



*Humboldt Capital Corporation*

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008



## Management's Report

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

PricewaterhouseCoopers LLP have been appointed by the shareholders of Humboldt Capital Corporation and serve as the Company's independent auditors. They have examined the financial statements of the Company for the years ended December 31, 2008 and 2007. The Audit Committee has reviewed these statements with management and the auditors, and has reported to the Board of Directors. The Board has approved the financial statements of Humboldt Capital Corporation, which are contained in this annual report.



Robert W. Lamond  
President and Chairman of the Board  
March 25, 2009



Charles A. Teare  
Executive Vice President and CFO

## Auditors' Report

To the Shareholders of Humboldt Capital Corporation

We have audited the balance sheets of Humboldt Capital Corporation as at December 31, 2008 and 2007 and the statements of operations, comprehensive loss and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations, comprehensive income and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



PricewaterhouseCoopers LLP  
Chartered Accountants  
Calgary, Alberta  
March 25, 2009

## Balance Sheet

(Thousands, except per share amounts)

As at December 31	2008	2007
<b>Assets</b>		
Cash and cash equivalents	\$ 21,867	\$ 9,458
Accounts receivable	47	25
Income tax recoverable	-	338
	21,914	9,821
Loans receivable (Note 6)	202	128
Investments (Note 3)	9,721	46,929
Future income tax asset (Note 5)	1,701	-
Other assets	287	260
	11,911	47,317
<b>Total Assets</b>	\$ 33,825	\$ 57,138
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 80	\$ 353
Income tax payable	76	-
	156	353
Future income tax liability (Note 5)	-	388
	156	741
<b>Shareholders' Equity</b>		
Share capital (Note 4)		
Common shares	2,047	2,072
Contributed surplus	1,341	1,215
Retained earnings	30,281	53,110
<b>Total Shareholders' Equity</b>	33,669	56,397
<b>Total Liabilities and Shareholders' Equity</b>	\$ 33,825	\$ 57,138
Net asset value per share, basic	\$ 2.76	\$ 4.57
Net asset value per share, diluted	\$ 2.75	\$ 4.42

Approved by the Board:



"R.W. Lamond" Director



"C.A. Teare" Director

## Statement of Operations, Comprehensive Loss and Retained Earnings

(Thousands, except per share amounts)

Year Ended December 31,	2008	2007 <sup>(1)</sup>
<b>Revenue</b>		
Net gain on sale of investments	\$ 3,461	\$ 6,083
Unrealized (decrease) in investment value	(26,679)	(22,183)
Interest, dividends and other	338	599
	(22,880)	(15,501)
<b>Expenses</b>		
General and administrative	1,001	1,523
Brokerage commissions	242	214
Non-cash compensation	126	543
Loan loss (recovery)	37	(25)
	1,406	2,255
Loss before income taxes	(24,286)	(17,756)
Income taxes (recovery)		
Current	289	446
Future	(2,089)	(3,627)
	(1,800)	(3,181)
Loss and comprehensive loss for the year	(22,486)	(14,575)
Cost in excess of stated value of shares repurchased	(343)	(113)
Retained earnings, beginning of year	53,110	67,798
Retained earnings, end of year	\$ 30,281	\$ 53,110
Net earnings (loss) per share, basic	\$ (1.84)	\$ (1.18)
Net earnings (loss) per share, diluted	\$ (1.84)	\$ (1.18)

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

## Statement of Cash Flows

(Thousands)

