# B2GOLD CORP.
# MANAGEMENT'S DISCUSSION AND ANALYSIS

(All tabular amounts are expressed in United States dollars, unless otherwise stated)

*This Management's Discussion and Analysis has been prepared as at March 30, 2011 and contains certain "Forward-Looking Statements" within the meaning of the Canadian Securities laws. All statements, other than statements of historical fact, included herein, including without limitation statements regarding potential mineralization, exploration results and future plans and objectives of B2Gold Corp. (the "Company" or "B2Gold") are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.*

*The following discussion of the operating results and financial position of the Company should be read in conjunction with the audited consolidated financial statements and the notes thereto of the Company for the year ended December 31, 2010. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP" or "Canadian GAAP") and all amounts are expressed in United States dollars, unless otherwise stated.*

## OVERVIEW

B2Gold Corp. ("B2Gold" or the "Company") is a Vancouver-based gold producer with mining operations in Nicaragua and a portfolio of development and exploration assets in Colombia, Nicaragua and Uruguay. Currently, the Company is operating the Libertad Mine (formerly the "Orosi Mine") and the Limon Mine in Nicaragua. The Company owns or has a material interest in the Gramalote and Mocoa properties in Colombia, and the Bellavista property in Costa Rica. On July 22, 2010, the Company announced that it had reached an agreement with Kinross Gold Corporation ("Kinross") to sell its right to acquire an interest in the Kupol East and West Licenses (see "Sale of Interest in Kupol East and West Licenses" section).

On March 26, 2009, B2Gold completed a business combination with Central Sun Mining Inc. ("Central Sun") in which B2Gold acquired all of the outstanding common shares of Central Sun. As a result of this transaction, B2Gold acquired the Libertad Mine (100%) and the Limon Mine (95%). In addition, the Company acquired Central Sun's interests in additional mineral properties including, in Costa Rica, the 100% owned Bellavista property. Prior to the acquisition of Central Sun, the Company had no source of operating revenue.

Mining and processing of ore commenced at the Libertad Mine in the fourth quarter of 2009 following the completion of the conversion of the Libertad Mine from a heap leach mine to a conventional milling operation. Ore processing at the Libertad Mine began on December 15, 2009 with the first doré bar produced on January 5, 2010. The Libertad Mine achieved commercial production on February 1, 2010 less than two months after the mill facilities commenced processing ore. The Company projects the Libertad Mine to produce between 88,000 to 94,000 ounces of gold in 2011 with projected operating cash costs of approximately $440 to $460 per ounce of gold. The mine is debt free and has no gold hedging. The Libertad mill was originally designed to process 3,500 tonnes of ore per day ("t/d"). A second ball mill was installed and commissioned in 2010 which increased the design throughput to approximately 5,500 t/d.

## RESULTS OF OPERATIONS

### *Fourth quarter 2010 and 2009*

Consolidated gold sales revenue in the fourth quarter of 2010 achieved record levels. The Company sold 34,039 ounces at an average realized gold price of $1,381 per ounce (the average spot gold price for the quarter was $1,367 per ounce) for revenues of $47 million compared to 3,211 ounces sold in the fourth quarter of 2009 at an average realized gold price of $1,104 per ounce for revenue of $3.5 million. The significant revenue increase was driven by higher gold production from the Company's Libertad and Limon Mines in Nicaragua as well as higher average realized prices.

The Company's consolidated gold production during the fourth quarter of 2010 was also a record 36,824 ounces compared to 3,577 ounces produced over the same period last year, as the Libertad Mine continued to successfully ramp-up after commencing commercial production on February 1, 2010. Operating cash cost was $535 per ounce in the fourth quarter of 2010 compared to $1,115 per ounce in the corresponding period last year. The poor operating results in the fourth quarter of 2009 were caused by illegal work stoppages at the Limon Mine which dramatically reduced mill throughput for the quarter.

At the Libertad Mine, 2010 was a successful production ramp-up year. The installation of a second ball mill was completed in August and the Mine ramped-up to the 5,500 t/d design throughput capacity in the fourth quarter. The Libertad Mine produced 26,771 ounces of gold at an operating cash cost of $458 per ounce in the quarter.

The Limon Mine recorded its most successful year since 2004, producing 40,126 ounces of gold in 2010 (2009 – 20,612 ounces), of which 10,053 ounces (Q4 2009 – 3,577 ounces) were produced in the fourth quarter at an operating cash cost of $740 per ounce (Q4 2009 - $1,115 per ounce). The improvement in gold production at the Limon Mine was mainly due to no work stoppages throughout the year due to improved union relations. All gold revenue in 2009 was attributable to the Limon Mine. Prior to the acquisition of Central Sun on March 26, 2009, the Company had no source of operating revenue and its principal activity consisted of exploration in Colombia and Russia.

Cash flow from operating activities (before changes in non-cash working capital) was $21.9 million in the quarter, an increase of $22.7 million compared to the fourth quarter of 2009. The operating cash flow was the highest in the Company's history, reflecting the Company's strong operating performance and continued strength in gold prices.

For the fourth quarter of 2010, the Company reported net income of $6.2 million ($0.02 per share) compared to a loss of $17.3 million (negative $0.06 per share) in the equivalent period of 2009. Net income in the fourth quarter of 2010 included a non-cash future income tax expense of $6.4 million (resulting mainly from a decrease in non-capital tax loss carry-forwards) and a $2.8 million write-off of exploration costs relating to the Calibre Option Agreement. The loss in the fourth quarter of 2009 included a $10.7 million write-down in the carrying value of the Quebradona property in Colombia and the write-off of the Antioquia property, also located in Colombia, in the amount of $2.9 million. Excluding the effect of future income taxes and write-off of resource property costs, adjusted net income would have been $15.5 million ($0.05 per share) in the fourth quarter of 2010 compared to a loss of $3.7 million (negative $0.02 per share) in the same period of 2009.

***Summary of 2010 Quarterly Results (unaudited):***

| | Q4 2010 | Q3 2010 | Q2 2010 | Q1 2010 | Total 2010 |
|---|---|---|---|---|---|
| Gold revenue ($ in thousands) | 47,013 | 40,191 | 23,266 | 17,051 | 127,521 |
| Gold produced (ounces) | 36,824 | 30,675 | 24,924 | 16,265 | 108,688 |
| Gold sold (ounces) | 34,039 | 32,300 | 19,319 | 15,447 | 101,105 |
| Average realized gold price ($/ ounce) | 1,381 | 1,244 | 1,204 | 1,104 | 1,261 |
| Cash operating costs ($/ ounce gold) | 535 | 517 | 648 | 772 | 591 |
| Total cash costs ($/ ounce gold) | 609 | 581 | 709 | 831 | 657 |
| Net income (loss) ($ in thousands) | 6,240 | 32,004 | (4,166) | (4,588) | 29,490 |
| Earnings (loss) per share – basic ($) | 0.02 | 0.10 | (0.01) | (0.02) | 0.10 |
| Cash flows from (to) operating activities ($ in thousands) – before changes in non-cash working capital | 21,947 | 13,228 | 762 | (88) | 35,849 |

***Summary of 2009 Quarterly Results (unaudited):***

| | Q4 2009 | Q3 2009 | Q2 2009 | Q1 2009 | Total 2009 |
|---|---|---|---|---|---|
| Gold revenue ($ in thousands) | 3,544 | 9,243 | 7,851 | - | 20,638 |
| Gold produced (ounces) | 3,577 | 10,203 | 6,832 | - | 20,612 |
| Gold sold (ounces) | 3,211 | 9,508 | 8,513 | - | 21,232 |
| Average realized gold price ($/ ounce) | 1,104 | 972 | 922 | - | 972 |
| Cash operating costs ($/ ounce gold) | 1,115 | 647 | 858 | - | 798 |
| Total cash costs ($/ ounce gold) | 1,193 | 699 | 923 | - | 859 |
| Net income (loss) ($ in thousands) | (17,254) | (1,964) | (2,843) | (5,727) | (27,788) |
| Earnings (loss) per share – basic ($) | (0.06) | (0.01) | (0.01) | (0.04) | (0.12) |
| Cash flows from (to) operating activities ($ in thousands) – before changes in non-cash working capital | (743) | 1,658 | (1,613) | (2,840) | (3,538) |

***Fiscal Years 2010 and 2009***

For 2010, consolidated gold revenue was a record $127.5 million compared to $20.6 million in 2009, an increase of approximately 518%. The increase was mainly attributable to production from the Libertad Mine which commenced commercial production on February 1, 2010 and to the benefit of including a full year of production from the Limon Mine. Also contributing to higher gold revenue was the increase in the average gold price received to $1,261 per ounce (the average spot gold price for 2010 was $1,225 per ounce) compared to $972 per ounce in 2009.

Consolidated gold production in 2010 totalled 108,688 ounces at an operating cash cost of $591 per ounce compared to 21,232 ounces being produced in 2009 at an operating cash cost of $798 per ounce.

Cash flow from operating activities (before non-cash working capital changes) in 2010 was $35.8 million compared to negative $3.5 million in the comparable period last year.

For 2010, the Company reported net income of $29.5 million ($0.10 per share) compared to a loss of $27.8 million (negative $0.12 per share) in 2009. The 2010 results included a gain of $22.1 million (or $24.1 million including a related future income tax recovery of $1.96 million) from the sale of the Company's interest in the Kupol East and West licenses (see "Sale of Interest in Kupol East and West Licenses" section).

General and administrative costs increased to $13 million in 2010 from $7.2 million in 2009. General and administrative costs relate to the Company's head office in Vancouver, the Managua office in Nicaragua and administrative costs incurred in Costa Rica. The increase in general and administrative costs related mainly to the Managua office, as a portion of its costs were being capitalized to the carrying value of the Libertad Mine during its construction prior to commercial production on February 1, 2010. Also contributing to the increase were higher costs associated with new hires and the strength of the Canadian dollar, as approximately 60% of corporate costs are incurred in Canadian dollars. In 2010, the average United States to Canadian dollar exchange rate was approximately 10% higher than the average annual rate in 2009.

