

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*This Management's Discussion and Analysis has been prepared as at March 25, 2009 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 as at and for the year ended December 31, 2008 and the audited consolidated financial statements of the Company and the notes thereto for the period from November 30, 2006 (date of incorporation) to December 31, 2007. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and all amounts are expressed in United States dollars, unless otherwise stated.*

### INCORPORATION AND OVERVIEW

B2Gold was incorporated as a private company under the Business Corporations Act (British Columbia) on November 30, 2006. On December 6, 2007, B2Gold completed its initial public offering of 40 million common shares at a price of Cdn.\$2.50 per share for gross proceeds of Cdn.\$100 million. On December 6, 2007, B2Gold's common shares were listed for trading on the TSX Venture Exchange. B2Gold was formed by certain former executives of Bema Gold Corporation ("Bema") and essentially commenced operations in March 2007. On October 23, 2008, the Company's common shares were listed and commenced trading on the Toronto Stock Exchange. As a result of this graduation, the Company's common shares were delisted from the TSX Venture Exchange (at the commencement of trading on the Toronto Stock Exchange).

The Company is a mineral exploration company focused on the acquisition, exploration and development of interests in precious metals properties worldwide. The Company's interests in mineral properties that are considered to be material are its interests in the Gramalote, Mocoa and Quebradona properties in Colombia and the East and West Kupol Licenses in Russia. The properties are at various stages of exploration, either with drilling previously completed on the property or with drill ready targets and drilling scheduled to commence or continue in 2009.

B2Gold was formed to acquire certain assets formerly owned by Bema that were considered by Kinross Gold Corporation ("Kinross") not to be part of the core assets of Bema that Kinross wished to retain and acquire in the arrangement transaction approved by Bema's shareholders and implemented on February 27, 2007. On February 26, 2007, pursuant to the Purchase Agreement, the Company acquired certain assets ("Non-Russian Assets") consisting of the former interests of Bema in a joint venture arrangement with AngloGold Ashanti Limited ("AGA") relating to the acquisition of interests in a number of properties in Colombia, as well as certain office leasehold interests and furniture and equipment, a \$1.9 million receivable from Consolidated Puma Minerals Corp. ("Puma") and an option to acquire approximately 35% of the outstanding shares of Puma from Bema ("Puma Option"). The Company paid an aggregate of \$7.5 million in the form of 2,722,500 common shares of B2Gold and promissory notes aggregating \$7,453,717 for these assets acquired on February 26, 2007. In December 2007 and February 2008, the Company repaid approximately \$2.3 million and \$2.6 million, respectively, of the amounts owing under the promissory notes. Subsequent to December 31, 2008, in February 2009, the Company made a final payment of \$2.6 million, and accordingly, the Company has no further obligation with respect to the promissory notes.

In February 2008, the Company elected not to exercise its option to acquire the common shares of Puma owned by Kinross.

The Purchase Agreement also provides for the acquisition of 50% of Bema's 75% interest in a proposed joint venture (37.5% overall interest) that will have an indirect interest in the Kupol East and West Licenses. The Company has reserved for issuance an additional 2,722,500 common shares, which are expected to be issued to Kinross, together with a promissory note in the aggregate amount of approximately \$7.4 million, upon the

completion of the acquisition of the Company's interest in the East and West Kupol Licenses. Closing is subject to the receipt of certain consents and the completion of transfers and other steps relating to the proposed transfer of the Kupol East and West Licenses to a Russian subsidiary of Chukotka Mining and Geological Company ("CMGC") (75% owned by Kinross and 25% owned by the Government of Chukotka). The Company and Kinross are currently in negotiations with a company controlled by agencies of the Government of Chukotka ("CUE") to reach agreement on the amount of CUE's ownership interest and other aspects of the anticipated joint venture. The Company and Kinross are currently sharing equally the initial funding of the cost of exploration activities on the East and West Kupol license area.

On August 21, 2007, the Company entered into a binding Memorandum of Understanding ("Gramalote MOU") with respect to the purchase by the Company of 25% of the issued and outstanding shares of Gramalote Limited ("Gramalote BVI") which holds mineral exploitation and exploration licenses and concession contracts covering approximately 27,000 hectares in Colombia. In connection with the execution of the Gramalote MOU, the Company paid \$3.5 million to Grupo Nus (the vendors) and in exchange Grupo Nus issued a \$3.5 million promissory note in favour of the Company. On October 26, 2007, the Company entered into a definitive purchase and sale agreement ("Gramalote Purchase Agreement"). In connection with the first stage of closing under the Gramalote Purchase Agreement, the Company paid an amount of \$7.5 million to Grupo Nus, consisting of a cash payment of \$4 million and the satisfaction and cancellation of the \$3.5 million owing to the Company under the promissory note. In addition, pursuant to the Gramalote Purchase Agreement, on December 6, 2007 (upon completion of the Company's initial public offering) the Company issued 2 million share purchase warrants, each warrant entitling the holder to purchase one common share of B2Gold at a price of Cdn.\$2.50 per share until December 6, 2010. Under the terms of the Gramalote Purchase Agreement, the Company paid Grupo Nus an additional \$7.5 million on April 25, 2008.

On February 13, 2008, the Company entered into a binding memorandum of agreement ("MOA") with AGA that expands on and supersedes the non-binding memorandum of understanding between the Company and AGA dated November 26, 2007. Pursuant to the terms of the MOA, the parties agreed to terminate AGA's right to acquire 20% of the voting shares of Andean Avasca Resources Inc. ("AARI") (100% owned by B2Gold), terminate the Company's obligation with respect to the listing of AARI's shares, amend certain Colombian joint venture arrangements to which subsidiaries of the Company and AGA are parties and acquire additional interests in mineral properties in Colombia. AARI indirectly has the right to earn a material interest in a number of properties in Colombia, including the Quebradona property, pursuant to the terms of a joint venture agreement with AGA.

