



Humboldt Capital Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2008



Management's Discussion and Analysis

March 25, 2009

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, 2008. 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.

December 31

Five Year Financial Summary*(Thousands, except per share amounts)*

	2008	2007 ⁽¹⁾	2006 ⁽¹⁾	2005 ⁽¹⁾	2004 ⁽¹⁾
Revenue:					
Net gain on sale of investments	\$ 3,461	\$ 6,083	\$ 8,576	\$ 16,627	\$ 10,546
Unrealized appreciation (depreciation) in investment value	(26,679)	(22,183)	(21,676)	22,894	506
Interest from associated companies	-	153	299	440	273
Interest, dividends & other	338	432	133	55	74
Trust distributions	-	14	35	-	17
Total revenue	(22,880)	(15,501)	(12,633)	40,016	11,416
General and administrative expense	1,127	2,066	2,022	1,669	1,041
Brokerage commissions	242	214	186	488	256
Loan impairment expense (recovered)	37	(25)	-	(331)	27
Income taxes (recovered)	(1,800)	(3,181)	(2,877)	6,229	1,322
Net earnings (loss)	\$ (22,486)	\$ (14,575)	\$ (11,964)	\$ 31,961	\$ 8,770
Cash and cash equivalents	\$ 21,867	\$ 9,458	\$ 780	\$ 1,875	\$ 682
Total assets	\$ 33,825	\$ 57,138	\$ 75,507	\$ 92,385	\$ 54,956
Shareholders' equity	\$ 33,669	\$ 56,397	\$ 70,529	81,947	\$ 49,750
Shares outstanding	12,201	12,350	12,381	12,349	12,351
Earnings (loss) per share, diluted	\$ (1.84)	\$ (1.18)	\$ (0.94)	\$ 2.56	\$ 0.72
Net asset value per share, diluted	\$ 2.75	\$ 4.42	\$ 5.47	\$ 6.48	\$ 4.03

(1) Certain items have been reclassified to correspond with 2008 classifications.

The following is a summary of the investments held by Humboldt and other components of Humboldt's net asset value, as at December 31, 2008:

**Portfolio Summary and Net Asset Value
at December 31, 2008**

(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	\$ 2,900	\$ (11,517)	\$ 14,417	30%	9%
Oil & Gas					
Canadian	649	(1,113)	1,763	7%	2%
International	4,100	(7,025)	11,127	42%	12%
Mining	2,007	(7,488)	9,495	21%	6%
Other Equity Investments	61	(594)	655	1%	0%
Total Portfolio	\$ 9,721	\$ (27,737)	\$ 37,457	100%	29%
Working capital	21,758				65%
Other assets	489				1%
Future tax asset	1,701				5%
Net asset value	\$ 33,669				100%
Net asset value, per share (diluted)	\$ 2.75				

(1) Carrying Value is the quoted market value for listed securities and the estimated fair value for illiquid securities. Fair value being the expected realization from the orderly disposition of the security in an orderly manner 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.

<i>Asset Mix (Thousands)</i>	December 31		
	2008	2007	2006
Equity investments, cost of shares	\$ 37,457	\$ 48,017	\$ 49,332
Unrealized gain (loss)	(27,736)	(1,088)	21,176
Investments, market value	9,721	46,929	70,508
Loans to associated companies	-	-	3,414
Cash and cash equivalents	21,867	9,458	780
Convertible debentures and loans	202	128	216
Other assets	287	260	247
Other liabilities, net of receivables	(109)	10	(621)
Future tax assets (liability)	1,701	(388)	(4,015)
Shareholders' equity	\$ 33,669	\$ 56,397	\$ 70,529

MAJOR HOLDINGS

The major holdings consist of Humboldt's investment in the following five junior resource companies. During 2008 the market value of Humboldt's investments in these companies decreased by 71%.