During 2009, the Company wrote-off resource property costs in the amount of $7.6 million, as the Company elected not to continue with the Nariño, San Luis, Yarumalito, Cauca and Antioquia properties under its

Colombia joint venture agreement with AngloGold Ashanti Limited ("AngloGold"). In addition, the carrying value of the Quebradona property was written down by $10.7 million to its estimated fair value of $1 million. General and administrative costs totalled $7.2 million in 2009, slightly higher than in 2008.

Total assets increased to $337.9 million at December 31, 2010, up from $247.4 million at December 31, 2009, mainly due to a $67 million increase in cash and cash equivalents (see "Liquidity and Capital Resources" section) and to $18.8 million of capital expenditures at the Libertad Mine (see "Libertad Mine – Nicaragua" section) in 2010.

## LIBERTAD MINE (formerly the "Orosi Mine") - NICARAGUA

The Libertad Mine achieved commercial production on February 1, 2010. The Libertad Mine was under construction in 2009, being converted from a failed open pit heap leach gold mine to a conventional milling operation.

| | Three months ended December 31 (unaudited) | | Three months ended September 30 (unaudited) | | Years ended December 31 (unaudited) | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Gold revenue ($ in thousands) | 34,375 | - | 25,572 | - | 79,501 | - |
| Gold sold (ounces) | 24,865 | - | 20,581 | - | 62,109 | - |
| Average realized gold price ($/ ounce) | 1,382 | - | 1,242 | - | 1,280 | - |
| Tonnes of ore milled | 472,065 | - | 436,482 | - | 1,498,614 | - |
| Grade (grams/ tonne) | 1.97 | - | 1.66 | - | 1.61 | - |
| Recovery (%) | 91 | - | 87 | - | 87 | - |
| Gold production (ounces) | 26,771 | - | 20,234 | - | 68,562 | - |
| Cash operating costs ($/ ounce gold) | 458 | - | 419 | - | 522 | - |
| Total cash costs ($/ ounce gold) | 531 | - | 478 | - | 585 | - |

The Libertad Mine commenced commercial production on February 1, 2010 less than two months after the mill facilities commenced processing ore. The commissioning of the second ball mill and related process infrastructure was completed in August. In the third quarter of 2010, the Libertad Mine continued to implement plant improvements such as process automation, and minor equipment installation such as a new belt scale and carbon scale. By the fourth quarter, operations were essentially as expected and the management team continued to focus on process efficiency and process controls both for the plant (improving performance of the feeder, completing process controls and developing continuous improvement strategies for 2011) and the refinery/carbon processing complex (installing monitors, preparing for process control installation, new boiler to ensure stripping efficiency, analyzing proposed modifications to the refinery area). Stripping efficiency continues to improve.

Gold revenue for 2010 was $79.5 million on sales of 62,109 ounces at an average realized price of $1,280 per ounce.

In 2010, Libertad produced 68,562 ounces of gold at an operating cash cost of $522 per ounce compared to the original budget of 80,000 to 90,000 ounces at an operating cash cost of $488 per ounce. The main reason for the gold production shortfall was a slower than anticipated ramp-up of the second ball mill, lower gold recoveries and lower than budgeted ore gold grades from the pit due to prior small miner activity. In the second half of 2010, however, the mill through-put improved steadily, open pit gold grades increased as did recoveries. Gold production for the last half of 2010 was 47,006 ounces at an operating cash cost of $441 per ounce compared to mid-year guidance of 45,000 to 47,500 ounces at an operating cash cost of $475 to $500 per ounce.

In the fourth quarter, heavy rains affected the Mine's ability to feed at the designed rate of 5,500 tonnes per day ("t/d"). During wet periods, clayish ore can build up in the plant ore feeder. However by December this impediment was essentially overcome through improved methods of handling and blending of material, and feeder improvements planned in 2011 (such as the use of Teflon liners in the feeder) will mitigate this issue. The amount of ore processed increased steadily, averaging 4,816 t/d in October, 5,189 t/d in November and 5,390 t/d in December. The Crimea Pit contributed 71%, Mojon Pit 8%, and Spent Ore 21% of the ore milled.

Fourth quarter gold sales for Libertad totalled 24,865 ounces at an average realized price of $1,382 per ounce generating revenue of approximately $34.4 million. Gold production was 26,771 ounces at an operating cash cost of $458 per ounce compared to third quarter production of 20,234 ounces at an operating cash cost of $419 per ounce. Cash costs were higher in the fourth quarter mainly due to a higher strip ratio which was 4.5 to 1 compared to 3.5 to 1 in the third quarter. Also contributing to higher operating cash costs was a renegotiated agreement with the mining contractor which increased unit costs for mining. However, overall mining costs remained low owing to improved productivity. In the fourth quarter, 12% more ore and 48% more waste material was removed than in the third quarter. Gold production in the fourth quarter was within guidance while the operating cash cost per ounce was lower than expected. The continued performance in operating cash cost compared to forecast guidance was due to several factors, the more significant ones being:

- Improved gold grade from ore mined at the Mojon and Crimea pits compared to that encountered in the third quarter. The average grade milled improved to 1.97 grams per tonne ("g/t") compared to 1.7 g/t in the third quarter.
- Gold recovery improved to 91% in the fourth quarter compared to 87% during the previous quarters. Upgrades in the process plant process controls and improved stripping and carbon management in the ADR plant contributed to improved recoveries.
- Mill reagent, grinding media and electrical power costs were also below budget.

Operating cash costs were budgeted to decrease progressively quarter over quarter throughout 2010 as mill throughput increased to 5,500 t/d. The mill processed 472,065 tonnes (including "spent ore" from previous heap leach operations) versus 506,000 tonnes budgeted, with a grade of 1.97 g/t gold versus 2.15 g/t budgeted. As in the third quarter, spent ore contributed to the lower than budgeted grade. In the fourth quarter, the mill throughput consisted of a blend of 79% fresh ore and 21% spent ore. The original budget indicated 70% pit ore and 30% spent ore.

Total capital expenditures to December 31, 2010 were $18.8 million. Most of the capital expenditures were incurred in the first half of 2010 and related to the completion of construction projects for the installation of the new mill and other improvements. Capital expenditures for the fourth quarter were $2.8 million of which $1.3 million related to capitalized pre-stripping costs for a push back at the Mojon pit and the remainder for laboratory and ADR plant improvements, automation in the plant, manipulator arm for the crusher, shop improvements, substation modifications, and land purchases.

The Company projects the Libertad Mine to produce between 88,000 to 94,000 ounces of gold in 2011 with projected operating cash costs of approximately $440 to $460 per ounce of gold.

**LIMON MINE - NICARAGUA**

The Company acquired the Limon Mine as part of the Central Sun business combination on March 26, 2009. Prior to the second quarter of 2009, the Company had no source of operating revenue.

| | **Three months ended December 31 (unaudited)** | | **Three months ended September 30 (unaudited)** | | **Years ended December 31 (unaudited)** | |
|---|---|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** | **2010** | **2009** |
| Gold revenue ($ in thousands) | 12,638 | 3,544 | 14,619 | 9,243 | 48,020 | 20,638 |
| Gold sold (ounces) | 9,174 | 3,211 | 11,719 | 9,508 | 38,996 | 21,232 |
| Average realized gold price ($/ ounce) | 1,378 | 1,104 | 1,247 | 972 | 1,231 | 972 |
| Tonnes of ore milled | 87,271 | 39,193 | 86,327 | 83,835 | 342,673 | 176,511 |
| Grade (grams/ tonne) | 4.08 | 3.35 | 4.31 | 4.33 | 4.18 | 4.30 |
| Recovery (%) | 88 | 90 | 87 | 88 | 88 | 88 |
| Gold production (ounces) | 10,053 | 3,577 | 10,441 | 10,203 | 40,126 | 20,612 |
| Cash operating costs ($/ ounce) | 740 | 1,115 | 707 | 647 | 710 | 798 |
| Total cash costs ($/ ounce) | 818 | 1,193 | 779 | 699 | 781 | 859 |

In 2010, the Limon Mine had its best production year since 2004. Gold produced at the Limon Mine for 2010 was 40,126 ounces at an operating cash cost of $710 per ounce compared to 20,612 ounces at an operating cash cost of $798 per ounce in 2009. Total gold revenue for the year was $48 million, an increase of $27.4 million compared to $20.6 million in 2009. Total gold sales were 38,996 ounces at an average realized price of $1,231 per ounce. The improvement in gold production in 2010 was mainly due to no work stoppages in the year and improved union relations.

Fourth quarter gold sales from the Limon Mine totalled 9,174 ounces (Q4 2009 – 3,211 ounces) at an average realized price of $1,378 per ounce (Q4 2009 - $1,104 per ounce), generating revenue of $12.6 million (Q4 2009 - $3.5 million).

The Limon Mine continued to perform well in the fourth quarter of 2010 compared to 2009; the Mine processed 87,271 tonnes of ore at an average grade of 4.08 g/t producing 10,053 ounces of gold, an increase of 6,476 ounces compared to 3,577 ounces produced in the equivalent period in 2009 which was impacted by a prolonged illegal strike. The operating cash cost for the fourth quarter was $740 per ounce, higher than budget of $643 per ounce. Operating cash cost was higher than budget mainly due to the use of a contract miner to supply ore from pits at the Villa Nueva I concession located 30 kilometres from the Limon mill. The 2010 budget did not include any ore being supplied from the Villa Nueva I concession which accounts for most of the increase in costs. Year-to-date operating cash cost was also impacted by higher import duties (for urgent items) and by an increase in the cost allocation for salaries and benefits relating to employees who had been budgeted to work on underground development which was not required.