Year Ended December 31,	2008	2007 <sup>(i)</sup>
Cash provided by (used for):		
Operating Activities		
Loss and comprehensive loss for the year	\$ (22,486)	\$ (14,575)
Adjusted for:		
Loan loss expense	37	(25)
Non-cash compensation	126	543
Future income tax (recovery)	(2,089)	(3,627)
Unrealized (decrease) in investments value	26,679	22,183
Net gain on sale of investments	(3,461)	(6,083)
Repayments of advances to associated companies	-	3,414
Proceeds from sale of investments	23,469	20,737
Purchase of investments	(9,480)	(13,234)
Other loans and debentures	(111)	88
Other assets	(27)	(13)
Cash flow from operations	12,657	9,408
Change in non cash working capital	119	(631)
	12,776	8,777
Financing Activities		
Shares issued on exercise of options	-	20
Purchase of shares for cancellation	(367)	(119)
	(367)	(99)
Increase in cash	12,409	8,678
Cash, beginning of year	9,458	780
Cash, end of year	\$ 21,867	\$ 9,458
Supplementary information regarding cash payments:		
Interest received during the year	\$ 336	\$ 599
Taxes paid (refunded) during the year	\$ (132)	\$ 399
Non-cash items:		
Interest on loans to associated companies	\$ -	\$ 153

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

# Notes to the Financial Statements

For the Years Ended December 31, 2008 and 2007

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires the Company to make estimates and assumptions that affect reported amounts of assets, liabilities, revenue and expenses, and disclosure of contingencies. Future events could alter such estimates in the near term.

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

The financial statements include the accounts of the Company for 2008 and the assets of the Company and of its wholly owned subsidiaries (913666 Alberta Ltd. and 720502 Alberta Ltd.) for 2007. The subsidiaries were wound up into the company, effective November 26, 2008. Inter-company balances and transactions are eliminated.

### Financial instruments

On January 1, 2007, the Company adopted CICA Section 3855, Financial Instruments – Recognition and Measurement. This standard establishes the recognition and measurement criteria for financial assets, liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent years depends on whether the financial instrument has been classified as “held-for-trading,” “available-for-sale,” “held-to-maturity,” “loans and receivables” or “other financial liabilities” as defined by the standard.

Cash and cash equivalents are designated as “held-for-trading” and are measured at carrying value, which approximates fair value due to the short-term nature of these instruments. Investments and other assets are designated as “held for trading” and are measured at their fair value as determined by the Company. Accounts receivable, loans receivable and loans to associated companies are designated as “loans and receivables” and are carried at cost unless the value has been impaired. Accounts payable are designated as “other financial liabilities” and are carried at cost.

## 2. FUTURE ACCOUNTING STANDARDS

The Canadian Accounting Standards Board confirmed January 1, 2011 as the date international financial reporting standards (IFRS) will replace current Canadian standards and interpretations as GAAP for publicly accountable enterprises, which include investment funds. Management has established a project team responsible for the development and implementation of a transition plan and commenced activities to identify key issues and the likely impacts resulting from the adoption of IFRS.

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 conducted by the CICA. 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.

### **Investments**

Investments having quoted market values and a sufficiently liquid market are recorded at market prices at 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 year 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. The Company estimates quoted market value from the last bid price of the listed securities.

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-subsidiary relationship does not exist. Accordingly, the accounts of such companies in which the company holds greater than 20% of the voting rights are not equity accounted with those of the Company.

### **Loans**

Loans and convertible debt receivable are carried at the value of the debt 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.

### **Investment transactions**

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.

### **Investment income**

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

### **Cash and cash equivalents**

For the purpose of the statement of cash flows, cash includes cash and short-term investments that can be liquidated with cash on less than ninety days notice. Short-term investments are comprised of risk-free interest bearing securities.

## Foreign Currency Translation

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

- Monetary assets and liabilities – at the year end rate of exchange;
- Other assets and liabilities – at historical rates of exchange; and
- Revenues and expenses – at average rates of exchange for the year, 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.

Earnings (loss) per share are calculated using the weighted average number of shares outstanding during the year of 12,204,287 (2007 – 12,369,159). Diluted weighted average shares outstanding during the year were 12,204,287 (2007 – 12,451,505). The net asset value per share is calculated using the number of shares outstanding at the year end of 12,207,095 (2007 – 12,349,795). Net asset value per diluted share is calculated based on outstanding options being exercised and the proceeds being added to the net asset value. The diluted number of shares outstanding at year end was 12,349,795 (2007 – 13,484,795).

## Share based compensation plan

The Company has a stock based compensation plan, which is described in Note 5.

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.

