CFO



Independent Auditor's Report

To the Shareholders of Humboldt Capital Corporation

We have audited the accompanying financial statements of Humboldt Capital Corporation, which comprise the balance sheets as at December 31, 2010 and December 31, 2009 and the statements of operations, comprehensive income and retained earnings and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Humboldt Capital Corporation as at December 31, 2010 and December 31, 2009 and the results of their operations and their cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants

Calgary, Alberta
April 21, 2011



Balance Sheet

(Thousands, except per share amounts)

As at December 31,	2010	2009
Assets		
Cash and cash equivalents	\$ 6,497	\$ 10,376
Accounts receivable	141	21
Current portion of loans receivable (Note 5)	330	-
Income tax recoverable	175	642
	7,143	11,039
Loans receivable (Note 5)	-	330
Investments (Note 2)	56,897	34,408
Future income tax asset (Note 4)	-	650
Other assets	316	293
	57,213	35,681
Total Assets	\$ 64,356	\$ 46,720
Liabilities		
Accounts payable and accrued liabilities	\$ 163	\$ 26
	163	26
Future income tax liability (Note 4)	1,588	-
	1,751	26
Shareholders' Equity		
Share capital (Note 3)	2,015	2,033
Contributed surplus	626	664
Retained earnings	59,964	43,997
Total Shareholders' Equity	62,605	46,694
Total Liabilities and Shareholders' Equity	\$ 64,356	\$ 46,720
Net asset value per share, basic (Note 8)	\$ 5.21	\$ 3.85
Net asset value per share, diluted (Note 8)	\$ 5.01	\$ 3.77

See accompanying Notes to financial statements

Approved by the Board:

(Signed) "R.W. Lamond" Director

(Signed) "C.A. Teare" Director



**Statement of Operations,
Comprehensive Income and Retained Earnings**

(Thousands, except per share amounts)

Year ended December 31,	2010	2009
Revenue		
Net gain (loss) on sale of investments	\$ 3,485	\$ (2,364)
Unrealized increase in investment value	16,195	19,917
Interest, dividends and other	78	93
	19,758	17,646
Expenses		
General and administrative	1,194	966
Brokerage commissions	150	86
Stock based compensation	180	-
	1,524	1,052
Earnings before income taxes	18,234	16,594
Income taxes (recovery) (Note 4)		
Current	29	(656)
Future tax	2,238	1,051
	2,267	395
Net earnings and comprehensive income for the year	15,967	16,199
Dividend	-	(3,042)
Retained earnings, beginning of year	43,997	30,840
Retained earnings, end of year	\$ 59,964	\$ 43,997
Net earnings per share, basic (Note 3)	\$ 1.32	\$ 1.33
Net earnings per share, diluted (Note 3)	\$ 1.32	\$ 1.33

See accompanying Notes to financial statements



Statement of Cash Flows

(Thousands)

Year ended December 31,	2010	2009
Cash and cash equivalents provided by (used for):		
Operating Activities		
Net income for the year	\$ 15,967	\$ 16,199
Adjusted for:		
Stock based compensation	180	-
Future income tax	2,238	1,051
Unrealized increase in investments value	(16,195)	(19,917)
Net (gain) loss on sale of investments	(3,485)	2,364
Proceeds from sale of investments	10,440	4,519
Purchase of investments	(13,249)	(11,592)
Other loans and debentures	-	(190)
Other assets	(23)	(6)
Cash flow from operations	(4,127)	(7,572)
Change in non cash working capital	484	(745)
	(3,643)	(8,317)
Financing Activities		
Dividends	-	(3,042)
Purchase of shares for cancellation	(236)	(132)
	(236)	(3,174)
Increase in cash and cash equivalents	(3,879)	(11,491)
Cash and cash equivalents, beginning of year	10,376	21,867
Cash and cash equivalents, end of year	\$ 6,497	\$ 10,376
Supplementary information regarding cash payments:		
Interest received during the year	\$ 72	\$ 93
Taxes paid (refunded) during the year	\$ (439)	\$ 61
Non-cash items:		
Interest on loans to associated companies	\$ 33	\$ -

See accompanying Notes to financial statements



Notes to the Financial Statements For the Years Ended December 31, 2010 and 2009

Humboldt Capital Corporation (“Humboldt” or the “Company”) is a corporation subject to the Business Corporations Act (Alberta) and its shares are listed on the TSX Venture Exchange. The Company’s principal business activity consists of investing in resource companies.

1. Summary of Significant Accounting Policies

The financial statements include the accounts of the Company.

Investment Company Guidelines

The Company’s accounting policies are in accordance with CICA standards as outlined under accountant guideline AcG-18 .

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally acceptable accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. The Black-Scholes option pricing model is used to estimate stock option values based on estimates of the current risk free interest rate, expected life of the options and expected volatility of the underlying common share price. Actual results could differ from those estimates. In particular, the valuation of private companies when actual values are not available requires significant use of estimates. The determination of the Company’s income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded by management. Management has made the necessary estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses in the preparation of the financial statements. Accordingly, actual results may differ from estimated amounts but management does not believe such differences will materially affect Humboldt’s financial position or results of operations.

Financial Instruments

All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent years depends on whether the financial instrument has been classified as “held-for-trading,” “available-for-sale,” “held-to-maturity,” “loans and receivables” or “other financial liabilities” as defined by the standard.

Cash and cash equivalents are classified as held for trading and are carried at fair value. Due to its short-term nature, fair value approximates book value. Accounts receivable are classified as loans and receivable and carried at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities and carried at amortized cost.

Investments

The Company’s accounting policies are in accordance with CICA standards as outlined under accountant guideline AcG-18. Investments are classified as held for trading and are recorded at fair value. Fair value of securities having quoted market values and a sufficiently liquid market are valued at the closing bid value on the balance sheet date.



Investments that do not have a quoted market value are recorded at an estimate of fair value using available sources of information and commonly used valuating technologies, using primarily observable updates, as approved by the Board of Directors. Fair value is defined as the expected realization if investments were disposed of in an orderly manner over a reasonable period of time. The investment valuation procedure includes a quarterly review by the Board of Directors on the status of each investment. This process has inherent uncertainties and the values may differ from values that would be obtained if an available market existed for such investments.

