B2GOLD CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the quarters ended June 30, 2010 and 2009
(All tabular amounts are expressed in United States dollars, unless otherwise stated)

This Management's Discussion and Analysis has been prepared as at August 11, 2010 and contains certain "Forward-Looking Statements" within the meaning of the Canadian Securities laws. All statements, other than statements of historical fact, included herein, including without limitation statements regarding potential mineralization, exploration results and future plans and objectives of B2Gold Corp. (the "Company" or "B2Gold") are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.

The following discussion of the operating results and financial position of the Company should be read in conjunction with the unaudited interim consolidated financial statements and the notes thereto of the Company for the six months ended June 30, 2010 and the audited consolidated financial statements of the Company and the notes thereto for the year ended December 31, 2009. 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.

OVERVIEW

B2Gold Corp. ("B2Gold" or the "Company") is a Vancouver-based gold producer with mining operations in Nicaragua and a portfolio of development and exploration assets in Colombia, Nicaragua and 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 July 22, 2010, the Company announced that it had reached an agreement with Kinross to sell its right to acquire an interest in the Kupol East and West Licenses (see "Kupol East West Licenses" section).

On March 26, 2009, B2Gold completed a business combination with Central Sun Mining Inc. ("Central Sun") in which B2Gold acquired all of the outstanding common shares of Central Sun. As a result of this transaction, B2Gold acquired the 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. Prior to the acquisition of Central Sun, the Company had no source of operating revenue.

RESULTS OF OPERATIONS

Second quarter 2010 and 2009

The La Libertad Mine achieved commercial production on February 1, 2010 following the completion of the conversion of the La Libertad Mine from a heap leach mine to a conventional milling operation. All gold revenue in 2009 was attributable to the Limon Mine. Prior to the acquisition of Central Sun on March 26, 2009, the Company had no source of operating revenue and its principal activity consisted of exploration in Colombia and Russia.

Consolidated gold revenue increased by approximately 300% in the second quarter of 2010 compared to the same period in 2009. Gold revenue totalled $23.3 million (Q2 2009 - $7.9 million) on the sale of 19,319 ounces (Q2 2009 – 8,513 ounces) at an average realized price of $1,204 per ounce (Q2 2009 - $922 per ounce). The increase in gold revenue was mainly due to the commencement of commercial production at the La Libertad Mine on February 1, 2010, continued improvement in production at the Limon Mine as well as to higher current market gold prices.

Consolidated gold production for the second quarter of 2010 totalled 24,924 ounces at an operating cash cost of $648 per ounce compared to 6,832 ounces being produced in the corresponding period of 2009 at an operating cash cost of $858 per ounce. Cash costs are expected to progressively decrease quarter over quarter throughout 2010 as the strip ratio at the La Libertad Mine decreases and production of fresh ore increases combined with higher throughput once commissioning of the second ball mill is completed.

The Company reported a net loss of $4.2 million (negative $0.01 per share) on revenue of $23.3 million for the second quarter of 2010 compared to a net loss of $2.8 million (negative $0.01 per share) on revenue of $7.9 million in the equivalent period of 2009. Interest and financing expenses increased by $1.4 million (including amortization of deferred financing costs of $1.1 million) in the second quarter of 2010 compared to the second quarter of last year as a result of the Credit Facility (see "Credit Facility" section), established on November 6, 2009. General and administrative costs increased by $1.9 million to $4.2 million in the current quarter, primarily due to increased activities resulting from the Central Sun acquisition (including general and administrative costs relating to the regional office in Nicaragua) and to the strengthening of the Canadian dollar against the United States dollar as corporate head office expenses are incurred primarily in Canadian dollars.

Summary of Unaudited Quarterly Results:

	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008
Gold sales (ounces)	19,319	15,447	3,211	9,508	8,513	-	-	-
Average realized gold price ($/ ounce)	1,204	1,104	1,104	972	922	-	-	-
Gold produced (ounces)	24,924	16,265	3,577	10,203	6,832	-	-	-
Cash operating costs ($/ ounce)	648	772	1,115	647	858	-	-	-
Total cash costs ($/ ounce)	709	831	1,193	699	923	-	-	-
Gold revenue ($ in thousands)	23,266	17,051	3,544	9,243	7,851	-	-	-
Loss and comprehensive loss for the period ($ in thousands)	4,166	4,588	17,254	1,964	2,843	5,727	14,987	4,547
Loss per share – basic and diluted ($)	0.01	0.02	0.06	0.01	0.01	0.04	0.10	0.03

First six months 2010 and 2009

For the first six months of 2010, consolidated gold revenue was $40.3 million compared to $7.9 million in the same period in 2009, an increase of over 500%. The increase was mainly attributable to production from the La Libertad Mine which commenced commercial production on February 1, 2010 (the mine was under construction in 2009) and to the benefit of including a full six months of production from the Limon Mine in the 2010 period which was acquired from Central Sun near the end of the first quarter of 2009. Also contributing to higher gold revenue was the increase in the average gold price received to $1,160 per ounce compared to $922 per ounce in 2009.