## 3. CHANGE IN ACCOUNTING POLICIES

### Adoption of new accounting standards

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, 2007.

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.

## 4. INVESTMENTS

Investments are comprised of the following:

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

<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>						
Diaz Resources Ltd	18,596	1,209	(4,769)	5,977	12.4%	3.6%
Sharon Energy Ltd	18,131	997	(3,498)	4,496	10.3%	3.0%
Tuscany Energy Ltd	11,741	470	(1,349)	1,818	4.8%	1.4%
Goldmark Minerals Ltd	6,049	181	(323)	505	1.9%	0.5%
Paris Energy Inc	1,714	43	(1,578)	1,621	0.4%	0.1%
<b>Total Major Holdings</b>		<b>2,900</b>	<b>(11,517)</b>	<b>14,417</b>	<b>29.8%</b>	<b>8.6%</b>
<b>Canadian Oil &amp; Gas</b>						
Trafina Energy Ltd	577	127	(62)	189	1.3%	0.4%
Renegade Oil & Gas	100	100	0	100	1.0%	0.3%
Rock Energy Inc	100	93	(84)	177	1.0%	0.3%
Canext Energy Ltd	300	78	(227)	305	0.8%	0.2%
Buffalo Resources Corp	200	76	(24)	100	0.8%	0.2%
Painted Pony Petroleum	50	63	10	53	0.6%	0.2%
Crocotta Energy Ltd	45	45	(297)	343	0.5%	0.1%
Sure Energy Inc	160	35	(230)	265	0.4%	0.1%
Nuloch Resources Inc	140	32	(199)	231	0.3%	0.1%
<b>Total Canadian Oil &amp; Gas</b>		<b>649</b>	<b>(1,113)</b>	<b>1,763</b>	<b>6.7%</b>	<b>1.9%</b>
<b>International Oil &amp; Gas</b>						
Serica Resources PLC	946	520	(1,020)	1,540	5.3%	1.5%
Tower Resources	9,500	425	(178)	603	4.4%	1.3%
Tap Oil Ltd	580	382	88	294	3.9%	1.1%
Global Petroleum	3,466	326	(236)	562	3.4%	1.0%
Bridge Resources Corp	728	306	(430)	736	3.1%	0.9%
Cirrus Energy Inc	339	255	(207)	462	2.6%	0.8%
Sterling Resources Ltd	515	227	(494)	720	2.3%	0.7%
EnCore Oil	1,235	204	(389)	593	2.1%	0.6%
Bengal Energy	584	158	(810)	968	1.6%	0.5%
Tarim Resources (Private)	500	125	0	125	1.3%	0.4%
Primeline Energy Holdings Inc	479	120	(47)	167	1.2%	0.4%
Petsec Energy	770	118	(148)	267	1.2%	0.4%
Genesis Petroleum	400	82	(217)	299	0.8%	0.2%
TG World Energy Corp	802	80	(486)	566	0.8%	0.2%
Gold Oil	625	66	(34)	100	0.7%	0.2%
Europa Oil & Gas	600	64	(218)	283	0.7%	0.2%
Key Petroleum Ltd	1,000	60	(170)	230	0.6%	0.2%
Aminex	500	59	(70)	130	0.6%	0.2%
Dualex Energy	291	58	(160)	219	0.6%	0.2%
Benchmark Energy Corp	577	58	(274)	331	0.6%	0.2%
Cue Energy	633	54	(106)	161	0.6%	0.2%
Centric Energy	2,000	50	(238)	288	0.5%	0.1%
Carnarvon Petroleum	150	42	7	35	0.4%	0.1%
Primera Energy Resources Ltd	160	35	(9)	44	0.4%	0.1%
Loon Energy Inc	590	32	(71)	104	0.3%	0.1%
Exile Resources Ltd	959	29	(299)	328	0.3%	0.1%
Mart Resources Ltd	610	24	(321)	345	0.2%	0.1%