Gains or losses on disposition of investments and unrealized gains or losses in the value of investments are recorded on the statement of operations.

The investing policy of the Company is to dispose of the investments in due course and in an orderly manner. Events occurring during the holding of an investment may result in the Company having the right to elect a majority of the Board of Directors. However, because such control may be waived and is not expected to continue, a parent-subsidiary relationship does not exist. Accordingly, the accounts of such companies in which the Company holds greater than 20% of the voting rights are not equity accounted with those of the Company.

Loans

Loans and convertible debt receivable are carried at the value of the debt increased to the fair value of the underlying right to convert to the securities into which the debt is convertible, unless the value of the loan has been impaired. The value is considered impaired when the recovery of the principal and interest is not reasonably assured. When the value is impaired, the carrying value is reduced to the fair value and a charge is made to earnings.

Revenue recognition

Investment transactions are recorded on the trade date. Realized and unrealized gains and losses from investment transactions are calculated on an average cost of the investment basis.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. These costs are expensed and are included in the statements of operations.

Dividend income is recorded on the ex-dividend date. Interest income is recognized as earned.

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with a maturity of three months or less at the time of acquisition.

Foreign Currency Translation

Foreign currency balances are expressed in Canadian dollars on the following basis:

Monetary assets and liabilities – at the year end rate of exchange;

Other assets and liabilities – at historical rates of exchange; and

Revenues and expenses – at rate of exchange at the time of the transaction.



Earnings per share

The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, only “in-the-money” dilutive instruments impact the dilution calculation.

Basic earnings per share are calculated by dividing the weighted average number of the aggregate outstanding shares during the period into net earnings attributable to the shareholders. Diluted earnings per share are calculated by dividing the diluted weighted average number of aggregate outstanding shares during the period into the net earnings for the period.

Shares repurchases for cancellation

The Company repurchases previously issued shares and cancels the shares. Share capital is reduced by the paid up capital of the shares purchased and the excess of the cost of the shares repurchased over the paid up capital is applied to reduce Contributed surplus, if any, with any excess being applied to retained earnings. The Company has reclassified certain amounts, from prior periods between contributed surplus and retained earnings to comply with this policy.

Share based compensation plan

The Company has a stock based compensation plan, which is described in Note 3. The Company has adopted the fair value method for accounting for stock based compensation whereby the fair value of the option granted is estimated on the date of the grant using the Black-Scholes option pricing model. Using the fair value method, compensation costs of stock based compensation are estimated and charged to earnings over the vesting period of the options.

2. Investments

Investments are comprised of the following:

Portfolio Summary and Net Asset Value at December 31, 2010

<i>(Thousands, except percentage)</i>	No. of Shares	Carrying Value ⁽¹⁾	Unrealized Gain (Loss) ⁽²⁾	Investment Cost ⁽³⁾	% of Portfolio	% of Net Asset Value
Major Holdings						
Tuscany Energy Ltd	23,368	3,973	993	2,980	7.0%	6.3%
Sharon Energy Ltd.	20,037	2,805	(1,903)	4,708	4.9%	4.5%
Diaz Resources Ltd	24,784	3,222	(3,387)	6,609	5.7%	5.1%
Paris Energy Inc	1,714	0	(1,621)	1,621	0.0%	0.0%
Total Major Holdings		10,000	(5,918)	15,918	17.6%	16.0%



Portfolio Summary and Net Asset Value at December 31, 2010

<i>(Thousands, except percentage)</i>	No. of Shares	Carrying Value ⁽¹⁾	Unrealized Gain (Loss) ⁽²⁾	Investment Cost ⁽³⁾	% of Portfolio	% of Net Asset Value
Canadian Oil & Gas						
Nuloch Resources Inc	685	1,410	1,031	379	2.5%	2.3%
Trafina Energy Ltd	2,250	900	123	777	1.6%	1.4%
Sure Energy Inc	510	878	530	348	1.5%	1.4%
Exall Energy Corp	288	662	475	187	1.2%	1.1%
Rock Energy Inc	77	374	237	137	0.7%	0.6%
Torquay Oil Corp A	200	368	205	164	0.6%	0.6%
Border Petroleum Corp	1,519	258	69	190	0.5%	0.4%
Exall Warrant	154	231	231	0	0.4%	0.4%
Forent Energy	700	172	67	105	0.3%	0.3%
Shoal Point Energy	500	140	30	110	0.2%	0.2%
Petro Uno Resources Ltd	200	128	48	80	0.2%	0.2%
Torquay Oil Corp B	18	113	(68)	180	0.2%	0.2%
PetroGlobe Inc	500	80	25	55	0.1%	0.1%
Sahara Energy Ltd	600	69	39	30	0.1%	0.1%
Alberta Oilsands Inc	100	51	18	33	0.1%	0.1%
Other Canadian Oils		132	53	79	0.2%	0.2%
Total Canadian Oil & Gas		5,966	3,113	2,854	10.5%	9.5%
International Oil & Gas						
Mart Resources Ltd	5,377	3,656	2,818	838	6.4%	5.8%
Sterling Resources Ltd	479	1,653	983	670	2.9%	2.6%
Centric Energy	2,800	1,652	1,284	368	2.9%	2.6%
Canacol Energy	880	1,373	1,250	123	2.4%	2.2%
Ithaca Resources	470	1,264	956	308	2.2%	2.0%
Molopo Australia Ltd	914	968	(87)	1,054	1.7%	1.5%
Sea Dragon	2,531	848	166	681	1.5%	1.4%
Bengal Energy	584	795	(173)	968	1.4%	1.3%
Canadian Overseas Petroleum Ltd	885	646	204	443	1.1%	1.0%
Exile Resources Ltd	2,884	634	59	575	1.1%	1.0%
EnCore Oil	300	617	473	144	1.1%	1.0%
Valeura Energy Inc	1,660	614	(91)	705	1.1%	1.0%
Petsec Energy	3,675	599	(312)	911	1.1%	1.0%
Suroco Energy	900	594	254	340	1.0%	0.9%
Sagres Energy	925	574	369	205	1.0%	0.9%
Groundstar Resources	1,274	561	76	485	1.0%	0.9%
Madalena Ventures Inc	690	545	419	127	1.0%	0.9%
Canacol Warrant	400	544	544	0	1.0%	0.9%
Serica Resources PLC	870	513	(903)	1,416	0.9%	0.8%
Dominion Petroleum	4,750	420	(133)	553	0.7%	0.7%
Tap Oil	500	417	164	253	0.7%	0.7%
Global Petroleum	2,596	396	(15)	411	0.7%	0.6%
Brownstone ventures Inc	399	395	188	207	0.7%	0.6%
Antrim Energy	300	351	76	275	0.6%	0.6%
Roc Oil	800	330	(40)	370	0.6%	0.5%
Australian Oil Company	2,300	328	157	171	0.6%	0.5%
Loon Energy Corp	1,521	304	151	154	0.5%	0.5%
Cirrus Energy	339	292	(170)	462	0.5%	0.5%
Neon Energy Inc	2,000	265	49	216	0.5%	0.4%
Longford Energy	700	259	(21)	280	0.5%	0.4%
ADX Mining	2,750	255	(10)	265	0.4%	0.4%



