



B2GOLD CORP.
Consolidated Financial Statements
December 31, 2009 and 2008

Auditors' Report

To the Shareholders of B2Gold Corp.

We have audited the consolidated balance sheets of B2Gold Corp. as at December 31, 2009 and 2008 and the consolidated statements of loss, comprehensive loss and deficit, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

/s/ PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, BC
March 29, 2010

B2GOLD CORP.**CONSOLIDATED BALANCE SHEETS**

(Expressed in thousands of United States dollars)

	As at December 31, 2009	As at December 31, 2008
Assets		
Current		
Cash and cash equivalents	\$ 2,924	\$ 13,233
Short-term money market investments	-	33,048
Accounts receivable and prepaids	8,098	628
Note receivable (Note 7)	1,700	-
Inventories (Note 6)	10,263	-
Marketable securities (carried at quoted market value)	369	-
	23,354	46,909
Property, plant and equipment (Notes 4,5 and 7)	170,306	55,330
Gramalote investment (Note 8)	51,914	49,449
Other assets (Note 9)	1,780	535
	\$ 247,354	\$ 152,223
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 10,051	\$ 3,013
Current portion of asset retirement obligations (Note 11)	658	-
Related party loans (Notes 13 and 14)	1,061	-
Notes payable to Kinross	-	2,573
	11,770	5,586
Credit Facility loan , net of unamortized transaction costs (Note 10)	8,642	-
Asset retirement obligations (Note 11)	13,166	-
Future income tax liabilities (Note 15)	11,616	11,918
Other liabilities (Note 12)	2,497	-
	47,691	17,504
Shareholders' Equity		
Capital stock (Note 13)		
Authorized		
- unlimited number of common shares, without par value		
- unlimited number of preferred shares, without par value		
Issued		
- 282,531,023 common shares (December 31, 2008 – 162,783,318)	233,842	157,602
Value assigned to stock options and share purchase warrants (Note 13)	27,800	11,308
Deficit	(61,979)	(34,191)
	199,663	134,719
	\$ 247,354	\$ 152,223
Acquisition of Central Sun Mining Inc. (Note 4)		
Commitments (Notes 7 and 8)		
Contingent gain (Note 18)		
Subsequent events (Notes 7, 10, 14 and 19)		

Approved by the Board

"Clive T. Johnson"

Director

"Robert J. Gayton"

Director

B2GOLD CORP.**CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS
AND DEFICIT
FOR THE YEARS ENDED DECEMBER 31**

(Expressed in thousands of United States dollars, except shares and per share amounts)

	2009	2008
Gold revenue	\$ 20,638	\$ -
Expenses		
Operating costs	18,221	-
Royalties and production taxes	1,242	-
Depreciation and depletion	2,281	-
Stock-based compensation	721	-
Accretion of asset retirement obligations (Note 11)	895	-
Other	(527)	-
	22,833	-
Mine operating loss	2,195	-
Other expenses (income)		
Write-off of resource property interests (Note 7)	18,284	6,446
General and administrative	7,203	6,704
Stock-based compensation	2,499	3,949
Interest and financing costs	739	197
Foreign exchange loss	614	12,674
Interest income	(262)	(2,584)
Loss on derivative instrument ("Puma Option") (Note 2)	-	3,046
Other	(2,702)	(129)
	26,375	30,303
Loss before income taxes	28,570	30,303
Future income tax recovery	(782)	(308)
Loss and comprehensive loss for the year	27,788	29,995
Deficit, beginning of year	34,191	4,196
Deficit, end of year	\$ 61,979	\$ 34,191
Basic and diluted loss per common share	\$ 0.12	\$ 0.21
Weighted average number of common shares outstanding (in thousands)	237,087	145,807

B2GOLD CORP.**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31**

(Expressed in thousands of United States dollars)

	2009	2008
Operating activities		
Loss for the year	\$ (27,788)	\$ (29,995)
Asset retirement obligations settled	(1,028)	-
Non-cash charges (credits)		
Write-off of resource property interests	18,284	6,446
Stock-based compensation	3,220	3,949
Depreciation and depletion	2,281	-
Accretion of asset retirement obligations	895	-
Future income tax expense/ (recovery)	(782)	(308)
Amortization of deferred financing costs	629	-
Loss on derivative instrument ("Puma Option")	-	3,046
Other	751	224
	(3,538)	(16,638)
Changes in non-cash working capital		
Accounts receivable and prepaids	(4,330)	555
Inventories	(2,457)	-
Accounts payable and accrued liabilities	(2,422)	(504)
	(12,747)	(16,587)
Financing activities		
Common shares issued for cash	25,257	-
Credit Facility loan, draw downs	13,500	-
Deferred financing costs	(1,018)	-
Related party loans, received (Note 14)	2,922	-
Related party loans, repayments (Note 14)	(1,983)	-
	38,678	-
Investing activities		
La Libertad Mine, construction & development	(40,487)	-
Proceeds from short-term money market instruments	33,048	(33,048)
Central Sun Arrangement, net of cash acquired (Note 4)	(15,260)	-
Gramalote, exploration	(3,627)	(10,771)
Colombia JV arrangement, exploration	(2,708)	(7,288)
Repayment of notes payable to Kinross	(2,602)	(2,602)
Limon Mine	(1,937)	-
Kupol East West licenses, exploration	(1,711)	(3,383)
Mocoa, exploration	(603)	(3,711)
Miraflores, exploration	-	(1,112)
Gramalote, acquisition	-	(9,000)
Note receivable from Puma	-	2,129
Other	(353)	(377)
	(36,240)	(69,163)
Decrease in cash and cash equivalents	(10,309)	(85,750)
Cash and cash equivalents, beginning of year	13,233	98,983
Cash and cash equivalents, end of year	\$ 2,924	\$ 13,233
Supplementary cash flow information (Note 14)		

B2GOLD CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

(all tabular amounts are in thousands of United States dollars unless otherwise stated)

1 Nature of operations

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 north-eastern Russia. Currently, the Company is operating the La Libertad Mine (formerly the “Orosi Mine”) and the Limon Mine in Nicaragua. The Company owns or has a material interest in the Gramalote and Mocoa properties in Colombia, the East and West Kupol licenses in Russia, and the Bellavista property in Costa Rica.