On May 15, 2008, the Company entered into the Agreement to Amend the Relationship, Farm-Out and Joint Venture Agreement and regarding Gramalote Limited and Other Matters ("Amending Agreement") between AGA, Sociedad Kedahda S.A. (a subsidiary of AGA), Compania Kedahda Ltd. ("Kedahda BVI") (a subsidiary of AGA), AARI and the Company, to implement the transactions agreed to in the MOA (see "B2Gold/ AngloGold transaction" section). Pursuant to the Amending Agreement, the Company issued to AGA units comprised of an aggregate of 25,000,000 common shares and 21,400,000 share purchase warrants. The warrants, which are exercisable at any time prior to May 15, 2011, consisted of 11,000,000 warrants exercisable at a price of Cdn.\$3.34 per share and 10,400,000 warrants exercisable at a price of Cdn.\$4.25 per share.

On May 15, 2008, in connection with the Amending Agreement, Kedahda BVI elected not to exercise its right to acquire the Additional Interest in Gramalote BVI. As a result, pursuant to the terms of the Gramalote Purchase Agreement, the Company notified Grupo Nus that it was exercising its option to acquire the Additional Interest by paying \$7.5 million in cash or common shares within 60 days. On July 15, 2008, the Company completed the \$7.5 million payment to Grupo Nus by issuing 5,505,818 common shares of the Company at a price of Cdn.\$1.10 per share (valued at \$6 million) and making a cash payment of \$1.5 million. The Company is now entitled to a 51% share interest in Gramalote BVI with AGA holding a 49% interest. The Company has taken over management of exploration of the Gramalote property and will be responsible for any expenditures it incurs prior to June 30, 2010 in connection with any feasibility study or further exploration work on the Gramalote property. In the event that a feasibility study on the Gramalote property is not completed prior to June 30, 2010, or the Gramalote Shareholders Agreement is terminated by unanimous agreement of the parties, Gramalote BVI will be required to issue, for nominal consideration, that number of common shares to AGA required to ensure that AGA will hold a 51% interest in Gramalote BVI.

Subsequent to December 31, 2008, the Company entered into an agreement with Central Sun Mining Inc. (“Central Sun”) on January 30, 2009 to effect the acquisition of Central Sun by way of a plan of arrangement (the “Arrangement”), pursuant to which the issued and outstanding common shares of Central Sun would be 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 options to purchase common shares of Central Sun would be 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 would be amended to entitle holders to acquire Common Shares of the Company based on the exchange ratio. The parties entered into a definitive arrangement agreement on February 6, 2009 to carry out the proposed Arrangement. The Company expects the Arrangement transaction to complete on March 26, 2009.

The Company and Central Sun also 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 Orosi 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 acquisition by the Company of Central Sun will add to the Company’s property portfolio two Nicaraguan mines (95% owned Limon and 100% owned Orosi) with current production of approximately 45,000 ounces of gold per year and 217,200 ounces of proven and probable reserves of gold and 796,600 ounces of measured and indicated mineral resources of gold. In addition, Central Sun also has interests in additional mineral properties including, in Nicaragua, the 100% owned La India property in Costa Rica, the 100% owned La Bellavista property, and in Panama, the 60% owned Cerro Quema project. Additional information relating to Central Sun and its properties is available under Central Sun’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## RESULTS OF OPERATIONS

### *Selected Annual Financial Information (extracted from audited financial statements):*

	<i>For the year ended December 31, 2008</i>	<i>For the period from inception (on Nov. 30, 2006) to Dec. 31, 2007</i>
	\$	\$
Loss and comprehensive loss	<b>29,994,981</b>	<b>4,195,855</b>
Loss per share – basic and diluted	<b>0.21</b>	<b>0.13</b>
Total assets, at December 31, 2008 and 2007	<b>152,222,757</b>	<b>130,639,780</b>
Total long-term liabilities, at December 31, 2008 and 2007	<b>11,917,826</b>	<b>3,056,282</b>

The Company reported a loss of \$30 million for the year ended December 31, 2008 (negative \$0.21 per share). The Company has no source of ongoing operating revenue. The results for the same period one year earlier are not comparable as the Company commenced operations essentially in March 2007.

In 2008, the Company recorded a foreign exchange loss of \$12.7 million (of which approximately \$10.4 million was unrealized at December 31, 2008) which resulted from the strengthening of the United States dollar relative to the Canadian dollar (the United States dollar strengthened against the Canadian dollar from Cdn.\$0.9913 on December 31, 2007 to Cdn.\$1.2180 on December 31, 2008). The foreign exchange loss related to the net cash proceeds received from the Company's December 6, 2007 initial public offering (see "Financing activities" section); the Company maintains the majority of its cash/ short-term money market investments in Canadian dollars. General and administrative expenses for the year ended December 31, 2008 was \$6.7 million, partially offset by interest income of \$2.6 million. The Company's operations continue to expand with the acquisition of Central Sun, expected to be completed in early 2009. The Company expensed stock-based compensation in the amount of \$4 million in 2008 (in addition to approximately \$1.1 million of stock-based compensation capitalized to resource property interests) attributable to stock options granted on December 7, 2007 and in the first quarter of 2008. On February 27, 2008, the Company recorded a non-cash loss of \$3 million from the write-off of its Puma Option, as the Company elected not to exercise its option to purchase the common shares of Puma held by Kinross. During 2008, the Company wrote-off resource property costs in the amount of \$6.4 million, of which \$4.9 million related to its interest in the Miraflores property. Subsequent to December 31, 2008, the Company elected not to make any further payments under the option agreement and as a result its option with respect to the Miraflores property will terminate.

The Company reported a loss of \$4.2 million (\$0.13 per share) for the period from its inception on November 30, 2006 to December 31, 2007. The loss during the period included a write-off of resource property costs in the amount of \$2.3 million, relating to the San Martin de Loba (\$1.3 million) and San Carlos properties (\$1 million) in Colombia, as the Company elected not to continue to explore these properties due to poor drill results. The write-off of resource property costs was partially offset by a net foreign exchange gain of \$1.6 million incurred in the period, due to the strengthening of the Canadian dollar relative to the United States dollar. The Company recorded stock based compensation expense of approximately \$0.5 million during the period.