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

<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>International Oil &amp; Gas (continued)</b>						
Groundstar Resources	165	23	(20)	43	0.2%	0.1%
Drillsearch Energy Ltd	820	21	(30)	51	0.2%	0.1%
Petro Uno Resources	200	21	(59)	80	0.2%	0.1%
Century Energy Ltd	248	17	(19)	36	0.2%	0.1%
Impress Ventures	650	17	(36)	52	0.2%	0.1%
California Oil & Gas	500	15	15	0	0.2%	0.0%
Mogul Energy International	295	12	(31)	42	0.1%	0.0%
Other International Oil & Gas	0	15	(308)	323	0.2%	0.0%
<b>Total International Oil &amp; Gas</b>		<b>4,100</b>	<b>(7,025)</b>	<b>11,127</b>	<b>42.2%</b>	<b>12.2%</b>
<b>Mining</b>						
Firestone Ventures Inc	1,435	172	18	154	1.8%	0.5%
Kilo Goldmines	375	125	0	125	1.3%	0.4%
Peregrine Metals Inc	200	124	10	114	1.3%	0.4%
Apoquindo Minerals	300	93	(82)	175	1.0%	0.3%
Alexis Minerals Corporation	200	84	(107)	191	0.9%	0.2%
Freewest Resources Canada Inc	500	83	(108)	190	0.9%	0.2%
MineCore International	109	57	(95)	152	0.6%	0.2%
Chapleau Resources Ltd	525	55	(96)	151	0.6%	0.2%
Western Potash Corp	200	54	(24)	78	0.6%	0.2%
Midlands Minerals Corp	625	50	(117)	167	0.5%	0.1%
High Desert Gold	200	49	(51)	100	0.5%	0.1%
ATW Venture Corp	100	46	(14)	60	0.5%	0.1%
Carpathian Gold	343	45	(108)	153	0.5%	0.1%
Grayd Resource Corp	84	40	(60)	100	0.4%	0.1%
Alberta Star Development Corp	377	40	(160)	200	0.4%	0.1%
Scorpio Mining Corp	166	39	(152)	191	0.4%	0.1%
Vangold Resources	520	39	(29)	68	0.4%	0.1%
International PBX Ventures Ltd	957	38	(463)	501	0.4%	0.1%
Silverstone Resource Corp	53	34	(59)	93	0.3%	0.1%
Premium Exploration Inc	550	33	(152)	185	0.3%	0.1%
Commander Resources Ltd	568	31	(148)	180	0.3%	0.1%
Cuadrilla Resources	50	30	0	30	0.3%	0.1%
Silver Spruce Resources Inc	245	28	(124)	152	0.3%	0.1%
Verena Minerals Corp	250	28	(29)	56	0.3%	0.1%
Shear Minerals Ltd	366	27	(139)	166	0.3%	0.1%
White Pine Resources	94	27	(670)	697	0.3%	0.1%
Almagro Gold (Private)	100	25	0	25	0.3%	0.1%
Diamondex Resources Ltd	535	24	(127)	152	0.2%	0.1%
Boxer Gold	1,520	23	(132)	155	0.2%	0.1%
Full Metal Minerals Ltd	110	23	(238)	260	0.2%	0.1%
Bayswater Uranium Corp	252	20	(180)	200	0.2%	0.1%
PMI Ventures	400	20	(80)	100	0.2%	0.1%
Orex Minerals Inc	280	20	(72)	92	0.2%	0.1%
Rye Patch Gold Corp	155	19	(58)	78	0.2%	0.1%
Celeste Copper	600	18	(42)	60	0.2%	0.1%
Northern Tiger Resources	287	17	(69)	86	0.2%	0.1%
Merrex Gold Inc	100	16	(30)	45	0.2%	0.0%