On March 26, 2009, B2Gold completed a business combination with Central Sun Mining Inc. (“Central Sun”) in which B2Gold acquired all of the outstanding common shares of Central Sun (*Note 4*). As a result of this transaction, B2Gold acquired the La Libertad Mine (100%) and the Limon Mine (95%). In addition, the Company acquired Central Sun’s interests in additional mineral properties including, in Costa Rica, the 100% owned Bellavista property, and in Panama, the 60% owned Cerro Quema project.

2 Summary of significant accounting policies

The Company’s consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada. The United States dollar is the Company’s functional currency. These consolidated financial statements are expressed in United States dollars.

Certain comparative figures for 2008 have been reclassified to conform to the 2009 financial statement presentation.

Principles of consolidation

These consolidated financial statements include the accounts of B2Gold and its subsidiaries. Intercompany balances and transactions are eliminated on consolidation.

The Company follows the recommendations in Accounting Guideline 15, “Consolidation of Variable Interest Entities (“VIE”)” which establishes the application of consolidation principles to entities that are subject to control on a basis other than ownership of voting interests. The guideline requires the primary beneficiary of a VIE to consolidate the VIE. A VIE is an entity which either does not have sufficient equity at risk to finance its activities without additional subordinated financial support or where the holders of the equity at risk lack the characteristics of a controlling financial interest. The primary beneficiary is the enterprise that will absorb or receive the majority of the VIE’s expected losses, expected residual returns, or both. The Company has determined that the trust arrangement under its Incentive Plan identified in Note 13 is a VIE and as the primary beneficiary is required to consolidate the VIE. On May 15, 2008, the Company concluded that its investment in Gramalote Limited (“Gramalote BVI”) (*Note 8*) qualifies as a VIE. However, the Company is not the primary beneficiary and commencing May 15, 2008 uses the equity method of accounting for this investment.

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.

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Cash and cash equivalents

Cash and cash equivalents includes cash and money market instruments expected to be capable of prompt liquidation which have an original maturity of three months or less at acquisition.

Short-term money market investments

Short-term money market investments include money market instruments with an original maturity of over three months but less than one year.

Inventories

Gold inventories are valued at the lower of average production cost or net realizable value. In-process inventories are valued at the lower of moving average cost or net realizable value. Materials and supplies inventories are valued at the lower of average cost or net realizable value.

Property, plant and equipment

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

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

Impairment of long-lived assets

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

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

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

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Investments

Investments classified as available-for-sale are reported at fair market value (or marked to market) based on quoted market prices with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss. Equity investments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost. Investments in companies over which the Company can exercise significant influence are accounted for using the equity method. The Company periodically reviews the carrying value of its investments. When a decline in the value of an investment is considered to be other-than-temporary, the investment is written down to net realizable value with a charge to operations.

Foreign exchange translation

The functional currency of B2Gold Corp., the parent entity, is United States dollars. The Company's foreign subsidiaries are integrated operations and financial statements stated in foreign currencies are translated using the temporal method. Currency transactions and balances are translated into the reporting currency as follows:

- Monetary items are translated at the rates prevailing at the balance sheet date;
- Non-monetary items are translated at historical rates;
- Revenues and expenses are translated at the average rates in effect during applicable accounting periods except depreciation and amortization which are translated at historical rates; and
- Exchange gains and losses on foreign currency translation are included in operations for the period.

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.

Asset retirement obligations

Future obligations to retire an asset including site closure, dismantling, remediation and ongoing treatment and monitoring are recorded as a liability at fair value at the time incurred. The fair value determination is based on estimated future cash flows, the current credit-adjusted risk-free discount rate, and an estimated inflation factor. The value of asset retirement obligations is evaluated on an annual basis or as new information becomes available on the expected amounts and timing of cash flows required to discharge the liability. The fair value of the liability is added to the carrying amount of the associated asset, and this additional carrying amount is depreciated over the life of the asset. An accretion cost, representing the increase over time in the present value of the liability, is recorded each period in accretion expense. As reclamation work is performed or liabilities are otherwise settled, the recorded amount of the liability is reduced.

Loss per share

Basic per share amounts are calculated using the weighted average number of common shares outstanding during the period. Diluted per share amounts are calculated using the treasury-stock method,

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which assumes that any proceeds from the exercise of options and warrants would be used to purchase common shares at the average market price during the period. The weighted average number of common shares outstanding is adjusted for the net increase in the number of common shares issued upon exercise of the options and warrants. Stock options and warrants are included in the calculation of diluted per share amounts only to the extent that the average market price of the common shares during the period exceeds the exercise price of the options or warrants. When the Company has incurred a loss, the potential shares to be issued from the assumed exercise of options and warrants are not included in the computation of diluted per share amounts since the result would be anti-dilutive.

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

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as “held-for-trading”, “available for sale”, “held-to-maturity”, “loans and receivables”, or “other financial liabilities” as defined by the Canadian Institute of Chartered Accountants (“CICA”) 3855, “Financial Instruments – Recognition and Measurement”.

Financial assets and financial liabilities designated as “held-for-trading” are measured at fair value with changes in those fair values recognized in net earnings/ loss. Financial assets designated as “available-for-sale” are measured at fair value, with changes in those fair values recognized in other “comprehensive income” until it is appropriate to recognize them in net earnings/ loss. Financial assets designated as “held-to-maturity”, “loans and receivables” and “other financial liabilities” are measured at amortized cost using the effective interest method of amortization. Derivative financial instruments that do not qualify as hedges or are not designated as hedges are classified as “held-for-trading” and are measured at fair value with changes in those fair values recognized in net earnings/ loss.