Consolidated gold production for the six months ended June 30, 2010 totalled 41,189 ounces at an operating cash cost of $697 per ounce compared to 6,832 ounces being produced in the corresponding period of 2009 at an operating cash cost of $858 per ounce. Cash costs are expected to progressively decrease quarter over quarter throughout 2010 as the strip ratio at the La Libertad Mine decreases and production of fresh ore increases combined with higher throughput once commissioning of the second ball mill is completed.

For the first half of 2010, the Company reported a loss of $8.8 million (negative $0.03 per share) on revenue of $40.3 million compared to a loss of $8.6 million (negative $0.04 per share) on revenue of $7.9 million in the equivalent period of 2009. The loss for the six months ended June 30, 2009 included a write-off of resource property costs in the amount of $3.1 million (the Company elected not to continue with the Nariño, San Luis and Yarumalito properties in Colombia).

LA LIBERTAD MINE (formerly the "Orosi Mine")

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

	Three months ended June 30		**Six months ended June 30**	
	2010	**2009**	**2010**	**2009**
Gold revenue ($ in thousands)	13,033	-	19,554	-
Gold sold (ounces)	10,790	-	16,663	-
Average realized gold price ($/ ounce)	1,208	-	1,173	-
Tonnes milled	386,881	-	590,068	-
Grade (grams/ tonne)	1.53	-	1.37	-
Recovery (%)	82	-	85	-
Gold production (ounces)	15,548	-	21,557	-
Cash operating costs ($/ ounce)	564	-	698	-
Total cash costs ($/ ounce)	617	-	752	-

In the second quarter of 2010, the La Libertad Mine continued to ramp up mill through put and fresh ore mining, while finalizing construction of three new leaching tanks and subsequently completing the second ball mill and the tailings impoundment. Process plant automation and other improvements continue.

The La Libertad Mine commenced commercial production on February 1, 2010 less than two months after the mill facilities commenced processing ore. The commissioning of the second ball mill was completed in the second quarter. Ore processing ramped up to 4,450 tonnes per day ("t/d") in June, 4,880 t/d in July and is expected to increase to 5,500 t/d by the end of August. Gold production for the last half of 2010 is projected to be 45,000 to 47,500 ounces at an operating cash cost of $475 to $500 per ounce.

Second quarter gold sales for La Libertad totalled 10,790 ounces at an average sales price of $1,208 per ounce generating revenue of approximately $13 million. Gold bullion production was 15,548 ounces at an operating cash cost of $564 per ounce compared to budget of 22,354 ounces at an operating cash cost of $508 per ounce. The higher than budgeted cash cost was mainly due to lower grade ore and lower recovery. Operating cash costs are budgeted to decrease progressively quarter over quarter throughout 2010 as mill throughput increases to 5,500 t/d. The mill plant processed 386,881 tonnes (including “spent ore” from previous heap leach operations) versus 409,500 tonnes budgeted, with a grade of 1.53 g/t gold versus 1.95 g/t budgeted. Approximately 40% of the ore processed through the mill was classified as spent ore contributing to the lower than budgeted grade. Spent ore grades averaged 0.80 g/t gold in the first half of the year which was lower than the budgeted grade of 1.13 g/t. For the second half of 2010, the mill throughput is forecasted to consist of a blend of 70% fresh ore and 30% spent ore, as per the original budget. It is expected that open pit grades will improve over the grades achieved in the first half of the year to an average gold grade of 2.19 grams per tonne. Forecast spent ore grade has been reduced for the remainder of 2010 from 1.13 g/t gold to 0.80 g/t gold. Recoveries were lower than budget during the quarter due to the malfunction of some equipment in the ADR circuit in May. Temporary measures to remedy the problem have been completed resulting in improved recoveries to budget, and a long term solution of upgrading and adding equipment in the circuit is in progress. Gold recovery for the last half of 2010 is expected to meet budgeted recoveries of 87%.

Total capital expenditures during the first half of 2010 were $11.2 million or approximately $1 million higher than budget. In addition, payments of $3.1 million relating to capital costs incurred in 2009 were made in 2010 bringing the total capital payments to $14.3 million. Most of the capital budget over-run occurred during the completion of the processing facilities and the installation of the second ball mill with expenditures of $4.2 million. Completion of the tailing storage facility was $0.35 million over budget at a cost of $5.3 million during 2010. All other capital expenditures were within expectations of $1.7 million and related to the purchase of a drill, pick-up trucks, land and miscellaneous. Forecast capital expenditures for 2010 at La Libertad have been increased by approximately $2 million to $13.1 million. This will cover the purchase of a front end loader for the crushing plant, replacing a rental unit and for expansion and processing improvements to the ADR plant which will help increase gold recoveries.