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

<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>Mining (continued)</b>						
International Millennium Mining Corp	265	13	(36)	49	0.1%	0.0%
Indicator Minerals Inc	493	12	(222)	234	0.1%	0.0%
Sundaland Resources (Private)	100	12	0	12	0.1%	0.0%
Strongbow Exploration Inc	254	11	(37)	48	0.1%	0.0%
Pacific Rim	60	11	(39)	50	0.1%	0.0%
Volta Resources Inc	83	11	(89)	100	0.1%	0.0%
Golden Reign Resources Ltd	688	10	(140)	150	0.1%	0.0%
Underworld Resources Inc	50	10	(38)	49	0.1%	0.0%
Abacus Mining & Exploration	143	10	(90)	100	0.1%	0.0%
Other Mining	0	211	(2,810)	3,021	2.2%	0.6%
<b>Total Mining</b>		<b>2,007</b>	<b>(7,488)</b>	<b>9,495</b>	<b>20.6%</b>	<b>6.0%</b>
Other		61	(594)	655	0.6%	0.2%
<b>Total Portfolio</b>		<b>9,721</b>	<b>(27,737)</b>	<b>37,457</b>	<b>100%</b>	<b>29%</b>

**Portfolio Summary and Net Asset Value at December 31, 2007**
*(Thousands, except percentage)*

<b>Major Holdings</b>						
Diaz Resources Ltd	18,546	4,266	(1,707)	5,972	9.1%	7.6%
Goldmark Minerals Ltd	5,079	686	213	473	1.5%	1.2%
Paris Energy Inc	1,417	255	(1,338)	1,593	0.5%	0.5%
Sharon Energy Ltd.	17,787	3,913	(555)	4,468	8.3%	6.9%
Tuscany Energy Ltd	10,328	826	(860)	1,687	1.8%	1.5%
<b>Total Major Holdings</b>		<b>9,946</b>	<b>(4,247)</b>	<b>14,193</b>	<b>21.2%</b>	<b>17.6%</b>
<b>Canadian Oil &amp; Gas</b>						
Painted Pony Petroleum "A"	190	1,131	976	155	2.4%	2.0%
Buffalo Oil Corporation	816	865	(266)	1,131	1.8%	1.5%
Storm Explorations	82	722	348	375	1.5%	1.3%
E4 Energy	732	571	(538)	1,109	1.2%	1.0%
Wave Energy Inc	175	525	135	390	1.1%	0.9%
Vero Energy Inc	79	459	83	376	1.0%	0.8%
Endev Energy Inc	588	441	(182)	622	0.9%	0.8%
Celtic Exploration Ltd	37	400	99	301	0.9%	0.7%
Rock Energy Inc	145	361	(208)	569	0.8%	0.6%
NuVista Energy Ltd	27	351	40	311	0.7%	0.6%
Burmis Energy Inc	168	286	(117)	404	0.6%	0.5%
Result Energy Inc	751	255	(119)	374	0.5%	0.5%
Cyries Energy Inc	35	236	(11)	247	0.5%	0.4%
Canext Energy Ltd	543	217	(337)	554	0.5%	0.4%
Painted Pony Petroleum "B"	32	173	(142)	315	0.4%	0.3%
West Energy Ltd	65	149	(213)	362	0.3%	0.3%
Sure Energy Inc	160	144	(122)	267	0.3%	0.3%
Trafina Energy Ltd	303	124	49	75	0.3%	0.2%
Crocotta Energy Ltd	45	115	(227)	343	0.2%	0.2%
Nexstar Energy Ltd	310	112	46	65	0.2%	0.2%
Nuloch Resources Inc	200	100	(230)	330	0.2%	0.2%
Renegade Oil & Gas	100	100	0	100	0.2%	0.2%
Other Canadian Oil & Gas		161	(558)	719	0.3%	0.3%
<b>Total Canadian Oil &amp; Gas</b>		<b>7,998</b>	<b>(1,494)</b>	<b>9,494</b>	<b>17.0%</b>	<b>14.2%</b>