Cash and cash equivalents, short-term money market investments and marketable securities are designated as “held-for-trading” and are measured at fair value. Accounts receivable and the note receivable are designated as “loans and receivables”. Accounts payable and accrued liabilities and the Credit Facility loan are designated as “other financial liabilities”.

In the first quarter of 2008, the Company recorded a derivate loss of \$3 million from the write-off of its “Puma Option”, as it elected not to exercise its option to purchase all or any part of the 17,935,310 common shares of Consolidated Puma Minerals Corp. (“Puma”) held by Kinross Gold Corporation (“Kinross”).

Revenue recognition

Revenue is recorded at estimated net realizable value when the sales price is fixed, title has passed to the customer, and collectability is reasonably assured. Silver revenues are recorded as a cost recovery credit.

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December 31, 2009 and 2008

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3 Recent accounting pronouncements

New accounting policies effective January 1, 2009

Financial Instruments – Disclosures (Section 3862)

In May 2009, the CICA amended section 3862 which requires additional disclosure of fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs (*Note 16*).

The adoption of the following new accounting policies on January 1, 2009 has had no impact on the Company's consolidated financial statements.

Goodwill and Intangible Assets (Section 3064)

This section was issued in February 2008 and replaced CICA 3062, "Goodwill and Other Intangible Assets," and Section 3450, "Research and Development Costs". This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the adoption of this standard, CICA Emerging Issues Committee ("EIC") Abstract 27, "Revenues and Expenditures in the Pre-operating Period", was withdrawn.

Credit Risk and Fair Value of Financial Assets and Liabilities (EIC 173)

In January 2009, the CICA issued EIC Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." The EIC provides guidance on evaluating credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments.

Mining Exploration Costs (EIC 174)

In March 2009, the CICA issued EIC-174, "Mining Exploration Costs." The EIC provides guidance on the accounting and the impairment review of exploration costs. This standard is effective for the fiscal year beginning January 1, 2009.

Future accounting policy

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 acquisitions 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.

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4 Acquisition of Central Sun Mining Inc.

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

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

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

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

The purchase price was calculated as follows:

	\$
Common shares issued (80,638,705 B2Gold common shares)	50,802
Cash advanced to Central Sun under loan agreements	15,928
Fair value of options and warrants issued	7,353
Transaction costs	741
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Total purchase price	74,824
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B2GOLD CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(all tabular amounts are in thousands of United States dollars unless otherwise stated)

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

	\$
Preliminary purchase price allocation:	
Cash and cash equivalents	1,409
Accounts receivable	1,303
Product inventory	1,365
Supplies inventory	6,440
Prepays	1,839
Marketable securities	101
Other long-term assets	372
Property, plant and equipment:	
La Libertad Mine	58,204
Limon Mine	26,504
Cerro Quema property	5,963
Bellavista property	2,225
Accounts payable and accrued liabilities	(13,271)
Asset retirement obligations, including current portion	(12,334)
Other long-term liabilities	(1,879)
Non-controlling interest	(3,417)
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	74,824
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B2GOLD CORP.

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5 B2Gold/ AngloGold transaction

On February 13, 2008, the Company entered into a binding memorandum of agreement with AngloGold Ashanti Limited ("AngloGold"), pursuant to which the parties agreed to terminate AngloGold's right to acquire 20% of the voting shares of Andean Avasca Resources Inc. ("AARI") (a wholly-owned subsidiary of B2Gold), terminate the Company's obligation with respect to listing AARI's shares on a stock exchange and amend certain Colombian joint venture arrangements to which subsidiaries of the Company and AngloGold are parties and agreed to terms for the Company to acquire additional interests in mineral properties in Colombia. AARI indirectly has the right to earn interests in a number of properties in Colombia, including the Quebradona property, pursuant to the terms of a joint venture agreement with AngloGold.

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") to implement the transactions contemplated under the memorandum of agreement, such that:

- AngloGold'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 AngloGold units comprised of an aggregate of 25,000,000 common shares of B2Gold and 21,400,000 share purchase warrants ("AngloGold warrants"). The AngloGold warrants, which are exercisable until 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 AngloGold warrants was calculated to be approximately \$3.66 million 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.
- AngloGold transferred to the Company all of its rights and interests in the Miraflores property such that the Company had an option to earn a 100% interest in the Miraflores property in Colombia. The carrying value of the Miraflores property was fully written off in 2008 (*Note 7*).
- AngloGold transferred to the Company its 100% interest (subject to AngloGold retaining a 1% royalty) in the Mocoa property, a copper/molybdenum deposit located in the south of Colombia.
- AngloGold transferred to the Company a 2% interest in Gramalote BVI (*Note 8*) and assigned to the Company other rights relating to Gramalote BVI, including AngloGold's right to acquire an additional 24% interest, so that the Company now holds a 51% interest in the Gramalote BVI (with AngloGold 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. In the event that a feasibility study on the Gramalote property is not completed prior to June 30, 2010, the ownership percentages will be adjusted such that AngloGold and the Company will have a 51% and 49% interest, respectively, in the Gramalote property.

The Company has decided not to proceed with, or complete, a feasibility study on the Gramalote property by June 30, 2010 (*Note 8*).

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- AngloGold transferred to Gramalote BVI its interests in additional Gramalote Trend Properties.
- The Company granted to AngloGold 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 AngloGold 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 AngloGold owns less than 10% of the outstanding common shares of the Company.

