



B2GOLD CORP.

(A Development Stage Company)

Consolidated Financial Statements

December 31, 2008 and 2007

(Expressed in United States dollars, unless otherwise stated)

Auditors' Report

To the Shareholders of B2Gold Corp.

We have audited the consolidated balance sheets of B2Gold Corp. as at December 31, 2008 and December 31, 2007 and the consolidated statements of loss and comprehensive loss and deficit and cash flows for the year ended December 31, 2008 and the period from inception November 30, 2006 to December 31, 2007. 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 of 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, 2008 and December 31, 2007 and the results of its operations and its cash flows for the year ended December 31, 2008 and for the period from inception November 30, 2006 to December 31, 2007, in accordance with Canadian generally accepted accounting principles.

"PricewaterhouseCoopers LLP"

Chartered Accountants

Vancouver, BC
March 25, 2009

B2GOLD CORP.
CONSOLIDATED BALANCE SHEETS
(Expressed in United States dollars)

	As at December 31, 2008	As at December 31, 2007
Assets		
Current		
Cash and cash equivalents	\$ 13,232,670	\$ 98,982,803
Short-term money market investments	33,048,053	-
Accounts receivable	544,559	1,078,579
Note receivable from Puma (Notes 5 and 12)	-	2,067,856
Derivative instrument ("Puma Option") (Note 5)	-	3,045,625
Prepays	83,415	104,200
	46,908,697	105,279,063
Resource property interests (Notes 4,5,6 and Schedule)	55,180,608	7,251,663
Gramalote investment (Notes 4, 7 and Schedule)	49,449,318	17,283,072
Other assets (Note 8)	684,134	825,982
	\$ 152,222,757	\$ 130,639,780
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 2,911,546	\$ 1,114,726
Accrued Gramalote purchase payment (Note 7)	-	7,500,000
Notes payable to Kinross (Notes 5 and 9)	2,572,553	2,572,553
Related party loans (Note 10)	101,839	101,839
	5,585,938	11,289,118
Notes payable to Kinross (Notes 5 and 9)	-	2,404,254
Future income tax liabilities (Notes 4 and 13)	11,917,826	652,028
	17,503,764	14,345,400
Shareholders' Equity		
Capital stock (Note 10)		
Authorized		
- unlimited number of common shares, without par value		
- unlimited number of preferred shares, without par value		
Issued		
- 162,783,318 common shares (December 31, 2007 – 132,277,500)	157,602,009	117,852,009
Value assigned to stock options and share purchase warrants (Notes 4,7 and 10)	11,307,820	2,638,226
Deficit	(34,190,836)	(4,195,855)
	134,718,993	116,294,380
	\$ 152,222,757	\$ 130,639,780
Commitments (Notes 5,6 and 7)		
Measurement uncertainty (Note 6)		
Subsequent events (Notes 4,6,9 and 16)		

Approved by the Board "Clive T. Johnson" Director "Robert J. Gayton" Director

(See accompanying notes to consolidated financial statements)

B2GOLD CORP.
CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS
AND DEFICIT

(Expressed in United States dollars, except shares)

	<i>For the year ended December 31, 2008</i>	<i>For the period from inception (Nov. 30, 2006) to December 31, 2007</i>
Expenses		
Salaries and benefits	\$ 2,577,312	\$ 1,598,444
Office and general	1,475,501	554,422
Travel, meals and entertainment	789,698	646,908
Rent and utilities	638,069	467,028
Community relations	521,221	-
Consulting fees	507,230	352,963
Audit fees	105,864	166,416
Amortization	88,822	46,743
Loss before the undernoted expenses (income)	6,703,717	3,832,924
Foreign exchange loss/ (gain) (Note 14)	12,674,387	(1,551,184)
Write-off of resource property interests (Note 6)	6,445,715	2,312,486
Stock-based compensation (Note 10)	3,949,437	446,369
Loss on derivative instrument ("Puma Option")	3,045,625	54,456
Interest income	(2,583,991)	(537,297)
Interest on notes payable to Kinross (Note 9)	197,472	369,380
Management fees (Note 12)	(129,593)	(273,669)
Loss before income taxes	30,302,769	4,653,465
Current income tax	-	24,128
Future income tax recovery	(307,788)	(481,738)
Loss and comprehensive loss for the period	29,994,981	4,195,855
Deficit, beginning of period	4,195,855	-
Deficit, end of period	\$ 34,190,836	\$ 4,195,855
Basic and diluted loss per common share	\$ 0.21	\$ 0.13
Weighted average number of common shares outstanding	145,806,859	32,384,853

(See accompanying notes to consolidated financial statements)

B2GOLD CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in United States dollars)

	<i>For the year ended December 31, 2008</i>	<i>For the period from inception (Nov. 30, 2006) to December 31, 2007</i>
Operating activities		
Loss for the period	\$ (29,994,981)	\$ (4,195,855)
Non-cash charges (credits)		
Write-off of resource property interests	6,445,715	2,312,486
Stock-based compensation	3,949,437	446,369
Loss on derivative instrument ("Puma Option")	3,045,625	54,456
Interest on notes payable to Kinross	197,472	369,380
Amortization	88,822	46,743
Interest income on note receivable from Puma	(61,416)	(164,178)
Future income tax expense/ (recovery)	(307,788)	(481,737)
Changes in non-cash working capital		
Accounts receivable and prepaids	554,805	(1,182,779)
Accounts payable and accrued liabilities	(504,300)	755,045
	(16,586,609)	(2,040,070)
Financing activities		
Common shares issued for cash, net of issue costs	-	116,927,049
Related party loans, received	-	1,535,236
Related party loans, repayments	-	(554,720)
	-	117,907,565
Investing activities		
Investment in short-term money market instruments	(33,048,053)	-
Gramalote, exploration and development	(10,771,059)	-
Gramalote acquisition (Note 7)	(9,000,000)	(7,701,674)
Quebradona property, exploration	(4,432,972)	(1,006,162)
Mocoa, exploration	(3,710,886)	-
Kupol East West licenses, exploration	(3,382,965)	(1,817,793)
Colombia JV arrangement, exploration	(2,855,013)	(2,434,648)
Repayment of notes payable to Kinross (Note 9)	(2,601,726)	(2,250,266)
Puma note receivable (Note 12)	2,129,272	-
Miraflores, exploration	(1,112,878)	(1,518,175)
Office furniture and equipment	-	(198,369)
Colombia Joint Venture Arrangement, cash acquired (Note 5)	-	282,000
Colombia land purchases	-	(116,571)
Other	(377,244)	(123,034)
	(69,163,524)	(16,884,692)
Increase/ (decrease) in cash and cash equivalents	(85,750,133)	98,982,803
Cash and cash equivalents, beginning of period	98,982,803	-
Cash and cash equivalents, end of period	\$ 13,232,670	\$ 98,982,803