**Portfolio Summary and Net Asset Value at December 31, 2007**

<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>International Oil &amp; Gas</b>						
Bow Valley Energy Ltd	381	2,391	1,560	831	5.1%	4.2%
Pan Orient Energy Corp	168	2,538	2,298	240	5.4%	4.5%
Cirrus Energy Inc.	768	2,121	992	1,129	4.5%	3.8%
Sterling Resources Ltd	515	1,354	632	722	2.9%	2.4%
EnCore Oil	1,235	1,247	652	595	2.7%	2.2%
Ithica Resources Inc	392	1,226	287	939	2.6%	2.2%
Granby Oil & Gas	750	1,118	83	1,035	2.4%	2.0%
Antrim Energy Ltd	212	1,018	659	359	2.2%	1.8%
Serica Resources PLC	401	746	(113)	859	1.6%	1.3%
Gran Tierra Energy Inc	189	494	209	285	1.1%	0.9%
TG World Energy Corp	814	423	(152)	576	0.9%	0.8%
Loon Energy Inc	590	419	167	251	0.9%	0.7%
Excelsior Energy Ltd	609	317	32	285	0.7%	0.6%
Mart Resources Ltd	700	315	(83)	398	0.7%	0.6%
Benchmark Energy Corp	535	294	(21)	315	0.6%	0.5%
Bridge Resources	236	241	40	201	0.5%	0.4%
BrazAlta Resources Corp	341	228	29	200	0.5%	0.4%
Europa Oil & Gas	600	209	(76)	285	0.4%	0.4%
Genesis Petroleum	400	202	(97)	299	0.4%	0.4%
Gulf Shores	638	182	(36)	218	0.4%	0.3%
Argenta Oil & Gas	427	179	(31)	210	0.4%	0.3%
Coastal Energy Company	41	177	60	117	0.4%	0.3%
Elixer Petroleum Ltd	612	159	(214)	373	0.3%	0.3%
Big Sky Energy Corporation	1,950	146	(636)	782	0.3%	0.3%
Tarim Resources	500	125	0	125	0.3%	0.2%
Cue Energy	633	121	(40)	161	0.3%	0.2%
Avery Resources Inc	346	107	(28)	136	0.2%	0.2%
Other International Oil & Gas Companies		602	(1,369)	1,970	1.3%	1.1%
<b>Total International Oil &amp; Gas</b>		<b>18,699</b>	<b>4,804</b>	<b>13,896</b>	<b>39.8%</b>	<b>33.2%</b>
<b>Mining</b>						
Firestone Ventures	1,435	804	564	240	1.7%	1.4%
Global Copper Corp	80	480	376	104	1.0%	0.9%
WSR Gold Inc	1,008	363	(396)	759	0.8%	0.6%
Sanatana Diamonds	200	360	310	50	0.8%	0.6%
Apoquindo Minerals	300	330	155	175	0.7%	0.6%
Capstone Mining Corp	105	292	192	100	0.6%	0.5%
Vaaldiam Resources Ltd	570	285	(82)	367	0.6%	0.5%
International PBX Ventures Ltd	957	282	(219)	501	0.6%	0.5%
Full Metal Minerals Ltd	110	267	7	261	0.6%	0.5%
Premium Exploration Inc	450	239	89	150	0.5%	0.4%
Scorpio Mining Corp	166	234	43	191	0.5%	0.4%
Oromin Explorations	62	227	78	149	0.5%	0.4%