Year-to-date operating cash cost was $710 per ounce compared to budget of $627 per ounce. Updated guidance provided in August 2010 for the second half of 2010 was for the Mine to produce approximately 20,000 ounces of gold at an operating cash cost of $650 to 675 per ounce. Actual gold production exceeded guidance with 20,496 ounces being produced in the last half of 2010, at an operating cost of $723 per ounce.

Capital expenditures for the Limon Mine were budgeted at $6.6 million for 2010 which included new underground mining equipment. During the fourth quarter, $2.7 million was incurred; the most significant expenditures included the completion of the expansion of the existing Santa Rosa tailings storage facility ("TSF") and geotechnical campaign for a new San Jose TSF. There has been one temporary capital cost deferral, the Santa Pancha deepening project, which is anticipated to be initiated in 2011 after completion of a technical analysis based on recently completed exploration drilling. Overall capital costs were as budgeted for the year as the decrease in capital spending relating to the Santa Pancha deepening was redirected to construct a new TSF at San Jose. The San Jose TSF is expected to cost $4.6 million of which $1.8 million was incurred in 2010. The new TSF should have sufficient storage capacity to store up to 15 years (which would be the ultimate capacity with several additional lifts after the initial completion in 2011) of future tailings from the Limon Mill.

In 2011, the Limon Mine is forecast to produce between 42,000 and 46,000 ounces of gold at an operating cash cost of $720 to $740 per ounce. Operating cash cost in the first quarter of 2011 is projected to be approximately $850 per ounce of gold due to contract ore sourcing and is expected to decline to approximately $690 to $715 per ounce for the remainder of 2011 as contract ore sourcing is scheduled to be completed by the end of the first quarter.

## HEALTH, SAFETY, ENVIRONMENTAL AND CORPORATE SOCIAL ("HSES")

The Company has a strong safety and environmental track record. The Company continues to build on its strong historical commitment to HSES responsibility. Recently, the Company hired a full time Vice President for Environment, Health, Safety, and Permitting. Bill Lytle has had more than 15 years experience specializing in providing operational health, safety, environmental, and social assistance during all phases of the mining cycle as well as extensive experience working with international lending institutes such as the IFC. Bill has been involved as a consultant to the Company and previously a full time employee of Bema Gold Corporation ("Bema"), notably working on the permitting and development of the Kupol project in Russia with Bema. Additionally, the Company has begun implementation of an environmental management program that will continue standardization of all health, safety, environmental, and social policies and procedures, facilitate transparency to all stakeholders, and allow consistent check and review procedures at all operations. It is anticipated that the corporate policies and procedures will be developed and implemented in 2011 and 2012. As part of this effort, the Company has adopted new policies on Occupational Health and Safety, Environment, and Biodiversity.

The Company continues to invest heavily in the communities where it operates with more than $2 million spent on social programs in 2010. These monies were focused on issues related to public health, education, and development of small business.

Operationally, the Company continues to improve on health and safety at operations and develop a safe work environment through additional training and capacity building. Additionally, there were no reportable spills or other material environmental concerns at El Limon or Libertad. The sites continue to work on erosion control through historical reclamation and installation of sediment traps. Each site plans to plant more than 60,000 trees during 2011 to assist in reclamation efforts.

## ACQUISITION OF CENTRAL SUN MINING INC.

On January 30, 2009, the Company entered into an agreement with Central Sun to effect the acquisition of Central Sun pursuant to a plan of arrangement (the "Arrangement"). On March 26, 2009 ("Acquisition Date"), the Company completed the Arrangement and acquired 100% of the outstanding shares of Central Sun. The purchase has been accounted for as a business acquisition, with B2Gold as the acquirer and Central Sun as the acquiree. The results of operations of Central Sun have been consolidated with those of B2Gold commencing on the Acquisition Date. The primary assets acquired are Central Sun's interests in the Limon Mine (95%) and the Libertad Mine (100%) both located in Nicaragua.

Pursuant to the Arrangement, all of the issued and outstanding common shares of Central Sun were exchanged for common shares of the Company on the basis of a ratio of 1.28 common shares of the Company for each common share of Central Sun. In addition, outstanding stock options to purchase common shares of Central Sun were exchanged for replacement options to purchase an equivalent number of common shares of the Company based on the same exchange ratio and outstanding share purchase warrants of Central Sun were amended to entitle holders to acquire common shares of the Company based on the exchange ratio. All outstanding Central Sun stock options vested upon change of control.

In connection with the Arrangement, the parties entered into a loan agreement on February 6, 2009 providing for a loan by the Company to Central Sun of up to Cdn.$10 million to finance the payment by Central Sun of certain debt obligations and to fund re-commencement of capital improvements to Central Sun's Libertad Mine. On March 6, 2009, the Company and Central Sun agreed to an amendment of the loan agreement providing for the advancement by the Company of an additional $8 million to finance the repayment by Central Sun of an existing $8 million debt obligation. The financing provided by the Company to Central Sun totalling $15.9 million has been included in the total purchase price of Central Sun's assets.

Total consideration paid of $74.8 million included the above mentioned $15.9 million financing, the fair value of 80,638,705 B2Gold shares issued at $0.63 per share (based on the weighted average price of B2Gold shares calculated two days before, the day of, and two days subsequent to the agreement date of January 30, 2009), and 7,988,789 B2Gold replacement options and 18,061,648 share purchase warrants with a fair value of $2.8 million and $4.6 million, respectively, plus B2Gold transaction costs of $0.7 million. The options and share purchase warrants have been valued using the Black-Scholes option pricing model based on a risk-free annual interest rate of approximately 3%, an expected volatility of 86%, an expected average life of 3.62 years for the options and 1.64 years for the warrants and a dividend yield of nil.

The purchase price was calculated as follows:

| | **\$ (000's)** |
|---|---|
| Common shares issued (80,638,705 B2Gold common shares) | **50,802** |
| Cash advanced to Central Sun under loan agreements | **15,928** |
| Fair value of options and warrants issued | **7,353** |
| Transaction costs | **741** |
| Total purchase price | **74,824** |

The following table sets forth the allocation of the purchase price to the fair value of the assets and liabilities acquired.

| | **\$ (000's)** |
|---|---|
| Purchase price allocation: | |
| Cash and cash equivalents | **1,409** |
| Accounts receivable | **1,303** |
| Product inventory | **1,365** |
| Supplies inventory | **6,440** |
| Prepaids | **1,839** |
| Marketable securities | **101** |
| Other long-term assets | **372** |
| Property, plant and equipment | |
| Libertad Mine | **58,204** |
| Limon Mine | **26,504** |
| Cerro Quema property | **5,963** |
| Bellavista property | **2,225** |
| Accounts payable and accrued liabilities | **(13,271)** |
| Asset retirement obligations, including current portion | **(12,334)** |
| Other long-term liabilities | **(1,879)** |
| Non-controlling interest | **(3,417)** |
| | **74,824** |

**BELLAVISTA PROPERTY – COSTA RICA**

The Company continues with site monitoring and maintenance. Field programs focused on the new monitoring plan and maintenance of drainage channels. Due to the unusually heavy rains in the third quarter of 2010, causing detectable movement in the slide area, the monitoring frequency in the slide area was performed weekly through to the end of the year. Monitoring to date has not detected any significant environmental issues and the main slide area remains stable.

Work programs for the potential reopening of the Bellavista Mine continued. These programs are focused on the collection of base line data in the proposed tailings pond area and included investigations of potential pipeline routes between the mine and proposed tailing pond area. In parallel with these field activities, the Company completed a Conceptual Study for the reopening of the mine and submitted it to the National Technical Secretariat of the Environment ("SETENA"), the Department of Geology and Mines and the Ministry of Energy Environment and Telecommunications. The purpose of this study was to provide a detailed project scope to better inform the regulatory agencies of the basic concepts and various options for potentially reopening the mine.

By Statement of Claim dated March 16, 2009, Central Sun commenced a legal proceeding in Ontario (the "Engineering Action") against several engineering firms and certain individual engineers alleging that the Defendants were negligent and breached their contractual obligations with respect to the siting, design, construction, assessment and monitoring of the Bellavista gold mine in Costa Rica, and that the mine was destroyed by a landslide as a result. As a result of the Defendants' alleged negligence and/or breach of contract, the Company claims damages. The Engineering Action is still at the pleadings stage. It is anticipated that preliminary motions will be brought by the Defendants to challenge the Ontario court's jurisdiction. The outcome of this claim is not determinable at this time and no accrual for a contingent gain has been made in the consolidated financial statements.

**SALE OF INTEREST IN KUPOL EAST WEST LICENSES - RUSSIA**

On July 22, 2010, the Company reached an agreement with Kinross to sell to a subsidiary of Kinross, its right to acquire an interest in the Kupol East and West Licenses. The Company has had the right to acquire and earn in to half of Kinross' interest in these licenses. In consideration of the acquisition by Kinross of the Company's right to acquire an interest in the licenses, Kinross paid $33 million to the Company and will make contingent payments of $15 million for each incremental million ounces of gold of National Instrument ("NI") 43-101 compliant proven and probable reserves contained by the Kupol East and West License areas, up to a maximum of nine million ounces of gold (100% basis). In addition, the Company will receive payments equal to 1.5% of Net Smelter Returns from the commencement of production from the area covered by the Kupol East and West Licenses, subject to a right for Kinross to repurchase the royalty for $30 million. The sale resulted in a gain of $22.1 million (or $24.1 million including a related future income tax recovery of $1.96 million) in the third quarter of 2010. For accounting purposes, no value was assigned to the contingent consideration receivable at the date of sale (as a NI 43-101 compliant proven and probable reserve estimate does not exist at this time).

