# B2GOLD CORP.
# MANAGEMENT'S DISCUSSION AND ANALYSIS
**For the quarters ended June 30, 2011 and 2010**

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

*This Management's Discussion and Analysis has been prepared as at August 10, 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 unaudited condensed consolidated interim financial statements ("interim financial statements") and the notes thereto of the Company for the three- and six-month periods ended June 30, 2011 and the audited consolidated financial statements and the notes thereto of the Company for the year ended December 31, 2010. The June 30, 2011 interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34 "Interim Financial Reporting" and IFRS 1 "First-Time Adoption of IFRS". For comparative purposes, all financial statement amounts related to the quarters ended June 30, 2010 and March 31, 2010 and the year ended December 31, 2010 have been restated in accordance with IFRS. All other periods remain unchanged from the numbers originally reported under Canadian generally accepted accounting principles ("Canadian GAAP"). The full disclosure of the Company's transition to IFRS is included in the Company's interim financial statements for the three months ended March 31, 2011. 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. The Company operates the Libertad Mine (100%) and the Limon Mine (95%) in Nicaragua. The Company owns or has a material interest in the Gramalote and Mocoa properties in Colombia, the Cebollati property in Uruguay and the Bellavista property in Costa Rica.

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 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 and the Company now estimates throughput at the Libertad Mine to be approximately 5,500 t/d.

## REVIEW OF FINANCIAL RESULTS

| | Three months ended June 30 (unaudited) | | Six months ended June 30 (unaudited) | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| Gold revenue ($ in thousands) | 54,498 | 23,266 | 107,999 | 40,317 |
| Gold sold (ounces) | 36,030 | 19,319 | 74,784 | 34,766 |
| Average realized gold price ($/ ounce) | 1,513 | 1,204 | 1,444 | 1,160 |
| Gold produced (ounces) | 36,760 | 24,924 | 71,493 | 41,189 |
| Cash operating costs ($/ ounce gold) | 507 | 648 | 519 | 697 |
| Total cash costs ($/ ounce gold) | 586 | 709 | 597 | 757 |
| Adjusted net income (loss)[(1)] ($ in thousands) | 21,978 | (3,356) | 40,056 | (6,628) |
| Adjusted earnings (loss) per share – basic ($) | 0.07 | (0.01) | 0.12 | (0.02) |
| Net income (loss) ($ in thousands) | 15,016 | (8,057) | 26,427 | (12,362) |
| Earnings (loss) per share – basic ($) | 0.05 | (0.03) | 0.08 | (0.04) |
| Cash flows from operating activities ($ in thousands) – before changes in non-cash working capital | 28,833 | 1,069 | 53,598 | 1,245 |

*(1) Adjusted net income (loss) excludes the following non-cash items: deferred income tax expense and share based payments expense (relating to stock options). In addition, the 2010 comparatives exclude non-cash derivative losses on Canadian dollar denominated common share purchase warrants issued as part of the March 2009 Central Sun acquisition which are considered derivative instruments under IFRS.*

### *Second quarter results*

Total gold revenue for the second quarter of 2011 was a record $54.5 million on sales of 36,030 ounces, compared to $53.5 million on sales of 38,754 ounces in the 2011 first quarter and to $23.3 million on sales of 19,319 ounces in the second quarter of 2010. The increase in revenue over the prior quarter in 2011 was attributable to a higher average realized gold price of $1,513 per ounce, which exceeded the first quarter average realized gold price of $1,381 per ounce. The significant increase in revenue compared to the second quarter of 2010 was mainly due to higher gold production from the Libertad Mine which continued to successfully ramp-up throughout 2010 after commencing commercial production on February 1, 2010 and also to higher average realized gold prices. The increase in realized prices reflect the increase in market gold prices, which averaged $1,506 per ounce for the three months ended June 30, 2011 compared to market gold prices of $1,386 and $1,197 for the three months ended March 31, 2011 and June 30, 2010, respectively.

The Libertad Mine accounted for $35.6 million (Q2 2010 - $13.0 million) of gold revenue in the second quarter of 2011 from the sale of 23,490 ounces (Q2 – 10,790 ounces) while $18.9 million (Q2 - $10.3 million) was contributed by the Limon Mine from the sale of 12,540 ounces (Q2 – 8,529 ounces).

The Company's consolidated gold production during the second quarter of 2011 was 36,760 ounces at an operating cash cost of $507 per ounce compared to 24,924 ounces produced over the same period last year at an operating cash cost of $648 per ounce. Consolidated gold production in the second quarter of 2011 exceeded the second quarter budget of 33,835 ounces and operating cash costs per ounce was lower than budget of $566 per ounce.

In the second quarter of 2011, the Libertad Mine produced 24,568 ounces of gold at an operating cash cost of $451 per ounce compared to budget of 21,927 ounces at an operating cash cost of $477 per ounce. The favourable variance in gold production was mainly due to higher recoveries, higher mill throughput and the processing of higher grade ore. Gold recoveries in the quarter were 90% exceeding the budget of 87%. Mill throughput averaged 5,475 t/d versus the budget of 5,363 t/d an average feed grade of 1.71 grams of gold per tonne ("g/t") versus budget of 1.61 g/t.

The Limon Mine also performed better than budget producing 12,192 ounces of gold at an operating cash cost of $622 per ounce compared to budget of 11,908 ounces at an operating cash cost of $730 per ounce. The higher than budget gold production was due to a combination of factors. Mill head grade and recovery were both better than budget. The Limon Mine processed 94,094 tonnes of ore at an average grade of 4.5 g/t at a processed gold recovery of 90% compared to budget of 97,972 tonnes at a grade of 4.3 g/t at a processed gold recovery of 89%. Operating costs were lower than budget as slightly more than half of the ore milled in the second quarter of 2011 was sourced from nearby open pits rather than from underground mining. This reduced overall operating costs by approximately $0.7 million as open pit mining costs were less than budgeted underground mining costs.