Humboldt's investments in these companies have been evaluated at their market value, based on the bid prices of the securities held at the end of the year. 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	Market Value per Share
18,596,000	\$ 1,209	3.6%	\$ 0.32	\$ 0.07

Humboldt's investment in Diaz Resources Ltd. remains the largest individual holding in the Company's investment portfolio, representing approximately 3.6% of Humboldt's net asset value. This value has declined by \$3.1 million during 2008. Humboldt owned 28% of the outstanding shares of Diaz at December 31, 2008.

Diaz is an exploration and production company with assets in Alberta and Saskatchewan, in Canada and in Texas, in the United States. For the year ended December 31, 2008 Diaz reported cash flow of \$7.8 million, or \$0.12 per share and production averaging 886 BOEd.

Sharon Energy Ltd.

Share Holdings	Value (Thousands)	Percentage of Humboldt's Value	Cost per Share	Market Value per Share
18,131,000	\$ 997	3.0%	\$ 0.25	\$ 0.05

The carrying value of Humboldt's investment in Sharon Energy Ltd. represents 3% of the Company's net asset value at December 31, 2008. Humboldt owned approximately 24% of the outstanding shares of Sharon.

Sharon is a Houston, Texas based junior exploration company in the early stage of its development. The company's exploration is focused on high impact, deep Wilcox gas prospects in Texas.

For the nine month ended December 31, 2008 Sharon reported cash flow of U.S. \$2.2 million, or \$0.03 per share and production averaged 206 BOEd for the year.

Tuscany Energy Ltd.

Share Holdings	Value (Thousands)	Percentage of Humboldt's Value	Cost per Share	Market Value per Share
11,741,000	\$ 470	1.4%	\$ 0.15	\$ 0.04

Humboldt's holding in Tuscany make up 1.4% of Humboldt's value. Humboldt currently owns 34% of the outstanding shares of Tuscany.

Tuscany is mainly focused in Alberta and Saskatchewan. For the year ended December 31, 2008 Tuscany's production averaged 184 BOEd and the company reported cash flow of \$1.7 million, or \$0.05 per share. In the fourth quarter of 2008 Tuscany has announced a horizontal oil discovery which could be significant to the future development plans of the company.

Paris Energy Inc.

Share Holdings	Value (Thousands)	Percentage of Humboldt's Value	Cost per Share	Market Value per Share
1,714,000	\$ 43	0.1%	\$ 0.95	\$ 0.025

Paris is a junior Calgary-based energy company in which Humboldt owns 18% of the outstanding shares.

The Company has undergone a management change and reorganization, and Humboldt may make further investments in the company in order to finance its development.

Goldmark Minerals Ltd.

Share Holdings	Value (Thousands)	Percentage of Humboldt's Value	Cost per Share	Market Value per Share
6,049,000	\$ 181	0.5%	\$ 0.08	\$ 0.03

At December 31, 2008 Humboldt owned 30% of the outstanding shares of Goldmark.

Goldmark is a mineral exploration company however the company currently has no significant mineral property and management is currently exploring opportunities for its future growth. Goldmark had working capital of \$1.5 million at December 31, 2008 and no significant overhead costs.

CANADIAN OIL AND GAS SECTOR

During the year Humboldt realized gains of \$1.9 million and proceeds of \$10.4 million on the disposition of Canadian oil and gas holdings. Humboldt invested \$1.9 million in this sector during the year. The value of the remaining holdings decreased to \$0.6 million thereby reducing its weighting in the sector other than the major holdings discussed above to less than 2% of Humboldt's asset value. Humboldt made a decision to divest of most of its Canadian oil and gas holding in 2008.

INTERNATIONAL OIL SECTOR

Humboldt remained optimistic about the international oil sector throughout the year and as a result when share prices fell in this segment, Humboldt suffered significant losses. The value of Humboldt's investment in the international oil sector was \$4.1 million at December 31, 2008, representing 12% of Humboldt's net asset value compared with \$18.7 million, or 33.2% of Humboldt's net asset value at December 31, 2007.