LIMON MINE

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

	Three months ended June 30		**Six months ended June 30**	
	2010	**2009**	**2010**	**2009**
Gold revenue ($ in thousands)	10,233	7,851	20,763	7,851
Gold sold (ounces)	8,529	8,513	18,103	8,513
Average realized gold price ($/ ounce)	1,200	922	1,147	922
Tonnes milled	82,910	53,483	169,075	53,483
Grade (grams/ tonne)	4.06	4.67	4.17	4.67
Recovery (%)	87	88	88	88
Gold production (ounces)	9,375	6,832	19,632	6,832
Cash operating costs ($/ ounce)	789	858	696	858
Total cash costs ($/ ounce)	862	923	762	923

Gold production continues to improve at the Limon Mine. In the second quarter of 2010, the Limon Mine processed 82,910 tonnes of ore at an average grade of 4.06 g/t producing 9,375 ounces of gold, an increase of 2,543 ounces compared to 6,832 ounces produced in the equivalent period in 2009. Gold production was lower in 2009 due to a number of illegal union strikes.

Second quarter gold sales from the Limon Mine totalled 8,529 ounces (Q2 2009 – 8,513 ounces) at an average realized price of $1,200 per ounce (Q2 2009 - $922 per ounce) generating revenue of $10.2 million (Q2 2009 - $7.9 million). Operating cash cost was $789 per ounce, higher than budget of $618 per ounce due to costs incurred from additional ore supplied from properties located 30 kilometres ("km") from the Limon mill, higher import duties (for urgent items) and an increase in the cost allocation of approximately $650,000 during the quarter for salaries and benefits relating to employees who had been budgeted to work on underground development which did not occur. Also increasing the cash cost per ounce was reduced production relative to budget owing to slightly lower grade and fewer tonnes processed. Year to date operating cash cost was $696 per ounce compared to budget of $625 per ounce. Forecast gold production from the Limon Mine for the second half of 2010 is 20,000 ounces at an operating cash cost of approximately $650 to 675 per ounce.

Capital expenditures for the Limon Mine were budgeted at $6.6 million for 2010 which includes new underground mining equipment. During the second quarter, $1.1 million was incurred; the most significant expenditures included the completion of the expansion of existing Santa Rosa tailings storage facility and geotechnical campaign for new San Jose tailings storage facility. There has been one temporary capital cost deferral, of Santa Pancha deepening project, which will be initiated after completion of exploration drilling. Overall capital costs are forecasted to be as budgeted for the year.

The Limon Mine concession includes numerous epithermal gold-quartz veins and has been in operation as an underground and open pit gold mine since 1941. To date the Limon Mine has produced approximately three million ounces of gold. The current operation is a 1,000 tonnes per day ("t/d") underground and open pit mine. The Limon Mine currently has a mine life of 3.5 years with projected average annual production of approximately 40,000 ounces of gold. The Company's technical team believes there is excellent potential to increase the Limon mine life and discover additional veins.

BELLAVISTA PROPERTY

The Company continues with site monitoring and maintenance. Field programs focused on the maintenance of drainage channels to prepare the site for the rainy season. Modifications were made to the Environmental Management Plan and this has been submitted to the Secretaria Technical Nacional Ambiental ("SETENA") for approval. These modifications reflect many of the recommendations made in the Phase II Environmental and Closure Audit. Monitoring to date has not detected any environmental issues, and it also confirms that the landslide area remains stable.

Several work programs were initiated for the potential reopening of the Bellavista Mine using different technologies. These programs are focused on the collection of base line date in the proposed tailings pond area and include the installation of a new weather station, an initial geotechnical investigation, a preliminary flora and fauna survey, and water monitoring. In parallel with these field activities, the Company has contracted with Tetra Tech for a Conceptual Study for the reopening of the mine. The purpose of this study is to provide a detailed project scope that will be presented to SETENA in the fourth quarter of 2010.

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

KUPOL EAST WEST LICENSES

On July 22, 2010, the Company announced that it had reached an agreement with Kinross Gold Corporation ("Kinross") to sell to a subsidiary of Kinross, its right to acquire an interest in the Kupol East and West Licenses. The Company has had the right to acquire and earn in to half of Kinross' interest in these licenses. In consideration of the acquisition by Kinross of the Company's right to acquire an interest in the licenses, Kinross will make an upfront payment of $33 million to the Company, payable upon closing of the transaction and contingent payments of $15 million for each incremental million ounces of gold of National Instrument 43-101 compliant proven and probable reserves contained by the Kupol East and West License areas, up to a maximum of nine million ounces of gold (100% basis). In addition, the Company will receive payments equal to 1.5% of Net Smelter Returns from the commencement of production from the area covered by the Kupol East and West Licenses, subject to a right for Kinross to repurchase the royalty for $30 million.