Cash flow from operating activities (before changes in non-cash working capital) was $28.8 million ($0.09 per share) in the second quarter of 2011 compared to $1.1 million ($0.00 per share) in the second quarter of 2010, an increase of $27.7 million. 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. As a result, the Company continues to be in a strong financial position with $78.9 million in cash as at June 30, 2011.

For the second quarter of 2011, the Company generated net income of $15.0 million ($0.05 per share) compared to a loss of $8.1 million (negative $0.03 per share) in the equivalent period of 2010. Adjusted net income was $22 million ($0.07 per share) in the second quarter of 2011 compared to a loss of $3.4 million (negative $0.01 per share) in the same period of 2010. Adjusted net income was calculated by excluding a non-cash deferred income tax expense of $6.3 million (Q2 2010 - $nil), resulting mainly from a decrease in non-capital tax loss carry-forwards, and a non-cash share-based compensation expense (relating to stock options) of $0.7 million (Q2 2010 - $0.5 million). The adjusted loss for the second quarter of 2010 also excluded a non-cash derivative loss of $4.2 million. The Company's Canadian dollar denominated common share purchase warrants issued as part of the March 2009 Central Sun Mining Inc. acquisition are considered derivative instruments under IFRS.

General and administrative expenses totalled $4.3 million in the second quarter of 2011 compared to $4.7 million in the same period of 2010 and were higher in the 2010 second quarter mainly due to a non-recurring expense of $0.3 million for the inauguration ceremony on May 11, 2010 at the Libertad Mine. 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.

***Year-to-date results***

For the first six months of 2011, consolidated gold revenue was $108 million compared to $40.3 million in the same period in 2010. The increase was mainly attributable to higher gold production from the Libertad Mine and higher average realized gold prices.

Consolidated gold production for the six months ended June 30, 2011 totalled 71,493 ounces at an operating cash cost of $519 per ounce compared to 41,189 ounces being produced in the corresponding period of 2010 at an operating cash cost of $697 per ounce.

The Company is forecasting another record year for gold production in 2011, with consolidated gold production projected to be between 135,000 and 145,000 ounces, an increase of 5,000 ounces compared to the original budget, at an operating cash cost of $540 to $560 per ounce.

For the six months ended June 30, 2011, the Company generated net income of $26.4 million ($0.08 per share) compared to a loss of $12.4 million (negative $0.04 per share) in the equivalent period of 2010. Adjusted net income was $40.1 million ($0.12 per share) in the six months ended June 30, 2011 compared to a loss of $6.6 million (negative $0.02 per share) in the comparative period. Adjusted net income for the first half of 2011 was calculated by excluding a non-cash deferred income tax expense of $12.4 million (2010 - $nil) and a non-cash share-based compensation expense (relating to stock options) of $1.2 million (2010 - $1.5 million). The adjusted loss for the first six months of 2010 also excluded a non-cash derivative loss of $4.2 million, relating to the Company's Canadian dollar denominated common share purchase warrants issued as part of the March 2009 Central Sun Mining Inc. acquisition.

General and administrative costs in the first half of 2011 increased to $10.5 million from $8.4 million mainly due to bonuses paid to senior management at the Vancouver and Managua offices in recognition of the Company's outstanding performance in 2010 and 2009.

**LIBERTAD MINE – NICARAGUA**

| | Three months ended June 30 (unaudited) | | Six months ended June 30 (unaudited) | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| Gold revenue ($ in thousands) | 35,582 | 13,033 | 73,610 | 19,554 |
| Gold sold (ounces) | 23,490 | 10,790 | 51,039 | 16,663 |
| Average realized gold price ($/ ounce) | 1,515 | 1,208 | 1,442 | 1,173 |
| Tonnes of ore milled | 498,254 | 386,881 | 1,006,666 | 590,068 |
| Grade (grams/ tonne) | 1.71 | 1.53 | 1.69 | 1.37 |
| Recovery (%) | 90 | 82 | 90 | 85 |
| Gold production (ounces) | 24,568 | 15,548 | 49,182 | 21,557 |
| Cash operating costs ($/ ounce gold) | 451 | 564 | 451 | 698 |
| Total cash costs ($/ ounce gold) | 524 | 617 | 526 | 752 |
| Capital expenditures ($ in thousands) | 10,118 | 3,755 | 17,873 | 14,253 |

The Libertad Mine continued to perform well in the second quarter of 2011. Gold sales from the Libertad Mine totalled 23,490 ounces (Q2 2010 – 10,790 ounces) at an average realized price of $1,515 per ounce (Q2 2010 - $1,208 per ounce), generating revenue of $35.6 million (Q2 2010 - $13.0 million).

In the second quarter of 2011, the Libertad Mine produced 24,568 ounces of gold at an operating cash cost of $451 per ounce compared to budget of 21,927 ounces at an operating cash cost of $477 per ounce. The favourable variance in gold production was mainly due to higher gold recoveries (90% compared to budget of 87%) and slightly higher grade than budget. Tonnage milled in the quarter was also slightly higher than budget (498,254 tonnes compared to budget of 488,074 tonnes). The higher gold recovery was the result of upgrades to the plant during 2010 and a larger than planned percentage of ore from the Crimea pit which has better leaching characteristics than ore from the Mojon pit. The Crimea pit contributed 46%, the Mojon pit 28% and spent ore 26% of the ore milled in the quarter. Operating cash cost per ounce was $26 lower than budget mainly due to the higher than budgeted gold production. The mill throughput rate in the second quarter of 2011 averaged 5,475 t/d, slightly better than the budget for the period of 5,363 t/d. The average ore grade was 1.71 g/t, again slightly better than the budget for this period of 1.61 g/t.