Portfolio Summary and Net Asset Value at December 31, 2010

<i>(Thousands, except percentage)</i>	No. of Shares	Carrying Value ⁽¹⁾	Unrealized Gain (Loss) ⁽²⁾	Investment Cost ⁽³⁾	% of Portfolio	% of Net Asset Value
International Oil & Gas- continued						
Dualex Energy	2,041	224	(199)	423	0.4%	0.4%
Iona Energy Company	1,000	220	0	220	0.4%	0.4%
Range Metals	1,500	210	(91)	301	0.4%	0.3%
Cue Energy	633	206	46	161	0.4%	0.3%
Madison Petrogas Ltd	400	200	0	200	0.4%	0.3%
Lion Energy Corp	815	187	59	129	0.3%	0.3%
Redhill Resources Corp	1,417	184	(5)	189	0.3%	0.3%
Bridge Resources	1,276	166	(672)	838	0.3%	0.3%
Europa Oil & Gas	600	165	(117)	283	0.3%	0.3%
Shelton Petroleum	1,936	160	79	81	0.3%	0.3%
Primeline Energy Holdings Inc	502	158	(24)	182	0.3%	0.3%
Vanoil Energy	221	137	27	111	0.2%	0.2%
Suroco Warrant	400	124	124	0	0.2%	0.2%
Vast Exploration	250	124	24	100	0.2%	0.2%
Tower Resources	1,550	121	31	90	0.2%	0.2%
Vangold Resources	514	116	4	112	0.2%	0.2%
Lynden Energy	200	112	12	100	0.2%	0.2%
Bolivar Energy Corp	577	104	(228)	331	0.2%	0.2%
Other International Oils		525	(1,066)	1,592	0.9%	0.8%
Total International Oil & Gas		26,105	6,689	19,421	45.9%	41.7%
Mining						
Shear Diamonds Ltd	1,178	836	609	227	1.5%	1.3%
International PBX Ventures Ltd	1,167	584	66	517	1.0%	0.9%
Geologix Explorations	750	540	355	185	0.9%	0.9%
Amerigo Resources	379	504	220	284	0.9%	0.8%
Alcoa Inc	30	459	61	398	0.8%	0.7%
Candente Copper Corp	210	382	308	74	0.7%	0.6%
Golden Reign Resources Ltd	734	352	190	162	0.6%	0.6%
Boxxer Gold	1,520	342	187	155	0.6%	0.5%
Alexander Nubia International Inc	920	322	155	167	0.6%	0.5%
Frontline Gold Corp	1,705	290	34	256	0.5%	0.5%
Commander Resources Ltd	1,398	280	(29)	308	0.5%	0.4%
Candente Copper Warrant	209	276	276	0	0.5%	0.4%
AQM Copper	280	260	97	163	0.5%	0.4%
Arian Silver Warrant	350	249	249	0	0.4%	0.4%
Vena Resources Inc	493	247	148	98	0.4%	0.4%
Full Metal Minerals	740	244	111	133	0.4%	0.4%
Western Potash Corp	200	232	154	78	0.4%	0.4%
Carpathian Gold	343	226	74	153	0.4%	0.4%
Belo Sun Mining Corp	255	224	163	62	0.4%	0.4%
Strongbow Exploration Inc	519	223	111	112	0.4%	0.4%
Centurion Minerals	150	216	56	160	0.4%	0.3%
Kilo Goldmines	675	216	31	185	0.4%	0.3%
Harry Winston Diamond Corp	18	208	1	207	0.4%	0.3%
Firestone Ventures	1,930	203	(1)	203	0.4%	0.3%
EMC Metals	527	198	97	100	0.3%	0.3%
Orosur Mining Inc	151	197	64	133	0.3%	0.3%
Ucore Rare Metals Inc	293	196	50	146	0.3%	0.3%