CREDIT FACILITY

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%. On February 12, 2010, the Company entered into an amending agreement relating to the Credit Facility pursuant to which the Credit Facility was increased to $25 million. As at June 30, 2010, the Company had drawn down a total of $20 million under the Credit Facility.

The Credit Facility provides that in certain events or on December 1, 2010 the lender has the right to review the Credit Facility and may within 28 days of such event or date determine whether to continue to make the Credit Facility available or terminate it and require repayment within 60 days. Management believes that it is unlikely that the Credit Facility will be terminated prior to its maturity date of December 31, 2011. However, since the Credit Facility is subject to review by Macquarie on December 1, 2010, the Credit Facility was classified as a current liability as at June 30, 2010.

LIQUIDITY AND CAPITAL RESOURCES

The Company ended the second quarter of 2010 with cash and cash equivalents of $14.1 million and working capital of $11.6 million compared to cash and cash equivalents of $21.7 million and working capital of $17 million at March 31, 2010. The decrease of the Company's cash and cash equivalents was mainly due to capital expenditures incurred on upgrading the La Libertad Mine and to exploration expenditures incurred in Nicaragua, Colombia and Russia.

On July 22, 2010, the Company announced that it had reached an agreement with Kinross to sell its right to acquire an interest in the Kupol East and West Licenses (see "Kupol East West Licenses" section). Kinross will make an upfront payment of $33 million to the Company, payable upon closing of the transaction.

The following table presents, as at June 30, 2010, the Company's known contractual obligations, relating to the Limon Mine and La Libertad Mine. The timing of the Company's asset retirement obligations is also presented below on an undiscounted basis.

	Total	2010	2011	2012	2013	2014 and later
	$ (000's)	$ (000's)	$ (000's)	$ (000's)	$ (000's)	$ (000's)
Purchase commitments	1,195	1,195	-	-	-	-
Asset retirement obligations (undiscounted)	19,374	686	2,946	982	3,848	10,912

The Company expects to generate positive operating cash flow in 2010 with both the Limon and La Libertad mines operating in 2010.

Operating activities

Cash flow from operating activities (before non-cash working capital changes) for the second quarter of 2010 was $0.8 million compared to negative $1.6 million in the comparable period last year. The favourable change was primarily attributable to the commencement of commercial production of the La Libertad Mine on February 1, 2010.

Cash flow from operating activities (before non-cash working capital changes) for the six months ended was $0.7 million compared to negative $4.5 million in the comparable period last year.

Financing activities

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.

The Company drew down an additional $6.5 million (net) on its Credit Facility during the six months ended June 30, 2010 of which $1 million (net) was drawn in the second quarter. As at June 30, 2010, the Company had drawn down a total of $20 million under the Credit Facility.

The Company received proceeds of $2.7 million from the exercise of stock options and warrants in the second quarter of 2010.

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

Investing activities

During the three and six months ended June 30, 2010, capital expenditures (on a cash basis) at the La Libertad Mine totalled $3.8 million and $14.3 million (or $11.2 million on an accrual basis after excluding $3.1 million of related accounts payable accrued at December 31, 2009 and settled in the period), respectively (see "La Libertad Mine" section).

During the three and six months ended June 30, 2010, capital expenditures (on a cash basis) at the Limon Mine totalled $1.1 million and $2.3 million, respectively (see “Limon Mine” section).

During the three and six months ended June 30, 2010, resource property expenditures for exploration (on a cash basis) totalled $5.3 million and $8.8 million, respectively, expended as follows:

	Three months ended June 30		**Six months ended June 30**	
	2010	**2009**	**2010**	**2009**
	$ (000’s)	**$ (000’s)**	**$ (000’s)**	**$ (000’s)**
Exploration and other development:				
La Libertad Mine	**1,541**	105	**2,070**	105
Calibre joint venture	**893**	-	**1,640**	-
Gramalote	**555**	905	**1,370**	2,220
Limon Mine	**779**	20	**1,247**	20
Radius joint venture	**700**	-	**1,132**	-
Kupol East and West Licenses	**514**	539	**1,092**	1,025
Mocoa	**279**	153	**279**	473
Other Colombia properties, under AngloGold JV arrangement	**-**	884	**-**	2,144
	5,261	2,606	**8,830**	5,987

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

At La Libertad Mine, a 12,000 metre ($3 million) diamond drill program commenced in March 2010. The drilling is following up historic high grade drill results below the current mine pits with good potential to increase the mine’s reserve and resource base. In addition, the drilling will test some of the numerous regional targets identified along the 20 kilometre belt from historic work and the 2009 exploration program.