During the first half of 2011, the Libertad Mine generated gold revenue of $73.6 million from the sale of 51,039 ounces at an average price of $1,442 per ounce, compared to $19.6 million from the sale of 16,663 ounces at an average price of $1,173 per ounce in the same period of 2010. Total gold production was 49,182 ounces at an operating cash cost of $451 per ounce compared to budget of 44,205 ounces at $477 per ounce. Higher production for the year-to-date was mainly due to higher gold recoveries and mill head grades. Operating costs have been marginally higher than budget but due to increased gold production operating costs per ounce have been better than projected.

Total capital expenditures in the second quarter of 2011 were $10.1 million, consisting of $5 million for deferred stripping costs at both the Mojon and Crimea open pits and $3 million for completion of phase II of the tailings pond lift. Most of the remaining capital expenditures were for continued upgrades in the plant, electrical substation upgrades and construction of a new maintenance facility. Total capital expenditures for the first six months of 2011 totalled $17.9 million of which $7.8 million related to deferred stripping costs, $6.1 million to the phase II tailings pond lift and the remaining amount mostly for plant upgrades and equipment.

Annual capital expenditures at the Libertad Mine for 2011 are budgeted to be approximately $28.3 million. In addition, the 2011 exploration budget for La Libertad property has been increased to $8.7 million to further explore the 20 kilometre long gold belt and to drill the Jabali deposit to indicated resource status.

During the second quarter of 2011, the board of directors of the Company approved a 2011 development budget for the Jabali resource of $15.2 million. Expenditures are for engineering, environmental and permitting, haul roads and mobile mining equipment. The Company expects to be in a position to start hauling colluvium material late in the fourth quarter of 2011 with actual hard rock mining commencing mid to late 2012. The Jabali resource is 3.55 million tonnes at a gold grade of 4.58 g/t containing 522,000 ounces of gold. The new resource at Jabali not only indicates the potential to significantly increase 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 increased production guidance for the Libertad Mine to between 93,000 to 99,000 ounces of gold in 2011, an increase of 5,000 ounces, with projected operating cash costs unchanged at approximately $440 to $460 per ounce of gold.

**LIMON MINE – NICARAGUA**

| | Three months ended June 30 (unaudited) | | Six months ended June 30 (unaudited) | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| Gold revenue ($ in thousands) | 18,916 | 10,233 | 34,389 | 20,763 |
| Gold sold (ounces) | 12,540 | 8,529 | 23,745 | 18,103 |
| Average realized gold price ($/ ounce) | 1,508 | 1,200 | 1,448 | 1,147 |
| Tonnes of ore milled | 94,094 | 82,910 | 182,265 | 169,075 |
| Grade (grams/ tonne) | 4.50 | 4.06 | 4.25 | 4.17 |
| Recovery (%) | 90 | 87 | 90 | 88 |
| Gold production (ounces) | 12,192 | 9,375 | 22,311 | 19,632 |
| Cash operating costs ($/ ounce) | 622 | 789 | 668 | 696 |
| Total cash costs ($/ ounce) | 710 | 862 | 755 | 762 |
| Capital expenditures ($ in thousands) | 7,052 | 1,105 | 11,412 | 2,345 |

Second quarter gold sales from the Limon Mine totalled 12,540 ounces (Q2 2010 – 8,529 ounces) at an average realized price of $1,508 per ounce (Q2 2010 - $1,200 per ounce), generating revenue of $18.9 million (Q2 2010 - $10.2 million).

The Limon Mine performed better than budget in the second quarter of 2011 producing 12,192 ounces of gold compared to budget of 11,908 ounces. The higher than budget gold production was due to a combination of factors. Mill head grade and recovery were both better than budget. The Limon Mine processed 94,094 tonnes of ore at an average grade of 4.5 g/t at a processed gold recovery of 90% compared to budget of 97,972 tonnes at a grade of 4.3 g/t at a processed gold recovery of 89%. Operating cash cost for the second quarter of 2011 was $622 per ounce which was lower than budget of $730 per ounce as slightly more than half of the ore milled in the second quarter was sourced from nearby open pits rather than from underground mining. This reduced overall operating costs by approximately $0.7 million as open pit mining costs were less than budgeted underground mining costs. Also contributing to the lower cash cost per ounce was the higher than budgeted grades from the open pits.

For the six months ended June 30, 2011, the Limon Mine generated gold revenue of $34.4 million from the sale of 23,745 ounces at an average price of $1,448 per ounce. Operating cash cost per ounce was $668 per ounce compared to budget of $782 per ounce and was lower than budget mainly due to a higher percentage of ore being supplied from nearby open pits rather than from the underground operations.

As previously announced in the first quarter release, the Company has increased its 2011 budget for capital expenditures at Limon by $4.8 million to $24.5 million, mainly due to revised costs to construct the new tailings pond. The 2011 budget for capital expenditures at Limon include Santa Pancha deep underground development and equipment, construction of a new tailings pond, process plant upgrades and spares, and several infrastructure upgrades. Capital expenditures in 2012 are expected to be much lower. In the second quarter of 2011, capital expenditures totalled $7.1 million, attributable mainly to the construction of the new San Jose tailings storage facility ($4.7 million), mining equipment ($1.7 million) and infrastructure improvements. Capital expenditures for the first six months of 2011 totalled $11.4 million of which $7.1 million related to the new San Jose tailings storage facility.