## LIQUIDITY AND CAPITAL RESOURCES

The Company ended the year with cash and cash equivalents of $70 million and working capital of $84.6 million compared to cash and cash equivalents of $2.9 million and working capital of $11.6 million at the end of 2009. The increase in cash and cash equivalents was mainly due to cash proceeds of $33 million received from the sale of the Company's interest in the Kupol East and West licenses, strong operating cash flows of approximately $34.3 million generated by the Libertad and Limon Mines, net proceeds of $29 million received from a February 18, 2010 private placement and $28 million received from the exercise of warrants and stock options. These cash inflows were partially offset by capital expenditures at the Libertad Mine and Limon Mine of $18.8 million and $6.6 million, respectively, and exploration expenditures of $18.4 million (see "Investing activities" section). In addition, on August 30, 2010, the Company repaid the entire balance owing under its revolving credit facility ("Credit Facility") with Macquarie Bank Limited ("Macquarie").

The Company entered into an agreement relating to a $20 million secured revolving Credit Facility with Macquarie on November 6, 2009. The term of the Credit Facility is for two years with a maturity date of December 31, 2011 and an interest rate of LIBOR plus 5.5%. Under the Credit Facility, the Company granted a general security agreement over its assets and the shares and assets of certain of the Company's material subsidiaries, and certain of the Company's material subsidiaries guaranteed the obligations of the Company relating to the Credit Facility. On February 12, 2010, the Company entered into an amending agreement relating to the Credit Facility pursuant to which the Credit Facility was increased to $25 million.

As at December 31, 2009, the Company had drawn down a total of $13.5 million under the Credit Facility and an additional $7.5 million in the first and second quarters of 2010. In the third quarter of 2010, the balance owing under the Credit Facility was fully repaid ($20 million on August 30, 2010 and $1 million on May 21, 2010). Accordingly, $25 million remains available for draw down as at December 31, 2010.

The Credit Facility provides that in certain events or on December 1, 2010 the lender has the right to review the Credit Facility and may within 28 days of such event or date determine whether to continue to make the Credit Facility available or terminate it and require repayment within 60 days. Management believes that it is unlikely that the Credit Facility will be terminated prior to its maturity date of December 31, 2011.

The Company is projecting another record year for gold production in 2011, with consolidated production from the Libertad and Limon Mines in Nicaragua estimated to total approximately 130,000 to 140,000 ounces of gold at a cash operating cost of approximately $540 to $560 per ounce. The mines are projecting a total of approximately $90 million in cash from operations based on a gold price of $1,300 per ounce. The Company has no debt and no gold hedging.

### *Operating activities*

Cash flow from operating activities (before non-cash working capital changes) for 2010 was approximately $35.8 million compared to negative $3.5 million in the comparable period last year. The favourable change of $39.3 million in 2010 was primarily attributable to the commencement of commercial production of the Libertad Mine on February 1, 2010, the continued ramp-up in production at the Libertad Mine with the completion of the second ball mill, higher realized gold prices and the improvement in production at Limon.

### *Financing activities*

On August 30, 2010, the Company repaid the entire balance owing under its revolving Credit Facility with a $20 million principal repayment.

On February 18, 2010, the Company completed a bought deal equity financing and issued 25,624,111 common shares, including 3,342,276 common shares issued on exercise of the over-allotment option, at Cdn.$1.25 per share, for aggregate gross proceeds of approximately Cdn.$32 million. As part of the offering, AngloGold exercised its pre-emptive right granted by the Company to maintain its percentage of holdings of approximately 10% of the common shares of the Company by acquiring 2,624,111 common shares. The Company paid the underwriters a commission equal to 5% of the gross proceeds of the offering upon closing, excluding the common shares purchased by AngloGold for which no commission was payable, for an aggregate commission of Cdn.$1.44 million. In the fourth quarter of 2010, AngloGold disposed of all of its common shares in B2Gold and as a result no longer has a pre-emptive right to participate in future equity financings of the Company. The net proceeds of this offering were used to accelerate exploration at the Limon and Libertad Mines, to fund further exploration at the Radius Gold Inc. and Calibre Mining Corp. joint ventures in Nicaragua as well as further exploration at the Gramalote project. Proceeds from the offering are also expected to further the advancement of the Bellavista project in Costa Rica, and for general corporate purposes.

During 2010, the Company received $3.7 million pursuant to the exercise of 4.4 million stock options and $24.2 million pursuant to the exercise of 25 million warrants (which included $15.3 million pursuant to the exercise of 15.9 million warrants held by former Central Sun warrant holders).

On November 3, 2009, the Company had received a loan in the amount of Cdn.$1 million from an officer and shareholder of the Company which was interest bearing at a rate of 5% per annum. On February 18, 2010, this loan was fully repaid by the Company together with interest.

On July 22, 2009, the Company completed a bought deal equity financing with a syndicate of underwriters and issued 33,340,000 common shares of the Company at Cdn.$0.75 per share, for gross proceeds of approximately Cdn.$25 million. The Company had granted the underwriters an over-allotment option to purchase up to 5,001,000 common shares at Cdn.$0.75 per share. On August 5, 2009, the underwriters exercised, in full, their over-allotment option. The additional gross proceeds from the exercise of the over-allotment option totalled approximately Cdn.$3.75 million. As part of the offering, AngloGold exercised its pre-emptive right granted by the Company to maintain its percentage of holdings of approximately 10% of the common shares of the Company by acquiring 3,932,539 common shares of the Company. The Company paid the underwriters a commission equal to 5% of the gross proceeds of the offering upon closing, excluding the common shares purchased by AngloGold for which no commission was payable, for an aggregate commission of Cdn.$1.29 million.

On July 8, 2009, the Company received loans in the amount of Cdn.$2 million from certain officers and shareholders of the Company. These loans were fully repaid by the Company on July 22, 2009.

On March 26, 2009, the Company issued (or made available for issue) 80,638,705 common shares in exchange for all of the issued and outstanding shares of Central Sun (see “Acquisition of Central Sun Mining Inc.” section).

***Investing activities***

On July 16, 2009, the Company completed the sale of the common shares of a subsidiary (60% owned) which holds the Cerro Quema property located in Panama. The Company’s 60% indirect interest in the Cerro Quema property had been acquired on March 26, 2009 as part of the Central Sun Acquisition. The aggregate consideration received was $2.15 million, consisting of $0.35 million in cash (received) and a note receivable of $1.8 million together with interest at a rate of 6% per annum starting on December 1, 2009. The note was receivable in eight instalments with the first payment of $0.1 million due on December 30, 2009 (received) and the last instalment of $600,000 due on October 15, 2010. During 2010, the Company received a further $1.6 million, consisting of principal repayments of $1.5 million and interest income of approximately $0.1 million. The remaining balance of approximately $0.2 million owing under the note was forgiven by the Company in 2010.

For the first nine months of 2009, the Company redeemed approximately $33 million of funds invested in highly liquid money market investments of which $15.9 million was advanced to Central Sun prior to the Acquisition Date in order to finance the repayment by Central Sun of an existing $8 million debt obligation and to fund the re-commencement of construction at Libertad.

In February 2009, the Company made a final payment of $2.6 million with respect to amounts owed under its promissory notes to Kinross Gold Corporation.

During the three and twelve months ended December 31, 2010, capital expenditures (on a cash basis) at the Libertad Mine totalled $2.8 million (Q4 2009 - $11.4 million) and $18.8 million (or $15.7 million on an accrual basis after excluding $3.1 million of related accounts payable accrued at December 31, 2009 and settled in the year) (2009 - $40.2 million), respectively (see “Libertad Mine” section).

During the three and twelve months ended December 31, 2010, capital expenditures (on a cash basis) at the Limon Mine totalled $2.7 million (Q4 2009 – $0.2 million) and $6.6 million (2009 - $1.7 million), respectively (see “Limon Mine” section).

During the three and twelve months ended December 31, 2010, resource property expenditures for exploration (on a cash basis) totalled $5.2 million (Q4 2009 - $1.6 million) and $18.4 million (2009 - $9.1 million), respectively, expended as follows:

| | **Three months ended December 31** | | **Years ended December 31** | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | **$ (000’s)** | **$ (000’s)** | **$ (000’s)** | **$ (000’s)** |
| Development & exploration: | | | | |
| Libertad Mine, exploration | **1,625** | 15 | **5,010** | 243 |
| Calibre joint venture | **536** | - | **2,839** | - |
| Limon Mine, exploration | **1,349** | 202 | **3,392** | 222 |
| Gramalote | **1,103** | 961 | **3,019** | 3,627 |
| Radius joint venture | **90** | - | **1,633** | - |
| Kupol East and West Licenses | **-** | 563 | **1,075** | 1,711 |
| Cebollati | **460** | - | **1,008** | - |
| Mocoa | **25** | (58) | **377** | 603 |
| Other Colombia properties, under AngloGold JV arrangement | **-** | (110) | **-** | 2,708 |
| | **5,188** | 1,573 | **18,353** | 9,114 |

The Company’s exploration team has generated numerous exploration targets around the Libertad Mine and Limon Mine and on other properties in Nicaragua in joint ventures with Radius Gold Inc. (“Radius”) and Calibre Mining Corp. (“Calibre”).

*Libertad exploration*

The Company commenced its 2010 drilling program on the Libertad mine property on February 19, 2010. As at December 14, 2010, the Company had completed 124 holes totalling 18,884 metres. The objective of the program included further drilling of the Jabali vein system, the completion of the Jabali Antenna and Central inferred resource, infill drilling of the eastern portion of San Juan to the indicated category and drilling to expand the western margins of the Mojon and Crimea pits.