On December 7, 2007, the Company granted 4,915,000 incentive stock options with an exercise price of Cdn.\$2.40 per share to non-executive directors, non-executive officers, and employees of the Company. These stock options have a term of five years and expire on December 7, 2012. One-third of these options vested on June 7, 2008, another one-third will vest on December 7, 2008 and the remainder will vest on December 7, 2009. In the first quarter of 2008, the Company granted an additional 640,000 stock options to employees also having an exercise price of Cdn.\$2.40 per option and a term of five years. The fair value of the options granted in 2008 and 2007 was

estimated at approximately \$1.41 per option at the grant date using the Black-Scholes option pricing model based on a risk-free annual interest rate of approximately 4%, an expected life of five years, an expected volatility of 67%, and a dividend yield rate of nil. The estimated fair value of these options is being recognized over their vesting periods (recorded either as a charge to operations or capitalized to resource property interests).

Total assets were \$152 million in 2008, an increase of \$21.6 million compared to the prior year. The increase primarily reflects an increase to resource property interests and Gramalote investment upon the completion of the Amending Agreement with AGA on May 15, 2008 (see “B2Gold/ AngloGold transaction” section). Total long-term liabilities increased by \$8.9 million, mainly due to an increase in future income tax liabilities relating to the transaction with AGA on May 15, 2008. On acquisition of mineral property interests the Company records a future income tax liability and a corresponding adjustment to the related asset carrying amount. In February 2008, the Company repaid approximately \$2.6 million of the amounts owing under the promissory notes to Kinross.

***Summary of Unaudited Quarterly Results:***

The following is a summary of the Company’s unaudited quarterly results:

	<u>Q4</u>	<u>Q3</u>	<u>Q2</u>	<u>Q1</u>	<u>Q4</u>	<u>Q3</u>	<u>Q2</u>	<b>From inception (Nov. 30, 2006) to Mar. 31, 2007</b>
	<u>2008</u>	<u>2008</u>	<u>2008</u>	<u>2008</u>	<u>2007</u>	<u>2007</u>	<u>2007</u>	<u>2007</u>
	\$	\$	\$	\$	\$	\$	\$	\$
Loss and comprehensive loss for the period	14,987,480	4,546,852	2,113,320	8,347,329	167,381	3,338,068	201,723	488,683
Loss per share – basic and diluted	0.10	0.03	0.01	0.07	0.00	0.08	0.04	0.30

***Fourth quarter ended December 31, 2008 compared to fourth quarter ended December 31, 2007***

For the three months ended December 31, 2008, the Company had a loss of \$15 million (negative \$0.10 per share) compared to a loss of \$0.2 million (negative \$0.00 per share) in the equivalent period of 2007. The increase in loss was mainly due to a foreign exchange loss of \$7.3 million in the quarter compared to a foreign exchange gain of \$1.5 million in the comparative quarter. The foreign exchange loss in the current quarter resulted from the strengthening of the United States dollar relative to the Canadian dollar. In addition, in the fourth quarter of 2008, the Company wrote-off resource property costs in the amount of \$5.9 million, of which \$4.9 million related to its interest in the Miraflores property.

## **B2GOLD/ ANGLOGOLD TRANSACTION**

On May 15, 2008, the Company entered into the Amending Agreement to implement the transactions contemplated under the MOA and the joint venture arrangements between the parties were amended by new agreements, such that:

- AGA's rights to acquire 20% of the voting securities of AARI and the Company's obligation to list those shares on a stock exchange were terminated and, in consideration of the termination of these rights and in consideration of the other rights and the transfer to the Company of certain mineral prospects in Colombia, the Company issued to AGA units comprised of an aggregate of 25,000,000 common shares of B2Gold and 21,400,000 share purchase warrants ("AGA warrants"). The AGA warrants, which are exercisable for a three year term at any time prior to May 15, 2011, consist of 11,000,000 warrants exercisable at a price of Cdn.\$3.34 per share and 10,400,000 warrants exercisable at a price of Cdn.\$4.25 per share.

The fair value of the AGA warrants was calculated to be \$3,660,521 using the Black-Scholes option pricing model based on a risk free annual interest rate of approximately 4%, an expected life of three years, an expected volatility of 55% and a dividend yield of nil.

- The Company acquired an option from AGA to earn a 100% interest in the Miraflores property in Colombia.

Subsequent to December 31, 2008, the Company gave notice that it will not be making any further payments under the option agreement and as a result its option with respect to the Miraflores property will terminate.

- AGA transferred to the Company its 100% interest (subject to AGA retaining a 1% royalty) in the Mocoa property, a copper/molybdenum deposit located in the south of Colombia.
- AGA transferred to the Company a 2% interest in Gramalote Limited ("Gramalote BVI") and assigned to the Company other rights relating to Gramalote BVI, including AGA's right to acquire an additional 24% interest ("Additional Interest"), so that the Company now holds a 51% interest in the Gramalote BVI (with AGA retaining 49%) and the Company has taken over management of exploration of the Gramalote property; in order to retain the 2% share interest, the Company will be responsible for expenditures until completion of a feasibility study of the project by July 2010.
- AGA transferred to Gramalote BVI its interests in additional Gramalote Trend Properties.
- The Company increased from 3,000 metres ("m") to 5,000 m the extent of drilling required for it to earn in its interests in other Colombian properties under the joint venture agreement ("JVA") between AGA and AARI.
- The Company granted to AGA registration rights to qualify a resale of its securities by prospectus and a pre-emptive right to subscribe for securities issued by the Company on the same basis as such issues are made, other than issues made to acquire properties or under employee incentive plans, in order for AGA to maintain its percentage ownership of common shares of the Company. This pre-emptive right will continue for the lesser of a period of three years or until AGA owns less than 10% of the outstanding common shares of the Company.