For the purposes of these consolidated financial statements, the purchase consideration has been allocated to the fair value of the assets acquired from AngloGold as follows:

	\$
Purchase price:	
25,000,000 common shares of B2Gold	33,750
21,400,000 AngloGold warrants	3,661
Transaction costs	430
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Total purchase price	37,841
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Fair value of assets/ (liabilities) acquired:	
Mocoa	27,163
Quebradona	4,915
Miraflores	1,941
Colombia property interests (under the Colombia JV Agreement with AngloGold)	2,458
Gramalote investment (<i>Note 8</i>)	12,109
Future income tax liabilities	(10,745)
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Total fair value of net assets acquired on May 15, 2008	37,841
	<hr/>

6 Inventories

	2009	2008
	\$	\$
	<hr/>	<hr/>
Gold and silver bullion	203	-
In-process inventory	1,781	-
Stock-pile inventory	68	-
Materials and supplies	8,211	-
	<hr/>	<hr/>
	10,263	-
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B2GOLD CORP.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****December 31, 2009 and 2008**

(all tabular amounts are in thousands of United States dollars unless otherwise stated)

7 Property, plant and equipment

	2009 \$	2008 \$
Limon Mine, Nicaragua (Note 4)		
Cost	28,435	-
Accumulated depreciation and depletion	(2,281)	-
	26,154	-
La Libertad Mine, Nicaragua - under construction (Note 4)	99,986	-
Exploration		
Mocoa, Colombia (Note 5)	31,593	31,207
Quebradona, Colombia (Note 9)	-	11,252
Kupol East and West Licenses, Russia	9,800	7,401
Colombia property interests (under the Colombia JV Agreement with AngloGold)	-	5,321
Radius, Nicaragua	345	-
Calibre, Nicaragua	241	-
	41,979	55,181
Other		
Bellavista, Costa Rica (Note 4)	2,147	-
Office, furniture and equipment, net	40	149
	170,306	55,330

La Libertad Mine (under construction)

Mining and processing of ore commenced at the La Libertad Mine in the fourth quarter of 2009 following the completion of the conversion of the La Libertad Mine from a heap leach mine to a conventional milling operation. Ore processing at the La Libertad Mine began on December 15, 2009 with the first doré bar produced on January 5, 2010. In the first quarter of 2010, the La Libertad Mine and milling facilities passed mechanical completion and commissioning. The La Libertad Mine is scheduled to produce approximately 80,000 to 90,000 ounces of gold annually with an initial seven year mine life.

Bellavista

The mine on the Bellavista property was previously operated by Central Sun as a heap leach operation. Mining operations were suspended by Central Sun in July 2007 due to concerns over ground movements, which in part were caused by water saturation due to abnormally high rainfall during the preceding several years. In October 2007, a landslide at the Bellavista mine occurred resulting from the ground movement and continuing heavy rains. The Company is currently conducting environmental and closure audits and is reviewing landslide and mitigation measures. The Company is investigating various alternatives relating to the Bellavista property, including the potential for re-opening the mine on the Bellavista property using different technologies including a milling and carbon in leach process.

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Kupol East and West Licenses

The purchase and sale agreement dated December 21, 2006, as amended (the "Purchase and Sale Agreement"), between the Company and Kinross and certain of its subsidiaries, provides for the Company to acquire half of Kinross' indirect 75% interest in the East and West Kupol licenses. The Company and Kinross proposed to enter into a tripartite shareholder and joint venture agreement for the ownership and management of a company that would indirectly own the East and West Kupol licenses. It was proposed that this company would be owned by subsidiaries of each of Kinross and B2Gold and by Chukotsnab State Unitary Enterprise ("CUE") or another Russian-owned company. The interests of each of the Company and Kinross were initially proposed to be 37 1/2%; subsequently it was proposed each of the three shareholders have a 33 1/3% interest. A form of shareholder and joint venture agreement was agreed between Kinross and the Company but was not agreed to by CUE. The Company and Kinross had agreed to try to enter into this tripartite agreement by a date which was extended several times up to December 31, 2009.

Under the terms of the Purchase and Sale Agreement, if the tripartite agreement was not entered into and other conditions relating to transfer of the East and West Kupol licenses were not met by December 31, 2009, the Company was entitled to require that Kinross use its reasonable commercial efforts to structure an alternative transaction together with the Company so as to provide to the Company with an equivalent indirect interest as to one half of Kinross' interest in the East and West Kupol licenses. In January 2010, the Company notified Kinross that it requires Kinross to proceed with the structuring of that alternative transaction. The Purchase and Sale Agreement provides for a 180 day period following such notice for this alternative transaction to be completed, after which either party will have a right to terminate without any further obligations.

The Company has reserved for issuance 2,722,500 of its common shares, which will be issued to Kinross upon completion of the acquisition of the Company's interest in the East and West Kupol licenses, together with a promissory note in the aggregate amount of approximately \$7.4 million.

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 JVCo, 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 JVco would be limited to the expenses incurred in the course of exploration.

Quebradona

The Company has earned its 49% interest in the Quebradona property by completing 5,000 metres of exploration drilling in 2008, pursuant to the terms of the Relationship, Farm-out and Joint Venture Agreement (the "Colombia JV Agreement") with AngloGold.

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In the fourth quarter of 2009, the Company made a decision to sell its 49% interest in the Quebradona property. As a result, the carrying value of the Quebradona property of \$11.7 million was written down by \$10.7 million, based on the property's estimated fair value. The revised carrying value of \$1 million was classified as an asset held for sale as at December 31, 2009 (*Note 9*).

Radius option agreement

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

Calibre option agreement

Pursuant to an Option Agreement dated July 21, 2009, the Company has the right to acquire from Calibre Mining Corp. ("Calibre") up to a 65% interest in potential mining projects in the Borosi gold-silver-copper prospect in northeast Nicaragua. The Option Agreement provides that the Company may acquire a 51% interest in 11 exploration and exploitation mineral concessions with terms ranging from 20 to over 35 years by funding Cdn.\$8 million of exploration expenditures on the property over a three year period ending July 1, 2012. The Company must fund Cdn.\$2.5 million of exploration expenditures by July 1, 2010. The Company may increase its interest in specific project areas to 65% by funding a preliminary feasibility study of the viability of a mining project in that area. Calibre is the operator for the initial year of the program and the Company may elect to become operator for subsequent years.