Near the end of the second quarter El Limon experienced an extremely heavy rainfall event that resulted in a flash flood. Water overran diversion structures surrounding Open Pit #2 and entered the pit. The water entered the underground mine through old open stopes that connected to the bottom of the pit. The result was the rapid inundation of water down raises and declines into the bottom of the mine. At the time of the event there were 26 miners underground. One miner lost his life due to the flood and the remaining 25 were safely evacuated. Subsequent to the accident, the Company has temporarily ceased production from the Santa Pancha underground and has commenced mitigation work that would prevent anything similar from occurring in the future. The Company believes the mitigation work will be completed in the third quarter and production from the underground will resume by the end of the quarter. During the third quarter, alternate, lower grade open pit material will be mined to replace the ore from underground, resulting in less gold production than budgeted. However, for the year the Company maintains its guidance that Limon will produce between 42,000 and 46,000 ounces of gold at an operating cash cost of $720 to $740 per ounce.

**GRAMALOTE PROPERTY – COLOMBIA**

On August 12, 2010, the Company and AngloGold Ashanti Limited ("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 $9.2 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 the prefeasibility study by August 2012 and a final feasibility study by October 2013.

Despite widespread historic through to modern-day gold production, the Gramalote property region is, from a present-day standpoint, relatively unexplored with respect to gold and other metals. Exploration conducted by the Company and AngloGold has outlined potentially significant gold mineralization contained within the Gramalote property. This mineralization may be considered in three forms: (i) the advanced phase, drill-explored area immediately surrounding Gramalote Ridge; (ii) the various early phase outlying targets identified within an approximately five kilometre radius of Gramalote Ridge; and (iii) additional rock and stream sediment sample-supported targets which can be inferred from first-pass reconnaissance work completed in parallel with the advanced phase activities.

Work-to-date suggest that various targets, including Monjas, Trinidad, Limon, Topacio and Felipe among others, form satellite and outlying extensions to the Gramalote Ridge structural and alteration model, and could develop into important or even stand-alone targets in their own right. These outlying targets will be drilled in 2011.

In February 2009, the Company completed a NI 43-101 compliant mineral resource estimate for the Gramalote Ridge zone on the Gramalote property. The inferred mineral resource estimate for the Gramalote Ridge Zone at a 0.5 g/t gold cut-off, within a $1,000 per ounce gold optimised Whittle pit, consists of 74.375 million tonnes grading 1.00 g/t gold for a total of 2.387 million troy ounces of gold.

The Trinidad zone is located along the Nus River Break and the Medellin–Puerto Berrio Highway approximately three kilometres north-northwest of the Gramalote Ridge. In 2008, the Company drilled 20 diamond drill holes at the Trinidad zone totalling 7,019 metres over an area of 1,100 metres by 500 metres. Drill results include up to 1.00 g/t gold over 223.4 metres. The drill program was designed to test the strike length of the soil geochemical anomaly. The style of alteration and mineralization at Trinidad is extremely similar to the Gramalote Ridge area and the mineralization remains open and will be followed up with drilling in 2011.

On October 13, 2010, four diamond drill rigs were mobilized to the Gramalote project site to commence diamond drilling for the exploration of additional targets on the property, infill drilling of the Gramalote deposit and drilling for the metallurgical test samples. Two of the drill rigs focused on drilling nearby exploration targets outside of the current Gramalote inferred mineral resource including the Monjas East, Monjas West, Limon, Trinidad South and Topacio targets.

Prefeasibility and exploration work recommenced at the Gramalote Project in the second half of 2010 with drilling for metallurgical samples, exploration drilling and preliminary engineering investigations.

The Gramalote project has a 2011 prefeasibility and exploration budget of $30 million (100%). This budget will fund 25,000 metres of diamond drilling utilizing five drill rigs for the exploration of additional targets on the property, infill drilling and metallurgical drilling of the Gramalote deposit, and engineering studies. In addition, the budget will fund prefeasibility work including additional environmental studies, metallurgical test work development and engineering. Each of the Company and AngloGold will fund their share of expenditures pro rata.

**BELLAVISTA PROPERTY – COSTA RICA**

The Company continues with site monitoring and maintenance to keep the Bellavista property in full regulatory compliance. Field programs focused on the site 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 include investigations of potential pipeline routes between the mine and proposed tailing pond area. The Company is currently preparing a D1 Report which will be submitted to the National Technical Secretariat of the Environment ("SETENA") and will be based on the recently completed Conceptual Study for the reopening of the mine. The D1 Report is a formal step to define the terms of reference for obtaining an Industrial Permit for the proposed tailing pond area and gold recovery plant.

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 financial statements.

**LIQUIDITY AND CAPITAL RESOURCES**

The Company ended the quarter with cash and cash equivalents of $78.9 million compared to cash and cash equivalents of $76.8 million at the end of the first quarter of 2011 and $70.0 million at December 31, 2010. The Company has no debt and remains unhedged. Working capital at the quarter end was $95.8 million compared to working capital of $89.3 million at the end of March 2011 and $84.6 million at December 31, 2010.

The increase in cash and cash equivalents and working capital position in the 2011 second quarter resulted from record mine operating cash flows of $24.6 million (after changes in non-cash working capital) and proceeds of $4.1 million received from the issuance of common shares from the exercise of stock options and warrants. These cash inflows were partially offset by capital expenditures at the Libertad Mine of $10.1 million and Limon Mine of $7.1 million and exploration expenditures of $9.3 million (see "Investing activities" section).

The Company is projecting another record year for gold production in 2011, with gold production at the Libertad Mine projected to be between 93,000 and 99,000 ounces at an operating cash cost of $440 to $460 per ounce and the Limon Mine forecast to produce between 42,000 to 46,000 ounces of gold at an operating cash cost of $720 to $740 per ounce. Consolidated gold production for 2011 is projected to be approximately 135,000 to 145,000 ounces, an increase of 5,000 ounces compared to the original budget, at average operating cash costs of approximately $540 - $560 per ounce. The Company has no outstanding debt and no gold hedges.

Annual capital expenditures at the Libertad Mine and Limon Mine for 2011 are budgeted to be approximately $28.3 and $24.5 million, respectively. In addition, the 2011 exploration budget for Libertad and Limon is $8.7 million and $3.2 million, respectively.