**Portfolio Summary and Net Asset Value
at December 31, 2010**

<i>(Thousands, except percentage)</i>	No. of Shares	Carrying Value ⁽¹⁾	Unrealized Gain (Loss) ⁽²⁾	Investment Cost ⁽³⁾	% of Portfolio	% of Net Asset Value
Mining- continued						
Midlands Minerals	790	190	(22)	212	0.3%	0.3%
Northern Tiger	475	183	62	121	0.3%	0.3%
Peregrine Metals Inc	200	176	62	114	0.3%	0.3%
Arch Coal Inc	5	174	64	111	0.3%	0.3%
Sandstorm Metals and Energy Ltd	150	173	105	68	0.3%	0.3%
Abacus Mining & Exploration	619	167	(48)	215	0.3%	0.3%
Indicator Minerals Inc	893	165	(101)	266	0.3%	0.3%
Scorpio Mining Corp	166	164	(27)	191	0.3%	0.3%
Valley High Ventures Ltd	80	164	128	36	0.3%	0.3%
Candente Gold	180	164	86	78	0.3%	0.3%
Magindustries Corp	680	160	(60)	219	0.3%	0.3%
North Country Gold	115	156	127	29	0.3%	0.2%
Silver Spruce Resources	716	143	(59)	202	0.3%	0.2%
Belvedere Resources	505	141	47	95	0.2%	0.2%
Takara Resources	428	139	79	60	0.2%	0.2%
PhosCan Chemical Corp	273	132	14	118	0.2%	0.2%
Panoro Minerals Ltd	330	124	42	82	0.2%	0.2%
Arian Silver	150	122	114	7	0.2%	0.2%
Constantine Metal Resources	485	121	38	83	0.2%	0.2%
Wolf Minerals	490	117	5	112	0.2%	0.2%
Sultan Minerals	1,370	116	(10)	126	0.2%	0.2%
Pacific Rim	610	116	(34)	150	0.2%	0.2%
Taku Gold Corp	250	105	57	48	0.2%	0.2%
Western Potash Warrant	250	103	103	0	0.2%	0.2%
Woulfe Mining Corp	360	101	15	86	0.2%	0.2%
Roca Mines Inc	350	98	7	91	0.2%	0.2%
ICN Resources Ltd	150	89	44	45	0.2%	0.1%
Geodex Minerals	450	86	36	50	0.2%	0.1%
First Point Minerals	100	84	34	50	0.1%	0.1%
Midway Gold Corp	100	78	18	60	0.1%	0.1%
Vena Resources Warrant	375	75	75	0	0.1%	0.1%
Providence Capital Corp	40	74	44	30	0.1%	0.1%
Metals Creek Resources Corp	214	74	44	30	0.1%	0.1%
Glass Earth Gold Ltd	250	73	23	50	0.1%	0.1%
Valley High Warrant	50	70	70	0	0.1%	0.1%
Wildcat Exploration Ltd	600	66	21	45	0.1%	0.1%
Channel Resources Ltd	200	64	(14)	78	0.1%	0.1%
Viper Gold Ltd	200	60	10	50	0.1%	0.1%
Energy Fuels	65	57	(43)	100	0.1%	0.1%
Cartier Resources Inc	150	57	0	57	0.1%	0.1%



**Portfolio Summary and Net Asset Value
at December 31, 2010**

<i>(Thousands, except percentage)</i>	No. of Shares	Carrying Value ⁽¹⁾	Unrealized	Investment Cost ⁽³⁾	% of Portfolio	% of Net Asset Value
			Gain (Loss) ⁽²⁾			
Mining- continued						
Arcus Development Group Inc	250	56	6	50	0.1%	0.1%
Malaga Inc	205	55	25	31	0.1%	0.1%
Takara Warrant	428	53	53	0	0.1%	0.1%
Mediterranean Resources Ltd	625	53	3	50	0.1%	0.1%
Southern Legacy Minerals	200	52	0	52	0.1%	0.1%
Armistice Resources Corp	115	54	2	52	0.1%	0.1%
Rae-Wallace Mining Co	200	50	0	50	0.1%	0.1%
Rupestris Mines Inc	200	50	0	50	0.1%	0.1%
Other Mining Companies		1,176	(646)	1,818	2.1%	1.9%
Total Mining		14,826	4,436	10,384	26.1%	23.7%
Total Portfolio		56,897	8,320	48,577	100%	91%

- Notes: (1) Carrying Value is the quoted market value for liquid securities and the estimated fair value for illiquid securities. Fair value being the expected realization from the orderly disposition of the illiquid security over a reasonable time period.
- (2) Unrealized Gain (Loss) is the Carrying Value less Investment Cost.
- (3) Investment Cost represents the original cost of the security less any permanent impairment and cost recovery.
- (4) Columns and rows may not add due to rounding.



Portfolio Summary and Net Asset Value at December 31, 2009

(Thousands, except percentage)	No. of Shares	Carrying Value ⁽¹⁾	Unrealized Gain (Loss) ⁽²⁾	Investment Cost ⁽³⁾	% of Portfolio	% of Net Asset Value
Major Holdings						
Diaz Resources Ltd	24,259	5,822	(713)	6,535	16.9%	12.5%
Tuscany Energy Ltd	21,394	2,460	(225)	2,686	7.1%	5.3%
Sharon Energy Ltd.	18,136	1,360	(3,136)	4,496	4.0%	2.9%
Paris Energy Inc	1,714	120	(1,501)	1,621	0.3%	0.3%
Total Major Holdings		9,762	(5,575)	15,338	28.3%	21.0%
Canadian Oil & Gas						
Trafina Energy Ltd	2,000	840	163	677	2.4%	1.8%
Nuloch Resources	630	535	275	260	1.6%	1.1%
Sure Energy Inc	650	397	(47)	444	1.2%	0.9%
Rock Energy Inc	100	324	147	177	0.9%	0.7%
Forent Energy	700	175	70	105	0.5%	0.4%
Stratic Energy Corp	1,000	165	(35)	200	0.5%	0.4%
Canext Energy Ltd	300	138	(167)	305	0.4%	0.3%
Petro Uno Resources Ltd	200	120	40	80	0.3%	0.3%
Terra Energy	60	93	6	87	0.3%	0.2%
Forent Warrants	350	28	28	0	0.1%	0.1%
Stetson Oil & Gas	208	11	(27)	38	0.0%	0.0%
Total Canadian Oil & Gas		2,826	453	2,373	8.2%	6.2%
International Oil & Gas						
Canacol Energy	1,684	1,095	859	235	3.2%	2.3%
Sterling Resources Ltd	515	1,014	294	720	2.9%	2.2%
Bengal Energy	584	923	(45)	968	2.7%	2.0%
Serica Resources PLC	946	908	(632)	1,540	2.6%	1.9%
Sea Dragon	1,676	871	532	339	2.5%	1.9%
Cirrus Energy	339	865	404	462	2.5%	1.9%
Ithaca Resources	572	840	541	299	2.4%	1.8%
Molopo Australia Ltd	642	809	26	783	2.4%	1.7%
Petsec Energy	3,675	794	(117)	911	2.3%	1.7%
Tower Resources	10,492	709	97	612	2.1%	1.5%
Groundstar Resources	1,174	657	213	444	1.9%	1.4%
Mart Resources Ltd	5,877	646	(269)	916	1.9%	1.4%
Tap Oil	500	541	287	253	1.6%	1.2%
Roc Oil	800	504	134	370	1.5%	1.1%
Global Petroleum	2,596	488	77	411	1.4%	1.0%
Range Metals	1,500	450	149	301	1.3%	1.0%
Pan Orient	53	404	178	226	1.2%	0.9%
Magnum Hunter	260	420	6	414	1.2%	0.9%
Dominion Petroleum	2,750	337	(58)	395	1.0%	0.7%
Primeline Energy Holdings Inc	530	318	125	193	0.9%	0.7%
EnCore Oil	1,235	309	(284)	593	0.9%	0.7%
Audax Resources	3,200	301	(28)	328	0.9%	0.6%
Longford Energy	700	252	(28)	280	0.7%	0.5%
Aminex	1,500	231	(12)	243	0.7%	0.5%
Sagres Energy	625	219	119	100	0.6%	0.5%
Bridge Resources	728	197	(540)	736	0.6%	0.4%
Australian Oil Company	2,000	188	47	141	0.5%	0.4%
Vast Exploration	250	180	80	100	0.5%	0.4%
Canacol warrants	400	180	180	0	0.5%	0.4%
Dualex Energy	516	170	(102)	273	0.5%	0.4%