Disposal of the Cerro Quema property

On July 16, 2009, the Company completed the sale of its common shares in a subsidiary (60% owned) which holds the Cerro Quema property located in Panama. The Company's 60% indirect interest in the Cerro Quema property had been acquired on March 26, 2009 as part of the Central Sun Arrangement (*Note 4*). The aggregate consideration received was \$2.15 million, consisting of \$0.35 million in cash (received) and a note receivable of \$1.8 million together with interest at a rate of 6% per annum starting on December 1, 2009. The note is receivable in eight instalments with the first payment of \$0.1 million due on December 30, 2009 (received) and the last instalment of \$600,000 due on October 15, 2010. As a result of the sale, the following assets and liabilities were deconsolidated effective July 16, 2009:

	\$
Property, plant and equipment, Cerro Quema property	6,460
Current liabilities	(911)
Non-controlling interest	(3,399)
	<hr/>
	2,150
	<hr/>

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Write-off of resource property interests

During 2009, the Company wrote-off resource property costs in the amount of \$7.6 million (as the Company elected not to continue with the Nariño, San Luis, Yarumalito, Cauca and Antioquia properties under its Colombia JV Agreement with AngloGold). In addition, the carrying value of the Quebradona property was written down by \$10.7 million to its estimated fair value of \$1 million in the fourth quarter of 2009 (*Note 9*).

During 2008, the Company wrote-off resource property costs in the amount of \$1.5 million (as the Company elected not to continue with the Ginebra and La Mina properties under its Colombia JV Agreement with AngloGold). In addition, at December 31, 2008, the carrying value of the Company's interest in Miraflores (*Note 5*) was fully written-off in the amount of \$4.9 million.

8 Gramalote investment

On August 21, 2007, the Company entered into a binding memorandum of understanding with respect to the purchase by the Company of 25% of the issued and outstanding shares of Gramalote BVI from the vendors (collectively referred to as "Grupo Nus"). Gramalote BVI holds a 100% interest in the Gramalote property. The Gramalote property is located within the municipalities of San Roque and San Jose del Nus, Department of Antioquia, Republic of Colombia. In connection with the execution of the memorandum of understanding, the Company paid \$3.5 million to Grupo Nus 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") with Grupo Nus. 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 by Grupo Nus to the Company under the promissory note. In addition, on December 6, 2007, the Company issued 2 million share purchase warrants to Grupo Nus, 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. The fair value of the Grupo Nus warrants was calculated to be approximately \$2.1 million 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 58% and a dividend yield of nil. The fair value of these warrants has been recorded as part of the Company's cost relating to the acquisition of its 25% interest in the Gramalote property. The Gramalote Purchase Agreement also required the Company to pay Grupo Nus an additional \$7.5 million on or before April 26, 2008 (*paid on April 25, 2008*).

Grupo Nus and Compania Kedahda Ltd. ("Kedahda BVI"), a subsidiary of AngloGold, had entered into a Shareholders' Agreement dated March 14, 2006 (the "2006 Gramalote Shareholders' Agreement") with respect to Gramalote BVI. Under the 2006 Gramalote Shareholders' Agreement, Kedahda BVI was entitled to earn an initial 51% ownership interest in Gramalote BVI. In addition, under the 2006 Gramalote Shareholders' Agreement, Kedahda BVI was entitled to acquire an additional 24% ownership interest ("Additional Interest") by completing a feasibility study and paying Grupo Nus \$15 million on or before July 17, 2010.

If in the event that Kedahda BVI did not increase its ownership interest in Gramalote BVI from 51% to 75% as contemplated in the 2006 Gramalote Shareholders' Agreement prior to the earlier of: (a) July 18, 2010 and the completion of a positive feasibility study on the Gramalote property; and (b) the waiver by Kedahda BVI of its rights to increase its ownership interest in Gramalote BVI before July 18, 2010 (the "Kedahda Option Exercise Date"), the Company had the option (the "B2Gold Option") to acquire the Additional Interest by paying to Grupo Nus \$7.5 million within 60 days from the Kedahda Option Exercise

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Date. The \$7.5 million payment may be made either in cash or common shares, at the option of the Company.

In the event that the Company acquires the remainder of Kedahda BVI's 51% interest in Gramalote BVI, the Company will be required to pay to Grupo Nus the \$15 million that in certain circumstances would otherwise be payable by Kedahda BVI to Grupo Nus, less any amounts paid by the Company to Grupo Nus in connection with the acquisition of the Additional Interest by the Company. The \$15 million payment (less any such credits) is to be made on the first to occur of: (a) July 18, 2010; or (b) the completion of a positive feasibility study on the Gramalote property.

In addition, the Company will be required to pay Grupo Nus US\$10.00 per ounce of gold for 25% of that number of ounces of gold in excess of 1,000,000 proven and probable ounces of gold reserves determined to exist within the Gramalote property. If the Company acquires the Additional Interest, the Company will be required to pay US\$10.00 per ounce of gold for 49% of that number of the excess ounces. Every two years, the reserves are to be recalculated, and additional payments are to be made, if necessary.

On May 15, 2008, in connection with the Amending Agreement (*Note 5*), Kedahda BVI elected not to exercise its right to acquire the Additional Interest and increase its ownership interest in Gramalote BVI from 51% to 75%. As a result, pursuant to the terms of the Gramalote Purchase Agreement, the Company notified Grupo Nus that it wished to exercise the B2Gold Option and acquire the Additional Interest. 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). As a result, the Company acquired the Additional Interest in the Gramalote property such that the Company and AngloGold now hold a 51% and 49% interest, respectively, in the Gramalote property.

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 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 AngloGold and the Company (or their respective subsidiaries) with respect to the Gramalote property and regulates their rights and obligations. The 2006 Gramalote Shareholders Agreement was terminated effective May 15, 2008. 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, the ownership percentages will be adjusted such that AngloGold and the Company will have a 51% and 49% interest, respectively, in the Gramalote property. Although the Company has decided not to complete a feasibility study on the Gramalote property by June 30, 2010, and is currently in discussions with AngloGold regarding further exploration of the Gramalote property and possible modification of the terms of the joint venture, the Company expects to continue exploration on the Gramalote property in 2010.