Supplementary cash flow information (Note 11)

(See accompanying notes to consolidated financial statements)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and 2007

(Expressed in United States dollars unless otherwise stated)

1 Nature of operations

B2Gold Corp. ("B2Gold") was incorporated as a private company under the Business Corporations Act (British Columbia) on November 30, 2006. B2Gold was formed by certain former executives of Bema Gold Corporation (*Note 5*). On December 6, 2007, B2Gold completed its initial public offering (*Note 10*) and listed its common shares for trading on the TSX Venture Exchange. On October 23, 2008, the Company's common shares were listed and commenced trading on the Toronto Stock Exchange. As a result of this graduation, the Company's common shares were delisted from the TSX Venture Exchange at the commencement of trading on the Toronto Stock Exchange.

B2Gold is a mineral exploration company focused on the acquisition, exploration and development of interests in precious metals properties worldwide. B2Gold's interests in mineral properties include interests in the Gramalote and Quebradona properties in Colombia and the East and West Kupol licenses in Russia. B2Gold also holds a 100% interest in the Mocoa property, a copper-molybdenum deposit located in Colombia.

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; accordingly, these consolidated financial statements are expressed in United States dollars.

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 10 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 7*) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and 2007

(Expressed in United States dollars unless otherwise stated)

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. Cash and cash equivalents have been designated as held-for-trading.

Short-term money market investments

Short-term money market investments include money market instruments with an original maturity of over three months.

Resource property interests

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 on a units of production basis over the estimated mineral reserves. Unrecoverable costs for projects determined not to be commercially feasible are expensed in the year in which the determination is made or when the carrying value of the project is determined to be impaired.

Property evaluations

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

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

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

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.

Foreign exchange translation

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;

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and 2007

(Expressed in United States dollars unless otherwise stated)

- 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

The Company recognizes the fair value of a liability for an asset retirement obligation when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time are measured by applying an effective interest method and recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. As at December 31, 2008, the Company did not have any asset retirement obligations.

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, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and 2007

(Expressed in United States dollars unless otherwise stated)

Financial instruments

Effective November 30, 2006, the Company adopted the following three new accounting standards and related amendments to other standards on financial instruments issued by the Canadian Institute of Chartered Accountants ("CICA").

- ***Financial Instruments – Recognition and Measurement (Section 3855)***

This standard sets out criteria for the recognition and measurement of financial instruments for fiscal years beginning on or after October 1, 2006. This standard requires all financial instruments within its scope, including derivatives, to be included on a company's balance sheet and measured either at fair value or, in certain circumstances, at cost or amortized cost. Changes in fair value are to be recognized in the statements of operations or other comprehensive income. All financial assets and liabilities are recognized when the entity becomes a party to the contract.

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

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

- ***Comprehensive Income (Section 1530)***

Comprehensive income is the change in shareholders' equity during a period from transactions and other events from non-owner sources. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in other "comprehensive income" until it is appropriate to recognize them in net earnings/ loss. This standard requires the presentation of comprehensive income, and its components in a separate financial statement that is displayed with the same prominence as the other financial statements.

For the periods ended December 31, 2008 and 2007, no items had been included in other comprehensive income and as a result the adoption of Section 1530 has had no impact on the Company's consolidated financial statements.

- ***Hedging (Section 3865)***

This new standard specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not have any hedges and as a result the adoption of Section 3865 has had no impact on the Company's consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and 2007

(Expressed in United States dollars unless otherwise stated)

3 Changes in accounting policies

Accounting policies implemented effective January 1, 2008

Capital Disclosures (Section 1535)

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

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

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

General Standards of Financial Statement Presentation (Section 1400)

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

Accounting policies to be implemented

Goodwill and Intangible Assets (Section 3064)

This section was issued in February 2008 and replaced CICA 3062, "Goodwill and 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. This section is effective as of January 1, 2009. The Company is currently evaluating the effects of adopting this standard.

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

These sections were issued in January 2009 and are harmonized with International Financial Reporting Standards. Section 1582 specifies a number of changes, including: an expanded definition of a business combination, a requirement to measure all business 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.

International Financial Reporting Standards ("IFRS")

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and 2007

(Expressed in United States dollars unless otherwise stated)

January 1, 2011 will require restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

4 B2Gold/ AngloGold transaction

On November 26, 2007, the Company entered into a non-binding memorandum of understanding with AngloGold Ashanti Limited ("AGA") to terminate AGA's right to acquire 20% of the voting securities of Andean Avasca Resources Inc. ("AARI") (100% owned by B2Gold) and to terminate B2Gold's obligation with respect to the listing of AARI's shares (*Note 5*). AARI indirectly has the right to earn material interests in a number of properties in Colombia, including the Quebradona property, pursuant to the terms of a joint venture agreement with AGA. On February 13, 2008, the Company entered into a binding memorandum of agreement ("MOA") with AGA that expanded on and superseded the non-binding memorandum of understanding between the Company and AGA dated November 26, 2007. The MOA had set out an agreement-in-principle between the Company and AGA on several proposed transactions and agreements that would alter the existing relationships between the parties.

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 MOA and the joint venture arrangements between the parties were amended by new agreements, such that:

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

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

- The Company acquired an option from AGA to earn a 100% interest in the Miraflores property in Colombia. Subsequent to December 31, 2008, the Company gave notice that it will not be making any further payments under the option agreement and as a result its option with respect to the Miraflores property will terminate (*Note 6*).
- AGA transferred to the Company its 100% interest (subject to AGA retaining a 1% royalty) in the Mocoa property, a copper/molybdenum deposit located in the south of Colombia.
- AGA transferred to the Company a 2% interest in Gramalote BVI (*Note 7*) and assigned to the Company other rights relating to Gramalote BVI, including AGA's right to acquire an additional 24% interest, so that the Company now holds a 51% interest in the Gramalote

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**December 31, 2008 and 2007****(Expressed in United States dollars unless otherwise stated)**

BVI (with AGA retaining 49%) and the Company has taken over management of exploration of the Gramalote property; in order to retain the 2% share interest, the Company will be responsible for expenditures until completion of a feasibility study of the project by July 2010.

- AGA transferred to Gramalote BVI its interests in additional Gramalote Trend Properties.
- The Company increased from 3,000 metres to 5,000 metres the extent of drilling required for it to earn in its interests in other Colombian properties under the JVA between AGA and AARI.
- The Company granted to AGA registration rights to qualify a resale of its securities by prospectus and a pre-emptive right to subscribe for securities issued by the Company on the same basis as such issues are made, other than issues made to acquire properties or under employee incentive plans, in order for AGA to maintain its percentage ownership of common shares of the Company. This pre-emptive right will continue for the lesser of a period of three years or until AGA owns less than 10% of the outstanding common shares of the Company.

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

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

	\$
Purchase price:	
25,000,000 common shares of B2Gold	33,750,000
21,400,000 AGA warrants	3,660,521
Transaction costs	430,269
	<hr/>
Total purchase price	37,840,790
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Fair value of assets/ (liabilities) acquired:	
Mocoa property	27,163,466
Gramalote investment (Note 7)	12,108,592
Quebradona property (Note 6)	4,915,142
Miraflores property (Note 6)	1,941,370
Other Properties under the Colombia Joint Venture Arrangement (Note 6)	2,457,570
Future income tax liabilities	(10,745,350)
	<hr/>
Total fair value of net assets acquired on May 15, 2008	37,840,790
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and 2007

(Expressed in United States dollars unless otherwise stated)

5 B2Gold/ Kinross Gold transaction

On November 6, 2006, Bema Gold Corporation (“Bema”) and Kinross Gold Corporation (“Kinross Gold”) announced that their respective Boards of Directors had unanimously approved Kinross Gold’s acquisition of Bema. The acquisition of Bema by Kinross Gold was completed on February 27, 2007 by way of a shareholder-approved plan of arrangement (the “Arrangement”). In connection with the completion of the Arrangement transaction between Bema and Kinross Gold in February 2007, the Company acquired certain assets (“Non-Russian Assets”) pursuant to a purchase and sale agreement (the “Purchase Agreement”) among Kinross Gold, White Ice Ventures Limited (a wholly-owned Bema subsidiary), 6674321 Canada Inc. (a wholly-owned Bema subsidiary) (“Kinross”) and the Company. The consideration paid for the Non-Russian Assets was \$7.5 million, financed primarily by the issuance of three promissory notes totalling \$7,453,717 to Kinross and also by the issuance of 2,722,500 common shares of B2Gold at a price of Cdn.\$0.02 per share.

Pursuant to the terms of the Purchase Agreement, on February 26, 2007 (the closing of the Non-Russian transaction) the Company acquired the following Non-Russian Assets:

- *Colombia Joint Venture Arrangement*
All of Bema’s interest in a recently established Colombian joint venture arrangement with AGA (*Note 6*).
- *Puma Option*
An option (“Puma Option”) to purchase all or any part of the 17,935,310 common shares in the capital of Consolidated Puma Minerals Corp. (“Puma”) held by Kinross at any time up to February 27, 2008 at a price equal to the 30 day volume-weighted average price of Puma common shares on the TSX Venture Exchange at the time of exercise, less 10%.

In February 2008, the Company elected not to exercise its option to acquire the common shares of Puma from Kinross. As a result, the Company recorded a derivative loss of \$3,045,625 in the first quarter of 2008, as the carrying value of the Puma Option was fully written off.

- *Note receivable from Puma*
All of the indebtedness totalling \$1,887,867 (“Puma Note”) owed by Puma to Kinross as at February 26, 2007. The Puma Note is unsecured, denominated in United States dollars, bears interest at the prime lending rate plus 2% and is payable to the Company on demand after February 26, 2008.

The Puma Note was fully repaid to the Company in the second quarter of 2008 (*Note 12*).

- *Leasehold assets and Colombia land*
Certain leasehold improvements, furniture and equipment owned by Kinross.

On February 26, 2007, Kinross assigned to the Company all of its rights pursuant to the lease of Bema’s head office premises. In addition, the Company, as tenant, and a subsidiary of Kinross Gold, as subtenant, entered into a sublease for a portion of the premises presently constituting the Company’s head office.

Colombia land, located mainly on the La Mina property (*Note 6*), is held for the purpose of securing access to the La Mina property for drilling.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**December 31, 2008 and 2007****(Expressed in United States dollars unless otherwise stated)**

For the purposes of these consolidated financial statements, the purchase consideration has been allocated to the fair value of the Non-Russian Assets acquired as follows:

	\$
Purchase price:	
Promissory notes issued to Kinross, principal amount (<i>Note 9</i>)	7,453,717
Less imputed interest, as at February 26, 2007	(596,024)
	<hr/>
	6,857,693
2,722,500 common shares of B2Gold	46,283
Transaction costs	93,304
	<hr/>
Total purchase price	6,997,280
	<hr/>
Fair value of assets/ (liabilities) acquired:	
Derivative instrument ("Puma Option")	3,100,081
Puma Note receivable	1,903,678
Colombia Joint Venture Arrangement (including cash of \$282,000)	2,063,162
Leasehold assets and Colombia land	412,097
Future income tax liabilities	(481,738)
	<hr/>
Total fair value of net assets acquired on February 26, 2007	6,997,280
	<hr/>

The Purchase Agreement also provided for the acquisition of 50% of Bema's 75% interest in a joint venture (37.5% overall interest) that will have an indirect interest in the Kupol East and West Licenses (*Note 6*). The Company has reserved for issuance an additional 2,722,500 common shares, which are expected to be issued to Kinross, together with a promissory note in the aggregate amount of approximately \$7.4 million, upon the completion of the acquisition of the Company's interest in the East and West Kupol Licenses. Closing remains subject to the receipt of certain consents and the completion of transfers and other steps relating to the proposed transfer of the Kupol East and West licenses to a Russian subsidiary of Chukotka Mining and Geological Company ("CMGC") (75% owned by Kinross and 25% owned by the Government of Chukotka). The Company and Kinross Gold are currently in negotiations with a company controlled by agencies of the Government of Chukotka ("CUE") to reach agreement on the amount of CUE's ownership interest and other aspects of the anticipated joint venture.

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6 Resource property interests

Colombia Joint Venture Arrangement

On November 8, 2006, AGA, Sociedad Kedadha S.A. ("Kedadha") (a subsidiary of AGA), Bema and AARI (then a wholly-owned subsidiary of Bema) entered into a Relationship, Farm-out and Joint Venture Agreement (the "JVA") to jointly explore mineral opportunities in Colombia (the Area of Mutual Interest). On February 26, 2007, pursuant to the Purchase Agreement, the Company acquired all of the shares of AARI, and all the rights, interests and obligations of Bema under the JVA were assigned to and assumed by the Company (*Note 5*). On February 13, 2008, the Company entered into a binding memorandum of agreement ("MOA") with AGA, in which the parties agreed to amend certain terms of the JVA. On May 15, 2008, the Company, AARI, AGA, Kedadha, and a Colombian subsidiary of AGA entered into an Amending Agreement (the "Amending Agreement") to implement the MOA and the transactions and amendments provided for in the MOA were completed (*Note 4*).

Pursuant to the JVA (dated November 8, 2006, as amended September 28, 2007, March 13, 2008, May 15, 2008 and September 15, 2008), AARI may earn a joint venture interest in certain properties located in northern and southern Colombia by performing exploration work, including drilling, on the following properties (individually, a "Property" and collectively, the "Properties"): Quebradona (effective March 6, 2006), La Mina (effective March 6, 2006), San Martin de Loba (effective March 6, 2006), San Carlos (effective March 6, 2006), Miraflores (effective April 24, 2007), Narino (effective July 1, 2007), San Luis (effective September 1, 2007), Cauca (effective October 1, 2007), Ginebra (effective November 1, 2007) and Antioquia (effective February 1, 2008). The Company may earn an interest in one or more of these Properties by advancing the Property to the drilling stage and completing a minimum of 3,000 metres (increased to 5,000 metres pursuant to the Amending Agreement) of drilling within two years of the effective date (which has been extended to December 31, 2007 in the case of Quebradona and La Mina). Upon completing these requirements (the "Earn-in Requirements") in respect of a Property, the JVA provides that the Company and AGA will form a joint venture in respect of the Property, whereby the Company and AGA will be entitled to 51% and 49% interests in the Property, respectively, subject to the following options of AGA.

Once AARI has completed its Earn-in Requirement, AGA will have the following options for each Property:

- (i) to contribute to project expenditures based on a 51% interest and manage the project;
- (ii) to fund all project expenditures including the Company's share to the completion of a feasibility study;
- (iii) to contribute to project expenditure based on its 49% interest in the Property; or
- (iv) not to contribute to project expenditure.

If AGA elects either option (i) or (ii), it will be the joint venture manager for the project. Furthermore, its interest will be adjusted such that under option (i) AGA will be entitled to a 51% interest and under option (ii) it will be entitled to a 65% interest in the Property. If AGA elects either option (iii) or (iv), the Company will be the joint venture manager of the project and maintain its 51% interest or, if AGA elects not to contribute, acquire an increased interest. Subject to a sole funding election by AGA or an election by either party not to contribute (with a corresponding reduction of its interests), the JVA provides that each of the parties must make contributions to meet project expenditures based on their respective interests in the joint venture for each Property.

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The JVA also provides for certain potential rights between the parties to acquire additional interests in other third-party or AGA properties within the Area of Mutual Interest. AGA has agreed (upon AARI satisfying its Earn-in Requirement in respect of a Property) to offer the Company its interest or rights to an interest in other joint ventures, if it elects not to pursue such projects and to offer a 51% interest in AGA projects in which it has expended at least \$1 million and has discontinued exploration. The Company can earn a 51% interest by spending an amount at least equal to the greater of previous AGA expenditures on the project or \$1 million within two years of the offer date. The Company is required to advise Kedahda of mining opportunities within the Area of Mutual Interest and Kedahda will have the first right to acquire a 75% interest in such opportunities.

The JVA had contemplated that the Company would cause AARI to be listed on a recognized stock exchange by November 8, 2008. Under the JVA, the Company granted to AGA the right to receive not less than 20% of AARI's equity securities (carrying not less than 20% of the votes for the election of directors, calculated on a fully diluted basis immediately following the listing of AARI on a prescribed stock exchange on the listing date), together with one half common share purchase warrant for each common share offered to AGA (with each such common share purchase warrant exercisable within three years of the listing date at a price 33% above the initial public offer price) following the listing of AARI on a recognized stock exchange (for no additional consideration other than in consideration of the properties that AGA is providing under the JVA). On May 15, 2008, with the signing of the Amending Agreement, AGA's right to acquire 20% of the voting shares of AARI and the Company's obligation with respect to the listing of AARI's shares were terminated.

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

Under the terms of the JVA, the Company earned its 51% interest in the Quebradona property by completing 5,000 metres of exploration on May 28, 2008. On September 15, 2008, the Company and AGA amended the JVA to extend the date by which AGA was to make its participation decision and to jointly fund further exploration at the Quebradona property. Based on the JVA, AGA had the following four alternatives to decide from regarding further exploration at Quebradona: (i) elect to fund all future exploration as the operator at 65% and free carry B2Gold through to feasibility; (ii) elect to be the operator and fund on a pro-rata basis of 51% AGA and 49% B2Gold; (iii) elect to fund as the owner of a 49% interest with B2Gold as operator owning and funding to 51%; or (iv) not to contribute (and be subject to standard dilution provisions). The amendment to the JVA was that the parties would fund an additional 10,000 metres of drilling on a 51% B2Gold/49% AGA basis. After receipt of all assays from the drilling program, AGA would have 30 days to choose between the participation alternatives. Subsequent to December 31, 2008, following the completion of the additional 10,000 metres of drilling, AGA advised the Company that it had elected to contribute to project expenditures on the Quebradona property based on a 51% AGA interest. However, the Company and AGA are continuing to discuss the participation arrangements for the Quebradona property.

As at December 31, 2008, with the exception of the Quebradona property, the Company had not completed the Earn-in Requirements on any of the other Properties described above and consequently had no joint ventures with AGA under the JVA.

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Kupol East and West Exploration Licenses (surrounding ground to the Kupol Mine)

The Kupol East and West Licenses are located in north-eastern Russia. These Licenses surround the Kupol Mine which Bema has been developing since 2003. Titles to the Kupol East and West Licenses were granted to CMGC on August 25, 2006 and have a term of 25 years. The Company commenced exploration on the Kupol East and West Licenses in February 2007 from the date of registration of the Licenses.

The Company is in the process of negotiating a joint venture agreement (the "Kupol JV Agreement") relating to the exploration, development and mining of gold and silver in Chukotka Autonomous Region, covered by the East and West Kupol Licenses. Provided that final agreement is reached on the Kupol JV Agreement and certain conditions to closing are fulfilled, it is anticipated that the East and West Kupol Licenses will be held by a subsidiary of a joint venture company ("Kupol JVCo"), the shareholders of which will be a subsidiary of the Company, a subsidiary of Kinross Gold and a company controlled by CUE (or its successor in interest). The Company and Kinross Gold are currently in negotiations with CUE to reach agreement on the amount of CUE's ownership interest and other aspects of the Kupol JV Agreement. The Company and Kinross are currently sharing equally the initial funding of the cost of exploration activities on the East and West Kupol license areas.

The Company and Kinross Gold have agreed in principle on the proposed terms of the Kupol JV Agreement. The key terms are expected to be as follows:

- the Company, as operator, is to subcontract with the company that holds the Kupol East and West licenses to carry out exploration under the licenses;
- the costs of exploration carried out on the properties covered by the East and West Kupol licenses in 2008 and 2007 were borne equally by the Company and Kinross (through subsidiaries). The costs of exploration will continue to be borne equally by the Company and Kinross (through subsidiaries) until the completion of the Kupol JV Agreement transaction, at which time, the Company, Kinross and CUE (through subsidiaries) are to fund the exploration costs in proportion to their ownership interests in Kupol JVCo;
- following the initial two year period the Company, Kinross Gold and CUE (through subsidiaries) are each to continue to fund future exploration relating to the Kupol East and West licenses pro rata to their respective interests in Kupol JVCo;
- the Company, Kinross Gold and CUE (through subsidiaries) are to have mutual rights of first refusal with respect to their respective interests in Kupol JVCo; and
- the Company, Kinross Gold and CUE (through subsidiaries) are to share, in accordance with their pro rata interests in Kupol JVCo, all exploration, development or mining opportunities within a 100 km radius of the Kupol mill site, exclusive of the approximately 17 square km of the license relating to the Kupol Mine.

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

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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.

Write-off of resource property interests

At December 31, 2008, the carrying value of the Company's interest in Miraflores (*Note 4*) was fully written-off in the amount of \$4,908,822. Subsequent to December 31, 2008, the Company provided notice that it will not be making any further payments under the option agreement and as a result its option with respect to the Miraflores property will terminate. During 2008, the Company also elected not to continue with the Ginebra and La Mina properties, both early-stage properties, and wrote-off related acquisition and exploration costs in the amounts of \$759,336 and \$777,557, respectively.

During 2007, the Company elected not to continue with the San Martin de Loba and San Carlos properties and wrote-off related acquisition and exploration costs in the amounts of \$1,297,462 and \$1,015,024, respectively.

Measurement uncertainty and impairment assessments

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

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

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

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7 Gramalote investment

On August 21, 2007, the Company entered into a binding Memorandum of Understanding (“MOU”) with respect to the purchase by the Company of 25% of the issued and outstanding shares of Gramalote BVI from Robert Allen, Gustavo Koch, Robert Shaw and Sergio Aristizabal (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 MOU, 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, upon completion of the Company’s initial public offering (*Note 10*), 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 \$2,081,398 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 AGA, 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 Date. The \$7.5 million payment may be made either in cash or common shares, at the option of the Company. If the payment is paid in common shares of the Company, the price per share will be equal to the average closing price of the common shares on the TSX-V for the 20 days immediately preceding the payment date.

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.

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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 4*), 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). The Company is now entitled to a 51% share interest in Gramalote BVI with AGA holding a 49% interest.

The Company has taken over management of exploration of the Gramalote property and will be responsible for any expenditures it incurs prior to June 30, 2010 in connection with any feasibility study on the Gramalote property. On May 15, 2008, the Company entered into the Shareholders' Agreement for an incorporated joint venture Gramalote Limited (the "Gramalote Shareholders' Agreement") that outlines the obligations of AGA and the Company (or their respective subsidiaries) with respect to the Gramalote property and regulates their rights and obligations. 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, or the Gramalote Shareholders Agreement is terminated by unanimous agreement of the parties, Gramalote BVI will be required to issue, for nominal consideration, that number of common shares to AGA required to ensure that AGA will hold a 51% interest in Gramalote BVI.

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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8 Other assets

	Cost	Accumulated	Net book
	\$	depreciation	value
		\$	\$
Colombia land	442,032	-	442,032
Computer equipment/ software	198,369	(98,193)	100,176
Leasehold assets	86,636	(37,372)	49,264
Other	92,662	-	92,662
Closing balance, at December 31, 2008	819,699	(135,565)	684,134

The Colombia land is being held by the Company in order to secure access to the La Mina property for drilling (Notes 5 and 6).

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9 Notes payable to Kinross

On February 26, 2007, the Company issued three promissory notes to Kinross totalling \$7,453,717, in order to finance the purchase of the Non-Russian Assets (*Note 5*). These notes are unsecured, non-interest bearing, denominated in United States dollars and are payable as follows: \$2,601,726 due on February 26, 2008 (*paid*), \$2,601,725 due on February 26, 2009 (*paid on February 26, 2009*) and the remainder of \$2,250,266 (*paid from the proceeds of the Company's initial public offering*) due on the earlier of (i) the date of an initial public offering by the Company and (ii) February 26, 2008.

For accounting purposes, these notes have been initially recorded at an estimated fair value of \$6,857,693 and are subsequently being measured at amortized cost. The estimated fair value at inception was calculated based on the net present value using a discount rate estimated to represent the interest rate of comparable debt. Interest expense is being recognized on the notes by accreting the notes (using the effective interest rate method) to their face value over the term of the notes.

	\$
Principal amount	7,453,717
Less imputed interest, at February 26, 2007 (<i>Note 5</i>)	(596,024)
	<hr/> 6,857,693
Interest expense ("accretion")	369,380
Payment	(2,250,266)
	<hr/> 4,976,807
Balance outstanding, at December 31, 2007	4,976,807
Interest expense ("accretion")	197,472
Payment	(2,601,726)
	<hr/> 2,572,553
Balance outstanding, at December 31, 2008	<hr/> <hr/> 2,572,553

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10 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, 2008, the Company had 162,783,318 common shares outstanding and no preferred shares outstanding.

	<i>For the year ended December 31, 2008</i>		<i>For the period from inception (Nov. 30, 2006) to December 31, 2007</i>	
	<i>Number of common shares</i>	<i>Amount \$</i>	<i>Number of common shares</i>	<i>Amount \$</i>
Balance beginning of period	132,277,500	117,852,009	-	-
Issued during the period:				
Gramalote Additional Interest, July 15, 2008 <i>(Note 7)</i>	5,505,818	6,000,000	-	-
B2Gold/ AGA transaction, May 15, 2008 <i>(Note 4)</i>	25,000,000	33,750,000	-	-
Initial Public Offering, December 6, 2007			40,000,000	93,215,367
Private Placements:				
- October 24, 2007 @ Cdn.\$1.00 per share	-	-	15,000,000	14,542,960
- September 20, 2007 @ Cdn.\$0.40 per share	-	-	25,000,000	9,252,144
- July 25, 2007 @ Cdn.\$0.02 per share	-	-	41,599,000	741,411
- February 26, 2007 @ Cdn.\$0.02 per share	-	-	3,000,999	53,843
- November 30, 2006 (Incorporation)	-	-	1	1
For Non-Russian Assets <i>(Note 5)</i>	-	-	2,722,500	46,283
	162,783,318	157,602,009	127,322,500	117,852,009
Incentive Plan	-	-	4,955,000	-
Balance end of period	162,783,318	157,602,009	132,277,500	117,852,009

On July 15, 2008, pursuant to the terms of the Gramalote Purchase Agreement, 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 *(Note 7)*.

Pursuant to the Amending Agreement *(Note 4)*, the Company issued 25 million common shares to AGA at a price of Cdn.\$1.35 per share on May 15, 2008.

On December 6, 2007, the Company completed its initial public offering. Pursuant to an agreement (the "Underwriting Agreement") dated November 28, 2007, between the Company and Genuity Capital Markets, Canaccord Capital Corporation, GMP Securities L.P., BMO Nesbitt Burns Inc., Orion Securities Inc. and Haywood Securities Inc. (collectively, the "Underwriters"), the Underwriters purchased, in the portions set out in the Underwriting Agreement, an aggregate of 40 million common shares at a purchase price of Cdn.\$2.50 per common share, for gross proceeds of

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Cdn.\$100 million. The Company paid the Underwriters a commission of Cdn.\$0.15 per common share purchased by the Underwriters, excluding 6 million common shares purchased by Kinross for which no commission was payable, for an aggregate commission of Cdn.\$5.1 million.

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

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

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

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 October 22, 2007, the Company adopted a stock option plan for its directors, officers, employees and service providers to acquire common shares of B2Gold at a price determined by the fair market value of the shares at the date of grant. The options currently outstanding are exercisable for a period not to exceed five years, as the plan allows for a maximum term of five years.

On December 7, 2007, the Company granted 4,915,000 incentive stock options with an exercise price of Cdn.\$2.40 per option to non-executive directors, non-executive officers, and employees of the Company. These stock options have a term of five years and expire on December 7, 2012. One-third of these options vested on June 7, 2008, another one-third vested on December 7, 2008 and the remainder will vest on December 7, 2009. In the first quarter of 2008, the Company granted an additional 640,000 stock options also having an exercise price of Cdn.\$2.40 per option and a term of five years. During 2008, 175,000 stock options were cancelled. At December 31, 2008, the number of stock options outstanding totalled 5,380,000 of which 3,398,333 were exercisable.

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The fair values of the options granted in 2008 and 2007 were estimated at approximately \$1.41 per option at the grant date using the Black-Scholes option pricing model based on a risk-free annual interest rate of approximately 4%, an expected life of five years, an expected volatility of 67%, and a dividend yield rate of nil. The estimated fair value of these options is being recognized over the vesting period.

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.

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:

	<i>For the year ended Dec. 31, 2008 \$</i>	<i>For the period from inception (Nov. 30, 2006) to Dec. 31, 2007 \$</i>
Balance, beginning of period:	2,638,226	-
Stock-based compensation - expense	3,949,437	446,369
Stock-based compensation – capitalized to resource property interests	1,059,636	110,459
Fair value assigned to warrants issued to AGA (Note 4)	3,660,521	-
Fair value assigned to warrants issued to Grupo Nus (Note 7)	-	2,081,398
	<hr/>	<hr/>
Balance, end of period:	11,307,820	2,638,226
	<hr/>	<hr/>

Shares held in escrow

At December 31, 2008, 19,448,127 common shares of the Company were held in escrow, to be released on the following dates:

	<i>Number of common shares</i>
May 29, 2009	8,331,563
June 6, 2009	11,116,564
	<hr/>
	19,448,127
	<hr/>

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(Expressed in United States dollars unless otherwise stated)

Share purchase warrants

As at December 31, 2008, the following warrants to purchase common shares of the Company were outstanding:

	Number of warrants
Exercise price of Cdn.\$2.50 until December 6, 2010	2,000,000
Exercise price of Cdn.\$3.34 until May 15, 2011	11,000,000
Exercise price of Cdn.\$4.25 until May 15, 2011	10,400,000
	<hr/>
	23,400,000
	<hr/>

Capital disclosure

The Company manages its common shares, stock options and warrants as capital. As the Company is in the exploration stage, its principal source of funds is from the issuance of common shares. It is the Company's objective to safeguard its ability to continue as a going concern, so that it can continue to explore and develop its projects for the benefit of its stakeholders. The Company is not subject to any externally imposed capital requirement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and 2007

(Expressed in United States dollars unless otherwise stated)

11 Supplementary cash flow information

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

	<i>For the year ended December 31, 2008</i>	<i>For the period from inception (Nov. 30, 2006) to Dec. 31, 2007</i>
	\$	\$
Non-cash investing and financing activities:		
Common shares issued for B2Gold/ AGA transaction (Note 4)	33,750,000	-
Common shares issued for Gramalote Additional Interest (Note 10)	6,000,000	-
Fair value assigned to warrants issued to AGA (Note 4)	3,660,521	-
Accrued Gramalote purchase payment (Note 6)	-	7,500,000
Stock-based compensation, capitalized to resource property interests (Note 10)	1,059,636	110,459
Future income tax liabilities relating to resource property expenditures	828,236	652,028
Accounts payable and accrued liabilities relating to resource property expenditures	2,660,801	359,681
Promissory notes issued for Non-Russian Assets (Note 5)	-	6,857,693
Fair value assigned to warrants issued to Grupo Nus (Note 7)	-	2,081,398
Common shares issued for Non-Russian Assets (Note 5)	-	46,283

At December 31, 2008, of the \$46.3 million reported as cash and cash equivalents, approximately \$45.9 million was invested in short-term, money market funds with no exposure to non-bank sponsored asset backed commercial paper. The Company maintains its cash and cash equivalents and short-term money market instruments primarily in Canadian dollars.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and 2007

(Expressed in United States dollars unless otherwise stated)

12 Related party transactions

As part of the Arrangement between Bema and Kinross and pursuant to the Purchase Agreement (Note 5), the Company entered into the following agreements with Puma, a company related by way of common directors:

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**December 31, 2008 and 2007****(Expressed in United States dollars unless otherwise stated)****13 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:

	\$
Future income tax assets	
Operating loss carry-forwards	1,739,033
Share issuance costs	862,074
Other	548,949
	<u>3,150,056</u>
Gross future income tax assets	
Valuation allowance	
Canada	<u>(2,263,205)</u>
Net future income tax assets	<u>886,851</u>
Future income tax liabilities	
Resource property interests	(11,917,826)
Other	(886,851)
	<u>(12,804,677)</u>
Net future income tax liability	<u>(11,917,826)</u>

Non-capital loss carry-forwards for Canadian tax purposes total approximately \$6.7 million at December 31, 2008, unless utilized \$3.5 million expires in 2028 and \$3.2 million in 2027.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and 2007

(Expressed in United States dollars unless otherwise stated)

14 Financial instruments

Classification of financial instruments

Cash and cash equivalents and short-term money market investments have been classified as held-for-trading. Accounts receivable has been classified as loans and receivables. Accounts payable and accrued liabilities and the notes payable to Kinross (*Note 9*) have been classified as other financial liabilities.

At December 31, 2007, the note receivable from Puma (*Note 5*) had been classified as loans and receivables. The Puma Option (*Note 5*) was a derivative instrument and as such had been classified as held-for-trading.

Fair values

The fair values of accounts receivable, accounts payable and accrued liabilities and the notes payable to Kinross approximate their carrying values due to the short-term nature of these instruments. Short-term money market investments are valued at cost plus accrued interest, which approximate fair value.

Credit risk

Financial instruments that potentially subject the Company to credit risk consist primarily of cash and cash equivalents and short-term money market investments. The Company limits its deposits with Canadian chartered banks to mitigate this risk.

Liquidity risk

The Company's primary risk of liquidity from financial instruments results from its need to meet operating accounts payable requirements. The Company manages liquidity risk by maintaining sufficient cash balances to meet these needs.

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

Currency risk

The Company operates in Canada, Colombia and Russia and is therefore exposed to foreign currency risk arising from transactions denominated in a foreign currency. The majority of the Company's expenditures are incurred in United States dollars.