The Company's 49% share of the 2011 budget for the Gramalote property is $14.7 million which includes exploration diamond drilling of additional targets on the property and infill drilling and metallurgical drilling of the Gramalote deposit, as well as pre-feasibility environmental, engineering and metallurgical studies.

The 2011 exploration programs for the Cebollati Property and Nicaraguan joint ventures are budgeted at $4.5 million and $3.1 million, respectively.

***Operating activities***

Cash flow from operating activities (before non-cash working capital changes) for the second quarter of 2011 was $28.8 million compared to $1.1 million in the comparable period last year. The second quarter operating cash flow was the highest quarterly cash flow in the Company's history, reflecting the Company's strong operating performance and continued strength in gold prices.

Cash flow from operating activities (before non-cash working capital changes) for the six months ended June 30, 2011 was $53.6 million compared to $1.2 million in the comparable period last year.

***Financing activities***

The Company received proceeds of $5 million during the six months ended June 30, 2011 from the exercise of stock options and warrants, of which $4.1 million was received in the second quarter of 2011.

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 entire 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 June 30, 2011.

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 Company received proceeds of $3 million during the six months ended June 30, 2010 from the exercise of stock options and warrants, of which $2.7 million was received in the second quarter of 2011.

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.

***Investing activities***

In the second quarter of 2011, capital expenditures on sustaining capital, pre-stripping and development at the Libertad Mine (see "Libertad Mine" section) and Limon Mine (see "Limon Mine" section) totalled $10.1 million

(Q2 2010 - $3.8 million) and $7.1 million (Q2 2010 - $1.1 million), respectively. In addition, resource property expenditures on exploration totalled approximately $9.3 million (Q2 2010 - $5.3 million), expended as disclosed in the table below.

During the six months ended June 30, 2011, capital expenditures on sustaining capital, pre-stripping and development at the Libertad Mine (see "Libertad Mine" section) and Limon Mine (see "Limon Mine" section) totalled $17.9 million (2010 - $14.3 million) and $11.4 million (2010 - $2.3 million), respectively. In addition, resource property expenditures on exploration totalled approximately $16.6 million (2010 - $8.8 million), expended as disclosed in the table below.

| | **Three months ended June 30 (unaudited)** | | **Six months ended June 30 (unaudited)** | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **$ (000's)** | **$ (000's)** | **$ (000's)** | **$ (000's)** |
| Development & exploration: | | | | |
| Gramalote | **2,824** | 555 | **6,201** | 1,370 |
| Libertad Mine, exploration | **2,803** | 1,541 | **4,048** | 2,070 |
| Cebollati | **1,389** | - | **2,240** | - |
| Limon Mine, exploration | **843** | 779 | **1,602** | 1,247 |
| Radius joint venture | **1,034** | 700 | **1,439** | 1,132 |
| Calibre joint venture | **329** | 893 | **697** | 1,640 |
| Kupol East and West Licenses | **-** | 514 | **-** | 1,092 |
| Other | **125** | 279 | **374** | 279 |
| | **9,347** | 5,261 | **16,601** | 8,830 |

The Company's extensive 2011 exploration programs on numerous projects are well underway. Drilling continues on Libertad, Limon and Trebol properties in Nicaragua, the Gramalote property in Colombia and the Cebollati property in Uruguay. In total, B2Gold's combined 2011 exploration and pre-feasibility budgets total approximately $39 million and will fund approximately 84,000 metres of diamond drilling.

*Libertad exploration*

On June 8, 2011, the Company announced further positive drilling results from the exploration programs at the Libertad Mine property in Nicaragua. These results have extended the Jabali Central Zone mineralization 570 metres westward from the current resource and demonstrate potential over 100 metres below the current resource. The recent drilling has also identified a potential new zone immediately west of the current Mojon open pit near the Libertad mill.

The 2011 exploration budget for the Libertad property has been increased to $8.7 million to further explore the 20 kilometre long gold belt and to drill the Jabali deposit to indicated resource status. The recently announced new Jabali resource, based on the 2010 drill program totals 3.55 million tonnes at 4.58 g/t of gold containing 522,000 ounces of gold. This new resource with infill drilling could not only add several years to Libertad's current seven year mine life but more importantly, allow the potential to deliver in the near term higher grade ore to the Libertad mill which would increase annual gold production.

Drilling in 2011 commenced on January 24. The objectives of this year's program include the completion of infill drilling to convert Jabali to an indicated resource (results expected to be released in early 2012), further exploration at the Jabali zones that remain open, infill drilling of the eastern and western portions 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 zones, the Antenna and Central Zones, covering a combined strike length of 3.2 kilometres, though the vein itself has a known strike length of 6.2 kilometres. To date a total of 164 drill holes (24,453 metres) have been completed at Jabali.

Recent work at the Central Zone has focused on exploration drilling to determine the overall extent of the deposit and infill drilling of the inferred resource. Highlights of the drilling to date adjacent to the inferred resource include JB11-063 with 10.25 metres true width grading 4.03 g/t gold, JB11-071 with 3.0 metres true width grading 9.15 g/t gold and JB11-061 with 4.5 metres true width grading 4.98 g/t gold.

In addition, exploration drilling has intersected significant mineralization 570 metres west of the current Central Zone resource and half way between the Antenna and Central Zones as indicated by hole JB11-060 with 10.7 metres true width grading 2.00 g/t gold. JB11-088, a 50 metre undercut of JB11-060 returned 15.0 metres true width grading 1.24 g/t gold. Additional exploration drilling has been completed and more assays are pending.

Hole JB11-077 (9.50 metres true width grading 2.81 g/t gold) was drilled 160 metres west and 200 metres down plunge from JB11-063 (10.25 metres true width grading 4.03 g/t gold) and may represent part of a westward plunging mineralized shoot that lies outside of the present resource. Additional drilling is planned down plunge and down dip.