**Portfolio Summary and Net Asset Value
at December 31, 2009**

<i>(Thousands, except percentage)</i>	No. of Shares	Carrying Value ⁽¹⁾	Unrealized Gain (Loss) ⁽²⁾	Investment Cost ⁽³⁾	% of Portfolio	% of Net Asset Value
International Oil & Gas Continued						
Vangold Resources	941	165	42	122	0.5%	0.4%
Centric Energy	2,000	160	(128)	288	0.5%	0.3%
TG World	1,002	150	(431)	581	0.4%	0.3%
Europa Oil & Gas	600	143	(139)	283	0.4%	0.3%
Oilex Ltd	935	141	(36)	177	0.4%	0.3%
Suroco Energy	400	140	40	100	0.4%	0.3%
Cue Energy	633	137	(24)	161	0.4%	0.3%
Exile Resources Ltd	959	129	(199)	328	0.4%	0.3%
Shelton Canada Corp	715	129	47	81	0.4%	0.3%
Westernzagros	160	123	22	101	0.4%	0.3%
Key Petroleum	1,000	103	(127)	230	0.3%	0.2%
Madalena Ventures Inc	460	92	23	69	0.3%	0.2%
Excelsior Energy	653	88	26	62	0.3%	0.2%
Carnarvon Petroleum	150	83	48	35	0.2%	0.2%
Kairiki Energy	500	75	11	64	0.2%	0.2%
Primera Energy Resources	160	61	17	44	0.2%	0.1%
Benchmark Energy Corp	577	58	(274)	331	0.2%	0.1%
Loon Corp	1,041	52	(77)	129	0.2%	0.1%
Other International Oil & Gas		155	(220)	375	0.5%	0.3%
Total International Oil & Gas		18,004	854	17,147	52.5%	38.7%
Mining						
Peregrine Metals Inc	200	200	86	114	0.6%	0.4%
Apoquindo Minerals	280	199	35	163	0.6%	0.4%
Commander Resources Ltd	568	193	13	180	0.6%	0.4%
Midlands Minerals Corp	625	188	21	167	0.5%	0.4%
Premium Exploration Inc	470	179	21	158	0.5%	0.4%
Firestone Ventures	1,430	165	11	153	0.5%	0.4%
Golden Reign Resources Ltd	688	162	12	150	0.5%	0.3%
Kilo Goldmines	375	156	31	125	0.5%	0.3%
International PBX Ventures Ltd	1,167	152	(365)	517	0.4%	0.3%
Boxxer Gold	1,520	144	(10)	155	0.4%	0.3%
Carpathian Gold	343	120	(33)	153	0.3%	0.3%
Magellan Minerals	140	108	(43)	151	0.3%	0.2%
Scorpio Mining Corp	166	106	(85)	191	0.3%	0.2%
Merrex Gold	100	94	49	45	0.3%	0.2%
Western Potash Corp	200	92	14	78	0.3%	0.2%
Alexis Minerals Corporation	200	86	(105)	191	0.2%	0.2%
Fortune Valley Resources	400	86	(74)	160	0.2%	0.2%
Candente Copper	150	77	17	60	0.2%	0.2%
Volta Resources	83	69	(31)	100	0.2%	0.1%
Valley High Ventures Ltd	100	65	20	45	0.2%	0.1%
Alberta Star Development Corp	377	62	(137)	200	0.2%	0.1%
Shear Minerals Ltd	766	61	(125)	186	0.2%	0.1%
Copper Fox Metals Inc	400	60	(1)	61	0.2%	0.1%
Indicator Minerals Inc	493	57	(177)	234	0.2%	0.1%
Pacific Rim	310	56	(43)	99	0.2%	0.1%
PMI Ventures	400	54	(46)	100	0.2%	0.1%
Verena Minerals Corp	250	54	(2)	56	0.2%	0.1%