**Portfolio Summary and Net Asset Value at December 31, 2007**

<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>Mining (continued)</b>						
Atlas Minerals Inc	500	220	49	171	0.5%	0.4%
Alberta Star Development	377	215	15	200	0.5%	0.4%
Herald Resources	100	193	106	87	0.4%	0.3%
Shear Minerals Ltd	366	187	20	167	0.4%	0.3%
Chapleau Resources Ltd	525	179	27	151	0.4%	0.3%
Silver Spruce Resources Inc	245	166	14	152	0.4%	0.3%
Alexis Minerals Corporation	200	158	(34)	192	0.3%	0.3%
Freewest Resources Canada Inc	500	155	(37)	192	0.3%	0.3%
Sanatana (warrants)	100	150	150	0	0.3%	0.3%
Yukon Zinc	1,217	146	(283)	429	0.3%	0.3%
Capstone Gold (warrants)	105	145	145	0	0.3%	0.3%
Midlands Minerals Corp	600	141	(19)	160	0.3%	0.3%
Silverstone Resource Corp	53	140	47	93	0.3%	0.2%
Boxxer Gold	1,520	137	(19)	155	0.3%	0.2%
Indicator Minerals Inc	493	136	(100)	235	0.3%	0.2%
Peregrine Metals Inc	200	130	16	114	0.3%	0.2%
Kilo Goldmines	375	125	0	125	0.3%	0.2%
Commander Resources Ltd	568	119	(61)	180	0.3%	0.2%
Strongbow Exploration Inc	254	115	67	48	0.2%	0.2%
Nevada Copper (warrants)	100	113	113	0	0.2%	0.2%
Fortune Valley Resources	400	100	(60)	160	0.2%	0.2%
Bayswater Uranium Corp	122	100	0	100	0.2%	0.2%
Other Mining Companies		2,719	(977)	3,693	5.8%	4.8%
<b>Total Mining</b>		<b>10,152</b>	<b>296</b>	<b>9,851</b>	<b>21.6%</b>	<b>18.0%</b>
<b>Other</b>		<b>134</b>	<b>(447)</b>	<b>583</b>	<b>0.3%</b>	<b>0.2%</b>
<b>Total Portfolio</b>		<b>46,929</b>	<b>(1,088)</b>	<b>48,017</b>	<b>100.0%</b>	<b>83.2%</b>

(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.

## 5. 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, 2006	12,380,695	\$ 2,056
Issued on exercise of options	8,400	22
Purchased for cancellation	(39,300)	(6)
Balance, December 31, 2007	12,349,795	\$ 2,072
Purchased for cancellation	(148,900)	(25)
<b>Total Shares Outstanding, December 31, 2008</b>	<b>12,200,895</b>	<b>\$ 2,047</b>

Contributed Surplus	(Thousands)
Balance, December 31, 2006	\$ 675
Option compensation for the year	543
Options exercised	(3)
Balance, December 31, 2007	\$ 1,215
Option compensation for the year	126
<b>Total Contributed Surplus, December 31, 2008</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 December 31, 2008, and December 31, 2007, are as follows:

	December 31, 2008		December 31, 2007	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of the year	1,135,000	\$ 2.81	1,078,400	\$ 2.41
Granted during the year	-	-	65,000	\$ 3.01
Exercised during the year	-	-	(8,400)	\$ 2.41
Expired during the year	(85,000)	\$ 3.01	-	-
Options outstanding at end of the year	1,050,000	\$ 2.80	1,135,000	\$ 2.81
Options exercisable at end of the year	1,041,666	\$ 2.80	880,000	\$ 2.75

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

Exercise Price	Options Outstanding	Weighted Average Remaining Contract Life	Options Exercisable
\$2.41	415,000	1.0	415,000
\$3.01	35,000	2.7	26,666
\$3.05	600,000	2.8	600,000
Total	1,050,000	2.1	1,041,666

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

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with assumptions as follows:

	Risk Free Interest Rate (%)	Expected Life (Years)	Expected Volatility	Dividends per Share
2006 April	4.23	4	0.72	n/a
2006 October	4.08	4	0.67	n/a
2007 January	3.94	4.5	0.43	n/a

### Normal Course Issuer Bid

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

Years Ended December 31,	2008	2007
<b>Common Shares</b>		
Shares repurchased	148,900	39,300
Weighted average price, per share	\$ 2.47	\$ 3.04

## 6. INCOME TAXES

The provision for income taxes in the statement of operations varies from the amount that would be computed by applying the expected tax rate of 29.5% (2007 – 32.12%) to earnings before income taxes. The principal reasons for the difference between such expected income tax provisions and the amount actually recorded are as follows:

### Reconciliation of Expected Income Tax Provision and Actual Tax Expense

(Thousands)	2008	2007
Expected income tax recovery	\$ (7,165)	\$ (5,703)
Non-taxable portion of capital gain (loss)	3,425	2,614
Non-deductible costs	178	180
Non-taxable revenue	-	(51)
Change in tax rate	(85)	(74)
Tax benefit from flow-through shares realized during the year	-	(66)
Valuation allowance	1,847	-
Other	-	(81)
Tax recovery per financial statements	\$ (1,800)	\$ (3,181)

Future income tax liability is comprised of temporary differences between the value of assets of the Company and their related income tax value. The expected income tax rate for future income tax is 29% (2007 – 29.5%), being the rate for substantially enacted legislation at year end.

The book value of the Company's investments at December 31, 2008, exceeds the tax basis by approximately \$12.2 million (2007 – \$1.9 million). The resulting temporary differences in future tax liabilities are as follows:

**Reconciliation of Future Tax Liability (Asset)**

<i>(Thousands)</i>	2008	2007
Value of investments in excess of (less than) their adjusted cost base for income tax	\$ (3,567)	\$ 336
Income tax pools available to offset future income tax	19	52
Valuation allowance	1,847	-
Future tax liability (asset)	\$ (1,701)	\$ 388

**7. LOANS RECEIVABLES**

<i>(Thousands)</i>	2008	2007
Loans receivable	\$ 239	\$ 128
Allowance for loan impairment	(37)	-
Carrying value of loans after allowance	\$ 202	\$ 128

**8. FINANCIAL INSTRUMENTS RISKS**

The Company is an investment company.

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

**Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main exposure to credit risk consists of investments in debt instruments, including short-term securities, bond and preferred shares, as well as amounts due from brokers. The fair value of debt instruments includes consideration of the credit worthiness of the debt issuer. The carrying amount of debt instruments, as presented on the balance sheet, represents the maximum credit risk exposure as at December 31, 2008. This also applies to the other assets, as these have a short term to settlement. As at December 31, 2008, the Company's investments in debt instruments were limited to Government Treasury Bills.

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

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

The Company held a small weighting in private companies which are typically more illiquid than publicly listed securities. 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 December 31, 2008, 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.

### Currency risk

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

As at December 31, 2008, the Company's investment portfolio had a 21% weighting in foreign currencies. The most significant foreign currencies were as follows:

	Currency Exposure CA\$ (\$Thousands)	Percentage of Investment Portfolio %
U.S. dollar	151	1.6
U.K. pounding sterling	900	9.3
Australian dollar	1,020	10.5

As at December 31, 2008, had the Canadian dollar strengthened or weakened by 5% in relation to all currencies represented in the portfolio as at December 31, 2008, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$100,000 (approximately 0.3% of total net assets).

## Other price risk

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

As at December 31, 2008, 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 \$486,000 (approximately 1.4% 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.

## 9. 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, 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 last two years.

### 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 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.

### 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 periodically advances funds to Sharon by way of a revolving secured loan. Humboldt has an agreement with Sharon to provide a credit facility of up to \$1.0 million. 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.

## 10. CAPITAL MANAGEMENT

The Company considers capital to be comprised primarily of its shareholders' equity. The balances of a shareholders' equity was \$33.8 million at December 31, 2008 (2007 – \$57.1 million).

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.

## 11. SPECIAL DIVIDEND

Subsequent to the date of the financial statements, the Company declared a one time special dividend of \$0.25 to be paid to shareholders of receivables on April 30, 2009.

# Corporate Information

## DIRECTORS

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

Charles A. Teare  
Calgary, Alberta

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

Allan R. Twa <sup>(1) (2) (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

Suite 1800, 633 – 6th Avenue S.W.  
Calgary, Alberta  
T2P 2Y5

Telephone: (403) 269-9889  
Fax: (403) 269-9890

Website: [www.humboldtcapital.com](http://www.humboldtcapital.com)  
Email: [info@humboldtcapital.com](mailto:info@humboldtcapital.com)

## Humboldt Capital Corporation

Suite 1800, 633 – 6th Avenue S.W.

Calgary, Alberta

T2P 2Y5

Telephone: (403) 269-9889

Fax: (403) 269-9890

Website: [www.humboldtcapital.com](http://www.humboldtcapital.com)

Email: [info@humboldtcapital.com](mailto:info@humboldtcapital.com)