JB11-074 (4.0 metres true width grading 6.61 g/t gold) and JB11-075 (6.0 metres true width grading 2.49 g/t gold) were drilled 160 metres apart and over 100 metres below the current resource, suggesting the presence of a down plunge continuation of the Momotombo mineralized shoot. Infill drilling in this area will be part of future plans.

The Antenna Zone drilling forms part of the current inferred resource. The higher grade nature of the Antenna Zone indicates the potential for underground mining in portions of the deposit. Highlights of the down plunge drilling include hole JB11-050 with 6.0 metres true width grading 5.30 g/t gold, JB11-049 with 6.2 metres true width grading 4.76 g/t gold, JB11-048 with 13.75 metres true width grading 1.53 g/t gold and JB11-051 with 1.75 metres true width grading 12.29 g/t gold. A highlight of the down dip drilling includes hole JB11-055 with 5.4 metres true width grading 5.29 g/t gold.

The Antenna Zone target is now a minimum over 1,300 metres long, ranging up to 29.1 metres true width. The Antenna Zone is open down plunge to the west and down dip. Further exploration and infill drilling has commenced.

The majority of the drilling at Mojon has been focused on near surface infill of the mine block model and exploration drilling at the west end of the current open pit. Highlights of the drilling include MJ11-017 with 12.9 metres true width grading 2.91 g/t gold, MJ11-022 with 18.5 metres true width grading 2.88 g/t gold and MJ11-014 with 6.0 metres true width grading 4.58 g/t gold. These results extend mineralization at least 300 metres west of the current reserve boundary.

MJ11-019 and MJ11-022 have intersected mineralization 270 and 220 metres west of the current Mojon pit. Additional drilling is underway to evaluate the potential of this area.

*Gramalote exploration*

The Company and joint venture partner and manager AngloGold are well underway with the 2011 prefeasibility and exploration program budgeted at $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 in 2013.

*Cebollati exploration*

On June 7, 2011, the Company announced positive assay results from the first exploration drilling program at its newly discovered Cebollati gold property in Uruguay. The Company is earning an 80% interest in the 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 Net Smelter Royalty for additional production.

The Company has completed 19 holes to June 7, 2011. These holes follow up on surface mapping and high grade trenching which indicates the presence of mineralized structures extending in excess of 2.2 kilometres. Initial results confirm the presence of significant gold bearing replacement style mineralization at depth within multiple zones on the property.

Mineralization at Cebollati is hosted by marbles and dolomitized marbles within a broad antiformal structure and is comprised of iron oxide replacement zones and related quartz-sulphide and sulphide veins. Hematite is the dominant oxide mineral present in the replacement bands, commonly as a byproduct of the oxidation of pyrite. Drilling indicates the oxidation extends to a depth in excess of 150 metres. Galena and covellite are common accessory minerals along with the oxides scorodite and malachite. Supergene gold was observed in many of the holes to a depth of more than 100 metres down hole.

Drilling was concentrated in two principal zones, Windmill and Southern. Highlights of the initial drill program include, from the Windmill zone, UC11-004 with 24.90 metres grading 1.47 g/t gold and 2.20 metres grading 23.61 g/t gold (uncut); and UC11-006 with 24.45 metres grading 1.36 g/t gold; and from the Southern zone; UC11-013 with 27.35 metres grading 1.21 g/t gold; UC11-011 with 2.30 metres grading 8.49 g/t gold and UC11-008 with 12.25 metres grading 3.06 g/t gold.

These initial drilling results indicate the presence of shallow to moderate dipping mineralized zones extending in excess of 100 metres below surface. Mineralization has been traced in the trenching and through drilling in excess of 400 metres strike length in both the Southern and Windmill zones. Drilling indicates that the mineralization occurs in more discrete zones than indicated in the surface trenching with the surface trenching possibly cutting the mineralized zones oblique to the true width of the zones. Based on the drilling results to date B2Gold’s management believes the Cebollati property has the potential to host multiple zones of potentially economic gold mineralization.

Trenching and drilling is continuing at Cebollati utilizing two core rigs. Only two of the many targets at Cebollati have been tested to date in what is the first drilling campaign on this new prospect. Assays for additional drill holes will be released as they come available. The 2011 exploration and drilling program at Cebollati is budgeted for $4.5 million with a total of 8,500 metres planned.

*Radius Joint Venture - Trebol exploration*

At the Trebol property, a joint venture with Radius Gold Inc. (“Radius Gold”), the 2011 exploration budget is approximately $2.1 million to fund over 3,000 metres of drilling to follow up good grade geochemical and trench results from the 2010 program.

On May 17, 2011, the Company and Radius Gold announced positive assay results from the initial 2011 exploration drilling program at the Trebol Project in Nicaragua. The Company has the right to earn a 60% interest from joint venture partner Radius Gold.

The over 3,000 metre diamond drilling program has been focused on three zones of low sulfidation gold occurrences in altered volcanic rocks covering a strike length of over five kilometres. These results confirm the Trebol Property's potential to host, at or near surface, shallow dipping gold mineralization that could potentially be mined with very low strip ratios.

Mineralization throughout the Trebol area is characterized by shallow to moderately dipping tabular shaped vein and hydrothermal breccia zones within andesite. Outcropping horizons of the siliceous material have yielded impressive gold values in the trenching and the drilling has shown that many of these zones extend up to 100 metres down dip and show continuity over distances of several hundreds of metres of strike length. Due to the shallow dips associated with the gold mineralization, most of mineralization is near surface and mostly oxidized.