For accounting purposes, pursuant to the CICA Handbook Accounting Guideline 15 "Consolidation of Variable Interest Entities" ("AcG15"), the Company has concluded that its investment in Gramalote BVI qualifies as a Variable Interest Entity and that the Company is not the primary beneficiary. Accordingly, effective May 15, 2008, under AcG15, the Company's investment in Gramalote is being accounted for using the equity method. The Company's investment in Gramalote BVI had been classified as available-for-sale at December 31, 2007, and accordingly was initially recorded at its fair market value, which approximated cost.

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9 Other assets

	2009 \$	2008 \$
Restricted cash pledged as security	355	-
Assets held for sale		
Quebradona (Note 7)	1,000	-
Other	350	442
Deferred charges	75	93
	1,780	535

10 Credit Facility loan

The Company entered into an agreement relating to a \$20 million secured revolving credit facility (the "Credit Facility") with Macquarie Bank Limited ("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. At December 31, 2009, the Company had drawn down \$13.5 million of the Credit Facility.

As consideration for the Credit Facility, the Company paid facility fees of \$0.6 million to Macquarie and is paying a commitment fee of 1.75% per annum, payable quarterly, on the undrawn balance of the facility. In addition, the Company issued to Macquarie 11,063,565 share purchase warrants. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of Cdn.\$0.97 for a period of three years. The fair value of the Macquarie warrants was calculated to be \$4.47 million using the Black-Scholes option pricing model based on a risk-free annual interest rate of approximately 2%, an expected life of three years, an expected volatility of 79% and a dividend yield of nil. The fair value of these warrants has been recorded as part of the transaction costs incurred with respect to the Credit Facility which amounted to approximately \$5.5 million.

For accounting purposes, the Credit Facility loan was initially measured using the effective interest rate method, net of transaction costs incurred. In accordance with CICA recommendations regarding the presentation of financial liabilities, the principal amount owing under the Credit Facility loan has been presented on the Consolidated Balance Sheet net of the unamortized balance of transaction costs.

	2009 \$	2008 \$
Principal amount owing at December 31, 2009	13,500	-
Less: unamortized transaction costs	(4,858)	-
	8,642	-

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11 Asset retirement obligations

The Company's asset retirement obligations consist primarily of costs associated with mine reclamation and closure activities. These activities, which tend to be site specific, generally include costs for earthworks, including detoxification and recontouring, revegetation, water treatment and demolition. In calculating the fair value of the Company's asset retirement obligations, management used a credit adjusted risk-free rate applicable to each geographic location ranging from 9% to 12% and inflation rates ranging from 3% to 5%. The undiscounted cash flows, before inflation adjustments, estimated to settle the asset retirement obligations was approximately \$19.4 million at December 31, 2009. The majority of the expenditures are expected to occur from 2011 to 2019.

The following table shows the movement in the liability for asset retirement obligations:

	2009	2008
	\$	\$
Balance, beginning of year	-	-
Additions resulting from Central Sun acquisition (Note 4)	12,334	-
Reclamation spending	(1,028)	-
Accretion expense	895	-
Change in obligation	1,623	-
Balance, end of year	13,824	-
Less: current portion	(658)	-
	13,166	-

12 Other liabilities

	2009	2008
	\$	\$
Employee benefits accrual	2,022	-
Other	475	-
	2,497	-

Employee benefits accrual of approximately \$2 million at December 31, 2009 represents the estimated long-term portion of post-employment benefits of employees at the Nicaraguan and Costa Rican properties. These cash payouts are accrued as earned and are paid as the employee leaves or retires from the Company.

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13 Capital stock

The Company's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares. At December 31, 2009, the Company had 282,531,023 common shares outstanding and no preferred shares outstanding.

	2009		2008	
	Shares (<i>'000's</i>)	Amount \$	Shares (<i>'000's</i>)	Amount \$
Balance, beginning of year	162,783	157,602	132,277	117,852
Issued during the period:				
For cash, net of costs	38,341	24,980	-	-
Central Sun acquisition, March 26, 2009 (<i>Note 4</i>)	80,639	50,802	-	-
For cash, on exercise of warrants	384	38	-	-
For cash, on exercise of options	384	239	-	-
Gramalote Additional Interest, July 15, 2008	-	-	5,506	6,000
B2Gold/ AngloGold transaction, May 15, 2008 (<i>Note 5</i>)	-	-	25,000	33,750
Transfer to share capital the fair value assigned to stock options/ share purchase warrants exercised	-	181	-	-
	119,748	76,240	30,506	39,750
Balance, end of year	282,531	233,842	162,783	157,602

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

On March 26, 2009, the Company issued (or made available for issue) 80,638,705 common shares in exchange for all of the issued and outstanding shares of Central Sun (*Note 4*).

On July 15, 2008, pursuant to the terms of the Gramalote Purchase Agreement (*Note 8*), the Company acquired the Additional Interest in Gramalote BVI and 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.

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On May 15, 2008, pursuant to the Amending Agreement (*Note 5*), the Company issued to AngloGold 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.

Incentive shares

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 (\$101,839). 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. The proceeds received from the trustees have been classified as related party loans on the Consolidated Balance Sheet.

Stock options

On August 4, 2009, the Company granted approximately 10 million incentive stock options with an exercise price of Cdn.\$0.80 per option to non-executive directors, non-executive officers, employees and consultants of the Company. These stock options have a term of five years and expire on August 3, 2014. One-third of these options vested on August 4, 2009, another one-third will vest on February 4, 2010 and the remainder will vest on August 4, 2010. It is the Company's policy to not grant stock options to executive directors and officers. The estimated fair value of these options totalling approximately \$5 million is being recognized over the vesting period. The fair value was estimated at \$0.50 per option at the grant date using the Black-Scholes option pricing model based on a risk-free annual interest rate of approximately 2.66%, an expected life of five years, an expected volatility of 86.7%, and a dividend yield rate of nil.