AGA has agreed to a one year standstill in respect of its interest in the Company which will cease to be effective in the event of a third party take-over bid or merger proposal relating to all or substantially all of the shares or assets of the Company. In addition, AGA has agreed to give the Company advance written notice of AGA's intention to sell any common shares in the Company. On May 15, 2008, AGA held approximately 15.9% of the Company's issued and outstanding common shares. If the 21,400,000 AGA warrants were included in the calculation on an "if exercised" basis, AGA's interest in the Company would have been approximately 26% on May 15, 2008.

The purchase consideration has been allocated to the fair value of the assets acquired from AGA as follows:

	\$
Purchase price:	
25,000,000 common shares of B2Gold	<b>33,750,000</b>
21,400,000 AGA warrants	<b>3,660,521</b>
Transaction costs	<b>430,269</b>
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Total purchase price	<b>37,840,790</b>
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Fair value of assets/ (liabilities) acquired:	
Mocoa property	<b>27,163,466</b>
Gramalote investment	<b>12,108,592</b>
Quebradona property	<b>4,915,142</b>
Miraflores property	<b>1,941,370</b>
Other Properties under the Colombia Joint Venture Arrangement	<b>2,457,570</b>
Future income tax liabilities	<b>(10,745,350)</b>
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Total fair value of assets acquired on May 15, 2008	<b>37,840,790</b>
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## **LIQUIDITY AND CAPITAL RESOURCES**

At December 31, 2008 and 2007, the Company had cash and cash equivalents and highly liquid money market investments with maturities over three months of \$46.3 million and \$99 million, respectively. The decrease of \$52.7 million in the year was mainly due to acquisition and exploration expenditures incurred on the Company's properties in Colombia and Russia (see "Investing activities" section) and to a foreign exchange loss of \$12.7 million (of which approximately \$10.4 million was unrealized at December 31, 2008).

The Company had working capital of \$41.3 million as at December 31, 2008 compared with \$94 million at the end of 2007.

The Company operates in Canada, Colombia and Russia and is therefore exposed to foreign currency risk arising from transactions denominated in a foreign currency. The majority of the Company's expenditures are incurred in United States dollars. The Company maintains its cash and cash equivalents/ short-term money market investments primarily in Canadian dollars. Based on the balances of its cash and cash equivalents/ short-term money market investments at December 31, 2008, a 1% increase/ (decrease) in the exchange rate of the United States dollar to the Canadian dollar, on that date, would have resulted in a decrease/ (increase) in earnings of approximately \$450,000.

The Company currently has no revenues from operations and no mineral reserves. If the Company's exploration programs are successful, additional financing will be required in order to complete the development of the properties in which the Company has an interest. The only sources of future funds presently available to the Company are the sale of additional equity capital, selling or leasing the Company's interest in a property or the entering into of joint venture arrangements or other strategic alliances in which the financing sources could become entitled to an interest in the properties or the projects. The Company's capital resources are largely determined by the strength of the junior resource market and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects.

The acquisition by the Company of Central Sun, expected to be completed on March 26, 2008, will provide the Company with future operating revenues and cash flow. Central Sun has the Limon Mine (95% owned) in Nicaragua which is projected to produce 45,000 ounces of gold in 2009. Also, acquired from Central Sun is the Orosi development project (100% owned) in Nicaragua, expected to be commissioned in the fourth quarter of 2009. Together these two mines are projected to produce 130,000 ounces of gold in 2010 and provide the Company with positive cash flow from operations based on a gold price of \$800 per ounce.

### ***Operating activities***

During 2008, cash to operating activities, after non-cash working capital changes, resulted in a net cash outflow of \$16.6 million, due primarily to a foreign exchange loss of \$12.7 million (of which approximately \$10.4 million was unrealized at December 31, 2008) and to general and administrative costs.

Operating activities, after non-cash working capital changes, required funding of approximately \$2 million for the period from November 30, 2006 (date of incorporation) to December 31, 2007, due primarily to general and administrative expenses. The Company essentially commenced operations in March 2007.

### ***Financing activities***

On December 6, 2007, the Company completed its initial public offering. Pursuant to an agreement (the "Underwriting Agreement") dated November 28, 2007, between the Company and Genuity Capital Markets, Canaccord Capital Corporation, GMP Securities L.P., BMO Nesbitt Burns Inc., Orion Securities Inc. and Haywood Securities Inc. (collectively, the "Underwriters"), the Underwriters purchased, in the portions set out in the Underwriting Agreement, an aggregate of 40 million common shares at a purchase price of Cdn.\$2.50 per common share for gross proceeds of Cdn.\$100 million. The Company paid the Underwriters a commission of Cdn.\$0.15 per common share purchased by the Underwriters, excluding 6 million common shares purchased by Kinross for which no commission was payable, for an aggregate commission of Cdn.\$5.1 million.

On October 24, 2007, the Company completed a brokered private placement of 15 million common shares at a price of Cdn.\$1.00 per share for gross proceeds of Cdn.\$15 million. Genuity Capital Markets, Canaccord Capital Corporation and GMP Securities L.P. acted as agents in connection with this private placement and were paid a cash commission of Cdn.\$750,000. Kinross was a participant in this private placement and acquired approximately 1.5 million shares.

On September 20, 2007, the Company completed a non-brokered private placement of 25 million common shares at a price of Cdn.\$0.40 per share for gross proceeds of Cdn.\$10 million. The private placement was completed with certain directors, officers and employees of the Company and other investors. Kinross was a participant in this private placement and acquired approximately 2.5 million shares.

On July 25, 2007 and February 26, 2007, the Company completed non-brokered private placements of 41,599,000 common shares and 3,000,999 common shares, respectively, both at a price of Cdn.\$0.02 per share for gross proceeds totalling Cdn.\$892,000. These private placements were completed with certain directors, officers and employees of the Company and other investors.

On June 29, 2007 the Company established the B2Gold Incentive Plan (the "Incentive Plan") for the benefit of directors, officers, employees and service providers of the Company and issued to the trustees of the Incentive Plan options to acquire 4,955,000 common shares. On October 12, 2007, following the exercise of these options, an aggregate of 4,955,000 common shares were issued to the trustees of the Incentive Plan at a price of Cdn.\$0.02 per share for gross proceeds of Cdn.\$99,100. These shares are currently held in trust by the trustees pursuant to the terms of the Incentive Plan. The Company will recognize stock based compensation expense with respect to these incentive shares, when these shares are granted to the ultimate beneficiaries by the trust.