The three zones, drilled to date are Cerro Domingo, the Paola Zone, and the Trebol North Zone. Drill holes contain up to 13.08 g/t gold over 7.00 metres in hole TR-11-047. Drilling by Radius Gold in 2008 first located the Cerro Domingo Zone and this has been confirmed and expanded in the recent drilling. The 2011 drilling campaign cut mineralization in the Cerro Domingo, Paola and Trebol North Zones with drill holes containing up to 1.96 g/t gold over 28.55 metres in hole TR-11-014 in the Cerro Domingo Zone, up to 8.86 g/t gold over 7.75 metres in hole TR-11-028 in the Paola Zone and up to 13.08 g/t gold over 7.00 metres in hole TR-11-047 in the Trebol North Zone.

The 2011 drill campaign at Trebol has successfully identified several areas that will require additional drilling to define the extent of the mineralization. The mineralization remains open to the north and south and in the covered areas between the three zones. In addition, the Company's geologists continue to discover more low sulfidation epithermal gold, outcrop and float occurrences within the concession that contain plus 1.00 g/t gold assays in grab and chip samples over 11.5 kilometres of the 22 kilometres total strike length of the trend. In addition, a parallel zone has been located three km east of Cerro Domingo where preliminary grab sampling of similar siliceous material has yielded values up to 3.00 g/t gold.

Exploration is ongoing at Trebol and will continue as the Company’s geologists compile the recent drill data and plan the next round of trenching and drilling.

*Calibre Joint Venture - Primavera exploration*

The Company and Calibre Mining Corp. ("Calibre") have approved a Phase 2 exploration program and budget for the Primavera gold-copper prospect, located seven kilometres south of the historic Santa Rita copper-gold skarn mine in the Borosi Project in Northeast Nicaragua.

At the Primavera gold-copper prospect Calibre has identified three areas with substantial gold and copper anomalies highlighted by an 850 metre by 300 metre coincident gold-copper soil anomaly containing consistent values over 100 ppb gold (up to 1.18 g/t gold) and 250 ppm copper. The area is thought to be prospective for epithermal and porphyry systems. Reconnaissance rock sampling identified high grade gold and copper mineralization in grab samples from quartz veins and breccias in the central part of the prospect area including: 31.8 g/t gold and 2.41% copper, 24.8 g/t gold and 0.14% copper, 14.65 g/t gold and 1.33% copper and 34.1 g/t gold.

The program, which has now begun, will consist of two separate success-based phases; the first phase consists of trenching and pit sampling within the 850 metre by 300 metre Primavera gold-copper soil anomaly. The second phase will consist of diamond drilling the most prospective identified targets. The total budget for this phase of the Primavera trenching and diamond drilling program is $0.4 million.

Calibre has received complete assay results from one initial trench excavated within the Primavera gold-copper soil anomaly. Trench PRTR11-005 assayed 1.48 g/t gold and 832 ppm copper over 29.85 metres within a zone of abundant stockwork veining. The mineralized interval in the trench is open in both directions and further expansion of the trenching program is on-going.

The Primavera prospect is subject to an option agreement with Calibre, whereby Calibre is acting as operator and the Company may earn up to a 51% interest in specific concessions within the Borosi area by funding Cdn.$8 million in expenditures by June 2014. Once the earn-in is complete, the Company may elect to carry an individual prospect within the concession area through to a Preliminary Economic Assessment for an additional 14% interest in the prospect.

## CRITICAL ACCOUNTING ESTIMATES

Full disclosure of the Company’s accounting policies in accordance with IFRS can be found in Notes 2, 3 and 4 to the Company’s March 31, 2011 interim financial statements. Management considers the following policies to be the most critical in understanding the judgments that are involved in the preparation of the Company’s financial statements and the uncertainties that could impact its results of operations, financial condition and cash flows:

- Ore reserve and resource estimates;
- Units-of-production;
- Exploration and evaluation expenditures;
- Mine restoration provisions; and
- Deferred income taxes and valuation allowances.

***Ore reserve and resource estimates***

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Company’s mining properties. The Company estimates its ore reserves and a mineral resource based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, goodwill, restoration provisions, recognition of deferred tax assets, and depreciation and amortization charges.

***Units-of-production depreciation***

Estimated proven and probable reserves and a portion of measured and indicated resources that are reasonably expected to be converted to proven and probable reserves are used in determining the depreciation and amortization of mine specific assets. This results in depreciation and amortization charges proportional to the depletion of the anticipated remaining life of mine production. Each item’s life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves and resources of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and resources and estimates of future capital expenditure.

***Exploration and evaluation expenditures***

The application of the Company’s accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of comprehensive income in the period when the new information becomes available.

***Mine restoration provisions***

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 mine restoration provisions. 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 mine restoration provisions could materially change from period to period due to changes in the underlying assumptions.

*Deferred income taxes and valuation allowances*

The Company is periodically required to estimate the tax basis of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period that the changes occur.

Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives. Levels of future taxable income are affected by, among other things, market gold prices, production costs, quantities of proven and probable gold reserves, interest rates and foreign currency exchange rates.

## RECENT ACCOUNTING PRONOUNCEMENTS

*Adoption of International Financial Reporting Standards ("IFRS")*

Effective January 1, 2011 Canadian publicly listed entities were required to prepare their financial statements in accordance with IFRS. Due to the requirement to present comparative financial information, the effective transition date is January 1, 2010. The three months ended March 31, 2011 is the Company's first reporting period under IFRS. Full disclosure of the Company's accounting policies in accordance with IFRS can be found in Notes 2, 3 and 4 to the Company's March 31, 2011 interim financial statements. The Company's March 31, 2011 and June 30, 2011 interim financial statements also include reconciliations of the previously disclosed comparative periods financial statements prepared in accordance with Canadian generally accepted accounting principles to IFRS as set out in Note 13 to the March 31, 2011 interim financial statements and Note 10 to the June 30, 2011 interim financial statements.

