



# Humboldt Capital Corporation



**Q2 2010 Interim Report  
For the Six Months Ended  
June 30, 2010**



## 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. 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>	Six Months Ended June 30,		
	2010	2009	2008
Earnings (loss) and comprehensive earnings (loss) for the period	\$ (2,369)	\$ 5,243	\$ 4,506
Earnings (loss) per share, diluted	\$ (0.20)	\$ 0.43	\$ 0.37
Eligible Dividends paid	\$ -	\$ 3,042	\$ -
Dividends per share	\$ -	\$ 0.25	\$ -
Share capital	\$ 2,029	\$ 2,035	\$ 2,065
Retained earnings	\$ 41,554	\$ 32,381	\$ 57,518
Shareholders' equity	\$ 44,924	\$ 35,757	\$ 60,886
Cash and cash equivalents	\$ 9,221	\$ 16,140	\$ 19,009
Shares outstanding	12,095	12,126	12,305
Net asset value per share, diluted	\$ 3.68	\$ 2.86	\$ 4.78



### To the Shareholders

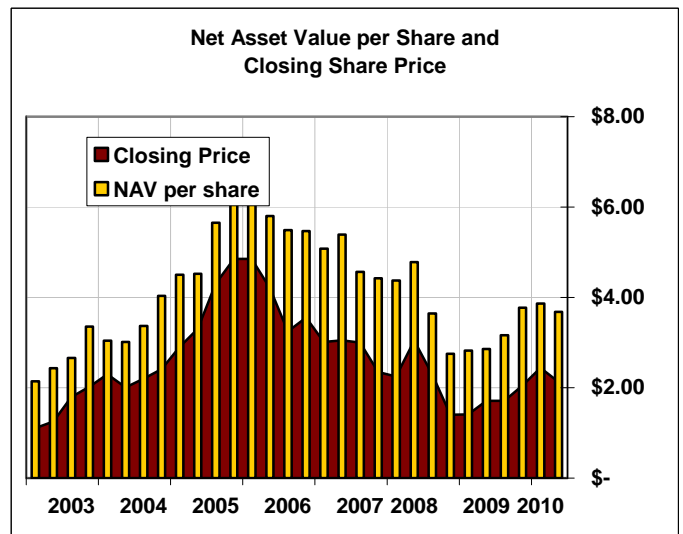
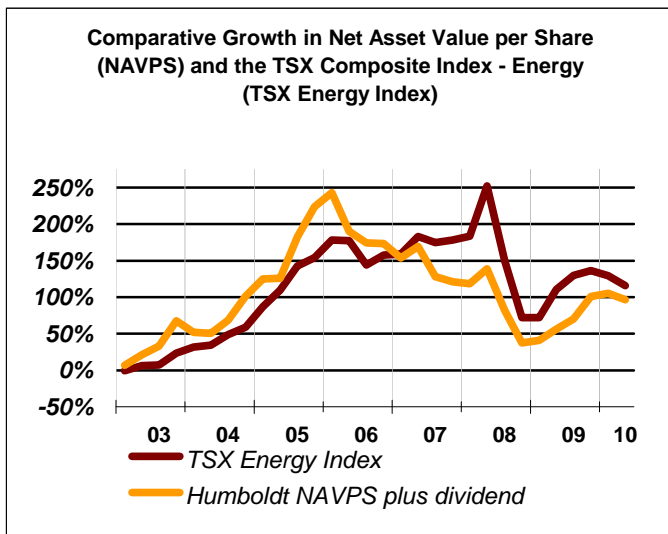
Humboldt is pleased to report that at June 30, 2010, the Company’s net asset value had increased to \$44.9 million or \$3.68 per share, compared with \$35.8 million, or \$2.86 per share, a year earlier. Humboldt closed the quarter with \$9.8 million of working capital or 22 % of its asset value.

At the time of writing, international markets are going through another turmoil due to concerns regarding debt issues and fears of a “double dip” recession in the United States economy. While satisfactory growth numbers are still being reported by China and Germany, it is fortunate that Humboldt’s focus on commodity price growth is only partly impacted by a US recovery. Humboldt continues to focus on equities active in the oil, copper and precious metals commodities. The pricing of these three commodities are positively impacted respectively by; OPEC production curtailments; the international demand for copper, for construction purposes, principally in the far east; and as a hedge against a financial implosion and fear of the over issuance of fiat currencies.

### The Economy and the Markets

This current business cycle, while very severe, seems to be following a similar pattern of previous stock market and economic downturns, where a year of financial crisis is followed by a lengthy period of declining economic fundamentals. Ironically, by the time the worst year 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 throughout the last half of 2009, continuing into 2010, with somewhat of a sideways movement in the last quarter.

Furthermore, the seeds of the world wide economic recovery have been sown. These comprise very low interest rates, low energy prices, low metal prices, the availability of cheap labour and in the US, the abundance of inexpensive homes and commercial properties. The weight of steady debt liquidation for the next several years will hang over the world economies but most of the difficult problems seem now to be known and will gradually be eliminated.



### Commodity Outlook

Humboldt continues to have a positive outlook for commodity based stocks.

After six years of robust growth, the US economy entered into a severe recession in late 2008. The United States has been shaken by the collapse of the housing sector followed by severe financial problems caused principally by irresponsible lending,



as well as the negative impact of high energy prices. The economic slowdown in the United States, and in other countries around the globe, resulted in a major reduction of demand and the price collapse of almost all commodities.

The run-up of oil prices to near \$150 per barrel, which resulted in extremely high gasoline prices and led to major demand destruction, was ironically coincident with the steady deterioration of the US economy. Consequently, when the bubble burst, oil trended downwards and only strenuous efforts by OPEC to constrain production have brought production back into line with world wide demand.

Natural gas prices similarly ran up to extremely high levels during the first half of 2008, engendering a drilling boom in the United States. The increased supply from the large number of long reach, fractured shale wells, typically commencing production at very high rates, before declining, combined with demand destruction, has resulted in a similar gas price collapse. There is not much bright news on the natural gas scene as the collapse in drilling activity in early 2009 has been followed by a slow and steady recovery in US gas focused drilling rates. In addition, there is a gradual increase in the number of horizontal wells drilling for natural gas and the advent of major companies looking at natural gas exploration as a "manufacturing process". These factors do not bode well for higher natural gas prices and Humboldt plans to limit its exposure in this sector.

While Humboldt limited its new exposure to mining in the past 18 months, this sector has a much brighter future. Hence, 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.

Base metals however, which are easier to evaluate on a supply demand basis have been positively impacted by Far Eastern, principally Chinese buying, especially affecting copper and nickel. The continued rapid expansion of Asian economies has provided steady price increases in these metals over the last year and should spill over into related metals such as molybdenum and tungsten in 2010. While Humboldt is still minimizing its exposure to this sector it will purchase higher quality mining stocks on a selected basis.

## International Energy Focus

Humboldt remained optimistic about the international oil sector throughout 2008 and as a result when share prices fell in the sector, Humboldt suffered significant losses. Humboldt remained confident of the values in this area however, especially when compared with gas, or Alberta focused energy companies, and believed that the exposure to large oil projects in favorable jurisdictions would lead to significant gains. Humboldt increased its exposure to companies exploring in Australia, the Far East, Africa, and Europe, while maintaining a substantial exposure to North Sea stocks.

Humboldt increased its investment in this sector by \$6 million during 2009 and was rewarded with the value of its international holdings increasing to \$17.8 million by the end of Q1 2010 however with the European debt crises and fears of a double dip recession in the U.S. the international shares have retreated some what, losing \$2.7 million in Q2 2010.

## Outlook

The stock market decline 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. Humboldt's investment outlook for 2010 is now more optimistic and the Company plans to steadily redeploy a portion of its cash in selected equities throughout the year.

Humboldt is in an enviable position, with a substantial cash balance to be able to weather any market set back. In addition, Humboldt's Board has strongly encouraged the management teams of its major holdings to control their capital expenditure programs to reduce their balance sheet leverage.

On behalf of the Board,

R.W. Lamond, Chairman of the Board  
August 25, 2010



## Management's Discussion and Analysis

August 25, 2010

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 unaudited financial statements of the Company for the six months ended June 30, 2010 and the audited financial statements for the Company for the year ended December 31, 2009. 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](http://www.sedar.com)) or at Humboldt's website ([www.humboldtcapital.com](http://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 investments held by Humboldt and other components of Humboldt's net asset value, as at June 30, 2010:

**Portfolio Summary and Net Asset Value at June 30, 2010**

(Thousands, except percentage and per share amounts)	Carrying Value <sup>(1)</sup>	Unrealized Gain (Loss) <sup>(2)</sup>	Investment Cost <sup>(3)</sup>	% of Portfolio	% of Net Asset Value
Major Holdings	\$ 7,943	\$ (7,525)	\$ 15,469	24%	18%
Oil & Gas					
- Canadian	4,166	1,395	2,771	12%	9%
- International	15,995	(835)	16,826	48%	36%
Mining	5,324	(3,678)	9,005	16%	12%
Other Equity Investments	8	(50)	58	0%	0%
<b>Total Portfolio</b>	<b>\$ 33,436</b>	<b>\$ (10,693)</b>	<b>\$ 44,129</b>	<b>100%</b>	<b>74%</b>
Working capital	9,814				22%
Other assets	627				1%
Future tax asset	1,047				2%
<b>Net asset value</b>	<b>\$ 44,924</b>				<b>100%</b>
<b>Net asset value, per share (diluted)</b>	<b>\$ 3.68</b>				

- 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 may not add due to rounding.

During Q2, 2010, Humboldt increased its net investments in its portfolio by \$1.2 million, selectively investing additional funds in mining and Canadian oil focused companies while it reduced its investment in the international oil sector. The value of its holdings declined by \$2.7 million lead by a decline in the market value of international oil shares which were affected by weaker oil prices during the second quarter on 2010. The market value of Humboldt's Major Holdings also decreased by \$700,000 during Q2 2010. The value of other sectors of the portfolio remained relatively unchanged over the Quarter.

**Major Holdings**

The major holdings consist of Humboldt's investment in four junior resource companies. During the past year the market value of Humboldt's investments in these companies recovered from their low point in 2008, and increased by \$4.2 million from June 30, 2009 to \$7.9 million at the end of Q2 2010 including an additional investment of \$921,000 during 2009.

Humboldt's investments in three of these companies have been evaluated at their market value based on the bid prices of the securities held at the end of the period. Paris Energy Inc is carried at no value as a result of the companies debt and concerns over its ability to continue as an operating entity. **The actual value for these holdings, when realized, may vary significantly from the carrying value.**



***Diaz Resources Ltd.***

<b>Share Holdings</b>	<b>Value (Thousands)</b>	<b>Percentage of Humboldt's Value</b>	<b>Cost per Share</b>	<b>Market Value per Share</b>
24,659,000	\$ 2,466	5.5%	\$ 0.27	\$ 0.10

Humboldt's investment in Diaz Resources Ltd. represents approximately 5.5% of Humboldt's net asset value. The market value has declined by 33% during the quarter to \$2.5 million reflecting Diaz's high natural gas weighting and debt leverage. Diaz is actively involved in a heavy oil horizontal drilling prospect in the Lloydminster area of Alberta, which if successful will increase the company's exposure to oil and alleviate its leverage issues. Humboldt owned 28 % of the outstanding shares of Diaz at June 30, 2010.

***Tuscany Energy Ltd.***

<b>Share Holdings</b>	<b>Value (Thousands)</b>	<b>Percentage of Humboldt's Value</b>	<b>Cost per Share</b>	<b>Market Value per Share</b>
21,394,000	\$ 3,209	7.1%	\$ 0.13	\$ 0.15

Humboldt's holding in Tuscany make up 7.1% of Humboldt's net asset value. Humboldt currently owns 39 % of the outstanding shares of Tuscany.

Tuscany is an junior exploration and production company mainly focused on oil exploration in Alberta and Saskatchewan. For the first half of 2010 Tuscany's production averaged 138 BOEd and the company reported cash flow of \$283,000. Late in 2008 Tuscany made a significant oil discovery with a horizontal well in the Dina formation under its existing shallower oil production at Evesham, Saskatchewan. In order to finance the development of the play Tuscany issued 8.7 million shares at \$.06 per share, through a rights offering. In the fourth quarter of 2009 Tuscany entered into a plan of arrangement to acquire Goldmark Minerals Ltd through the issue of 12.2 million Tuscany shares. Goldmark's assets included \$1.4 million of working capital. These two transactions provided the necessary working capital to allow Tuscany to drill its second horizontal well on the property in Q4 2009 and a third well in June, 2010. The development program has been successful with the most recent well producing at a rate of 110 Bbbls/d. Tuscany currently plans to continue to develop this property out of it existing cash flow.

***Sharon Energy Ltd.***

<b>Share Holdings</b>	<b>Value (Thousands)</b>	<b>Percentage of Humboldt's Value</b>	<b>Cost per Share</b>	<b>Market Value per Share</b>
18,898,000	\$ 2,268	5.0%	\$ 0.24	\$ 0.12

The carrying value of Humboldt's investment in Sharon Energy Ltd. represents 5 % of the Company's net asset value at June 30, 2010. Humboldt owned approximately 24.5% 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 have subsequently increased in value and Sharon has sold part of its position resulting in an increase in its working capital position to over \$2 million and the market value of its remaining Magnum Hunter share position is over \$7.5 million at the date of this report.

Sharon is being managed jointly with Diaz and Tuscany and plans to focus its exploration efforts on horizontal oil prospects in Alberta and Saskatchewan with these companies.



## Administration Costs

Administrative costs as a percent of assets (Thousands, except percentage amounts)	Six Months Ended June 30		
	2010	2009	2008
General and administrative	\$ 513	\$ 520	\$ 529
Non cash compensation	\$ -	\$ -	\$ 88
Total administration costs	\$ 513	\$ 520	\$ 617
Assets under management	\$ 44,949	\$ 35,906	\$ 61,362
Percentage (annualized)	2.3%	2.9%	2.0%

Total general and administrative costs of \$0.5 million equaled an annualized 2.3% of the assets under management. The Company incurred no non-cash remuneration expense during the quarter.

## Stock Valuation and Market Price

(Thousands, except per share amounts)	June 30		
	2010	2009	2008
Net asset value	\$ 44,924	\$ 35,757	\$ 60,886
NAV, per share (diluted)	\$ 3.68	\$ 2.86	\$ 4.78
Market price, per share	\$ 2.13	\$ 1.71	\$ 3.04

During Q2 2010, Humboldt's net asset value per share decreased by 5 % to \$3.68 per share. The closing market price of Humboldt's shares on June 30, 2010 was \$2.13. Humboldt's shares are not very liquid as they trade infrequently. During Q2 2010 Humboldt's shares traded an aggregate of 35,440 shares at a low of \$2.06 per share and a high price of \$2.84 per share

<i>Issuer Bid</i>	Six Months	Years Ended	
	Ended June 30, 2010	December 31, 2009	2008
Shares repurchased	19,900	85,500	148,900
Average cost paid, per share	\$ 2.14	\$ 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 254,300 shares since January 1, 2008, or 2 % of the outstanding shares.

## Income Tax

(Thousands, except percentage amounts)	Six Months Ended June 30		
	2010	2009	2008
Income tax expense (recovery)			
Current	\$ 49	\$ 135	\$ 779
Future	(397)	-	(104)
Total income tax expense (recovery)	\$ (348)	\$ 135	\$ 675
Earnings (loss), before tax	\$ (2,075)	\$ 5,378	\$ 5,181

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 effective tax rate should be approximately 15%.

## Liquidity and Capital Resources

Liquidity (Thousands)	June 30		
	2010	2009	2008
Working capital	\$ 9,814	\$ 15,992	\$ 18,845

Humboldt's portfolio is principally comprised of small capitalization companies listed on Canadian stock exchanges. Approximately 18% of its net asset value is reflected in significant equity positions in four small oil and gas corporations which have a limited trading liquidity on the stock exchange. 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 volumes. As such, the majority of Humboldt's portfolio is generally not highly liquid.

At June 30, 2010, Humboldt had working capital of \$9.8 million. Humboldt's working capital is invested primarily in government treasury bills or financial paper offered by large Canadian banks. Humboldt's requirements for overhead expenses are minimal in relation to its asset value.

Humboldt has no long term debt and does not plan to use long term debt leverage to increase its investment portfolio.

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

## 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 on the stock exchange. 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 some 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 June 30, 2010 investments carried at cost represent less than one percent 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 period.



### ***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**

The Canadian Institute of Chartered Accountants ("CICA") is continuously revising the CICA Handbook with new or amended accounting standards. Humboldt constantly monitors and reviews changes to the CICA Handbook. Several new CICA Handbook sections came into effect January 1, 2007, and were adopted by the Company.

Canadian Generally Accepted Accounting Principles ("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 is to be completed by January 1, 2011. The Company's Chief Financial Officer has attended the in-depth IFRS training course. The CFO is developing a changeover plan to IFRS to meet the timetable published by the CICA. 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
- The education and training of internal and external stakeholders.

Though an assessment has not been finalized, the Company does not expect a significant impact on net asset value of the Company as a result of the changeover to IFRS. The impact of IFRS on accounting policies and implementation decisions will mainly be in the areas of additional disclosures in the financial statements of Humboldt. Quantitative impacts of the changeover will be disclosed in the 2010 annual financial statements.

### **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 period. 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.

As 2009 unfolded, the severity of the global credit crises became more apparent and led to a real disintegration of consumer and investor confidence. The uncertainty and volatility that ensued rapidly drove global markets into recession. Markets dropped in reaction to all these events. The severity of the declines in world economies has led governments around the world to reduce interest rates to historically low levels. Inflation risk in the near term is virtually nil as deflation remains the main concern, but eventually the stimulus the world governments are providing may set the backdrop for renewed inflation concerns over the longer term.

Commodity prices also declined rapidly in 2008 under the impact of the global slowdown. Oil prices reached levels of over \$145 per barrel during 2008 and declined to the low \$40s before recovering to the \$70 level currently prevailing in North America. The weaker energy and mineral prices caused producers to cut back on their development plans and supply is expected to continue to decrease throughout the first half of 2010. In addition, lower commodity prices have directly and negatively impacted the trading price of these entities and therefore the net asset value of the Company.

The Company holds a small weighting in private companies which are typically more illiquid than publicly listed securities. Due to the ongoing global economic and credit crisis, private company transactions came to a virtual halt in the fourth quarter of 2009. 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.

The economic downturn has had a significant impact on the value and liquidity of Humboldt's investments. As a result of very tight credit markets and collapse of most commodity prices, there is a significant 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 June 30, 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			2008	
	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30
Total revenue	\$ (2,602)	\$ 1,098	\$ 8,730	\$ 2,999	\$ 3,884	\$ 2,033	\$ (11,159)	\$ (17,518)
General and administrative	\$ 222	\$ 291	\$ 246	\$ 200	\$ 194	\$ 326	\$ 247	\$ 225
Earnings (loss)	\$ (2,369)	\$ 642	\$ 8,036	\$ 2,920	\$ 3,540	\$ 1,703	\$ (11,626)	\$ (15,365)
per share, basic	\$ (0.20)	\$ 0.05	\$ 0.66	\$ 0.24	\$ 0.29	\$ 0.14	\$ (0.96)	\$ (1.25)
per share, diluted	\$ (0.20)	\$ 0.05	\$ 0.66	\$ 0.24	\$ 0.29	\$ 0.14	\$ (0.96)	\$ (1.25)

	As at the Period Ended							
	2010			2009			2008	
	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar.31	Dec. 31	Sept. 30
Cash and cash equivalents	\$ 9,221	\$ 9,408	\$ 10,376	\$ 14,699	\$ 16,140	\$ 21,476	\$ 21,867	\$ 22,621
Share Capital	\$ 2,029	\$ 2,033	\$ 2,033	\$ 2,033	\$ 2,035	\$ 2,042	\$ 2,047	\$ 2,048
Retained earnings	\$ 41,554	\$ 43,962	\$ 43,333	\$ 35,291	\$ 32,381	\$ 31,945	\$ 30,281	\$ 41,916
Net asset value	\$ 44,924	\$ 47,336	\$ 46,694	\$ 38,664	\$ 35,757	\$ 35,328	\$ 33,669	\$ 45,304
per share, basic	\$ 3.71	\$ 3.91	\$ 3.85	\$ 3.19	\$ 2.95	\$ 2.90	\$ 2.76	\$ 3.71
per share, diluted	\$ 3.68	\$ 3.86	\$ 3.77	\$ 3.16	\$ 2.86	\$ 2.82	\$ 2.75	\$ 3.64

The decline in commodity prices and most equity markets resulted in the decline in the value of Humboldt's portfolio throughout 2008. This began to reverse itself in 2009 and share values increased through the balance of 2009. In order to minimize some of the current taxes payable during 2009, Humboldt sold some of the holdings in which Humboldt had significant unrealized losses and which were not likely to regain their former value.

## 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 quarter



### ***Diaz Resources Ltd.***

At June 30, 2010, Humboldt owned 29 % (2009 – 28 %) 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 the first half of 2010, Humboldt paid Diaz \$151,000 (2009 - \$151,000) 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.

## **Capital Stock**

As of August 25, 2010, Humboldt had 12,078,595 common shares outstanding and employees and directors had options to purchase an additional 635,000 common shares from the Company.

## **Outlook**

At the time of writing, international markets are going through another turmoil due to concerns regarding debt issues and fears of a “double dip” recession in the United States economy. While satisfactory growth numbers are still being reported by China and Germany, it is fortunate that Humboldt’s focus on commodity price growth is only partly impacted by a US recovery. Humboldt continues to focus on equities active in the oil, copper and precious metals commodities. The pricing of these three commodities are positively impacted respectively by; OPEC production curtailments; the international demand for copper, for construction purposes, principally in the far east; and as a hedge against a financial implosion and fear of the over issuance of fiat currencies.

The stock market decline 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. Humboldt’s investment outlook for 2010 is now more optimistic and the Company plans to steadily redeploy a portion of its cash in selected equities throughout the year.

Humboldt is in an enviable position, with a substantial cash balance to be able to weather any market set back. In addition, Humboldt’s Board has strongly encouraged the management teams of its major holdings to control their capital expenditure programs to reduce their balance sheet leverage.





**Statement of Operations,  
Comprehensive Earnings (Loss) and Retained Earnings**

(Thousands, except per share amounts)  
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
<b>Revenue</b>				
Net gain (loss) on sale of investments	\$ 1,282	\$ 109	\$ 1,312	\$ (130)
Unrealized increase (decrease) in investment value	(3,892)	3,786	(2,831)	5,983
Interest, dividends and other	8	(11)	15	64
	(2,602)	3,884	(1,504)	5,917
<b>Expenses</b>				
General and administrative	222	194	513	520
Brokerage commissions	30	15	59	19
	251	209	571	539
<b>Earnings (Loss) before income taxes</b>	<b>(2,853)</b>	<b>3,675</b>	<b>(2,075)</b>	<b>5,378</b>
<b>Income taxes (recovery) (Note 4)</b>				
Current	49	135	49	135
Future tax	(533)	-	(397)	-
	(484)	135	(348)	135
<b>Earnings (loss) and comprehensive earnings (loss) for the period</b>	<b>(2,369)</b>	<b>3,540</b>	<b>(1,727)</b>	<b>5,243</b>
Dividend	-	(3,042)	-	(3,042)
Cost in excess of stated value of shares repurchased	(39)	(62)	(39)	(101)
<b>Retained earnings, beginning of period</b>	<b>43,962</b>	<b>31,945</b>	<b>43,320</b>	<b>30,281</b>
<b>Retained earnings, end of period</b>	<b>\$ 41,554</b>	<b>\$ 32,381</b>	<b>\$ 41,554</b>	<b>\$ 32,381</b>
<b>Net earnings (Loss) per share, basic</b>	<b>\$ (0.20)</b>	<b>\$ 0.29</b>	<b>\$ (0.14)</b>	<b>\$ 0.43</b>
<b>Net earnings (Loss) per share, diluted</b>	<b>\$ (0.20)</b>	<b>\$ 0.29</b>	<b>\$ (0.14)</b>	<b>\$ 0.43</b>



**Statement of Cash Flows**

(Thousands)

(unaudited)

**Three Months Ended**

**Six Months Ended**

**June 30,**

**June 30,**

**2010**

**2009**

**2010**

**2009**

**Cash and cash equivalents provided by (used for):**

**Operating Activities**

Earnings (loss) and comprehensive earnings (loss) for the period

**\$ (2,369) \$ 1,703 \$ (1,727) \$ 1,703**

Adjusted for:

Loan loss expense

- - - -

Non-cash compensation

- - - -

Future income tax (recovery)

**(533) - (397) -**

Unrealized (increase) decrease in investments value

**3,892 (2,197) 2,831 (2,197)**

Net gain (loss) on sale of investments

**(1,282) 239 (1,312) 239**

Repayments of advances to associated companies

- - - -

Proceeds from sale of investments

**2,171 336 4,594 336**

Purchase of investments

**(2,189) (366) (5,142) (366)**

Other loans and debentures

**190 - - -**

Other assets

**1 - (5) -**

Cash flow from operations

**(119) (285) (1,158) (285)**

Change in non cash working capital

**(27) (62) 44 (62)**

**(146) (347) (1,114) (347)**

**Financing Activities**

Dividends

- - - -

Purchase of shares for cancellation

**(41) (44) (41) (44)**

**(41) (44) (41) (44)**

**Increase in cash and cash equivalents**

**(187) (391) (1,155) (391)**

**Cash and cash equivalents, beginning of period**

**9,408 21,867 10,376 21,867**

**Cash and cash equivalents, end of period**

**\$ 9,221 \$ 21,476 \$ 9,221 \$ 21,476**

**Supplementary information regarding cash payments:**

Interest received during the period

Taxes paid (refunded) during the period

**Non-cash items:**

Interest on loans to associated companies

**\$ - \$ - \$ - \$ -**



## Notes to the Financial Statements For the Six Months Ended June 30, 2010

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.

The financial statements were not reviewed by the Company’s auditors.

### 1. Summary of Significant Accounting Policies

Certain information and disclosures normally required to be included in the notes to the annual financial statements have been condensed or omitted for this interim report. The reader should refer to the annual financial statements of Humboldt at December 31, 2009

#### Measurement uncertainty

The preparation of the interim 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 interim financial statements and the reported amounts of income and expenses during the reporting period. 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. 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.

#### Investments

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 observant 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 all investments.

Gains or losses on disposition of investments and unrealized gains on 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-subsidary 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 and 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 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 includes cash and short-term investments that can be liquidated for cash on less than ninety days notice.

## Foreign Currency Translation

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

- Monetary assets and liabilities – at the period end rate of exchange;
- Other assets and liabilities – at historical rates of exchange; and
- Revenues and expenses – at average rates of exchange for the period, except provisions for depreciation and depletion, which are translated on the same basis as the related assets.

## Earnings and net asset value per share

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

Basic earnings (loss) per share are calculated by dividing the weighted average number of the aggregate outstanding shares during the period into net earnings (loss) 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. Diluted loss per share is calculated by dividing the basic weighted average aggregate outstanding shares into the loss for the period as using the diluted weighted average shares would be anti-dilutive.

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.

## Share based compensation plan

The Company has a stock based compensation plan, which is described in Note 3. Humboldt accounts for its stock based compensation using the fair value method whereby compensation costs are estimated and charged to earnings in the year of the option grant taking into account the vesting year.



## 2. Investments

Investments are comprised of the following:

**Portfolio Summary and Net Asset Value  
at June 30, 2010**

<i>(Thousands, except percentage)</i>	No. of Shares	Carrying Value <sup>(1)</sup>	Unrealized Gain (Loss) <sup>(2)</sup>	Investment Cost <sup>(3)</sup>	% of Portfolio	% of Net Asset Value
<b>Major Holdings</b>						
Tuscany Energy Ltd	21,394	3,209	524	2,686	9.6%	7.1%
Diaz Resources Ltd	24,659	2,466	(4,129)	6,595	7.4%	5.5%
Sharon Energy Ltd.	18,898	2,268	(2,299)	4,567	6.8%	5.0%
Paris Energy Inc	1,714	0	(1,621)	1,621	0.0%	0.0%
<b>Total Major Holdings</b>		<b>7,943</b>	<b>(7,525)</b>	<b>15,469</b>	<b>23.8%</b>	<b>17.7%</b>
<b>Canadian Oil &amp; Gas</b>						
NuLoch Resources Inc	595	916	670	245	2.7%	2.0%
Trafina Energy Ltd	2,000	900	223	677	2.7%	2.0%
Sure Energy Inc	650	501	57	444	1.5%	1.1%
Rock Energy Inc	77	386	250	137	1.2%	0.9%
Exall Energy Corp	308	336	136	200	1.0%	0.7%
Exall Energy Corp Wt	154	45	45	-	0.1%	0.1%
Stratic Energy Corp	2,023	223	(122)	345	0.7%	0.5%
Excelsior Energy Limited	756	189	111	78	0.6%	0.4%
Forent Energy Ltd	700	154	49	105	0.5%	0.3%
Forent Energy Ltd Wt	350	18	18	-	0.1%	0.0%
Torquay Oil Corp "A"	130	143	71	73	0.4%	0.3%
Torquay Oil Corp "B"	18	74	(106)	180	0.2%	0.2%
Petro Uno Resources Ltd	200	98	18	80	0.3%	0.2%
Waldron Energy	50	98	(23)	120	0.3%	0.2%
Terra Energy Corp	60	85	(2)	87	0.3%	0.2%
<b>Total Canadian Oil &amp; Gas</b>		<b>4,166</b>	<b>1,395</b>	<b>2,771</b>	<b>12.5%</b>	<b>9.3%</b>
<b>International Oil &amp; Gas</b>						
Canacol Energy Ltd	1,684	1,482	1,247	235	4.4%	3.3%
Mart Resources Inc	5,877	1,264	348	916	3.8%	2.8%
Sterling Resources Ltd	515	1,056	335	720	3.2%	2.4%
Ithaca Energy Inc	450	873	609	264	2.6%	1.9%
Serica Energy Plc	870	853	(564)	1,416	2.6%	1.9%
Molopo Australia Ltd	884	787	(238)	1,025	2.4%	1.8%
Bengal Energy Ltd	584	701	(267)	968	2.1%	1.6%
Sea Dragon Energy Inc	2,431	693	38	654	2.1%	1.5%
ADX Energy Resources	3,150	595	267	327	1.8%	1.3%
EnCore Oil Plc	735	577	224	353	1.7%	1.3%
Petsec Energy Limited	3,675	562	(349)	911	1.7%	1.3%
Groundstar Resources Ltd	1,274	440	(45)	485	1.3%	1.0%
Valeura Energy Inc	1,075	409	(97)	505	1.2%	0.9%
Tap Oil Limited	500	387	133	253	1.2%	0.9%
Bridge Resources Corp	976	385	(415)	801	1.2%	0.9%
Dominion Petroleum Ltd	4,750	383	(171)	553	1.1%	0.9%
Global Petroleum Limited	2,596	327	(84)	411	1.0%	0.7%
Canacol Wt	400	272	272	0	0.8%	0.6%
Cirrus Energy Corporation	339	255	(207)	462	0.8%	0.6%
Roc Oil Company Limited	800	230	(139)	370	0.7%	0.5%



**Portfolio Summary and Net Asset Value**  
at June 30, 2010 (continued)

(Thousands, except percentage)	No. of Shares	Carrying Value <sup>(1)</sup>	Unrealized Gain (Loss) <sup>(2)</sup>	Investment Cost <sup>(3)</sup>	% of Portfolio	% of Net Asset Value
<b>International Oil &amp; Gas (Continued)</b>						
Range Energy Resources Inc	1,500	210	(91)	301	0.6%	0.5%
Centric Energy Ltd	2,400	204	(116)	320	0.6%	0.5%
Primeline Energy Holdings Inc	502	201	18	182	0.6%	0.4%
Vast Exploration Inc	250	198	98	100	0.6%	0.4%
Sagres Energy Inc	625	188	88	100	0.6%	0.4%
Shelton Petroleum	1,936	174	93	81	0.5%	0.4%
Suroco Energy Inc	400	174	74	100	0.5%	0.4%
Longford Energy Inc	700	165	(116)	280	0.5%	0.4%
Australian Oil Company	2,000	162	21	141	0.5%	0.4%
Vanoil Energy Ltd	221	157	46	111	0.5%	0.3%
TG World Energy	1,374	151	(478)	630	0.5%	0.3%
Europa Oil & Gas (Holdings) Plc	600	143	(140)	283	0.4%	0.3%
Cue Energy Resources Limited	633	142	(18)	161	0.4%	0.3%
Madalena Ventures Inc	460	136	67	69	0.4%	0.3%
Tarim Resources	500	125	0	125	0.4%	0.3%
Neon Energy Inc	1,200	119	(18)	136	0.4%	0.3%
Benchmark Energy Corp	577	95	(236)	331	0.3%	0.2%
Westernzagros Resources Ltd	160	75	(26)	101	0.2%	0.2%
Paramax Resources Ltd	200	68	(23)	91	0.2%	0.2%
Exile Resources Ltd	959	62	(266)	328	0.2%	0.1%
Lion Energy Corp	462	60	(21)	81	0.2%	0.1%
Kairiki Energy Limited	500	54	(11)	64	0.2%	0.1%
Key Petroleum Ltd	1,000	54	(176)	230	0.2%	0.1%
Primera Energy Resources Ltd	160	53	9	44	0.2%	0.1%
Vangold Resources Ltd	314	45	(22)	68	0.1%	0.1%
Loon Energy Inc	1,061	42	(88)	131	0.1%	0.1%
Tower Resources Plc	1,450	39	(46)	85	0.1%	0.1%
Vast Warrants	125	36	36	0	0.1%	0.1%
Suroco Wt	400	34	34	0	0.1%	0.1%
Dualex Energy International inc	516	31	(242)	273	0.1%	0.1%
Gold Oil Plc	625	28	(72)	100	0.1%	0.1%
Norwood Resources Ltd	411	16	(55)	72	0.0%	0.0%
Madalena Wt	230	10	10	0	0.0%	0.0%
Century Energy Ltd	248	7	(28)	36	0.0%	0.0%
Mogul Energy International	295	6	(37)	42	0.0%	0.0%
<b>Total International Oil &amp; Gas</b>		<b>15,995</b>	<b>(835)</b>	<b>16,826</b>	<b>47.8%</b>	<b>35.6%</b>
<b>Mining</b>						
Amerigo Resources	379	254	(30)	284	0.8%	0.6%
International PBX Ventures Ltd	1,167	245	(272)	517	0.7%	0.5%
Alcoa Inc	20	213	(70)	283	0.6%	0.5%
Boxxer Gold	1,520	205	50	155	0.6%	0.5%
Centurion Minerals	150	189	29	160	0.6%	0.4%
Commander Resources Ltd	568	187	8	180	0.6%	0.4%
AQM Copper	280	179	16	163	0.5%	0.4%
Peregrine Metals Inc	200	150	36	114	0.4%	0.3%
Candente Copper	422	146	(8)	153	0.4%	0.3%
Belo Sun Mining Corp	350	133	48	85	0.4%	0.3%
Geologix Explorations	500	125	15	110	0.4%	0.3%
Northern Tiger Resources	637	118	(16)	134	0.4%	0.3%



**Portfolio Summary and Net Asset Value**  
at June 30, 2010 (continued)

<i>(Thousands, except percentage)</i>	No. of Shares	Carrying Value <sup>(1)</sup>	Unrealized Gain (Loss) <sup>(2)</sup>	Investment Cost <sup>(3)</sup>	% of Portfolio	% of Net Asset Value
Mining (Continued)						
Copper Fox Metals Inc	400	118	57	61	0.4%	0.3%
Candente Gold	180	115	37	78	0.3%	0.3%
Firestone Ventures	1,430	114	(39)	153	0.3%	0.3%
Scorpio Mining Corp	166	111	(80)	191	0.3%	0.2%
PhosCan Chemical Corp	273	111	(8)	118	0.3%	0.2%
Carpathian Gold	343	106	(46)	153	0.3%	0.2%
Golden Reign Resources Ltd	688	100	(50)	150	0.3%	0.2%
Arch Coal Inc	5	94	(17)	111	0.3%	0.2%
Magellan Minerals	135	92	(54)	145	0.3%	0.2%
Kilo Goldmines	375	88	(37)	125	0.3%	0.2%
Frontline Gold Corp	521	86	(3)	89	0.3%	0.2%
Western Potash Corp	200	84	6	78	0.3%	0.2%
Midlands Minerals	490	83	(56)	139	0.2%	0.2%
Arian Silver	700	77	42	35	0.2%	0.2%
Mediterranean Resources Ltd	625	69	19	50	0.2%	0.2%
Indicator Minerals Inc	493	67	(167)	234	0.2%	0.1%
Full Metal Minerals	340	65	3	61	0.2%	0.1%
Orosur Mining Inc	181	62	(98)	160	0.2%	0.1%
Shear Minerals Ltd	1,178	59	(168)	227	0.2%	0.1%
Pacific Rim	310	57	(42)	99	0.2%	0.1%
Grayd Resource Corp	74	57	(32)	88	0.2%	0.1%
Taku Gold Corp	200	56	26	30	0.2%	0.1%
Abacus Mining & Exploration Corporation	328	54	(98)	152	0.2%	0.1%
Takara Resources	428	53	(6)	60	0.2%	0.1%
Southern Legacy Minerals	200	52	0	52	0.2%	0.1%
First Point Minerals	100	51	1	50	0.2%	0.1%
North Country Gold	200	50	0	50	0.1%	0.1%
Merrex Gold	100	49	6	43	0.1%	0.1%
Premium Exploration Inc	130	47	4	44	0.1%	0.1%
Glass Earth Gold Ltd	250	46	(4)	50	0.1%	0.1%
Alexis Minerals Corporation	200	45	(146)	191	0.1%	0.1%
PMI Ventures	282	45	(25)	71	0.1%	0.1%
Midway Gold Corp	100	45	(15)	60	0.1%	0.1%
Millrock Resources	100	42	(3)	45	0.1%	0.1%
Midas Gold Inc	40	41	0	41	0.1%	0.1%
Belvedere Resources	300	38	(8)	45	0.1%	0.1%
Valley High Ventures Ltd	100	35	(10)	45	0.1%	0.1%
Orex Minerals	280	34	(58)	92	0.1%	0.1%
Ucore Uranium Inc	140	34	(51)	84	0.1%	0.1%
Volcanic Metals Corp	200	32	(18)	50	0.1%	0.1%
Geodex Minerals	450	29	(20)	50	0.1%	0.1%
Silvermet Inc	333	27	(73)	100	0.1%	0.1%
Rye Patch Gold Corp	155	26	(52)	78	0.1%	0.1%
Almagro Gold	100	25	0	25	0.1%	0.1%
Other Mining Companies		409	(2,201)	2,614	1.2%	0.9%
<b>Total Mining</b>		<b>5,324</b>	<b>(3,678)</b>	<b>9,005</b>	<b>15.9%</b>	<b>11.9%</b>
Other		8	(50)	58	0.0%	0.0%
<b>Total Portfolio</b>		<b>33,436</b>	<b>(10,693)</b>	<b>44,129</b>	<b>100%</b>	<b>74%</b>



- 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 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, 2009	12,115,395	\$ 2,033
Purchased for cancellation	(19,900)	(4)
<b>Balance, June 30, 2010</b>	<b>12,095,495</b>	<b>\$ 2,029</b>

Contributed Surplus	(Thousands)
<b>Balance, December 31, 2009, and June 30, 2010</b>	<b>\$ 1,341</b>

#### 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 year 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 June 30, 2010 and December 31, 2009, are as follows:

	June 30, 2010		December 31, 2009	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of the period	1,005,000	\$2.81	1,050,000	\$2.80
Granted during the period	-	-	-	-
Exercised during the period	-	-	-	-
Expired during the period	(370,000)	\$2.41	(45,000)	\$2.41
Options outstanding at end of the period	635,000	\$3.05	1,005,000	\$2.81
Options exercisable at end of the period	635,000	\$3.05	1,005,000	\$2.81



Exercise Price	Options Outstanding	Weighted Average	
		Remaining Contract Life	Options Exercisable
\$3.01	35,000	1.3	35,000
\$3.05	600,000	1.3	600,000
Total	635,000		635,000

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.

### Earnings and net asset value per share

Earnings (loss) per share are calculated using the weighted average number of shares outstanding during the period of 12,115,285 (2009 – 12,174,699). Diluted weighted average shares outstanding during the period were 12,115,285 (2009 – 12,174,699). The net asset value per share is calculated using the number of shares outstanding at the period end of 12,095,495 (2009 – 12,126,295). 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 the quarter end was 12,730,499 (2009 – 12,496,295).

### 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 quarter:

Issuer Bid	Six Months Ended June 30	
	2010	2009
<b>Common Shares</b>		
Shares repurchased	19,900	74,600
Weighted average price, per share	\$ 2.14	\$ 1.52

### 4. Loans Receivables

(Thousands)	2010	2009
Loans receivable	\$ 367	\$ 37
Allowance for loan impairment	(37)	(37)
Carrying value of loans after allowance	\$ 330	-



## 5. 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 June 30, 2010. This also applies to the other assets, as these have a short term to settlement. As at June 30, 2010, except for the loans receivable which comprise less than 1% of the Company's net asset value, the Company's investments in debt instruments were limited to Government Treasury Bills and financial paper of large Canadian Banks .

Substantially 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 is a publicly traded company with common shares outstanding that are not subject to rights of redemption, 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. Due to the ongoing global economic and credit crisis, private company transactions came to a virtual halt in the fourth quarter of 2008. 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 June 30 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	23	9,221

**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 June 30, 2010, the Company's investment portfolio had a 12.6% weighting in foreign currencies and the Company had \$587,000 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 \$	\$	-	\$ 319	0.7%
UK pound sterling	\$	391	\$ 1,169	3.5%
Australian dollars	\$	266	\$ 3,418	8.2%
Swedish Krona	\$	-	\$ 174	0.4%
	\$	658	\$ 5,080	12.8%

As at June 30, 2010, had the Canadian dollar strengthened or weakened by 5% in relation to all currencies represented in the portfolio as at June 30, 2010, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$287,000 (approximately 0.6% 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 June 30, 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 \$1,672,000 (approximately 4% 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

During 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures (“Section 3862”), was amended to include enhanced 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 June 30, 2010.

Assets at fair value as at June 30, 2010						
(Thousands)	Level 1		Level 2		Level 3	Total
Equities	\$	32,839	\$	-	\$ 214	\$ 33,053
Warrants	\$	-	\$	383	\$ -	\$ 383
	\$	32,839	\$	383	\$ 214	\$ 33,436

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.

**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. The Company's Level 3 options are comprised primarily of warrants for which there is a limited active market for the underlying equity security and therefore significant judgment may be required in determining the current price and volatility of the underlying security. These warrants



are valued based on the difference between the underlying security and the strike price of the warrant. Such warrants make up 1.6% of the companies Net asset value.

## **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 period.

### ***Diaz Resources Ltd.***

At June 30, 2010, Humboldt owned 29 % (2009 - 28 %) 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 the first half of 2010, Humboldt paid Diaz \$151,000 (2009 - \$151,000) 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.

## **8. Capital management**

The Company considers capital to be comprised primarily of its shareholders' equity which was \$47 million at June 30, 2010. 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.



## Corporate Information

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### Directors

Robert W. Lamond <sup>(1)</sup>  
*Calgary, Alberta*

Charles A. Teare  
*Calgary, Alberta*

Robert L. McPherson <sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup>  
*Calgary, Alberta*

Allan R. Twa <sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup>  
*Calgary, Alberta*

*(1) Member of the Audit Committee  
(2) Member of the Compensation Committee  
(3) Member of the Corporate Governance Committee*

### Legal Counsel

Burnet, Duckworth & Palmer LLP  
*Calgary, Alberta*

### Auditors

PricewaterhouseCoopers LLP  
*Calgary, Alberta*

### Officers

R.W. Lamond  
*President, Chairman of the Board & CEO*

C.A. Teare  
*Executive Vice President & CFO*

D.K. Clark  
*Vice President, Operations*

C.S. Cohen  
*Corporate Secretary*

### Registrar and Transfer Agent

Computershare Trust Company of Canada  
*Calgary, Alberta*

### Stock Exchange Listing

TSX Venture Exchange  
Trading Symbol: HMB



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