During 2007, the Company had received interest-free advances of Cdn.\$1.5 million from certain officers and shareholders of the Company. These advances were repaid in 2007; approximately Cdn.\$0.9 million was satisfied by way of shares (a total of 1.53 million common shares issued under the Company's October 24, 2007 and September 24, 2007 private placements) and the remaining Cdn.\$0.6 million was repaid in cash from the proceeds of the Company's initial public offering.

### ***Investing activities***

On May 15, 2008, in connection with the Amending Agreement (see "B2Gold/ Anglogold transaction" section), Kedahda BVI elected not to exercise its right to acquire the Additional Interest in Gramalote BVI. As a result, pursuant to the terms of the Gramalote Purchase Agreement, the Company notified Grupo Nus that it was exercising its option to acquire the Additional Interest by paying \$7.5 million in cash or common shares within 60 days. On July 15, 2008, the Company completed the \$7.5 million payment to Grupo Nus by issuing 5,505,818 common shares of the Company at a price of Cdn.\$1.10 per share (valued at \$6 million) and making a cash payment of \$1.5 million. The Company is now entitled to a 51% share interest in Gramalote BVI with AGA holding a 49% interest. The Company has taken over management of exploration of the Gramalote property and will be responsible for any expenditures it incurs prior to June 30, 2010 in connection with any feasibility study or exploration on the Gramalote property. On May 15, 2008, the Company entered into the Shareholders' Agreement for an incorporated joint venture Gramalote Limited (the "Gramalote Shareholders' Agreement") that outlines the obligations of AGA and the Company (or their respective subsidiaries) with respect to the Gramalote property and regulates their rights and obligations. Pursuant to the terms of the Gramalote Shareholders Agreement, in the event that a feasibility study on the Gramalote property is not completed prior to June 30, 2010, or the Gramalote Shareholders Agreement is terminated by unanimous agreement of the parties, Gramalote BVI will be required to issue, for nominal consideration, that number of common shares to AGA required to ensure that AGA will hold a 51% interest in Gramalote BVI.

On April 25, 2008, pursuant to the Gramalote Purchase Agreement, the Company made an additional cash payment of \$7.5 million to Grupo Nus with respect to its purchase of 25% of the issued and outstanding shares of Gramalote BVI.

In March 2008, the Company provided Puma with the required six months notice that it will be terminating its Management Services Agreement/ Exploration Management Agreement with Puma as of September 12, 2008. At

the request of Kinross, Puma's largest shareholder, the Company agreed to continue to manage Puma until December 19, 2008. On April 21, 2008, the Company requested that Puma repay \$1 million (repaid on April 29, 2008) of the amount owing under its promissory note to B2Gold and the remaining balance of approximately \$1.1 million on the date of Puma's 2008 Annual General Meeting on June 12, 2008 (repaid on June 12, 2008).

In February 2008 and December 2007, the Company repaid \$2.6 million and \$2.3 million, respectively, of its promissory notes to Kinross.

During 2008, the Company incurred resource property expenditures for exploration and development in the amount of approximately \$26.3 million (on a cash basis) which was expended as follows: \$10.8 million on the Gramalote property, \$7.3 million on Colombian properties under the JVA with AGA (including approximately \$4.4 million on Quebradona), \$3.7 million on Mocoa, \$3.4 million (the Company's 50% share) on the East and West Kupol Licenses, and \$1.1 million on Miraflores.

The Company completed a 30,189 m diamond drilling program on the Gramalote property in 2008. Most of this work (22,171 m in 67 holes in the Gramalote, Felipe, La Concha and San Antonio zones) has focused on ongoing resource definition drilling at Gramalote Ridge over a 1,200 m by 600 m area at the intrusion-hosted, structurally-controlled, bulk-tonnage Gramalote gold deposit. AGA had previously drilled 12,300 m in 43 holes at Gramalote Ridge. The Company recently announced an inferred resource estimate on the Gramalote property of 74.375 million tonnes grading 1.0 grams per tonne gold ("g/t Au") for a total of 2.39 million troy ounces of gold.

In addition to the resource drilling at Gramalote the Company completed a total of 8,020 m drilling on other targets including Trinidad (7,019 m) and Cristales (1,001 m). A new gold discovery was made at Trinidad located three kilometres to the west of Gramalote Ridge where results from the 20 holes drilled over a 1,100 by 400 m area returned up to 1.13 g/t Au over 109.4 m in hole 2, 1.24 g/t Au over 101.85 m in hole 4 and 223.4 m @ 1.00 g/t Au in hole 6. The mineralization at the La Trinidad zone is similar to Gramalote in size, orientation, vein mineralization and hydrothermal alteration and remains open to the west and east and down dip. Results from the three drills holes at Cristales located three kilometres south of Gramalote Ridge returned up to 17.0 m @ 1.22 g/t Au in hole 4 and 83.0m @ 0.63 g/t Au in hole 5. The Company plans more drilling of Cristales and Trinidad as well as other untested surface targets in the Gramalote property in 2009. The scoping study planned for 2009 will incorporate drilling completed to date by the Company and AGA on the Gramalote Ridge and adjacent targets (including the La Trinidad and Felipe zones), detailed metallurgical and geotechnical studies and resource modeling.