At the Limon Mine, a surface exploration program comprised of geophysics, soil geochemistry and geological mapping is currently underway with a trenching program set to start once permits are received. A 7,000 metre drill program recommenced in mid-March, targeting a combination of exploration and ore definition targets. Additionally, a 7,800 metre drill program is expected to be completed on the Santa Pancha deep area during 2010 with the intention of upgrading the existing inferred resource to indicated category. The Company has a total exploration and drilling budget for the Limon property of approximately $3.8 million for 2010.

On the Trebol property (a joint venture with Radius), a 3,000 metre diamond drilling program is scheduled for the second half of the year. Work which is ongoing has consisted of hand dug trenches and geochemical soil sampling over the 25 kilometre strike length of the system. The 2010 exploration budget is approximately $1.8 million.

On the Pavon (Natividad) property (a joint venture with Radius), a detailed trenching program is currently underway to define the continuity of high grade, near surface veining and associated stock work mineralization that could potentially be exploited in two shallow open pits. The Company has an option to acquire a 60% interest in the Trebol, Pavon and San Pedro properties owned by Radius.

On the Borosi property (a joint venture with Calibre), Calibre has completed geological mapping and prospecting, soil sampling and trenching on the Eastern Epithermal, Rosita and Bonanza targets. Initial results from this work have outlined several targets. A 5,000 metre diamond drill program testing these initial targets began in March.

The Company is currently in discussions with AngloGold regarding further exploration of the Gramalote property.

On the Kupol East and West properties, a 4,200 metre diamond drilling program commenced in March 2010 on the Kupol West property's Moroshka west zone following up on results from the Moroshka basin announced on January 19, 2010. These previously announced results confirmed the presence of a northerly trending system of gold bearing quartz veins, which was a follow up to the drill results and new vein discovery announced last year at the Moroshka basin, 4 kilometre east of the Kupol mine. On July 22, 2010, the Company announced that it had reached an agreement with Kinross to sell its right to acquire an interest in the Kupol East and West Licenses (see "Kupol East West Licenses" section).

For the first six months of 2009, the Company redeemed approximately $33 million of funds invested in highly liquid money market investments of which $15.9 million was advanced to Central Sun prior to the Acquisition Date in order to finance the repayment by Central Sun of an existing $8 million debt obligation and to fund the re-commencement of construction at La Libertad. A further $10.3 million went towards the development of the La Libertad Mine in the second quarter of 2009. During the six months ended June 30, 2009, the Company also incurred resource property expenditures for exploration and development in the amount of $5.9 million, on a cash basis, on its projects in Colombia and Russia as follows: $2.2 million on the Gramalote property, $2.2 million on Colombian properties under the joint venture arrangement with AngloGold, $0.5 million on Mocoa and $1 million (the Company's 50% share) on the East and West Kupol Licenses.

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

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, 2009. Management considers the following policies to be the most critical in understanding the judgments that are involved in the preparation of the Company’s consolidated financial statements and the uncertainties that could impact its results of operations, financial condition and cash flows:

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

Purchase price allocation

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

Use of estimates

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

Impairment of long-lived assets

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

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

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

Depreciation and depletion

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

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

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

Asset retirement obligations

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

Future income taxes

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

Stock-based compensation

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

RECENT ACCOUNTING PRONOUNCEMENTS

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

At this time, the Company has not yet determined the impact of the transition on its consolidated financial condition. However, it is completing a review of its accounting policies and of Canadian GAAP relevant to its financial reporting requirements to determine the key differences and options with respect to acceptable accounting standards under IFRS. Following this initial diagnostic step, in 2010 the Company will proceed to make a determination of the impact of transition to IFRS on its financial statements and systems, if any. The implementation and transition phase to IFRS are currently planned for 2010 in order to meet the expected adoption date of January 1, 2011. Training of Company personnel started and will continue throughout 2010. Areas of potential differences identified to date include:

Asset retirement obligations

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

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

Property, plant and equipment

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

- IFRS 1 allows companies to elect fair value as the deemed cost of an individual asset at the date of transition.

- IFRS requires a componentization approach, separately identifying and measuring significant individual components of assets which have different useful lives. Significant components will be depreciated based on their individual useful lives.

Impairment (long-lived assets, intangibles and goodwill)

In evaluating the Company's long-lived assets for recoverability, the undiscounted future cash flows of the individual mining operations are used to perform the test. 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.

- IFRS requires the use of a one-step impairment test (impairment testing is performed using discounted cash flows) rather than the two-step test under Canadian GAAP (using undiscounted cash flow as a trigger to identify potential impairment loss).
- IFRS requires reversal of impairment losses (excluding goodwill) where previous adverse circumstances have changed; this is prohibited under Canadian GAAP.
- Impairment testing should be performed at the asset level for long-lived assets and intangible assets. Where the recoverable amount cannot be estimated for individual assets, it should be estimated as a part of a Cash Generating Unit.
- Impairment testing under IFRS is performed using two new valuation methods – value in use and fair value less cost to sell.

Foreign currency translation

- IFRS uses a functional currency concept (currency of the primary economic environment in which the entity operates) to determine the method of measuring foreign currency translation. Canadian GAAP uses the concept of integrated and self-sustaining foreign operations.

Business combinations

During 2009, the Corporation completed the acquisition of Central Sun. Acquisitions are accounted for using the purchase method whereby assets and liabilities acquired are recorded at their fair values as of the date of acquisition and any excess of the purchase price over such fair value is recorded as goodwill. Under IFRS:

- IFRS 1 provides the option to not apply the IFRS business combinations standard on a retrospective basis.
- A new business combinations standard IFRS 3(R) will be applicable prior to transition, and will significantly change accounting for acquisitions including the following:

    - Transaction costs will be expensed as incurred.
    - Assets and liabilities will be recorded at full fair value, rather than at the value of the consideration paid.
    - In step acquisitions, the assets and liabilities owned prior to the acquisition of majority interest are re-valued at the date of acquisition.

Financial Instruments

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

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

RISKS AND UNCERTAINTIES

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

Exploration, Development and Operating Risks

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

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

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

Foreign Countries and Mining Risks

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

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

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

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

Restriction on Foreign Investment and Capital Raising in Russia

As of May 7, 2008, the Foreign Investment Law came into force, as well as amendments to several pieces of legislation including, in particular, amendments to the Law On the Subsoil (the "Amendments"). Pursuant to the Amendments, subsoil plots containing gold reserves of 50 tons or more are deemed plots of federal significance. Under the Foreign Investment Law, transactions relating to the acquisition of control by a foreign investor or group of foreign investors ("Foreign Investor") over strategic companies engaged in use of subsoil plots having federal significance are subject to prior approval by the federal body authorized to control foreign investment (the Company would be deemed a Foreign Investor). The Amendments state that the government may refuse to grant to a company controlled by a Foreign Investor the subsoil use rights for the purpose of final exploration and production of minerals from the plot. In such an instance, compensation in the form of a payment for expenses incurred by the relevant subsoil user in the course of exploration, as well as a premium to be determined but not necessarily corresponding to market value of the property in question will be paid. The legislation also restricts the raising of capital by certain Russian companies. Under the legislation, prior governmental approval is required for the acquisition by a Foreign Investor of 10% or more of the voting shares of a strategic company, which includes any Russian company engaged in subsoil use of plots containing gold reserves of 50 tons or more. In addition, governmental approval is required if a Foreign Investor is to acquire the right to elect more than 10% of the directors of a strategic company or enter into a management agreement with, or determine the decision of the management bodies of, the strategic company and similar arrangements resulting in control over a strategic company. These rules also apply to transactions and agreements entered into outside of Russia, if the transactions or agreements result in the establishment of control over strategic companies.

As the Foreign Investment Law and the Amendments have only recently become effective, it is not certain how the significant control and discretion provided to the Government of the Russian Federation in respect of subsoil use in Russia will be applied from time to time. The legislation could have a significant impact upon the Company's ability to further develop the East and West Kupol Licenses. There can be no assurance that the required governmental approvals required to develop the East and West Kupol Licenses will be granted on acceptable terms or at all and the new legislation provides that if the approval is not granted, the compensation payable would be limited to the expenses incurred in the course of exploration and certain additional premium, not necessarily corresponding to the market value of the relevant property.

Property Interests

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

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

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

Commodity Prices

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

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

Currency Risks

The Company’s operations in foreign countries are subject to currency fluctuations and such fluctuations may materially affect the Company’s financial position and results. The Company reports its financial results in United States dollars and incurs expenses in United States dollars, Canadian dollars, Nicaraguan córdobas, 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.

In Russia, currency transactions between residents and non-residents can generally be carried out without any restrictions except that parties must buy and sell foreign currency only in specially licensed banks. However, in circumstances of political and/or economic instability, foreign currency transactions may be volatile.

The Russian ruble is not convertible outside Russia and is not traded internationally. Although a market exists within Russia for the conversion of the Russian ruble into other currencies, that market is limited in size and is subject to certain restrictions.

Environmental Compliance

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

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

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

INTERNAL CONTROLS

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure. Management, with the participation of the certifying officers, has evaluated the effectiveness of the design and operation, as of June 30, 2010, of the Company’s disclosure controls and procedures (as defined by the Canadian Securities Administrators). Based on that evaluation, the certifying officers have concluded that such disclosure controls and procedures are effective and designed to ensure that material information relating to the Company and its subsidiaries is made known to them by others within those entities.

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and compliance with Canadian generally accepted accounting principles in the financial statements. Management has evaluated the design of internal controls over financial reporting and has concluded that such internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in Canada. In addition, there have been no changes in the Company's internal control over financial reporting during the period ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

NON-GAAP MEASURES

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

	Three months ended June 30		Six months ended June 30	
	2010	**2009**	**2010**	**2009**
	\$ (000's)	**\$ (000's)**	**\$ (000's)**	**\$ (000's)**
Operating costs per consolidated financial statements	**14,119**	7,188	**26,921**	7,188
Royalties and production taxes	**1,507**	439	**2,472**	439
Inventory sales adjustment	**2,041**	(1,323)	**1,790**	(1,323)
	17,667	6,304	**31,183**	6,304
Gold production (in ounces)	**24,924**	6,832	**41,189**	6,832
Total cash costs per ounce of gold production (\$/ounce)	**709**	923	**757**	923

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

OUTLOOK

Looking forward, the Company will be busy on numerous fronts for the remainder of 2010. We will continue to optimize gold production at La Libertad and Limon mines and remain focused on growth through exploration, development and acquisitions. In addition while we are committing significant funds to carry out numerous development and exploration programs on high quality targets, we will remain in a strong financial position due to our existing large cash balance and cash from operations.

Operations

La Libertad Mine, Nicaragua

La Libertad open pit gold mine achieved commercial production on February 1, 2010. After successfully completing the installation of a second ball mill in the second quarter, mill throughput has continued to increase and is projected to reach 5,500 tonnes per day by the end of August 2010. In July the mill averaged approximately 4,900 tonnes per day. Gold production for the remainder of 2010 is projected to be approximately 45,000 to 47,500 ounces of gold at an operating cash cost of \$475 to \$500 per ounce. In 2011 the Company projects La Libertad Mine will produce 80,000 to 90,000 ounces of gold.

Operating cash costs are projected to decrease over the third and fourth quarters of the year as the mill reaches full capacity, and the ore grade increases as scheduled in the mine plan. Total gold production from La Libertad Mine for 2010, since the commencement of commercial production on February 1st, is now projected at approximately 70,000 ounces of gold at an operating cash cost of approximately \$545 to \$565 per ounce.

The Company will also continue development and exploration drilling at La Libertad geared towards infill drilling to move resources to reserves and explore some of the numerous exploration targets identified along the 20 km gold belt on the property. Drilling results to date in 2010 have been very successful with good results around the current and planned open pits and the discovery of a new significant gold vein system called Jabali, approximately 6 kilometres east of La Libertad Mine. Based on these encouraging results, the Company has decided to add a third drill rig to the program and increase the 2010 exploration budget from $3.1 million to $4.6 million. The Company expects to release assay results from recent Jabali drilling in the third quarter.

Limon Mine, Nicaragua

For the remainder of 2010 the Limon Mine is projected to produce approximately 20,000 ounces of gold at a cash operating cost of approximately $650 to $675 per ounce.

Over the past 18 months, B2Gold's Limon exploration team has identified over 20 exploration targets on the property. The Company believes there is excellent potential to increase the 3.5 year current mine life and also discover higher grade open pit and underground deposits.

The Company has recently received a drilling permit for Santa Pancha, which covers the east end of the property including Panteon, Santa Pancha, Babilonia and other targets. Drilling has commenced in the area to test the grade continuity of the known vein systems.

For 2010, the Company has an exploration budget for Limon totaling $3.8 million. To date, 25 holes have been drilled with positive results on new open pit and underground targets and extension to known veins. For the remainder of the year two drill rigs will continue drilling to increase the mine life and explore potential higher grade targets. Historically the Limon Mine has processed significantly higher grade ore.

Diamond drills working in the Santa Pancha area of the El Limon property continue to intersect significant gold grades over considerable widths.

Gramalote Property, Colombia

The Company has recently reached an agreement with AngloGold to recommence exploration and feasibility work at the Gramalote project which is a 51% AngloGold to 49% B2Gold joint venture. As part of this amendment, the companies have agreed to a budget for the Gramalote project, for the second half of 2010 totaling $9.18 million. This budget will fund 10,000 metres of diamond drilling for the exploration of additional targets on the property, infill drilling of the Gramalote deposit and drilling for metallurgical test samples. In addition, the budget will fund feasibility work including additional environmental studies, metallurgical test work and engineering. The joint venture will continue work on safety, health and environmental projects and will continue to work with government and local communities on social programs.