During the year ended December 31, 2008 Humboldt realized a gain of \$241,000 and proceeds of \$9.7 million on sale of assets in this sector. Humboldt invested \$5.8 million into this sector during 2008.

MINING SECTOR

During the year ending December 31, 2008, Humboldt realized a gain of \$1.2 million on proceeds of \$3.0 million in the mining sector. Humboldt invested \$1.4 million in the sector during the year. The value of the investment in the mining sector was reduced by \$8.1 million during the year to 6% (\$2.0 million) of Humboldt's value at December 31, 2008.

ADMINISTRATION COSTS

Administrative costs as a percent of assets (Thousands, except percentage amounts)	Years Ended December 31		
	2008	2007	2006
General and administrative	\$ 1,001	\$ 1,523	\$ 1,541
Non cash compensation	126	543	481
Total administration costs	\$ 1,127	\$ 2,066	\$ 2,022
Assets under management	\$ 33,825	\$ 57,138	\$ 75,390
Percentage	3.3%	3.6%	2.7%

Total general and administrative costs of \$1.1 million equaled 3.3% of the assets under management. The Company incurred non-cash remuneration expense of \$126,000 representing the value of options issued to employees and directors during the year.

STOCK VALUATION AND MARKET PRICE

(Thousands, except per share amounts)	Years Ended December 31		
	2008	2007	2006
Net asset value	\$ 33,669	\$ 56,397	\$ 70,529
NAV, per share (diluted)	\$ 2.75	\$ 4.42	\$ 5.47
Market price, per share	\$ 1.40	\$ 2.35	\$ 3.55

During the year ended December 31, 2008 Humboldt's net asset value per share decreased by 38% from \$4.42 per share at December 31, 2007. The market price of Humboldt's shares on December 31, 2008 was \$1.40, 40% lower than the closing share price at December 31, 2007.

Issuer Bid	Years Ended December 31		
	2008	2007	2006
Shares repurchased	148,900	39,300	11,200
Average cost paid, per share	\$ 2.47	\$ 3.04	\$ 3.46

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 199,400 shares over the past three years, or 1.6% of the outstanding shares at the beginning of 2006.

INCOME TAX

<i>(Thousands, except percentage amounts)</i>	Years Ended December 31		
	2008	2007	2006
Income tax expense (recovery)			
Current	\$ 289	\$ 446	\$ 731
Future	(2,089)	(3,627)	(3,608)
Total income tax expense (recovery)	\$ (1,800)	\$ (3,181)	\$ (2,877)
Earnings (loss), before tax	\$ (24,286)	\$ (17,756)	\$ (14,841)
Effective tax rate	7%	18%	19%

Future income tax assets and liabilities primarily result from unrealized gains 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%. The Company's effective rate for 2008 was 7% on the Company's loss for the year. Capital losses can be carried back for up to three previous years, and as a result Humboldt has reported a future tax asset of \$1.7 million which would be received if Humboldt disposed of its portfolio at its carrying value at December 31, 2008 and realized the recovery of taxes previously paid. In total, Humboldt has unrealized losses which would create a future tax asset of \$3.5 million. However because there is no assurance that the Company will be able to realize future capital gains, the Company has not recorded an additional future tax asset of \$1.8 million.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity <i>(Thousands)</i>	December 31		
	2008	2007	2006
Working capital	\$ 21,758	\$ 9,468	\$ 189

Humboldt's portfolio is principally comprised of small capitalization companies listed on Canadian stock exchanges. Approximately 9% of its net asset value is reflected in significant equity positions in four oil and gas corporations, two of which are in the start-up phase and one mining corporation which is also in the start-up phase. 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 Humboldt's portfolio is generally not highly liquid.

At December 31, 2008, Humboldt had working capital of \$22 million. Humboldt's working capital is invested primarily in 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 to increase its investment portfolio.

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

DIVIDEND

On April 17, 2009, the Board of Directors of Humboldt Capital Corporation declared a Special Dividend of \$0.25 per share. The Dividend will result in a distribution of approximately \$3 million of the Company's cash which the Board has determined in excess of the Company's current 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.

CONTRACTS, BYLAWS AND COMMITMENTS

Humboldt has an agreement with Sharon Energy Ltd. to provide a credit facility of up to \$1.0 million in order to finance Sharon's ongoing drilling program. The signed credit facility is based on Sharon's asset base and reviewed annually by Humboldt management. During 2007, the loan was drawn to \$4.7 million and repaid before year end. No amount was outstanding during 2008.

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, 2008, investments carried at cost represent 4% 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

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. Please refer to Note 2, "Changes in Accounting Policies" in the notes to the financial statements for the year ended December 31, 2008.

In December 2006, the CICA issued a new accounting standard: Handbook Section 1535, "Capital Disclosures", requiring disclosure of information about an entity's capital and the objectives, policies, and processes for managing capital. The standard is effective for fiscal years beginning on or after October 1, 2007. The accounting standard was implemented for Q1 2008 and is disclosure related only. The standard did not impact the financial statements for 2008.

Also in December 2006, the CICA issued two related accounting standards: Handbook Section 3862, "Financial Instruments – Disclosures" and Handbook Section 3863, "Financial Instruments – presentation". These new standards were created to expand upon and replace Handbook Section 3861, "Financial Instrument Disclosures and Presentation" and were adopted for interim and annual financial statements beginning after January 1, 2008. The standards did not impact the financial statements for 2008.

Canadian Generally Accepted Accounting Principles (“GAAP”) for public companies will transition to International Financial Reporting Standards (“IFRS”) over the next two years 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
- 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 per unit from the changeover to IFRS. 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 Humboldt. Quantitative impacts of the changeover will be disclosed in the 2009 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 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.

As 2008 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 have also declined rapidly under the impact of the global slowdown. Oil prices, after reaching peaks of over US\$145 per barrel this summer, ended the year at US\$44.60 per barrel. The weaker energy and mineral prices have caused producers to cut back on their development plans and supply is expected to continue to decrease throughout 2009. 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.

As the investment strategy of the portfolio is to be concentrated in the mining and energy sector, the Company is more exposed to sector concentration risk (the risk of being invested in a few market sectors). Toward the end of 2008, when the full impact of the market collapse was evident, the sector concentration risk was somewhat mitigated by the fact that the Company held a high level of cash. Humboldt increased its cash and short-term investment weighting in the portfolio to over 65%.

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.

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 December 31, 2008. 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							
	2008				2007			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Total revenue	\$ (11,159)	\$ (17,518)	\$ 6,553	\$ (756)	\$ (1,858)	\$ (13,043)	\$ 4,870	\$ (5,684)
Earnings (loss)	\$ (11,626)	\$ (15,365)	\$ 5,388	\$ (883)	\$ 618	\$ (13,874)	\$ 3,873	\$ (5,192)
per share, basic	\$ (0.96)	\$ (1.25)	\$ 0.44	\$ (0.07)	\$ (0.16)	\$ (0.91)	\$ 0.31	\$ (0.42)
per share, diluted	\$ (0.96)	\$ (1.25)	\$ 0.44	\$ (0.07)	\$ (0.16)	\$ (0.90)	\$ 0.31	\$ (0.42)

As at the Period Ended

	2008				2007			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
	Retained earnings	\$ 30,281	\$ 41,916	\$ 57,518	\$ 52,130	\$ 53,110	\$ 55,107	\$ 66,465
Net asset value	\$ 33,669	\$ 45,304	\$ 60,886	\$ 55,461	\$ 56,397	\$ 58,313	\$ 69,543	\$ 65,542
per share, basic	\$ 2.76	\$ 3.71	\$ 4.95	\$ 4.51	\$ 4.57	\$ 4.72	\$ 5.62	\$ 5.29
per share, diluted	\$ 2.75	\$ 3.64	\$ 4.78	\$ 4.37	\$ 4.42	\$ 4.56	\$ 5.38	\$ 5.08

The decline in commodity prices and most equity markets resulted in the value of Humboldt's portfolio continuing to decline in the fourth quarter of 2008. In order to minimize some of the current taxes payable during 2008, Humboldt sold many of the holdings in which Humboldt had significant unrealized losses. As a result Humboldt realized \$4.6 million of losses in the quarter and reduced taxes otherwise payable by approximately \$700,000.

The value of its investments continued to decline and Humboldt had an additional unrealized loss in investment value of \$6.8 million during the quarter. The Company's future tax was reduced as a result of the current year losses realized, however the three year limitation on the ability to carry losses back and the lack of probability that the Company will utilize further tax assets has limited the future tax recovery recorded.

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, 2008, Humboldt owned 28% (2007 – 28%) of the outstanding shares of Diaz. All of Humboldt's officers and directors are also officers and/or directors of Diaz.

During 2008, Humboldt paid Diaz \$302,000 (2007 – \$305,000) as its share of overhead costs. The charge is estimated based on, among other things, the time spent by Diaz employees on Humboldt's business.

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.

Humboldt has an agreement with Sharon to provide a credit facility of up to \$1.0 million by way of a revolving secured loan. Humboldt charged Sharon interest on the loan at a simple rate of 10% per annum. The loan is on a revolving and demand basis and has no fixed repayment schedule. At December 31, 2008, the credit remained available to Sharon however, no amount was outstanding.

Tuscany Energy Ltd.

At December 31, 2008, Humboldt owned 33% (2007 – 28%) of the outstanding common shares of Tuscany Energy Ltd. Certain of Humboldt's officers and directors are also officers and directors of Tuscany. During 2007 Humboldt purchased an additional 4,000,000 shares of Tuscany as part of a 10,000,000 share offering of flow-through shares at \$0.10 per share.

Goldmark Minerals Ltd.

At December 31, 2008, Humboldt owned 30% (2007 – 23%) of the outstanding common shares of Goldmark Minerals Ltd. Certain of Humboldt officers and directors are also officers and directors of Goldmark.

CAPITAL STOCK

As of March 25 2009, Humboldt had 12,169,395 common shares outstanding and employees and directors had options to purchase an additional 1,050,000 common shares from the Company.

OUTLOOK

Humboldt's view remains quite pessimistic for 2009. It is clear that the recession in the United States will be severe and has already spread to the UK, Japan and Europe. Indications also point to a severe slowdown in China and other Asian economies.

This current business cycle, while very severe, appears to be following the pattern of previous stock market and economic downturns. Hence, 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 has already discounted economic problems and has commenced a recovery phase. Unfortunately, this pattern may not necessarily apply to all resource stocks as commodity prices usually only begin to rise well into an economic recovery. This is due to the availability of existing stockpiles and under-utilized capacity, especially in the mining industry.

Hence, while we appear to be entering a year of extreme gloom and doom, nevertheless, the seeds of the economic recovery have actually been sown. These factors comprise the reappearance of very low interest rates, low energy prices, low metal prices, availability of cheaper labor and an abundance of inexpensive homes and commercial properties.

As a result of these greater uncertainties at this phase of the business cycle, Humboldt has increased its current level of liquidity. At the time of writing, Humboldt's cash reserves were in excess of \$21.5 million.

Humboldt is in an enviable position, with a substantial cash balance, to be able to weather this storm. In addition, Humboldt's Board has strongly encouraged the management teams of its major holdings to be prepared to modify their capital expenditure programs to maintain adequate medium-term liquidity.

On another positive note, Humboldt's staff is reviewing a great number of investment opportunities which, due to the present correction, are much more attractively priced. Humboldt's focus will be on companies with quality management teams with attractive properties, and the financial resources with which to continue their exploration.

Finally, Humboldt anticipates that even the oil and gas business, which is suffering a major correction in commodity prices, will recover in the future, after costs come back into line and an extremely negative sector rotation, out of energy stocks, will be reversed.