The Company completed its Earn-in-Requirements in respect of the Quebradona property on May 28, 2008 (by completing 5,000 m of exploration drilling). On September 15, 2008, the Company and AGA amended the JVA to extend the date by which AGA was to make its participation decision and to jointly fund further exploration at the Quebradona property. Based on the JVA, AGA had the following four alternatives to decide from regarding further exploration at Quebradona: (i) elect to fund all future exploration as the operator at 65% and free carry B2Gold to feasibility; (ii) elect to be the operator and fund on a pro-rata basis of 51% AGA and 49% B2Gold; (iii) elect to fund as the owner of a 49% interest with B2Gold as operator owning and funding 51%; or (iv) not to contribute (and be subject to standard dilution provisions). The amendment to the JVA is that the parties will fund an additional 10,000 m of drilling on a 51% B2Gold/49% AGA basis. The drilling will be completed within the next six months, with B2Gold as operator. Upon the completion of the drilling program and receipt of the assays, AGA will have 30 days to choose between the participation alternatives outlined above. If AGA elects to become operator and free carry B2Gold to feasibility (to earn a 65% interest), AGA will reimburse B2Gold for its 51% expenditure for the additional 10,000 m drill program. Subsequent to December 31, 2008, on February 20, 2009, following the completion of the additional 10,000 m of drilling, AGA advised the Company that it had elected to contribute to project expenditures on the Quebradona property based on a 51% AGA interest. However, the Company and AGA are continuing to discuss the participation arrangements for the Quebradona property.

At the Quebradona Property the Company completed the 2008 drill program by testing five gold porphyry targets over a six by four kilometre area and drilling a total of 13,318.83 m in 43 holes including 25 at La Aurora, four at Isabella, six at La Sola, three at Tenedor and five at Chaquiro. The most promising target is La Aurora where the 7,280.80 m drilled outlined significant gold mineralization over 800 by 700 m area in two zones, La Mama and La Isla, returned impressive results including 380 m at 1.09 grams per tonne of gold ("g/t Au") in hole 24, 182.4 m @ 1.08 g/t Au in hole 8, 125.0 m @ 1.07 g/t Au in hole 6 and 129.1 m @ 1.00 g/t Au in hole 20. Drilling at Isabella

returned up to 125.0 m @ 1.00 g/t Au in hole 1 and at La Sola up to 22.5 m. The Company is waiting on final discussions with AngloGold prior to making a determination with respect to a drill program in 2009.

At the 100% owned Mocoa copper (“Cu”) molybdenum (“Mo”) deposit the Company completed a 5,123 m drill program over an 875 by 550 m area that tested extensions of known mineralization and twinned historic drill holes. Previous diamond drilling at the Mocoa property consisted of 18,321 m in 31 holes conducted by the United Nations and Ingeominas and Ecominas (Colombian state agencies) in the late 1970’s to early 1980’s that resulted in the delineation of a non-National Instrument 43-101 compliant historical resource of 306 million tonnes at 0.37% Cu and 0.061% Mo. Assay results from the Company’s 2008 drill program confirmed the results from the Ingeominas and Ecominas drilling with the B2Gold holes containing slightly higher Cu and Mo values. Five holes totaling 2,706 m tested the northeast and northern extensions of the deposit. Northeastern located vertical hole 37 showed good grade Cu-Mo mineralization at depth. Northern vertical hole 38 returned encouraging Cu-Mo values at depth to the end of the hole at 806 m. Drilling has shown the deposit to be open to the north and northeast. The Company plans to recalculate the resource estimate for the Mocoa property in 2009. No additional exploration work is planned in 2009, with only a minor environmental program to be carried out on the Mocoa property.

In Russia, B2Gold has rights to acquire a 37.5% interest, from Kinross, in the Kupol East and West Licenses in Chukotka, Russia. These Licenses cover the ground surrounding, and adjacent to, the high grade Kupol gold and silver mine that was being developed by Bema at the time of the Kinross takeover and is now in production.

Previous exploration work carried out by Russian operators and most recently by B2Gold on the Kupol East and West Licenses has outlined several mineralized targets. A total of 10,306 m of drilling has been completed in 2008 with 7,516 m on the Kupol West project and 2,790 m on the Kupol East project. B2Gold is the exploration operator for the joint venture on these Licenses. Drilling has been completed for the year on both projects.

At Kupol West, drilling was conducted in two stages with a spring program running from March through May and a fall program from September through November. Both programs tested targets generated during the 2007 and previous exploration programs. Two new zones of alteration and mineralization have been identified in the 2008 drilling, the Star-B5 zone and the Offset veins. The Star-B5 zone consists of a zone of adularia alteration and veining up to 50 m wide, with locally anomalous gold and silver values of up to 4.94 g/t Au, 230.06g/t Ag over 0.30m. The Offset veins consist of a series of quartz veins lying about 400 m west of the northing continuation of the Kupol vein system, that returned up to 4.42 g/t Au, 402.58 g/t Ag over 0.4m. Exploration work indicates that the structural system and related alteration hosting the main Kupol Vein system extends up to 6 km north of the Kupol mine property boundary. Extensive epithermal pathfinder soil geochemical anomalies have been identified in the Moroshka West basin area, four km to the east of the Kupol Mine. These anomalies, in addition to the Star-B5 zone, will be followed up with drilling in the spring of 2009.

Drilling on Kupol East was in April and May 2008. The Prekup prospect was drilled along strike and at depth and several targets were tested in the Tokai area, including drilling along strike of a sinter zone. Summer work in 2008 included an extensive program of soil geochemical sampling over numerous targets and trenching and detailed mapping over the Tokai and Killer Bunny prospects.

The Company is responsible for making the following cash payments to the underlying property vendor with respect to the San Luis property located in Colombia (these payments are at the Company’s discretion): (i) \$75,000 on June 6, 2008 (*paid*), (ii) \$150,000 on June 6, 2009, (iii) \$200,000 on June 6, 2010, (iv) \$350,000 on June 6, 2011, (v) \$1,625,000 on June 6, 2013.

## **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, 2008. 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:

- Measurement uncertainty;
- Use of estimates;
- Resource properties;
- Future income taxes;
- Stock-based compensation; and
- Financial instruments.

### ***Measurement uncertainty***

As at December 31, 2008, management of the Company determined that impairment indicators existed, and completed an impairment assessment for each of its mineral property interests and its Gramalote investment. The current economic environment, the significant declines in commodity prices and the decline in the Company's stock price were considered as impairment indicators.