The two companies plan to continue the exploration and feasibility work into 2011 and 2012, with the goal of completing a final feasibility study by the end of 2012. A further program and budget for exploration and feasibility in 2011 is to be approved by the end of November, 2010.

Under the amended terms, AngloGold will become manager of the joint venture project. B2Gold will have equal representation on the joint venture management committee which will unanimously agree each annual program and budget for Gramalote exploration and development. Each joint venture partner will fund their share of expenditures pro rata.

The Company is pleased to have reached this agreement with AngloGold to advance the Gramalote project. We believe the Gramalote property is a significant asset for the Company. It clearly has the potential to be an economically viable open pit gold mine, and through exploration of high value targets the resources could increase significantly.

Bellavista Property, Costa Rica

The Company has commenced several field work programs for the potential reopening of the Bellavista Mine as an open pit gold mine and mill.

In parallel with these field activities, the Company has contracted a Conceptual Study for the reopening of the mine. The purpose of this study is to provide a detailed project scope that will be presented to the Costa Rican mining and environmental ministries in the fourth quarter of 2010. Bellavista was previously operated as a heap leach mine. If the Company re-starts operations, it would be as a milling and carbon-in-pulp process, similar to the Company's recently constructed La Libertad Mine in neighboring Nicaragua.

Kupol East and West Licenses, Far East Russia

The Company recently announced the sale of its interest in the Kupol East and West Licenses in Far East Russia to Kinross Gold.

In consideration of the acquisition by Kinross of B2Gold's right to acquire an interest in the licenses, Kinross will make an upfront payment of $33 million to B2Gold, payable upon closing of the transaction and contingent payments of $15 million for each incremental million ounces of gold of National Instrument 43-101 compliant proven and probable reserves contained by the Kupol East and West License areas, up to a maximum of nine million ounces of gold (100% basis).

In addition, B2Gold will receive payments equal to 1.5% of Net Smelter Returns from the commencement of production from the area covered by the Kupol East and West Licenses, subject to a right for Kinross to repurchase the royalty for $30 million.

We view this as a positive transaction for B2Gold. While we are currently in a strong financial position with funding in place and significant cash from mining operations to cover all 2010 projected expenditures, the funds received in this transaction will further strengthen our financial position and enhance our ability to pursue additional acquisitions. We remain of the belief that the Kupol East and West Licenses have great exploration potential. The structure of this agreement with both an upfront payment and the contingent payments and royalty interest ensures that B2Gold will benefit immediately from a significant gain on its investment in this property and continue to benefit from any future exploration success on the licenses, while not having to fund a share of exploration and development costs. In addition, this sale will allow B2Gold's technical teams to further focus on our numerous projects and other acquisitions.

Nicaraguan Joint Ventures

In addition to the La Libertad and Limon property exploration programs, the Company is involved in two exploration joint ventures in Nicaragua. The Company has the right to earn a majority interest from Radius Gold in two Nicaraguan properties called Pavon and Trebol. Recent trenching has focused on the Pavon Norte vein with a total of 42 trenches now been dug. Trench results continue to show good potential to develop an open pit gold resource at Pavon Norte. The Company continues to take large bulk samples for metallurgical tests. At the Trebol property, activities are focusing on trenching the northernmost surface anomalies to assess the potential strike length of gold mineralization there, with plans for future drilling to assess the resource potential.

The Company has the right to earn a majority interest in the Borosi project, located in north east Nicaragua, owned by Calibre Mining. Calibre as operator is currently exploring the La Luna vein system with a series of drill holes.

Conclusion

In conclusion, the management of B2Gold believes the Company is extremely well positioned to continue our growth as an intermediate gold producer. We will maximize this opportunity by focusing on optimizing current mining operations and further developing and exploring our impressive number of projects while continuing to pursue accretive acquisitions. We have one of the most experienced and successful teams in every facet of the mining industry, that is fully focused on building this company and thereby shareholder value. With our strong cash position and impressive cash from operations, we can continue to advance all of our planned projects without requiring further funding.

OUTSTANDING SHARE DATA

At August 11, 2010 there were 311,954,459 common shares outstanding. In addition, there were approximately 18.3 million stock options outstanding with exercise prices ranging between Cdn.$0.80 to Cdn.$3.72 per share and approximately 49 million share purchase warrants with exercise prices ranging between Cdn.$0.88 to Cdn.$4.25 per share. More information on these instruments is disclosed in Notes 13 and 19 of the Company's December 31, 2009 audited consolidated financial statements.

CAUTION ON FORWARD-LOOKING INFORMATION

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

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