Option pricing models require the input of highly subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options at date of grant.

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A summary of changes to stock options outstanding:

	<i>Number of outstanding options (‘000’s)</i>	<i>Weighted- average exercise price (in Cdn.\$)</i>
Outstanding at December 31, 2007	4,915	2.40
Granted	640	2.40
Cancelled/ expired	(175)	2.40
Outstanding at December 31, 2008	5,380	2.40
Granted	10,060	0.80
Options issued on Central Sun acquisition (Note 4)	7,989	1.45
Exercised	(384)	0.67
Forfeited/ expired	(825)	2.02
Outstanding at December 31, 2009	22,220	1.38

Stock options outstanding and exercisable as at December 31, 2009 are as follows:

	<i>Range of exercise price (in Cdn.\$)</i>	<i>Number of outstanding options (‘000’s)</i>	<i>Weighted- average years to expiry</i>	<i>Weighted- average exercise price (in Cdn.\$)</i>	<i>Number of exercisable options (‘000’s)</i>	<i>Weighted- average exercise price (in Cdn.\$)</i>
Issued:						
2007	2.40	4,710	2.94	2.40	4,710	2.40
2008	2.40	445	3.13	2.40	297	2.40
2009 (Central Sun replacement options)	0.95 – 3.72	7,245	2.37	1.44	7,245	1.44
2009	0.80	9,820	4.59	0.80	3,273	0.80
		<u>22,220</u>	3.49	1.38	<u>15,525</u>	1.61

B2GOLD CORP.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****December 31, 2009 and 2008****(all tabular amounts are in thousands of United States dollars unless otherwise stated)****Share purchase warrants**

A summary of changes to share purchase warrants outstanding:

	<i>Number of outstanding warrants (‘000’s)</i>	<i>Weighted- average exercise price (in Cdn.\$)</i>
Outstanding at December 31, 2007	2,000	2.50
Issued to AngloGold (Note 5)	21,400	3.78
Outstanding at December 31, 2008	23,400	3.67
Issued to Macquarie (Note 10)	11,064	0.97
Warrants issued on Central Sun acquisition (Note 4)	18,062	0.95
Exercised	(384)	0.11
Expired	(1,127)	0.82
Outstanding at December 31, 2009	51,015	2.21

Share purchase warrants outstanding and exercisable as at December 31, 2009 are as follows:

	<i>Number of outstanding and exercisable warrants (‘000’s)</i>	<i>Exercise price (in Cdn.\$)</i>
Expiring Oct 22, 2010 *	16,423	0.98
Expiring November 9, 2012	11,064	0.97
Expiring May 15, 2011	11,000	3.34
Expiring May 15, 2011	10,400	4.25
Expiring Dec 6, 2010	2,000	2.50
Expiring Aug 12, 2010 *	128	0.88
	51,015	2.21

* Central Sun replacement warrants (Note 4)

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The following table shows the changes in the category "Value assigned to stock options and share purchase warrants" as presented under shareholders' equity on the consolidated balance sheets:

	2009	2008
	\$	\$
Balance, beginning of year	11,308	2,638
Fair value assigned to Central Sun stock options and share purchase warrants exchanged (<i>Note 4</i>)	7,353	-
Fair value assigned to warrants issued to Macquarie (<i>Note 10</i>)	4,469	-
Stock-based compensation - expensed	3,220	3,949
Stock-based compensation - capitalized to resource property interests	1,631	1,060
Transfer to share capital on the exercise of stock options	(181)	-
Fair value assigned to warrants issued to AngloGold (<i>Note 5</i>)	-	3,661
Balance, end of year	27,800	11,308

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14 Supplementary cash flow information

Supplementary disclosure of cash flow information is provided in the table below:

	2009	2008
	\$	\$
Non-cash investing and financing activities:		
Common shares issued for Central Sun acquisition (Note 4)	50,802	-
Fair value assigned to Central Sun stock options and share purchase warrants exchanged (Note 4)	7,353	-
Fair value assigned to warrants issued to Macquarie (Note 10)	4,469	-
Accounts payable and accrued liabilities relating to resource property expenditures	5,258	2,661
Future income tax liabilities relating to resource property expenditures	479	828
Stock-based compensation, capitalized to resource property interests	1,631	1,060
Common shares issued for B2Gold/ AngloGold transaction (Note 5)	-	33,750
Common shares issued for Gramalote Additional Interest (Note 8)	-	6,000
Fair value assigned to warrants issued to AngloGold (Note 5)	-	3,661

On July 8, 2009, the Company received loans in the amount of Cdn.\$2 million from certain officers and shareholders of the Company which were interest bearing at a rate of 5% per annum. These loans were fully repaid together with interest on July 22, 2009.

On November 3, 2009, the Company received a loan in the amount of Cdn.\$1 million from a certain officer and shareholder of the Company which was interest bearing at a rate of 5% per annum. Subsequent to December 31, 2009, this loan was fully repaid together with interest on February 18, 2010.

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15 Income taxes

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. On acquisition of mineral property interests the Company records a future income tax liability and a corresponding adjustment to the related asset carrying amount.

The following sets forth the tax effect of temporary differences that give rise to significant portions of the future income tax assets and future income tax liabilities:

	2009	2008
	\$	\$
Future income tax assets		
Operating loss carry-forwards	26,951	1,739
Share issuance costs	1,588	862
Current assets and liabilities	4,133	14
Asset retirement obligations	4,486	-
Other	4,214	535
Gross future income tax assets	41,372	3,150
Valuation allowance		
Canada	(8,117)	(2,263)
Costa Rica	(5,516)	-
Nicaragua	(5,548)	-
	(19,181)	(2,263)
Net future income tax assets	22,191	887
Future income tax liabilities		
Resource property interests	(30,335)	(11,918)
Other	(3,472)	(887)
	(33,807)	(12,805)
Net future income tax liability	(11,616)	(11,918)

Non-capital loss carry-forwards for Canadian tax purposes total approximately \$22.3 million at December 31, 2009, unless utilized \$2.9 million expires in 2027, \$10.7 in 2028 and \$8.7 million in 2029.

At December 31, 2009, the Company had tax losses in Nicaragua of \$57.5 million that expire from 2010 through 2012. In Costa Rica, at December 31, 2009 the Company had tax losses of \$70.2 million that expire from 2010 through 2014 of which \$56.8 million represents tax losses attributable to a subsidiary that currently qualifies for a tax exemption expiring in 2016. No future income tax asset has been recognized in respect of the losses of this subsidiary. A valuation allowance of \$4 million has been applied against the related future tax asset arising from the balance of the tax losses.

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16 Financial instruments

Fair values

The Company's financial instruments consist of cash and cash equivalents, accounts and note receivable, marketable securities, accounts payable and accrued liabilities, related party loans and the Credit Facility loan. The book values of cash and cash equivalents, accounts and note receivable, accounts payable and accrued liabilities and related party loans are representative of their respective fair values due to the short-term nature of these instruments. The fair value of the Credit Facility loan (*Note 10*) approximates \$13.5 million (equal to the principal amount drawn under the facility as at December 31, 2009) due to the floating rate nature of this instrument. Marketable securities are carried at their fair values based on published market prices at the balance sheet date.

Cash and cash equivalents and marketable securities are classified as Level 1 and the Credit Facility loan as Level 2 within the fair value hierarchy established by CICA section 3862 (*Note 3*).

Capital risk management

The Company's objectives when managing its capital is to ensure it will be able to continue as a going concern while maximizing the return to shareholders. The selling price of gold, minimizing production costs and a successful exploration environment are key factors in helping the Company reach its capital risk management objectives. The capital structure of the Company includes shareholders' equity and the Credit Facility loan.

Credit risk

Credit risk refers to the risk that another entity will default on its contractual obligations which will result in a loss for the Company. As at December 31, 2009, the Company's maximum exposure to credit risk was the carrying value of cash and cash equivalents and accounts and note receivable. The Company limits its credit exposure on cash and cash equivalents by holding its deposits mainly with Canadian chartered banks.

Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due or can only do so at excessive costs. The Company manages liquidity risk by maintaining sufficient cash balances to meet these needs. Subsequent to December 31, 2009, on February 18, 2010, the Company completed an equity financing of approximately Cdn.\$32 million (*Note 19*) and on February 12, 2010 increased the total amount that can be drawn under the Credit Facility to \$25 million (*Note 10*).

Market risk

Market risk includes currency, price and interest rate risk.

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, Colombian pesos and Russian rubles. As the exchange rates between the Nicaraguan córdoba, Colombian peso, Russian ruble and Canadian dollar fluctuate against the United States dollar, the Company will experience foreign exchange gains and losses. All of the Company's production activities are currently conducted in Nicaragua.

B2GOLD CORP.

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The Company's operations expose it to changes in the price of gold. Currently, the Company does not engage in any activities that would mitigate this risk. A 5% increase/ (decrease) in the price of gold would have resulted in a decrease/ (increase) in earnings of approximately \$1 million in 2009. The Company's 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.

The Company is exposed to interest rate risk on its variable rate Credit Facility loan.

B2GOLD CORP.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****December 31, 2009 and 2008****(all tabular amounts are in thousands of United States dollars unless otherwise stated)****17 Segmented information**

On March 26, 2009, the Company completed a business combination with Central Sun acquiring the Limon Mine (95%) and La Libertad Mine (100%). All gold revenue in 2009 was attributable to the Limon Mine. The La Libertad Mine was under construction in 2009, being converted from an open pit heap leach gold mine to a conventional milling operation. Prior to the acquisition of Central Sun, the Company had no source of operating revenue and its principal activity consisted of exploration in Colombia and Russia.

With the acquisition of Central Sun, the Company is presently organized into four segments: (1) Limon Mine, (2) La Libertad Mine (3) Exploration and (4) Corporate and Other. The Exploration segment consists of the Company's interests in mineral properties in Colombia (Gramalote, Mocoa, Quebradona and property interests under the Colombia JV Agreement with AngloGold), Russia (Kupol East and West Licenses) and Nicaragua (Radius and Calibre) which are at various stages of exploration. The Corporate and Other segment includes corporate operations and the Bellavista property in Costa Rica which is presently undergoing environmental and closure audits. The Company's segments are summarized in the following tables.

	<i>Limon Mine</i> \$	<i>La Libertad Mine</i> \$	<i>Exploration</i> \$	<i>Corporate & Other</i> \$	<i>Total</i> \$
Assets					
Cash	915	1,612	64	333	2,924
Accounts receivable & prepaids	2,337	3,940	75	1,746	8,098
Note receivable	-	-	-	1,700	1,700
Inventories	7,340	2,923	-	-	10,263
Marketable securities	-	-	-	369	369
Property, plant & equipment	26,154	99,986	41,979	2,187	170,306
Gramalote investment	-	-	51,914	-	51,914
Other assets	-	-	1,350	430	1,780
	36,746	108,461	95,382	6,765	247,354
Capital expenditures					
	1,937	40,487	8,649	-	51,073
Net loss					
	2,078	-	18,284	7,426	27,788

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The Company's capital assets are located in the following geographical locations. In addition, the Gramalote property (*Note 8*) is located in Colombia.

	2009	2008
	\$	\$
Capital assets		
Canada	40	149
Colombia	31,593	47,780
Costa Rica	2,147	-
Nicaragua	126,726	-
Russia	9,800	7,401
	170,306	55,330

18 Contingent gain

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 (*Notes 4 and 7*) 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 this contingency has been made in the consolidated financial statements.

19 Subsequent events

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 Ashanti Limited (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.

Subsequent to December 31, 2009, the Company issued 257,480 common shares upon the exercise of share purchase warrants and stock options.