These assessments included a determination of fair value for each mineral property using various valuation techniques including changes in the Company's share price, in-situ values, comparable company analysis, commodity price changes and recent expenditures analysis.

Management's impairment evaluation did not result in the identification of an impairment of the Company's mineral property interests as of December 31, 2008. For its Gramalote investment assessment, management determined that no other than temporary impairment has occurred, and that no write down was required. Although management believes the estimates applied in these impairment assessments are reasonable, such estimates are subject to significant uncertainties and judgments. If long-term estimates of commodity prices, in-situ values or share prices were to change significantly, impairment charges may be required in future periods and such charges could be material.

### ***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.

### ***Resource properties***

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. If production commences, these costs would be amortized on a units of production basis over the estimated mineral reserves. 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 Company reviews and evaluates the carrying value of resource property interests 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.

#### ***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.

#### ***Financial instruments***

Effective November 30, 2006, the Company adopted "Financial Instruments – Recognition and Measurement" (CICA Handbook Section 3855). This standard sets out criteria for the recognition and measurement of financial instruments for fiscal years beginning on or after October 1, 2006. This standard requires all financial instruments within its scope, including derivatives, to be included on a company's balance sheet and measured either at fair value or, in certain circumstances, at cost or amortized cost. Changes in fair value are to be recognized in the statements of operations or other comprehensive income. All financial assets and liabilities are recognized when the entity becomes a party to the contract.

All financial instruments are classified into one of the following five categories: held for trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depend on their initial classification:

- Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost.
- Available-for-sale financial assets are measured at fair value. Revaluation gains and losses are included in other comprehensive income until the asset is removed from the balance sheet.
- Held-for-trading financial instruments are measured at fair value. All gains and losses are included in net earnings/ loss in the period in which they arise.
- All derivative financial instruments are classified as held-for-trading financial instruments and are measured at fair value. All gains and losses are included in net earnings/ loss in the period in which they arise.

## RELATED PARTY TRANSACTIONS

As part of the Arrangement between Bema and Kinross and pursuant to the Purchase Agreement, the Company entered into the following agreements with Puma, a company related by way of common directors:

- Management Services Agreement pursuant to which the Company will provide office space, furnishings and equipment, communications facilities, secretarial and administrative services and personnel to Puma in consideration for a monthly fee of Cdn.\$5,000.
- Exploration Management Agreement, whereby Puma will reimburse the Company for services supplied in connection with Puma's exploration or development work programs, and pay the Company a contractor fee equal to 10% of direct program expenditures incurred by Puma.

During 2007, the Company had also provided management, administrative and technical services, on a month-to-month basis, to Victoria Resource Corporation (up to July 2007) and Consolidated Westview Resource Corp. (up to November 2007), companies which were also previously managed by Bema. In addition to those transactions disclosed elsewhere in these consolidated financial statements, the Company had the following transactions and balances with the above associated companies:

	<i>For the year ended Dec. 31, 2008</i>	<i>For the period from inception (Nov. 30, 2006) to Dec. 31, 2007</i>
	\$	\$
<b>Consolidated Statement of Loss</b>		
Management fees (income)	(129,593)	(273,669)
Interest income	(61,416)	(164,178)
Expenses (reimbursed):		
Office and general	-	(10,434)
Salaries and benefits	(73,281)	(106,700)
Rent	(26,130)	(31,874)
	<u>(290,420)</u>	<u>(586,855)</u>
<b>Consolidated Balance Sheet</b>		
Accounts receivable	<u>3,297</u>	<u>374,209</u>

In March 2008, the Company provided Puma with the required six months notice that it will be terminating its Management Services Agreement/ Exploration Management Agreement with Puma as of September 12, 2008. At the request of Kinross, the Company agreed to continue to manage Puma until December 19, 2008. On April 21, 2008, the Company requested that Puma repay \$1 million (repaid on April 29, 2008) of the amount owing under its promissory note to B2Gold and the remaining balance of approximately \$1.1 million on the date of Puma's 2008 Annual General Meeting on June 12, 2008 (repaid on June 12, 2008).

## **CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS**

### ***Accounting policies implemented effective January 1, 2008***

#### *Capital Disclosures (Section 1535)*

This standard requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. See Note 10 for additional details.

#### *Financial Instruments – Disclosure (Section 3862) and Presentation (Section 3863)*

These standards replace CICA 3861, Financial Instruments – Disclosure and Presentation. They increase the disclosures currently required, which will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The quantitative disclosures must provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel. See Note 14 for additional details.

#### *General Standards of Financial Statement Presentation (Section 1400)*

The revision to this section provides additional guidance related to management's assessment of the Company's ability to continue as a going concern. The Company has completed an assessment and as a result has prepared its consolidated financial statements under the assumption that it will continue as a going concern.

### ***Accounting policies to be implemented***

#### *Goodwill and Intangible Assets (Section 3064)*

This section was issued in February 2008 and replaced CICA 3062, "Goodwill and Intangible Assets," and Section 3450, "Research and Development". This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This section is effective as of January 1, 2009. The Company is currently evaluating the effects of adopting this standard.

#### *Business Combinations (Section 1582), Consolidations (Section 1601) and Non-controlling Interests (Section 1602)*

These sections were issued in January 2009 and are harmonized with International Financial Reporting Standards. Section 1582 specifies a number of changes, including: an expanded definition of a business combination, a requirement to measure all business acquisition at fair value, a requirement to measure non-controlling interests at fair value, and a requirement to recognize acquisition-related costs as expenses. Section 1601 establishes the standards for preparing consolidated financial statements. Section 1602 specifies that non-controlling interests be treated as a separate component of equity, not as a liability or other item outside of equity. These new standards are effective for 2011.