**Portfolio Summary and Net Asset Value
at December 31, 2009**

<i>(Thousands, except percentage)</i>	No. of Shares	Carrying Value ⁽¹⁾	Unrealized Gain (Loss) ⁽²⁾	Investment Cost ⁽³⁾	% of Portfolio	% of Net Asset Value
Mining continued						
Grayd Resource Corp	74	49	(40)	88	0.1%	0.1%
Orex Minerals	280	48	(44)	92	0.1%	0.1%
Rye Patch Gold Corp	155	47	(30)	78	0.1%	0.1%
Ucore Uranium Inc	90	44	(25)	68	0.1%	0.1%
Celeste Copper	600	39	(21)	60	0.1%	0.1%
Strongbow Exploration Inc	254	32	(16)	48	0.1%	0.1%
Abacus Mining & Exploration	143	27	(73)	100	0.1%	0.1%
Galena International Resources	75	27	12	15	0.1%	0.1%
Almagro Gold	100	25	0	25	0.1%	0.1%
Silvermet Inc	333	25	(75)	100	0.1%	0.1%
First Majestic Silver Corp	6	25	(7)	31	0.1%	0.1%
Other Mining		378	(2,255)	2,630	1.1%	0.8%
Total Mining		3,811	(3,521)	7,327	11.2%	8.1%
Other		5	(48)	58	0.0%	0.0%
Total Portfolio		34,408	(7,837)	42,243	100%	74%

Notes: (1) Carrying Value is the quoted market value for liquid securities and the estimated fair value for illiquid securities. Fair value being the expected realization from the orderly disposition of the illiquid security over a reasonable time period.

(2) Unrealized Gain (Loss) is the Carrying Value less Investment Cost.

(3) Investment Cost represents the original cost of the security less any permanent impairment and cost recovery.

(4) Columns and rows may not add due to rounding.

3. Share Capital

Authorized

Unlimited number of Common Shares, no stated par value

Unlimited number of First Preference Shares, no stated par value

Issued

Common Shares	No. of Shares	Amount (Thousands)
Balance, December 31, 2008	12,200,895	\$ 2,047
Purchased for cancellation	(85,500)	(14)
Balance, December 31, 2009	12,115,395	2,033
Purchased for cancellation	(107,800)	(18)
Balance, December 31, 2010	12,007,595	\$ 2,015

Humboldt is closed ended investment company and its common shares are not redeemable at the request of shareholders.



Contributed Surplus	(Thousands)
Balance, December 31, 2008,	\$ 781
Cost in excess of stated value of shares repurchased	(117)
Balance, December 31, 2009	664
Cost in excess of stated value of shares repurchased	(218)
Option compensation for the year	180
Balance, December 31, 2010	\$ 626

Share based compensation plan

The Company established an employee compensation plan, which was approved by the shareholders on May 28, 2003. Pursuant to the plan, the Company may grant to employees and directors options to purchase up to 1,240,000 of its shares outstanding at the time of the grant. Options are exercisable for a maximum of five years.

One-third of the options granted vest on the day of the grant, one-third vest after one year and the balance vest after two years. The exercise price for the options is set by the Board of Directors at market, or higher, on the date of the grant.

A summary of the Company's option plan as at December 31, 2010, and December 31, 2009, are as follows:

	December 31, 2010		December 31, 2009	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of the year	1,005,000	\$2.78*	1,050,000	\$2.80
Granted during the year	395,000	\$2.16	-	-
Expired during the year	(370,000)	\$2.41	(45,000)	\$2.41
Options outstanding at end of the year	1,030,000	\$2.68	1,005,000	\$2.81
Options exercisable at end of the year	766,666	\$2.86	1,005,000	\$2.81

* 35,000 share options were repriced during Q3 2010 reducing the exercise price to \$2.16 per share from \$3.01 per share

A summary of the exercise price and the weighted average remaining life of the options outstanding are as follows:

Exercise Price	Options Outstanding	Weighted Average Remaining Contract Life	Options Exercisable
\$2.16	430,000	4.4	166,666
\$3.05	600,000	0.8	600,000
Total	1,030,000	2.3	766,666



The Company accounts for its stock based compensation plan using the fair value method whereby compensation costs for share options granted to employees and directors have been recognized in the financial statements and charged to earnings in the year in which they are incurred.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model using the following assumptions: Risk free interest rate - 2.29%; expected life - 4 Years; and expected volatility - 49%.

Earnings and net asset value per share

Earnings (loss) per share are calculated using the weighted average number of shares outstanding during the year of 12,080,427 (2009 - 12,146,538). Diluted weighted average shares outstanding during the year were 12,081,469 (2009 - 12,146,538). The net asset value per share is calculated using the number of shares outstanding at the year end of 12,007,595 (2009 - 12,115,395). Net asset value per diluted share is calculated based on outstanding options being exercised and the proceeds being added to the net asset value. The diluted number of shares outstanding at year end was 13,037,595 (2009 - 13,120,395).

Normal Course Issuer Bid

Humboldt has received approval from the TSX Venture Exchange to repurchase its common shares through the exchange under a securities exemption for Normal Course Issuer Bids. Shares repurchased are cancelled. The following table sets forth a summary of the repurchases made pursuant to such Normal Course Issuer Bids for the year:

Issuer Bid	Year ended December 31,	
	2010	2009
Common Shares		
Shares repurchased	107,800	85,500
Weighted average price, per share	\$ 2.19	\$ 1.54

4. Income Taxes

The provision for income taxes in the statement of operations varies from the amount that would be computed by applying the expected tax rate of 28% (2009 - 29%) to earnings before income taxes. The principal reasons for the difference between such expected income tax provisions and the amount actually recorded are as follows:

Reconciliation of Expected Income Tax Provision and Actual Tax Expense

(Thousands)	2010	2009
Expected income tax expense (recovery)	\$ 5,106	\$ 4,812
Non-taxable portion of capital gain (loss)	(2,755)	(2,545)
Non-deductible costs	54	16
Change in tax rate	(138)	(41)
Valuation allowance increase (decrease)	-	(1,847)
Tax expense (recovery) per financial statements	\$ 2,267	\$ 395



Future income tax liability is comprised of temporary differences between the value of assets of the Company and their related income tax value. The expected income tax rate for future income tax is 26.5% (2009 – 28.0%), being the rate for substantially enacted legislation at year end.