The Jabali epithermal vein system is currently being explored in two main zones, the Antenna and Central zones, as well as along strike of these areas. As at December 31, 2010, a total of 55 drill holes (9,660 metres) had been completed at Jabali, resulting in a new global inferred resource of 3.55 million tonnes at 4.58 g/t gold (522,000 ounces gold) encompassing both the Antenna and Central areas. This resource indicates the potential for both open pit targets as well as shallow dipping, westward plunging, higher grade shoots that are approximately 100 metres true width. The Jabali zone is open and exploration drilling is ongoing.

The Company has also received positive drill results from diamond drilling in and adjacent to the Mojon and San Juan deposits. The Mojon deposit is currently being mined and the San Juan deposit is in the inferred resource category. Much of the drilling at Mojon and San Juan is part of an infill program with the objective to convert the inferred to an indicated resource.

The significance of the results to date from Libertad exploration is that they demonstrate not only the potential to increase the current seven year mine life but the higher grade results from Mojon, San Juan and Jabali indicate the potential to deliver higher grade ore than the current mine plan to the Libertad mill in the near term which could significantly increase annual gold production.

*Limon exploration*

During 2010, the Company continued exploration on the El Limon property with up to three drills turning at any one time. Two drills were used to complete the Santa Pancha "Deep" infill drilling program and other open pit and mine definition programs while the third drill was dedicated to exploration of the 18,000 hectare Limon and Bonete-Limon concessions. Additional soil sampling, ground geophysics, trenching and mapping were also completed over a number of regional targets. As at December 31, 2010, 83 holes totalling 14,799 metres had been completed of the planned $3.8 million 2010 exploration program.

Highlights of the 2010 exploration include infill drilling of the Santa Pancha "Deep" inferred resource of 167,000 ounces (1.1 million tonnes at 4.7 g/t gold at 2.3 g/t cut off was calculated by the Company in December 2009) to give a combined proven and probable reserve of 1.4 million tonnes grading 4.46 g/t gold for 201,222 ounces gold. This reserve includes both the Santa Pancha "Deep" upgrade as well as previous mine reserve areas from December 2009. Notable intersections within this area are:

- LIM-10-3476 with 21.75 m grading 9.13 g/t gold (Santa Pancha Deep Target);
- LIM-10-3484 with 33.75 m grading 4.64 g/t gold (Santa Pancha Deep Target);
- LIM-10-3508 with 3.89 m grading 23.75 g/t gold (Santa Pancha Deep Target).

The overall result of the 2010 drill program was to increase the Limon proven and probable mineral reserves to approximately 280,000 ounces of gold (1.95 million tonnes at 4.48 g/t gold) from 142,600 ounces at December 31, 2009.

*Gramalote Property*

On August 12, 2010, the Company and AngloGold entered into the Gramalote Amending Agreement pursuant to which AngloGold will retain its 51% interest and will become manager of the joint venture project. The Company will retain a 49% interest and have equal representation on the joint venture management committee, which will unanimously agree on each annual program and budget for exploration and development of the Gramalote property. As part of the Gramalote Amending Agreement, each of the Company and AngloGold agreed to a budget for the Gramalote project for the second half of 2010 totalling $9.18 million and a 2011 prefeasibility and exploration budget of $30 million. Each of the Company and AngloGold will fund their share of expenditures pro rata. The Company and AngloGold plan to continue exploration and conduct prefeasibility work in 2011 and into 2012, with a goal of completing a final feasibility study by the end of 2012.

For 2010, the Company incurred expenditures of $3 million at Gramalote of which approximately $1.4 million related to the second half exploration budget of $4.45 million (the Company's 49% share of the $9.18 million budget). Expenditures were less than budget as a result of:

- A delay in the commencement of drilling of exploration targets to December 2010 and in metallurgical drilling and test work to January 2011.
- A delay to January 2011 in the commencement of environmental studies.
- Land acquisition costs of $0.7 million delayed to 2011.
- A contingency of approximately $0.8 million was unused.

Although project expenditures were significantly below budget in 2010, it is expected that most of the work will be completed in 2011 so as not to impact the completion of the feasibility study by the end of 2012 or early 2013.

*Cebollati property*

The Cebollati Property is located in the Department of Lavalleja, 180 kilometres northeast of Montevideo in southern Uruguay and consists of ten claims totalling approximately 34,200 hectares. The claims are comprised of one exploration license totalling 163 hectares, one prospection license totalling 558 hectares and eight prospection applications totalling 33,479 hectares. The Cebollati Property has excellent paved road access approximately eight kilometres from a highway in rolling farm country. Under the terms of the Cebollati Option Agreement, the Company will earn an 80% interest in the Cebollati Property by paying $1 million in stages by January 31, 2012 and funding all exploration work through feasibility. Additional obligations include the completion of a feasibility study, a per ounce gold payment and a NSR for additional production.

The 2011 exploration program for the Cebollati Property has a budget of $4.5 million, which includes 10,000 metres of drilling. Drilling commenced on the Cebollati Property in December 2010. The purpose of the drilling program is to test the bulk mining potential of the property, following up on the high grade surface gold mineralization, soil geochemical anomalies and the recently released high grade trench results.

*Radius Joint Venture - Trebol and Pavon properties*

Pursuant to an Option Agreement with Radius dated December 23, 2009, the Company has the option to earn a 60% interest in the Trebol, Pavon and San Pedro exploration properties in Nicaragua (six concessions with 25 year terms covering approximately 242,000 hectares) by expending $4 million on the properties within four years. The Company may also earn a 70% interest in certain additional areas by applying for concessions and expending $2 million on the concession area within three years of the grant of a concession. In addition, the Company has the option to acquire a 100% interest in the Pavon resource property, which is comprised of a 1301 hectares exploration concession, by putting the property into production within three years of giving notice of its election to develop the property. In that event, Radius will be entitled to certain production payments on gold produced from the property based on the prevailing price of gold (e.g. $150 per ounce at a price of $1,000 per ounce of gold). The Company will be the operator for all exploration and development work.

The Trebol property, located in north-eastern Nicaragua, is a low sulphidation epithermal hot springs district consisting of numerous strong gold anomalies spanning over 14 kilometres of strike length. The 2011 exploration budget of $2.1 million is to fund 3,000 metres of drilling to follow up good grade geochemical and trench results from the 2010 program.

The Pavon resource property, located in central Nicaragua, is a low sulphidation system discovered by Radius in 2003. The Pavon property has a 2011 exploration budget of $0.3 million to fund 1,000 metres of drilling. The drilling program is intended to evaluating the viability of open pit mining portions of the veins and shipping the ore to the mill at the Limon Mine.

*Calibre Joint Venture – Borosi property*

Pursuant to an Option Agreement dated July 21, 2009, the Company had the right to acquire from Calibre up to a 65% interest in potential mining projects in the Borosi gold-silver-copper prospect in northeast Nicaragua. The initial Option Agreement provided that the Company could acquire a 51% interest in 11 exploration and exploitation mineral concessions with terms ranging from 20 to over 35 years by funding Cdn.$8 million of exploration expenditures on the property over a three year period ending July 1, 2012. The Option Agreement was amended on October 19, 2010 reducing the area of interest covered under the initial Option Agreement. Under the amended agreement, the Company can earn a 51% interest in the remaining concession areas by completing Cdn.$8 million in expenditures by July 1, 2014. The Company may elect to carry an individual prospect within the amended concession area through to a Preliminary Economic Assessment for an additional 14% interest in the prospect. In the fourth quarter of 2010, the Company wrote-off approximately $2.8 million of exploration costs relating to targets abandoned under the initial Option Agreement.

## CRITICAL ACCOUNTING ESTIMATES

The Company's accounting policies are described in Notes 2 and 3 of its audited consolidated financial statements as at December 31, 2010. Management considers the following policies to be the most critical in understanding the judgments that are involved in the preparation of the Company's consolidated financial statements and the uncertainties that could impact its results of operations, financial condition and cash flows:

- Purchase price allocation;
- Use of estimates;
- Impairment of long-lived assets;
- Depreciation and depletion;
- Asset retirement obligations;
- Future income taxes; and
- Stock-based compensation.

***Purchase price allocation***

Business acquisitions are accounted for by the purchase method of accounting whereby the purchase price is allocated to the assets acquired and the liabilities assumed based on fair value at the time of the acquisition. The excess purchase price over the fair value of identifiable assets and liabilities acquired is goodwill. The determination of fair value often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of property, plant and equipment acquired generally require a high degree of judgment, and include estimates of mineral reserves acquired, future gold prices and discount rates. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets and liabilities in the purchase price allocation.

***Use of estimates***

The preparation of these consolidated financial statements in conformity with generally accepted accounting principles in Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Impairment of long-lived assets***

The Company reviews and evaluates the recoverability of property, plant and equipment when events and circumstances suggest impairment. Where information is available and conditions suggest impairment, estimated future net cash flows are calculated using estimated future prices, proven and probable reserves, resources and operating and capital costs on an undiscounted basis. An impairment charge is recorded if the undiscounted future net cash flows are less than the carrying amount. Reductions in the carrying value, with a corresponding charge to operations, are recorded to the extent that the estimated future net cash flows on a discounted basis are less than the property interest carrying value.

Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether the carrying value can be recovered. If an impairment is identified, the carrying value of the property interest is written down to its estimated fair value.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior undetected agreements or transfers and title may be affected by such defects.

***Depreciation and depletion***

Mine property, plant and equipment are recorded at cost. Repairs and maintenance expenditures are charged to operations; major improvements and replacements which extend the useful life of an asset are capitalized. Mine property, plant and machinery are amortized over the life of the mine using the unit-of-production ("UOP") method, based on recoverable ounces from the estimated proven and probable reserves and the measured and indicated resources. Mobile equipment is depreciated on a straight-line basis, net of residual value, over the shorter of the mine life or estimated useful life of the asset. Prior to commercial production, pre-production expenditures, net of revenue, are capitalized to plant and equipment.

Mineral acquisition, exploration and development costs are capitalized on an individual project basis until such time as the economics of an ore body are defined or the project is sold, abandoned or otherwise determined to be impaired. If production commences, these costs would be amortized using the UOP method. Unrecoverable costs for projects determined not to be commercially feasible are expensed in the year in which the determination is made or when the carrying value of the project is determined to be impaired.

The calculation of the depreciation and depletion expense could be materially affected by changes in the underlying estimates. Changes in estimates can be the result of actual future production differing from current forecasts of future production, expansion of reserves and resources through exploration activities, differences between estimated and actual costs of mining and differences in gold price used in the estimation of mineral reserves and resources. Significant judgment is involved in the determination of useful life and residual values for the computation of depreciation and depletion and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

***Asset retirement obligations***

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. Significant judgments and estimates are made when estimating the nature and costs associated with asset retirement obligations. Cash outflows relating to the obligations are expected to be incurred over periods estimated to extend to 2019 and beyond. When considering the effect of the extended time period over which costs are expected to be incurred, combined with the estimated discount rate and inflation factors, the fair value of the asset retirement obligations could materially change from period to period due to changes in the underlying assumptions.

***Future income taxes***

The Company uses the liability method of accounting for future income taxes. Under this method of tax allocation, future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability is settled. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized. The effect on future tax assets and liabilities of a change in tax rates is recognized in earnings in the period in which the change is substantively enacted.

***Stock-based compensation***

All stock option based awards made to directors, employees and consultants are recognized in these consolidated financial statements and measured using a fair value based method. Consideration received on the exercise of stock options is recorded as share capital. The related contributed surplus originally recognized when the options were earned, is transferred to share capital. The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options. This model is subject to various assumptions. The assumptions the Company makes will likely change from time to time.

## RECENT ACCOUNTING PRONOUNCEMENTS

### *International Financial Reporting Standards ("IFRS")*

In January 2006, the Canadian Accounting Standards Board ("AcSB") adopted a strategic plan, which includes the decision to move financial reporting for Canadian publicly accountable enterprises to a single set of globally accepted accounting standards, namely, International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The AcSB confirmed in February 2008 plans to converge Canadian generally accepted accounting principles ("Canadian GAAP") with IFRS over a transition period with an effective implementation date for interim and annual periods commencing January 1, 2011.

B2Gold is in the process of transitioning its accounting basis from Canadian GAAP to International Financial Reporting Standards ("IFRS") effective for the first quarter of 2011. As part of this transition, the Company must convert the previously reported Canadian GAAP December 31, 2009 balance sheet and the 2010 interim consolidated statements of income and cash flows to IFRS.

The following summary provides an update on the IFRS Conversion Project, First Time Adoption and Key Accounting Policies.

*1) IFRS Conversion Project*

The Company continues to assess the impact of the IFRS transition on its consolidated financial position.

The Company's IFRS conversion is carried out in three phases: high-level impact assessment, detailed evaluation, and implementation and review. During 2010, the Company completed its initial high-level impact assessment to identify key areas that may be affected by the conversion. A detailed evaluation of specific differences between IFRS and Canadian GAAP and how that impacts the Company's implementation is continuing. In addition, the Company is finalizing its assessment on the impact to its business activities, internal controls over financial reporting, disclosure controls and procedures, financial information systems, and financial reporting expertise.

*Business Activities:*

As the Company's final IFRS accounting policies are developed, the Company will consider their impact on all material agreements prior to adoption (including debt covenants, capital requirements and compensation arrangements).

*Internal Controls Over Financial Reporting:*

The effectiveness of internal controls over financial reporting is being assessed for all changes to the Company's policies and procedures. The final impact of the Company's internal control over financial reporting cannot be fully assessed until the final accounting policies under IFRS are determined. Notwithstanding, given the Company's stage of development, the Company does not consider that the adoption of IFRS will have a significant impact on the Company's internal control over financial reporting.

*Disclosure Controls and Procedures:*

The Company does not believe it will require significant revisions to its control environment for changes in its disclosure controls and procedures as a result of the transition to IFRS.

*Financial Information Systems:*

The initial review of the Company's information and data systems suggest that they are sufficient and no significant changes will be required to either capture information required or to be reported under IFRS.

*Financial Reporting Expertise:*

The Company has performed an initial assessment of the financial expertise required to adopt IFRS and considers that it has sufficient in-house resources to review IFRS requirements and to assess any required adjustments to the opening balance sheet under IFRS. However, the situation will be monitored on an on-going basis, and management will consider hiring additional IFRS expertise on a consulting basis as needed.

The Company intends to provide additional IFRS training to staff during the year. The Company also intends to consult on a frequent basis with its auditors to ensure its assessments on the adoption of IFRS are accurate.

Finally, since the IFRS accounting standards, and interpretation thereof, constantly evolves , there may be additional new or revised IFRS accounting standards prior to the Company's issuance of its first IFRS financial statements and these revisions may impact the opening balance sheet, the 2010 operating results and the note disclosures presented herein.

*2) First Time Adoption*

IFRS 1 allows a first-time IFRS adopter to apply certain transitional provisions to exempt itself from the full retrospective application of specific IFRS policies. As part of this transition process, the Company evaluated the available IFRS 1 exemptions and so far, has elected to adopt the following transitional accounting policies:

*Borrowing Costs*:

The Company elected to utilize the option in IFRS 1 to not apply IAS 23 retrospectively to borrowing costs prior to January 1, 2010. The impact of this policy decision is that all previously expensed interest and related borrowing costs will continue to be accounted for as originally recorded under Canadian GAAP.

*Business Combinations*:

The Company elected to utilize the option in IFRS 1 to not apply IFRS 3 Business Combinations ("IFRS 3") retrospectively to business combinations prior to January 1, 2010 and to apply IFRS 3 prospectively to business combinations on or after the January 1, 2010 transition date (any business combination recorded under Canadian GAAP during 2010 must be restated for the 2011 comparative reporting). The impact of this policy decision is that all prior business combinations will continue to be accounted for as originally recorded under Canadian GAAP.

*Share Based Payments:*

The Company has elected to use the transition exemption available to not retrospectively apply the IFRS 2 calculation method to any share options granted after November 7, 2002 and / or vested before January 1, 2010.

*Asset Retirement Obligations:*

The Company has elected to apply the exemption from full retrospective application of decommissioning provisions as allowed under IFRS 1. As such, the Company has re-measured the provisions as at January 1, 2010 under IAS 37 'Provisions, contingent liabilities and contingent assets'; estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose using best estimates of the historical risk-adjusted discount rates; and recalculated the related accumulated depreciation, depletion and amortization under IFRS up to the transition date.

*3) Key Accounting Policies*

The Company is completing its review and comparison of the following current Canadian GAAP accounting policies to the IFRS accounting standards:

*Asset retirement obligations (IFRS: Decommissioning and Reclamation Provisions):*

The Company's future obligations to retire an asset including site closure, dismantling, remediation and ongoing treatment and monitoring are currently recorded as a liability at fair value at the time incurred. The fair value determination is based on estimated future cash-flows, the current credit adjusted risk-free discount rate and an estimated inflation factor. The value of asset retirement obligations is evaluated on an annual basis or as new information becomes available on the expected amounts and timing of cash flows required to discharge the liability and accreted to full value over time through periodic charges to earnings. These changes in value are recorded in the period in which they are identified and when costs can be reasonably quantified, and are capitalized as part of the asset's carrying value and amortized over the asset's estimated useful life. Differences under IFRS include:

- IFRS defines site restoration and environmental provisions as legal or constructive obligations; Canadian GAAP limits the definition to legal obligations.
- IFRS requires provisions to be updated at each balance sheet date using a current pre-tax discount rate (which reflects current market assessment of the time value of money and the risk specific to the liability). Canadian GAAP requires the use of a current credit-adjusted, risk-free rate for upward adjustments, and the original credit-adjusted, risk-free rate for downward revisions.
- Accretion expense is recorded as a finance cost under IFRS rather than as an element of operating cost.

Under IFRS 1, the Company has elected to exempt itself from the full retrospective application of decommissioning and reclamation provisions and is in the process of re-measuring its provisions as of January 1, 2010.

*Exploration and Evaluation costs:*

The International Accounting Standards Board ("IASB") has not made a definitive determination as to whether exploration and evaluation costs should be capitalized or expensed. IFRS 6 allows companies to choose a policy that capitalizes these costs. The policy must be disclosed in the notes to the financial statements. The Company expects to continue capitalizing its exploration and evaluation costs in a manner consistent with its current accounting policy.

*Long-lived asset impairment:*

Under Canadian GAAP, mineral property impairment testing is performed using a two-step test. The first step is to determine if there is an impairment loss by using an undiscounted cash flow analysis. If that analysis identifies an impairment loss, the loss is measured as the amount by which carrying value exceeds fair value. The fair value is often based on discounted cash flows. Under IFRS, assets are tested for impairment using a one-step process based on discounted cash flows. IFRS also allows the reversal of impairment charges from previous years if the fair value exceeds the carrying value of long-lived assets.

*Property, plant and equipment:*

The Company's property, plant and equipment are recorded at cost.

- IFRS 1 allows companies to elect fair value as the deemed cost of an individual asset at the date of transition.
- IFRS requires a componentization approach, separately identifying and measuring significant individual components of assets which have different useful lives. Significant components will be depreciated based on their individual useful lives.

The Company is in the process of identifying the significant components and associated useful lives and calculating the depreciation, depletion and amortization.

*Foreign currency translation:*

The Company's functional currency is United States dollars and under Canadian GAAP, the Company's foreign subsidiaries are accounted for as integrated operations with their financial statements, stated in foreign currencies, translated using the temporal method.

IFRS uses a functional currency concept (currency of the primary economic environment in which the entity operates) to determine the method of measuring foreign currency translation.

At this time, the Company is still assessing the potential impact, if any, this policy may have on the Company's financial position.

*Financial Instruments:*

Financial and derivative instruments, including embedded derivatives, are recorded at fair values, with changes in those fair values recognized in net earnings or loss.

- IFRS has a different derivative definition as compared to existing Canadian GAAP. This difference may have a significant impact on the number of recognized embedded derivatives.

At this time, the Company is still assessing the potential impact, if any, this policy may have on the Company's financial position.

*Future Income Taxes (IFRS: Deferred Income Taxes):*

The method of accounting for income taxes under IFRS is similar to Canadian GAAP, but one of the exemptions under IFRS may have a significant impact on the Company's financial reporting. Under current IFRS guidelines, the recognition of future income tax ("FIT") assets or liabilities that arise from the initial recognition of assets or liabilities that do not impact profit ***or*** loss and other than in a business combination is prohibited. The Company's FIT liability balance is almost exclusively due to the difference between the carrying value and the tax value for the properties that the Company acquired as a result of an acquisition of assets, not a business combination. As a result, the exemption under IFRS would apply and would eliminate the majority of the Company's FIT liability balance recognized under Canadian GAAP. It would also decrease the carrying value of mineral properties by a similar amount because when the FIT liability was recognized, the carrying values of the related mineral properties were grossed up by the same amount. The IASB has recently issued an exposure draft suggesting changes to its income tax standard. The exposure draft has received a significant number of comments and it is uncertain what changes, if any, will be made before the Company's adoption date.

*Contingent liabilities:*

Under IFRS, a provision is to be recognized when (a) there is a present obligation as an result of a past transaction or event; (b) it is probable that an outflow of resources will be required to settle the obligation; and (c) a reliable estimate can be made of the obligation. The threshold for recognition of a provision under Canadian GAAP is higher than under IFRS. Therefore, it is possible that some contingent liabilities which would not have been recognized under Canadian GAAP may meet the criteria for recognition as a provision under IFRS.

*Other:*

The Company is assessing other IFRS accounting policies that may have an impact on its operations but are considered, at this time, not to have a significant effect on 2010 financial results. These policies include employee future benefits, reserves and resources, share based payments and revenue recognition.

## RISKS AND UNCERTAINTIES

*The exploration and development of natural resources are highly speculative in nature and are subject to significant risks. The risk factors noted below do not necessarily comprise all those faced by the Company. The Company is faced with a number of other risk factors as described under "Risk Factors", disclosed in its Annual Information Form, available under the Company's profile on SEDAR at www.sedar.com. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair the business, operations and future prospects of the Company. If any of the following risks actually occur, the business of the Company may be harmed and its financial condition and results of operations may suffer significantly.*

### *Exploration, Development and Operating Risks*

Mining operations generally involve a high degree of risk. The Company's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding, pit wall failure and other conditions involved in drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate measures to minimize risk are being taken, milling operations are subject to hazards such as fire, equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability.

The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines and no assurance can be given that minerals will be discovered in sufficient quantities or having sufficient grade to justify commercial operations or that funds required for development can be obtained on a timely basis. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining program. The economics of developing gold and other mineral properties are affected by many factors including the cost of operations, variations of the grade of ore mined, fluctuations in the price of gold or other minerals produced, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

There is no certainty that the expenditures made by the Company towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore.

### *Foreign Countries and Mining Risks*

The Company's production activities are currently conducted in Nicaragua and, as such, the Company's operations are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from country to country and include, but are not limited to, terrorism, hostage taking, military repression, extreme fluctuations in currency exchange rates, high rates of inflation, labour unrest, the risks of war or civil unrest, expropriation and nationalization, uncertainty as to the outcome of any litigation in foreign jurisdictions, uncertainty as to enforcement of local laws, renegotiation or nullification of existing concessions, licences, permits and contracts, illegal mining, changes in taxation policies, restrictions on foreign exchange and repatriation, and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

The Company has interests in exploration properties that are located in developing countries, including Nicaragua and Colombia, and the mineral exploration and mining activities of the Company may be affected in varying degrees by political instability and government regulations relating to foreign investment and the mining industry. Changes, if any, in mining or investment policies or shifts in political attitude in Nicaragua or Colombia may adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's business, financial condition and results of operations.

***Property Interests***

The ability of the Company to carry out successful mineral exploration and development activities and mining operations will depend on a number of factors. No guarantee can be given that the Company will be in a position to comply with all conditions and obligations, or to require third parties to comply with their obligations with respect to such properties. Furthermore, while it is common practice that permits and licenses may be renewed, extended or transferred into other forms of licenses appropriate for ongoing operations, no guarantee can be given that a renewal, extension or a transfer will be granted to the Company or, if they are granted, that the Company will be in a position to comply with all conditions that are imposed. A number of the Company's interests are the subject of pending applications to register assignments, extend the term, increase the area or to convert licenses to concession contracts and there is no assurance that such applications will be approved as submitted.

The Company is satisfied, based on due diligence conducted by the Company, that its interests in the properties are valid and exist. There can be no assurances, however, that the interests in the Company's properties are free from defects or that the material contracts between the Company and the entities owned or controlled by foreign government will not be unilaterally altered or revoked. There is no assurance that such rights and title interests will not be revoked or significantly altered to the detriment of the Company. There can be no assurances that the Company's rights and title interests will not be challenged or impugned by third parties. The Company's interests in properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects or governmental actions.

Certain of the Company's property interests are also the subject of joint ventures that give the Company the right to earn an interest in the properties. To maintain a right to earn an interest in the properties, the Company may be required to make certain expenditures in respect of the property maintenance by paying government claim and other fees. If the Company fails to make the expenditures or fails to maintain the properties in good standing, the Company may lose its right to such properties and forfeit any funds expended to such time.

***Commodity Prices***

The profitability of the Company's operations will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, world supply of mineral commodities, consumption patterns, sales of gold by central banks, forward sales by producers, production, industrial and jewellery demand, speculative activities and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The prices of mineral commodities have fluctuated widely in recent years. Current and future price declines could cause commercial production to be impracticable.

The Company's revenues and earnings also could be affected by the prices of other commodities such as fuel and other consumable items, although to a lesser extent than by the price of gold. The prices of these commodities are affected by numerous factors beyond the Company's control.

***Currency Risks***

The Company's operations in foreign countries are subject to currency fluctuations and such fluctuations may materially affect the Company's financial position and results. The Company reports its financial results in United States dollars and incurs expenses in United States dollars, Canadian dollars, Nicaraguan córdobas, and Colombian pesos. As the exchange rates between the Nicaraguan córdoba, Colombian peso and Canadian dollar fluctuate against the United States dollar, the Company will experience foreign exchange gains and losses. The exchange rate between the córdoba and the United States dollar varies according to a pattern set by the Nicaraguan Central Bank. The córdoba has been annually devalued versus the United States dollar by means of a crawling peg mechanism which currently stands at approximately 5%.

***Environmental Compliance***

The Company's operations are subject to local laws and regulations regarding environmental matters, the abstraction of water, and the discharge of mining wastes and materials. Any changes in these laws could affect the Company's operations and economics. Environmental laws and regulations change frequently, and the implementation of new, or the modification of existing, laws or regulations could harm the Company. The Company cannot predict how agencies or courts in foreign countries will interpret existing laws and regulations or the effect that these adoptions and interpretations may have on the Company's business or financial condition.

The Company may be required to make significant expenditures to comply with governmental laws and regulations. Any significant mining operations will have some environmental impact, including land and habitat impact, arising from the use of land for mining and related activities, and certain impact on water resources near the project sites, resulting from water use, rock disposal and drainage run-off. No assurances can be given that such environmental issues will not have a material adverse effect on the Company's operations in the future. While the Company believes it does not currently have any material environmental obligations, exploration activities may give rise in the future to significant liabilities on the Company's part to the government and third parties and may require the Company to incur substantial costs of remediation. Additionally, the Company does not maintain insurance against environmental risks. As a result, any claims against the Company may result in liabilities the Company will not be able to afford, resulting in the failure of the Company's business. Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in exploration operations may be required to compensate those suffering loss or damage by reason of the exploration activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenditures and costs or require abandonment or delays in developing new mining properties.

## INTERNAL CONTROLS

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure. Management, with the participation of the certifying officers, has evaluated the effectiveness of the design and operation, as of December 31, 2010, of the Company's disclosure controls and procedures (as defined by the Canadian Securities Administrators). Based on that evaluation, the certifying officers have concluded that such disclosure controls and procedures are effective and designed to ensure that material information relating to the Company and its subsidiaries is made known to them by others within those entities.

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and compliance with Canadian generally accepted accounting principles in the financial statements. Management has evaluated the design of internal controls over financial reporting and has concluded that such internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in Canada. In addition, there have been no changes in the Company's internal control over financial reporting during 2010 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

**NON-GAAP MEASURES**

Cash cost per ounce data are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

| | **Three months ended December 31** | | **Years ended December 31** | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | **$ (000's)** | **$ (000's)** | **$ (000's)** | **$ (000's)** |
| Operating costs per consolidated financial statements | **18,137** | 4,120 | **62,762** | 18,221 |
| Royalties and production taxes | **2,759** | 279 | **7,178** | 1,242 |
| Inventory sales adjustment | **1,549** | (134) | **1,505** | (1,314) |
| Accrual for past severance obligations (per July 3, 2009 collective labour agreement) | **-** | - | **-** | (451) |
| | **22,445** | 4,265 | **71,445** | 17,698 |
| Gold production (in ounces) | **36,824** | 3,577 | **108,688** | 20,612 |
| Total cash costs per ounce of gold production ($/ounce) | **609** | 1,193 | **657** | 859 |

Total cash costs per ounce is derived from amounts included in the Consolidated Statement of Operations and include mine site operating costs such as mining, processing, smelting, refining, transportation costs, royalties and production taxes, less silver by-product credits.

**OUTLOOK**

In 2010 B2Gold enjoyed a very profitable year of gold production and significant success on exploration projects. Our strong operating performance at the mines, robust gold prices, and our lack of debt, combined to leave us with a cash balance at year end of approximately $70 million.

In 2011 we will continue to optimize gold production at the two mines, and further explore around the mines and our other numerous exploration projects, all funded from our strong cash position and cash generated from La Libertad and Limon Mines. The mines are projected to produce on a combined basis approximately 130,000 to 140,000 ounces of gold.

***Operations***

*La Libertad Mine, Nicaragua*

After a successful ramp up of production in 2010 La Libertad Mine is projected to produce between 88,000 to 94,000 ounces of gold in 2011 with projected operating cash costs of approximately $440 to $460 per ounce of gold. The mine is debt free and has no gold hedging.

In 2011 the operations team will remain focused on optimizing production at La Libertad Mine.

Based on the success of last year's exploration drilling on the Jabali Zone located approximately 10 km from La Libertad mill, the Company has calculated a new resource of 3,545,925 tonnes at 4.58 g/t gold containing 522,393 ounces. Based on this new resource, the Company has decided to increase the $4.6 million exploration budget at La Libertad by $4.1 million. Drilling will now focus on infill drilling and further exploration of the Jabali Zones which remain open. Three rigs are currently drilling at Jabali and three additional rigs are expected to join in May 2011.

The new resource at Jabali not only indicates the potential to significantly increase the La Libertad's seven year mine life but also the potential to deliver higher grade ore to the mill which could result in higher annual gold production and lower operating costs per ounce produced.

The Company has also received positive drill results from diamond drilling in and adjacent to the Mojon and San Juan deposits. The Mojon deposit is currently being mined and the San Juan deposit is in the inferred resource category. Much of the drilling at Mojon and San Juan is part of an infill program with the objective to convert the inferred to an indicated resource.

*Limon Mine, Nicaragua*

In 2011, the Limon Mine is forecast to produce between 42,000 and 46,000 ounces of gold at an operating cash cost of $720 to $740 per ounce. The Company will continue to optimize production at the Limon Mine and expend $20 million on capital expenditures for improvements to the mine, mill and infrastructure.

The 2011 exploration budget for Limon is $3.2 million including 10,000 metres of drilling.

For the remainder of the year two drill rigs will continue drilling to increase the mine life and explore potential higher grade targets. In some previous years the Limon Mine processed significantly higher grade ore resulting in a substantial increase in gold production. Based on the positive deeper exploration drill results at the Santa Pancha vein and other exploration targets the Company has increased proven and probable reserves at Limon to 1,949,692 tonnes at a grade of 4.48 g/t containing 280,000 ounces of gold yielding a five year mine life. The Company believes there is excellent potential to further increase the current five year mine life and also discover higher grade open pit and underground deposits that could increase annual gold production and reduce operating costs per ounce of gold.

*Health, Safety, Environmental and Corporate Social Responsibility ("HSES")*

B2Gold has a strong safety and environmental track record. The Company continues to build on our strong historical commitment to HSES responsibility. Recently the Company hired a full time Vice President for Environment, Health, Safety, and Permitting. Bill Lytle has had more than 15 years experience specializing in providing operational health, safety, environmental, and social assistance during all phases of the mining cycle as well as extensive experience working with international lending institutes such as the IFC. Bill has been involved as a consultant to B2Gold and previously a full time employee of Bema, notably working on the permitting and development of the Kupol project in Russia for Bema.

Additionally, the Company has begun implementation of an environmental management program that will continue standardization of all health, safety, environmental, and social policies and procedures, facilitate transparency to all stakeholders, and allow consistent check and review procedures at all operations. It is anticipated that the corporate policies and procedures will be developed and implemented in 2011 and 2012. As part of this effort, B2Gold has adopted new policies on Occupational Health and Safety, Environment, and Biodiversity.

B2Gold continues to invest heavily in the communities where we operate with more than $US 2 million spent on social programs in 2010. These monies were focused on issues related to public health, education, and development of small business.

***Gramalote Property, Colombia*** *(B2Gold 49% / AngloGold 51%)*

Drilling and prefeasibility work is continuing on the Gramalote Project in Colombia, with joint venture partner and project manager AngloGold. The Gramalote property is located 80 km northeast of Medellin in central Colombia.

The Gramalote Ridge Zone on the Gramalote property has a National Instrument 43-101 compliant inferred mineral resource estimate of 74.375 million tonnes grading 1.00 g/t gold for a total of 2.39 million troy ounces of gold at a 0.5 g/t cut-off and within a $1,000 per ounce gold optimized Whittle pit (Technical Report Gramalote Property dated February 27, 2009 and the update report dated June 12, 2008). The Gramalote Ridge Zone remains open to the east and west.

B2Gold and AngloGold have agreed to a 2011 prefeasibility and exploration budget of $30 million. This budget will fund 20,000 metres of diamond drilling to explore additional targets on the property, infill drilling of the Gramalote deposit, drilling for metallurgical test samples and conducting engineering studies. Each joint venture partner will fund their share of expenditures pro rata.

The two companies plan to continue exploration and conduct prefeasibility work in 2011 and into 2012, with a goal of completing a final feasibility study by April 2013.

***Nicaraguan Joint Ventures***

In addition to La Libertad and Limon property exploration programs, the Company is involved in two exploration joint ventures in Nicaragua. The Company has the right to earn a majority interest from Radius Gold in two Nicaraguan properties called Trebol and Pavon. Work which is ongoing at Trebol has consisted of hand dug trenches and geochemical soil sampling over the 25 km strike length of the system. The 2011 exploration budget is approximately $2.4 million. A total of 31 holes totaling 2,550.86 metres have been drilled so far this year. The Company expects to release assay results in April 2011.

The Company has the right to earn a majority interest in the Borosi project, located in north east Nicaragua, owned by Calibre Mining. The companies continue to explore the property.

***Cebollati Gold Property, Uruguay***

The 2011 exploration program for the Cebollati Property has a budget of $4.5 million, which includes 10,000 metres of drilling. Drilling commenced on the Cebollati Property in December 2010. The purpose of the drilling program is to test the bulk mining potential of the property, following up on the high grade surface gold mineralization, soil geochemical anomalies and the recently released high grade trench results.

To date, eight holes totalling 1,436.30 metres have been drilled at Cebollati. The Company expects to release initial assay results from the program in May 2011. Drilling is ongoing.

***Financial***

Our strong operational performance and solid gold prices enabled B2Gold to finish 2010 debt free and with approximately $70 million in the treasury.

2011 will be a year of continued optimization at the mines and aggressive development and exploration programs, as the Company plans to expend approximately $48 million on capital at the mines and a total of approximately $39 million on exploration. Looking forward based on a budgeted gold price of $1,300 per ounce for 2011 we estimate that the Company's two operating mines should generate sufficient cash to fund our planned capital programs, exploration and general and administrative expenses and at the same time leave the Company in a strong cash position at the end of 2011.

***Conclusion***

B2Gold's strategy is to grow the Company's gold production through the exploration and development of existing assets and timely acquisitions. The executives and management team of B2Gold worked together for many years at Bema Gold to successfully build this model. Because most gold producers fail to discover enough gold reserves to maintain their production levels or grow, they have to acquire ounces of gold in the ground. In our view, given the robust gold price, these acquisitions are becoming more and more expensive. The Bema / B2Gold model is the exception, combining a highly successful exploration team with strong financing capability and a proven team of engineers building and operating gold mines.

In conclusion, the management of B2Gold believes the Company is well positioned to continue our growth as an intermediate gold producer. With our strong cash position and impressive cash from operations, we can continue to advance all of our planned projects without requiring further funding.

**OUTSTANDING SHARE DATA**

At March 30, 2011 there were 338,411,140 common shares outstanding. In addition, there were approximately 14.8 million stock options outstanding with exercise prices ranging between Cdn.$0.80 to Cdn.$3.72 per share and approximately 23.4 million share purchase warrants with exercise prices ranging between Cdn.$0.97 to Cdn.$4.25 per share. More information on these instruments is disclosed in Note 11 of the Company's December 31, 2010 audited consolidated financial statements.

**CAUTION ON FORWARD-LOOKING INFORMATION**

This Management's Discussion and Analysis contains forward-looking statements within the meaning of applicable securities laws, which reflect management's expectations regarding the Company's future growth, results of operations (including, without limitation, future production and capital expenditures), performance (both operational and financial) and business prospects (including the timing and development of new deposits and the success of exploration activities) and opportunities. Wherever possible, words such as "plans", "expects" or "does not expect", "budget", "scheduled", "estimates", "forecasts", "anticipate" or "does not anticipate", "believe", "intend" and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, have been used to identify these forward-looking statements. Although the forward-looking statements contained in this Management's Discussion and Analysis reflect management's current beliefs based upon information currently available to management and based upon what management believes to be reasonable assumptions, the Company cannot be certain that actual results will be consistent with these forward-looking statements. A number of factors could cause actual results, performance, or achievements to differ materially from the results expressed or implied in the forward-looking statements including those listed in the "Risk Factors" section of this management's discussion and analysis. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Forward-looking statements necessarily involve significant known and unknown risks, assumptions and uncertainties that may cause the Company's actual results, performance, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. Although the Company has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, shareholders should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date of this Management's Discussion and Analysis and, other than as required by applicable securities laws, the Company assumes no obligation to update or revise them to reflect new events or circumstances.

Additional information on the Company, including its Annual Information Form is available under the Company's profile on SEDAR at www.sedar.com.