The Company maintains its cash and cash equivalents/ short-term money market investments primarily in Canadian dollars. Based on the balances of its cash and cash equivalents/ short-term money market investments at December 31, 2008, a 1% increase/ (decrease) in the exchange rate of the United States dollar to the Canadian dollar, on that date, would have resulted in a decrease/ (increase) in earnings of approximately \$450,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and 2007

(Expressed in United States dollars unless otherwise stated)

Interest rate risk

The Company's exposure to interest rate risk relates to its investments in interest-bearing financial assets, such as cash and short-term investments in money market instruments. At December 31, 2008, interest rates relating to these investments ranged between 2.28% to 3.23%.

15 Segmented information

The Company's principal activity is the exploration and development of mineral properties. The Company's resource properties are located in Colombia and Russia as disclosed in Notes 6 and 7.

16 Subsequent event

On January 30, 2009, the Company entered into an agreement with Central Sun Mining Inc. ("Central Sun") to effect the acquisition of Central Sun pursuant to a plan of arrangement (the "Arrangement"), under which the issued and outstanding common shares of Central Sun would be exchanged for common shares of the Company on the basis of a ratio of 1.28 Common Shares of the Company for each common share of Central Sun. In addition, outstanding options to purchase common shares of Central Sun would be exchanged for replacement options to purchase an equivalent number of common shares of the Company based on the same exchange ratio and outstanding share purchase warrants of Central Sun would be amended to entitle holders to acquire common shares of the Company based on the exchange ratio.

The parties entered into a definitive arrangement agreement on February 6, 2009 to carry out the proposed Arrangement and concurrently entered into a loan agreement providing for the loan by the Company to Central Sun of up to Cdn.\$10 million to finance the payment by Central Sun of certain debt obligations and to fund re-commencement of capital improvements to Central Sun's Orosi Mine. On March 6, 2009, the Company and Central Sun agreed to an amendment of the loan agreement providing for the advancement by the Company of an additional \$8 million to finance the repayment by Central Sun of an existing \$8 million debt obligation.

The Company expects the Arrangement transaction to be completed on March 26, 2009.

RESOURCE PROPERTY INTERESTS/ GRAMALOTE INVESTMENT SCHEDULE

(expressed in United States dollars)

	<i>Colombia properties (under the JVA)</i>							<i>Total Resource Property Interests</i>	<i>Gramalote Investment ⁽²⁾</i>	<i>Total for the year ended Dec. 31, 2008</i>	<i>Total for the period from inception (Nov. 30, 2006) to Dec. 31, 2007</i>	
	<i>Quebradona</i>	<i>Antioquia</i>	<i>Narino</i>	<i>Cauca</i>	<i>Other ⁽¹⁾</i>	<i>Mococa</i>	<i>Miraflores</i>					<i>Kupol East/ West</i>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Balance beginning of period:												
Resource property interests	1,303,023	-	614,997	266,452	535,376	-	1,815,036	2,716,779	7,251,663	-	7,251,663	-
Gramalote investment ⁽²⁾	-	-	-	-	-	-	-	-	-	17,283,072	17,283,072	-
	1,303,023	-	614,997	266,452	535,376	-	1,815,036	2,716,779	7,251,663	17,283,072	24,534,735	-
Expenditures incurred during the period:												
Acquisition costs (Note 4 and 7)	4,915,142	491,514	491,514	491,514	983,028	27,163,466	1,941,370	-	36,477,548	19,608,592	56,086,140	19,064,238
Administration/ other	1,049,070	251,737	108,700	79,136	172,212	836,967	236,840	736,657	3,471,319	(91,421)	3,379,898	1,382,433
Cash-in-transit	-	-	-	-	-	-	-	-	-	651,000	651,000	-
Claim maintenance & underlying option payments	239,896	339,182	20,526	31,811	222,642	81,116	495,538	-	1,430,711	37,667	1,468,378	578,027
Consulting	504,042	73,241	55,918	47,748	46,186	453,186	66,834	9,012	1,256,167	1,534,796	2,790,963	352,394
Drilling	1,844,942	-	-	-	-	1,265,387	-	1,280,445	4,390,774	4,951,742	9,342,516	1,427,305
Field expenses & land access	648,568	230,035	128,371	96,039	189,212	713,038	237,276	517,983	2,760,522	2,429,838	5,190,360	1,258,690
Geochemistry	190,944	72,122	59,881	34,718	50,735	133,912	10,762	375,099	928,173	1,239,908	2,168,081	202,099
Salaries and benefits	411,865	190,278	126,972	82,543	114,156	356,436	63,138	550,938	1,896,326	1,368,464	3,264,790	1,405,640
Travel & accommodation	144,343	68,161	30,495	14,192	45,854	203,643	42,028	386,168	934,884	435,660	1,370,544	524,367
Future income tax	-	-	-	-	-	-	-	828,236	828,236	-	828,236	652,028
	9,948,812	1,716,270	1,022,377	877,701	1,824,025	31,207,151	3,093,786	4,684,538	54,374,660	32,166,246	86,540,906	26,847,221
Write-off of resource properties	-	-	-	-	(1,536,893)	-	(4,908,822)	-	(6,445,715)	-	(6,445,715)	(2,312,486)
Balance end of period:												
Resource property interests	11,251,835	1,716,270	1,637,374	1,144,153	822,508	31,207,151	-	7,401,317	55,180,608	-	55,180,608	7,251,663
Gramalote investment ⁽²⁾	-	-	-	-	-	-	-	-	-	49,449,318	49,449,318	17,283,072
	11,251,835	1,716,270	1,637,374	1,144,153	822,508	31,207,151	-	7,401,317	55,180,608	49,449,318	104,629,926	24,534,735

(1) Other includes the Ginebra, San Luis and La Mina properties which are under the Colombia JVA.

(2) Effective May 15, 2008, in accordance with AcG15, the Company's investment in Gramalote BVI is being accounted for using the equity method. The Company is responsible for expenditures it incurs prior to June 30, 2010 in connection with a feasibility study on the Gramalote property. These expenditures are being capitalized to the carrying value of the Company's investment in Gramalote BVI.