The book value of the Company’s investments at December 31, 2010, exceeds the Tax basis by approximately \$3.2 million (2009- \$5.2 million). The resulting temporary differences in future tax liabilities are as follows:

Reconciliation of Future Tax Liability (Asset) (Thousands)	2010	2009
Value of investments in excess of (less than)		
there adjusted cost base for income tax	\$ 1,588	\$ (634)
Income tax pools available to offset future income tax		(16)
Future tax liability (asset)	\$ 1,588	\$ (650)

5. Loans Receivables

(Thousands)	2010	2009
Loans receivable	\$ 367	\$ 367
Allowance for loan impairment	(37)	(37)
Carrying value of loans after allowance	330	330
Current portion of Loans receivable *	(330)	-
Loans receivable not due within one year	\$ -	\$ 330

* A Loan receivable in the amount of \$330,000 is due on October 7, 2011 and therefore has been reclassified as a current asset at December 31, 2010.

6. Financial Instruments risks

The Company is an investment company.

In the normal course of operations, the Company’s activities expose it to a variety of financial risks; credit risk, liquidity risk and market risk (defined as interest rate risk, currency risk and other price risk). In general, Management seeks to minimize the potential adverse effects of these risks on the Company’s performance by employing professional, experienced managers, by daily monitoring of the Company’s positions and market events, and by diversifying the investment portfolio within the policies and guidelines set by the Board of Directors of the Company in a manner consistent with the investment objective. Security selection is the primary criteria for managing risk. In order to mitigate risk, depending on conditions, Management considers other criteria such as industry, country and currency.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company’s main exposure to credit risk consists of investments in debt instruments, including short-term securities, bond and preferred shares, as well as amounts due from brokers. The fair value of debt instruments includes consideration of the credit worthiness of the debt issuer. The carrying amount of debt instruments, as presented on the balance sheet, represents the maximum credit risk exposure as at December 31, 2010. This also applies to the other assets, as these have a short term to settlement. As at December 31, 2010,



except for the loans receivable (less than 1% of the Company's net asset value) the Company's investments in debt instruments were limited to guaranteed investment certificates and Government Treasury Bills.

All of the Companies cash is held as deposits with Canadian Chartered Banks or segregated funds with various brokerage firms.

All transactions in listed securities are settled/paid for on delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

As the Company has a fixed number of common shares outstanding, it is not exposed to the liquidity risk associated with daily cash redemptions of securities.

Liquidity risk is managed by investing the majority of the Company's assets in investments that are traded in an active market and which can be readily disposed of and by retaining sufficient cash and cash equivalent positions to maintain liquidity. Leverage decisions, whether in the form of bank borrowings or bond or preference share issues from treasury, are at the discretion of the Company's Board of Directors.

The Company held a small weighting in private companies which are typically more illiquid than publicly listed securities. The holding of privately held entities presents additional market price risk as there is no actively traded market that enables these investments to be valued on a daily basis, as exists for publicly traded entities.

Humboldt loans monies to companies in which it has large equity investments. There can be no assurance that such loans will be repaid in accordance with their terms, and actions by Humboldt to enforce repayment of such loans may have an adverse effect on the value of Humboldt's equity position in these companies.

Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest bearing financial assets and financial liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The Company may invest in interest bearing financial instruments, however the substantial majority of the Company's financial assets and financial liabilities are non-interest bearing or have short maturities. As a result, the Company is not subject to significant amounts of risk on its investments due to fluctuations in the prevailing levels of market interest rates.



As at December 31, 2010, the Company's investments in debt instruments were limited to short-term securities with maturity dates of less than one year. The Company has minimal sensitivity to changes in interest rates on these securities, as it is anticipated that they are usually held to maturity and are short-term in nature.

Interest rate risk (Cdn\$ Thousand)	Effect of 0.25% Change in rate	Investment in short term Securities
Short term interest bearing investments	16	6,497

Currency risk

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar, which is the Company's reporting currency. The Company is exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. Equities trading foreign markets are also exposed to currency risk, as the price in local terms in the foreign market is converted to Canadian dollars to determine fair value. The Company's policy is not to enter into any hedging arrangements.

As at December 31, 2010, the Company's investment portfolio had a 9.8% weighting in foreign currencies and the Company had \$17,000 on deposit in foreign currencies. The foreign currencies assets were as follows:

Foreign currencies risk Thousand except % amounts)	(Cdn\$	Cash deposits	Investments	Percentage of Net asset Value
US \$	\$	-	\$ 654	1.0%
UK pound sterling	\$	-	\$ 1,375	2.2%
Australian dollars	\$	17	\$ 3,942	6.3%
Swedish Krona	\$	-	\$ 160	0.3%
	\$	17	\$ 6,131	9.8%

As at December 31, 2010, had the Canadian dollar strengthened or weakened by 5% in relation to all currencies represented in the portfolio as at December 31, 2010, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$307,000 (approximately 0.5% of total net assets).

Other price risk

Other price risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether these changes are caused by factors specific to an individual investment or its issuer or by factors affecting all similar instruments traded in a market or market segment. All securities present a risk of loss of capital. Management moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy and by maintaining a well diversified portfolio. The maximum risk resulting from financial instruments is equivalent to their fair value. The Company's equity and debt (if any) instruments are susceptible to other price risk arising from uncertainty about future prices of the instruments.

As at December 31, 2010, a 5% increase or decrease in market price in the investment portfolio, excluding short-term securities, with all other variables held constant, would have resulted in the net assets of the Company increasing or decreasing, respectively, by approximately \$2.8 million (approximately 4.5% of total net assets).

Sensitivity analyses are provided for information purposes only. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

Fair Value Measurement

Financial Instruments – Disclosures requires disclosures about inputs to fair value measurement, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 Inputs that are not based on observable market data.

If different levels of inputs are used to measure a financial instrument’s fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The following table illustrates the classification of the Company’s financial instruments within the fair value hierarchy as at December 31, 2010 and December 31, 2009.

Assets at fair value as at December 31, 2010					
(Thousands)	Level 1	Level 2	Level 3	Total	
Equities	\$ 54,063	\$ -	\$ 786	\$	\$ 54,849
Warrants	\$ -	\$ 2,048	\$ -	\$	\$ 2,048
	\$ 54,063	\$ 2,048	\$ 786	\$	\$ 56,897

Assets at fair value as at December 31, 2009					
(Thousands)	Level 1	Level 2	Level 3	Total	
Equities	\$ 33,645	\$ -	\$ 481	\$	\$ 34,126
Warrants	\$ -	\$ 282	\$ -	\$	\$ 282
	\$ 33,645	\$ 282	\$ 481	\$	\$ 34,408

Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

Cash and cash equivalents – The Company’s cash and cash equivalents are carried at fair value level 2. They are classified as held-for-trading and are reported at fair value

Equities – The Company’s equity positions are classified as Level 1 when the security is actively traded and a reliable quote is observable. Certain of the Company’s equities may not trade frequently and therefore observable prices may not be available. In such cases, if they exist, fair value is determined using observable market data (e.g., transactions for similar securities of the same issuer) and is classified as Level 2, unless the determination of fair value requires significant unobservable data, in which case the measurement is classified as Level 3.

Warrants - The Company holds warrants which are effectively call options on equities. Options that are valued using a Black-Scholes Option Pricing Model (“Black-Scholes”) are classified as Level 2 unless a significant input (e.g., volatility, current stock price, commodity price or credit risk) is unobservable, in which case it is classified as Level 3. Options held by the Company are comprised primarily of warrants for which there is a limited or no active market for



the underlying equity security or some of the input assumptions for the Black-Scholes cannot be accurately estimated and therefore significant judgment may be required in determining the current price and volatility of the underlying security to use the model. All of the warrants held by the Company fit into this category. These warrants are valued based on the difference between the value of the underlying security and the strike price of the warrant. Such warrants make up 3.3% of the companies Net asset value and are classified as Level 2.

The reconciliation of the changes in Level 3 assets during 2010 are as follows:

**Change in assets fair valued using level 3
(Thousands)**

Balance December 31, 2009	\$	481
Transferred to Level 1	\$	(219)
Additions during the year	\$	524
Balance December 31,2010	\$	786

7. Related Party Transactions

Humboldt, and certain officers, holds significant interests in some of the companies in its investment portfolio and certain officers and directors of Humboldt are also officers and directors of some of the companies, and as such, they are considered related parties to Humboldt. Humboldt’s business includes the acquisition and sale of the securities of such related parties through the market and directly from the companies through public and private offerings. All such offerings are at market values and approved by the appropriate regulatory bodies.

In addition, from time to time Humboldt provides financing to companies in which it holds significant share positions. The financing is provided on an interest bearing debt basis at negotiated interest rates between Humboldt and the recipients. There were no amounts outstanding at the end of the year.

Diaz Resources Ltd.

At December 31, 2010, Humboldt owned 27% (2009 – 32%) of the outstanding shares of Diaz. All of Humboldt’s officers and the majority of its directors are also officers and/or directors of Diaz.

During 2010, Humboldt, Diaz, Sharon, and Paris entered into an overhead sharing agreement pursuant to which the companies shared certain costs in managing and administering the companies on the basis of time spent on each of the companies. Pursuant to this agreement Humboldt paid Diaz \$352,000 (2009 - \$302,000) as its share of overhead costs. The transaction was recorded at the exchange value. The charge is estimated based on, among other things, the time spent by Diaz employees on Humboldt’s business.

On October 16, 2009 Humboldt acquired an additional 5,000,000 common shares of Diaz from a private placement offering completed by Diaz. The Common Shares acquired by Humboldt represent approximately 7.8% of the outstanding Common Shares of Diaz, after giving effect to the Common Shares issued pursuant to the private placement.

Diaz raised \$939,900 by way of a non-brokered private placement of 9,399,000 common shares. In connection with the private placement, Humboldt sold 3,131,000 common shares at \$0.10 per share pursuant to a “gypsy swap” through the facilities of the Toronto Stock Exchange, and then bought the same number of common shares under the private placement.

Tuscany Energy Ltd.



At December 31, 2010, Humboldt owned 37% (2009 – 39%) of the outstanding common shares of Tuscany Energy Ltd. Certain of Humboldt's officers and directors are also officers and directors of Tuscany.

During 2010 Humboldt acquired an additional 1,833,334 common shares, at \$0.15 per share, of Tuscany as part of a private placement of 8,000,000 common shares.

During 2009 Humboldt acquired an additional 6,000,000 common shares of Tuscany as part of a rights offering of shares at \$0.06 per share and a further 3,653,400 pursuant to a merger between Tuscany and Goldmark Minerals Ltd.

Sharon Energy Ltd.

At December 31, 2008, Humboldt owned 24% (2007-24%) of the outstanding shares of Sharon. Certain of Humboldt's officers and directors are also officers and directors of Sharon.

Paris Energy Inc.

At December 31, 2009, Humboldt owned 18% (2009 – 18%) of the outstanding common shares of Paris Energy Inc. Certain of Humboldt officers and directors are also officers and directors of Paris. During 2009 Humboldt purchased a 10% convertible debenture from Paris with a face value of \$330,000, convertible into common shares at \$0.06 per share for two years. During 2010 Humboldt earned \$33,000 (2009 – \$7,685) of interest from Paris in relation to the debenture.

8. Capital management

The Company considers capital to be comprised primarily of its shareholders' equity which was \$62 million at December 31, 2010 (2009 - \$47million).

The Company's primary objective when managing its capital is to ensure that activities are carried out in accordance with the investment objective of the Company. The Company does not use debt as part of its primary source of capital.

Basic net asset value per share is calculated by dividing the number of the aggregate outstanding shares at the balance sheet date into net asset value attributable to the shareholders. Diluted net asset value per share is calculated by dividing the diluted number of outstanding shares at the balance sheet date into the net asset value increased by the value of any dilutive securities. The diluted number of shares is calculated by adding the number of securities which could be issued at a price which is less than the basic net asset value per share to the number of shares outstanding at the balance sheet date.

9. Special Dividend

The Company declared and paid a one time special dividend, classified as an eligible dividend pursuant to the Income tax act, of \$0.25 paid to shareholders in 2009. No dividends were paid in 2010.



Corporate Information

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C.A. Teare
Executive Vice President & CFO

D.K. Clark
Vice President, Operations

C.S. Cohen
Corporate Secretary

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