## 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

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. As a result, even those systems determined to be effective can only provide reasonable assurance regarding the preparation and presentation of the Company's financial statements. There have been no changes in the Company's internal control over financial reporting in the first half of 2011 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

**NON-IFRS 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 IFRS.

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **$ (000's)** | **$ (000's)** | **$ (000's)** | **$ (000's)** |
| Production costs per consolidated financial statements | **18,188** | 14,119 | **38,728** | 26,921 |
| Royalties and production taxes | **2,881** | 1,507 | **5,620** | 2,472 |
| Inventory sales adjustment | **461** | 2,041 | **(1,633)** | 1,790 |
| | **21,530** | 17,667 | **42,715** | 31,183 |
| Gold production (in ounces) | **36,760** | 24,924 | **71,493** | 41,189 |
| Total cash costs per ounce of gold production ($/ounce) | **586** | 709 | **597** | 757 |

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.

## SUMMARY OF QUARTERLY RESULTS

| | Q2 2011 | Q1 2011 | Q4(2) 2010 | Q3(2) 2010 | Q2 2010 | Q1 2010 | Q4(2) 2009 | Q3(2) 2009 |
|---|---|---|---|---|---|---|---|---|
| Gold revenue ($ in thousands) | 54,498 | 53,501 | 47,013 | 40,191 | 23,266 | 17,051 | 3,544 | 9,243 |
| Gold sold (ounces) | 36,030 | 38,754 | 34,039 | 32,300 | 19,319 | 15,447 | 3,211 | 9,508 |
| Average realized gold price ($/ ounce) | 1,513 | 1,381 | 1,381 | 1,244 | 1,204 | 1,104 | 1,104 | 972 |
| Gold produced (ounces) | 36,760 | 34,733 | 36,824 | 30,675 | 24,924 | 16,265 | 3,577 | 10,203 |
| Cash operating costs ($/ ounce gold) | 507 | 531 | 535 | 517 | 648 | 772 | 1,115 | 647 |
| Total cash costs ($/ ounce gold) | 586 | 610 | 609 | 581 | 709 | 831 | 1,193 | 699 |
| Net income (loss) & comprehensive income (loss) for the period ($ in thousands) | 15,016 | 11,411 | 6,240 | 32,004 | (8,057) | (4,305) | (17,254) | (1,964) |
| Earnings (loss) per share – basic ($) | 0.05 | 0.03 | 0.02 | 0.10 | (0.03) | (0.01) | (0.06) | (0.01) |
| Cash flows from operating activities ($ in thousands) – before changes in non-cash working capital | 28,833 | 24,765 | 21,947 | 13,228 | 1,069 | 176 | (743) | 1,658 |

*(2) Information for 2009 and the third and fourth quarters of 2010 is presented in the above table in accordance with Canadian GAAP and has not been restated in accordance with IFRS.*

The positive increase in the quarterly results for 2011 and 2010 reflect higher gold production due to the commencement of commercial production at the Libertad Mine on February 1, 2010 and higher realized gold prices.

## OUTLOOK

After another strong quarter of operating performance in the second quarter of 2011, and resulting strong financial results B2Gold is well positioned to continue our growth through the aggressive development and exploration of our existing projects.

### *Operations*

As reported above La Libertad and Limon Mines continued their excellent performance in the second quarter, exceeding budgeted gold production at lower than budget per ounce cash costs.

Based on this strong performance the Company has increased production guidance for 2011 to 135,000 ounces to 145,000 ounces of gold with operating cash costs projected at approximately $540 to $560 per ounce. The proven technical teams at both mines will continue to optimize the operations.

***Jabali Zone, 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 inferred resource of 3,545,925 tonnes at 4.58 g/t gold containing 522,393 ounces. Due to this success, the Company decided to increase the 2011 $4.6 million exploration budget at La Libertad by $4.1 million. Drilling is ongoing with five rigs and is focused on infill drilling and further exploration of the Jabali Zones which remain open. Recent exploration results indicate the Jabali resource is increasing. The Company expects to announce updated Jabali drill results in the next month and is planning to complete a new resource for Jabali by first quarter of 2012.

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.

Based on the results to date we have commenced a Feasibility Study and Environmental Impact Assessment on Jabali. The Company plans to commence trucking higher grade colluvial material from Jabali to La Libertad mill in November of 2011 and mining higher grade open pit ore from Jabali in late 2012.

***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 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. The Gramalote Ridge Zone remains open to the east and west.

B2Gold and AngloGold are carrying out a 2011 prefeasibility and exploration budget of $30 million. This budget is funding 25,000 metres of diamond drilling to explore additional targets on the property, infill drilling of the Gramalote deposit, drilling for metallurgical test samples, engineering studies and baseline investigations for an Environmental Impact Study. 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 late 2013. The Company plans to release drilling results from Gramalote in September.

***Exploration Update***

In addition to exploration at La Libertad and Limon Mine properties and the Gramalote project, exploration is ongoing on the Trebol property in Nicaragua and the Cebollati project in Uruguay.

The 2011 exploration budgets on all projects total approximately $25 million which is funding over 75,000 metres of drilling. The Company will report exploration results from all projects in September.

***Financial***

Our strong operational performance and solid gold prices enabled B2Gold to finish the second quarter of 2011 and with over $78 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 $52.8 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*

In conclusion, given our proven technical team; strong operational and financial performance; and high quality development and exploration projects, B2Gold is well positioned to continue our growth as an intermediate gold producer from existing assets. With our strong cash position and impressive cash from operations, we can continue to advance all of our planned projects in 2011 without requiring further funding, and end the year in a strong financial position.

## OUTSTANDING SHARE DATA

At August 10, 2011 there were 342,839,440 common shares outstanding. In addition, there were approximately 14.1 million stock options outstanding with exercise prices ranging between Cdn.$0.80 to Cdn.$3.72 per share. More information is disclosed in Note 6 of the Company's June 30, 2011 interim 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.