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

In February 2008, the Canadian Accounting Standards Board announced 2011 as the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The specific implementation is set for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require restatement for comparative purposes of

amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

## **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](http://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 and Mining Risks***

The business of exploring for minerals and mining involves a high degree of risk. Only a small proportion of the properties that are explored are ultimately developed into producing mines. At present, none of the properties in which the Company has an interest have proven or probable reserves or measured, indicated or inferred resources and the proposed programs are an exploratory search for reserves and resources. The mining areas presently being assessed by the Company may not contain economically recoverable volumes of minerals or metals. Should economically recoverable volumes of minerals or metal be found, substantial expenditures are required to establish reserves through drilling, to develop metallurgical processes and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, 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.

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. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Depending on the price of gold or other minerals produced, which have fluctuated widely in the past, the Company may determine that it is impractical to commence or continue commercial production.

### ***Foreign Countries and Laws and Regulations***

The Company has interests in properties that are located in developing countries, including Russia 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. Any changes in regulations or shifts in political conditions or attitudes are beyond the control of the Company and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and mine safety.

### ***Restriction on Foreign Investment and Capital Raising in Russia***

On May 5, 2008, the Russian Parliament adopted new legislation that requires prior approval for the development by a foreign investor of any subsoil deposit containing gold reserves of 50 tons or more or for the direct or indirect acquisition by a foreign investor of more than 10% of the voting shares (or other means of control) of a Russian company that uses such a subsoil deposit. The legislation could have a significant impact upon the Company's ability to further develop the East and West Kupol Licenses through its participation in the proposed Kupol joint venture. It is possible that this legislation may cause the Company, Kinross and CUE to make changes to the structure and terms of the proposed Kupol joint venture in order to comply with the legislation or receive

approval under it. Such changes may be material and there can be no assurance that the Kupol joint venture will proceed as proposed. In addition, if the Kupol joint venture proceeds and “Kupol Opco”, the Russian operating company that will hold the East and West Kupol licenses and related exploration assets, were to identify and seek to develop a deposit containing gold reserves of 50 tons or more, approval of the Russian regulatory body would be required for development of that deposit. There can be no assurance that such approval would be granted on acceptable terms or at all and the new legislation provides that if the approval is not granted, the compensation payable to Kupol Opco would be limited to the expenses incurred in the course of exploration.

### ***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. The section of this Management Discussion & Analysis entitled “Liquidity and Capital Resources – Investing activities” identifies the Company’s obligations with respect to acquiring and maintaining title to the Company’s interest in certain of its current properties. No guarantee can be given that the Company will be in a position to comply with all such 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 in Colombia are the subject of pending applications with the applicable mining registry 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. In addition, a number of the Company’s interests in Colombia are the subject of contractual promises to assign, pursuant to which a third party has agreed to assign to the Company, or to an entity in which the Company holds its interest in the applicable property, certain licenses and/or concession contracts upon the issuance of such licenses or concession contracts by the mining registry to the promising party. The failure of a promising party to comply with its contractual obligation could have a material adverse impact on the Company’s interests in the license or concession contract.

There can be no assurances that the interest in the Company’s properties is 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.

### ***Commodity Prices***

The profitability of the Company’s operations, if established, 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 U.S. dollars and incurs expenses in U.S. dollars, Canadian dollars, Colombian pesos and Russian rubles. As the exchange rates between the Colombian peso, Russian ruble and Canadian dollar fluctuate against the U.S. dollar, the Company will experience foreign exchange gains and losses.

### ***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.

## **EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES**

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this MD&A, management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this MD&A, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – *Certification of Disclosure in Issuer's Annual and Interim Filings* of the Canadian Securities Administrators) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

## OUTLOOK

Over the course of 2008 B2Gold has made significant progress in advancing its impressive portfolio of exploration projects in Colombia and Russia, and pursuing numerous acquisition opportunities.

A significant drill program was carried out on the Gramalote Property in Colombia (51% B2Gold/ 49% AGA), and resulted in an increase in the mineral resource estimate and the discovery of two additional mineralized zones. Subsequent to year end, the new NI 43-101 inferred mineral resource estimate was released and contains 2.39 million ounces of gold on the Gramalote Ridge zone. Drilling at the Quebradona Property in Colombia also yielded positive results on the newly discovered Aurora zone.

In addition, in 2008, B2Gold completed a transaction with AGA increasing the Company's ownership of its Colombian properties, graduated from the TSX-V to the TSX, maintained a strong balance sheet, and adhered to its corporate objective of creating value through exploration and the evaluation of strategic acquisitions.

The Company is expected to complete a business combination with Central Sun on March 26, 2009 whereby B2Gold will issue approximately 80.6 million shares to acquire all of the outstanding shares of Central Sun. This transaction gives B2Gold immediate gold production of approximately 45,000 ounces of gold annually from the Limon mine in Nicaragua with production projected to increase to an annual rate of approximately 130,000 ounces per year by the end of 2009 as the Orosi mine, also in Nicaragua, recommences production. Additionally, B2Gold believes there is significant exploration potential at both the Limon and Orosi mines.

Throughout 2009 and beyond, management intends to continue to build B2Gold into an intermediate gold producer through the exploration and development of existing projects and the acquisition of additional development projects and producing mines that are accretive to the value of B2Gold shares.

## OUTSTANDING SHARE DATA

The Company's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares. At March 25, 2009, the Company had the following common shares, stock options and share purchase warrants outstanding:

Common shares	<b>162,783,318 <sup>(1)</sup></b>
Stock options (exercise price of Cdn.\$2.40, expiring between December 6, 2012 and February 27, 2013)	<b>5,275,000</b>
Share purchase warrants (exercise price of Cdn.\$2.50 until December 6, 2010)	<b>2,000,000</b>
Share purchase warrants (exercise price of Cdn.\$3.34 until May 15, 2011)	<b>11,000,000</b>
Share purchase warrants (exercise price of Cdn.\$4.25 until May 15, 2011)	<b>10,400,000</b>
Fully diluted common shares outstanding, as at August 28, 2008	<b>191,458,318</b>

*(1) Includes 4,955,000 common shares issued to the trustees of the Incentive Plan (see "Financing activities" section).*

## **CAUTION ON FORWARD-LOOKING INFORMATION**

This management's discussion and analysis includes forward-looking statements, such as estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements.