B2GOLD CORP.
Consolidated Financial Statements
December 31, 2010 and 2009

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Independent Auditor's Report

To the Shareholders of B2Gold Corp.

We have audited the accompanying consolidated financial statements of B2Gold Corp. which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of operations, comprehensive income(loss) and deficit, and statements of cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of B2Gold Corp. and its subsidiaries as at December 31, 2010 and 2009 and the results of their operations and their cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Signed "PricewaterhouseCoopers LLP"

Chartered Accountants
Vancouver, British Columbia
March 30, 2011

B2GOLD CORP.

CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of United States dollars)

	As at December 31, 2010	As at December 31, 2009
Assets		
Current		
Cash and cash equivalents	**$ 70,012**	$ 2,924
Accounts receivable and prepaids	**5,605**	4,925
Value-added and other tax receivables	**5,525**	3,173
Note receivable *(Note 6)*	**-**	1,700
Inventories *(Note 5)*	**19,438**	10,263
Marketable securities *(carried at quoted market value)*	**483**	369
	101,063	23,354
Mining interests *(Notes 4 and 6)*	**235,735**	222,220
Other assets *(Note 7)*	**1,056**	1,780
	$ 337,854	$ 247,354
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 15,003**	$ 10,051
Current portion of asset retirement obligations *(Note 9)*	**1,389**	658
Related party loans *(Notes 11 and 12)*	**102**	1,061
	16,494	11,770
Credit Facility loan, net of unamortized transaction costs *(Note 8)*	**-**	8,642
Asset retirement obligations *(Note 9)*	**13,578**	13,166
Future income tax liabilities *(Note 13)*	**16,367**	11,616
Other liabilities *(Note 10)*	**2,776**	2,497
	49,215	47,691
Shareholders' Equity		
Capital stock *(Note 11)*		
Authorized		
- unlimited number of common shares, without par value		
- unlimited number of preferred shares, without par value		
Issued		
- 337,570,170 common shares *(December 31, 2009 – 282,531,023)*	**300,985**	233,842
Value assigned to stock options and share purchase warrants *(Note 11)*	**20,143**	27,800
Deficit	**(32,489)**	(61,979)
	288,639	199,663
	$ 337,854	$ 247,354

Commitments *(Note 6)*
Contingent gain *(Note 16)*
Subsequent event *(Note 17)*

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

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME (LOSS) AND DEFICIT

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

		2010		2009
Gold revenue	$	**127,521**	$	20,638
Costs and expenses				
Operating costs		**(62,762)**		(18,221)
Depreciation and depletion		**(14,305)**		(2,281)
General and administrative		**(13,044)**		(7,203)
Royalties and production taxes		**(7,178)**		(1,242)
Stock-based compensation		**(1,943)**		(3,220)
Accretion of asset retirement obligations *(Note 9)*		**(1,478)**		(895)
Other		**(4,313)**		527
		(105,023)		(32,535)
Operating income (loss)		**22,498**		(11,897)
Other income (expense)				
Gain on sale of interest in Kupol EW licenses *(Note 6)*		**22,102**		-
Interest and financing costs		**(5,501)**		(739)
Write-off of mining interests *(Note 6)*		**(2,841)**		(18,284)
Foreign exchange gain (loss)		**1,208**		(614)
Other		**(1,282)**		2,964
		13,686		(16,673)
Income (loss) before withholding and other taxes		**36,184**		(28,570)
Withholding and other taxes		**(2,240)**		-
Future income tax (expense) recovery		**(4,454)**		782
Net income (loss) and comprehensive income (loss) for the year		**29,490**		(27,788)
Deficit, beginning of year		**(61,979)**		(34,191)
Deficit, end of year	**$**	**(32,489)**	$	(61,979)
Earnings (loss) per share				
Basic	**$**	**0.10**	$	(0.12)
Diluted	**$**	**0.09**	$	(0.12)
Weighted average number of common shares outstanding (in thousands)				
Basic		**307,068**		237,087
Diluted *		**313,572**		237,087

** Due to a loss in the 2009 comparative period, zero incremental shares were included in 2009 because the effect would be anti-dilutive.*

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of United States dollars)

	2010	2009
Operating activities		
Net income (loss) for the year	$ 29,490	$ (27,788)
Asset retirement obligations settled *(Note 9)*	(1,417)	(1,028)
Non-cash charges (credits)		
Gain on sale of interest in Kupol EW licenses	(22,102)	-
Depreciation and depletion	14,305	2,281
Amortization of deferred financing costs	4,500	629
Future income tax expense (recovery)	4,454	(782)
Write-off of mining interests *(Note 6)*	2,841	18,284
Stock-based compensation	1,943	3,220
Accretion of asset retirement obligations	1,478	895
Other	357	751
Cash provided by (used in) operating activities before changes in non-cash working capital	35,849	(3,538)
Changes in non-cash working capital		
Accounts receivable and prepaids	(680)	(1,190)
Value-added and other tax receivables	(2,352)	(3,140)
Inventories	(7,327)	(2,457)
Accounts payable and accrued liabilities	8,836	(2,422)
Cash provided by (used in) operating activities after changes in non-cash working capital	34,326	(12,747)
Financing activities		
Common shares issued for cash *(Note 11)*	57,116	25,257
Credit Facility loan, repayments *(Note 8)*	(21,000)	-
Credit Facility loan, draw downs *(Note 8)*	7,500	13,500
Related party loans, repayments *(Note 12)*	(959)	(1,983)
Related party loans, received *(Note 12)*	-	2,922
Deferred financing costs	-	(1,018)
Cash provided by financing activities	42,657	38,678
Investing activities		
Cash proceeds from sale of interest in Kupol EW licenses *(Note 6)*	33,000	-
Libertad Mine, construction & development	(18,769)	(40,244)
Libertad Mine, exploration	(5,010)	(243)
Limon Mine, development	(6,558)	(1,715)
Limon Mine, exploration	(3,392)	(222)
Gramalote, exploration and development	(3,019)	(3,627)
Calibre, exploration	(2,839)	-
Radius, exploration	(1,633)	-
Proceeds from note receivable	1,500	100
Cebollati, exploration	(1,008)	-
Proceeds from short-term money market instruments	-	33,048
Central Sun Arrangement, net of cash acquired *(Note 4)*	-	(15,260)
Colombia JV arrangement, exploration	-	(2,708)
Repayment of notes payable to Kinross Gold Corporation	-	(2,602)
Other	(2,167)	(2,767)
Cash used in investing activities	(9,895)	(36,240)
Increase (decrease) in cash and cash equivalents	67,088	(10,309)
Cash and cash equivalents, beginning of year	2,924	13,233
Cash and cash equivalents, end of year	$ 70,012	$ 2,924

Supplementary cash flow information *(Note 12)*

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2010 and 2009
(all tabular amounts are in thousands of United States dollars unless otherwise stated)

1 Nature of operations

B2Gold Corp. ("B2Gold" or the "Company") is a Vancouver-based gold producer with mining operations in Nicaragua and a portfolio of development and exploration assets in Colombia, Nicaragua and Uruguay. Currently, the Company is operating the Libertad Mine and the Limon Mine in Nicaragua. The Company owns or has a material interest in the Gramalote and Mocoa properties in Colombia, and the Bellavista property in Costa Rica.

On March 26, 2009, B2Gold completed a business combination with Central Sun Mining Inc. ("Central Sun") in which B2Gold acquired all of the outstanding common shares of Central Sun. As a result of this transaction, B2Gold acquired the 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.

2 Summary of significant accounting policies

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada. The United States dollar is the Company's functional currency. These consolidated financial statements are expressed in United States dollars. Certain comparative figures for 2009 have been reclassified to conform to the 2010 financial statement presentation.

Principles of consolidation
These consolidated financial statements include the accounts of B2Gold and its subsidiaries. Intercompany balances and transactions are eliminated on consolidation. The Company follows the recommendations in Accounting Guideline 15, "Consolidation of Variable Interest Entities ("VIEs")" 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's Gramalote and Quebradona properties located in Colombia operate as incorporated joint ventures ("JVs") with AngloGold Ashanti Limited ("AngloGold"). The Company has determined that both of these JVs qualify as VIEs and that the Company is not the primary beneficiary of either JV. Accordingly, the Company accounts for its interest in these JVs using the equity method. The Company has also determined that the trust arrangement under its Incentive Plan identified in Note 11 is a VIE and as the primary beneficiary the Company is required to consolidate the VIE.

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.

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.

Inventories
Gold and in-process inventories are valued at the lower of average production cost or net realizable value. Cost includes materials, direct labour, other direct costs and production overheads and amortization of plant, equipment and mineral properties directly involved in the mining and production processes. Materials and supplies inventories are valued at the lower of average cost or net realizable value. When inventories have been written down to net realizable value, a new assessment of net realizable value is made in each subsequent period. When the circumstances that caused the write down no longer exist, the amount of the write down is reversed.

Mining interests
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. During the commissioning phase of a new mine, 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.

Deferred stripping
Stripping costs incurred during the production phase of a mine are considered production costs and are included in the cost of inventory produced during the period in which stripping costs are incurred, unless the stripping activity can be shown to be a betterment of the mineral property, in which case the stripping costs are capitalized. Betterment occurs when stripping activity increases future output of the mine by providing access to additional reserves. Stripping costs incurred to prepare the ore body for extraction are capitalized as mine development costs and are amortized on a unit of production basis to which they relate.

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.

Investments
Investments in companies over which the Company can exercise significant influence are accounted for using the equity method. On acquisition of an equity investment, the underlying identifiable assets and liabilities of an equity investee are recorded at fair value and the income or loss of equity investees is based on these fair values. Additional funding into an investee is recorded as an increase in the carrying value of the investment. The Company periodically reviews the carrying value of its investments accounted for using the equity method. When a decline in the value of an investment is considered to be other-than-temporary, the investment is written down to net realizable value with a charge to operations. These investments are included in mining interests on the Consolidated Balance Sheet.

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

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

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

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

Earnings (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.

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

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

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

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

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.

3 Transition to International Financial Reporting Standards

Effective January 1, 2011, Canadian publicly listed entities will be required to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS"), instead of current Canadian GAAP. This mandate is first applicable to interim reporting periods in 2011 and includes the requirement to present comparative financial information for the 2010 year, also based on IFRS. Accordingly, although the Company will first report under IFRS in 2011, the underlying conversion will be based on an effective transition date of January 1, 2010.

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

4 Acquisition of Central Sun Mining Inc.

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

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

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

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

The purchase price was calculated as follows:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2010 and 2009
(all tabular amounts are in thousands of United States dollars unless otherwise stated)

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

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

5 Inventories

	2010 $	***2009 $***
Gold and silver bullion	**5,785**	203
In-process inventory	**2,696**	1,781
Stock-pile inventory	**124**	68
Materials and supplies	**10,833**	8,211
	19,438	10,263

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2010 and 2009
(all tabular amounts are in thousands of United States dollars unless otherwise stated)

6 Mining interests

	2010 $	2009 $
Libertad Mine, Nicaragua *(Note 4)*		
Cost	**118,448**	99,986
Accumulated depreciation and depletion	**(9,380)**	-
	109,068	99,986
Limon Mine, Nicaragua *(Note 4)*		
Cost	**39,799**	28,435
Accumulated depreciation and depletion	**(9,050)**	(2,281)
	30,749	26,154
Exploration		
Mocoa, Colombia	**31,994**	31,593
Libertad (Jabali), Nicaragua	**2,485**	-
Radius, Nicaragua	**1,758**	345
Cebollati, Uruguay	**1,367**	-
Calibre, Nicaragua	**238**	241
Kupol East and West Licenses, Russia	**-**	9,800
	37,842	41,979
Corporate and other		
Bellavista, Costa Rica *(Note 4)*	**2,412**	2,147
Office, furniture and equipment, net	**16**	40
	2,428	2,187
	180,087	170,306
Investments (incorporated joint ventures) accounted for using the equity method		
Gramalote, Colombia	**54,648**	51,914
Quebradona, Colombia	**1,000**	-
	55,648	51,914
	235,735	222,220

Libertad Mine

The Libertad Mine achieved commercial production on February 1, 2010. Mining and processing of ore commenced at the Libertad Mine in the fourth quarter of 2009 following the completion of the conversion of the Libertad Mine from a heap leach mine to a conventional milling operation. Ore processing at the Libertad Mine began on December 15, 2009 with the first doré bar produced on January 5, 2010. The commissioning of the second ball mill and related process infrastructure was completed in the second quarter of 2010. Prior to commercial production on February 1, 2010, net revenues or expenses derived from Libertad mining activities (including $0.7 million of gold sales revenue in January 2010) were included in mine development costs.

Calibre option agreement

Pursuant to an Option Agreement dated July 21, 2009, the Company had the right to acquire from Calibre Mining Corp. (“Calibre”) up to a 65% interest in potential mining projects in the Borosi gold-silver-copper prospect in northeast Nicaragua. The initial Option Agreement provided that the Company could acquire a 51% interest in 11 exploration and exploitation mineral concessions with terms ranging from 20 to over 35 years by funding Cdn.$8 million of exploration expenditures on the property over a three year period ending July 1, 2012. The Option Agreement was amended on October 19, 2010 reducing the area of interest covered under the initial Option Agreement. Under the amended agreement, the Company can earn a 51% interest in the remaining concession areas by completing Cdn.$8 million in expenditures by July 1, 2014. The Company may elect to carry an individual prospect within the amended concession area through to a Preliminary Economic Assessment for an additional 14% interest in the prospect. In the fourth quarter of 2010, the Company wrote-off approximately $2.8 million of exploration costs relating to targets abandoned under the initial Option Agreement.

Radius option agreement

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

Cebollati

On September 2, 2010, the Company reached an agreement with a private Uruguayan company, to option the Cebollati gold property located in Uruguay. Under the terms of the option agreement, the Company will earn an 80% interest in the Cebollati property by paying $1 million in stages by January 31, 2012 and funding all exploration work through feasibility. Additional obligations include the completion of a feasibility study, a per ounce gold payment and a Net Smelter Return for additional production.

Sale of interest in Kupol East and West Licenses

On July 22, 2010, the Company 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 paid $33 million to the Company and will make contingent payments of $15 million for each incremental million ounces of gold of National Instrument (“NI”) 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. The sale resulted in a gain of $22.1 million (or $24.1 million including a related future income tax recovery of $1.96 million) in the third quarter of 2010. For accounting purposes, no value was assigned to the contingent consideration receivable at the date of sale.

Bellavista
The mine on the Bellavista property was previously operated by Central Sun as a heap leach operation. Mining operations were suspended by Central Sun in 2007 due to concerns over ground movements. The Company is currently conducting environmental and closure audits and is reviewing landslide and mitigation measures. The Company is investigating various alternatives relating to the Bellavista property, including the potential for re-opening the mine on the Bellavista property using different technologies including a milling and carbon in leach process.

Gramalote *(B2Gold 49%/ AngloGold 51%)*
On August 12, 2010, the Company and AngloGold reached an agreement amending the Gramalote Joint Venture Agreement. Under the amended terms, AngloGold will retain its 51% interest and will become manager of the joint venture project. The Company retains a 49% interest and has equal representation on the joint venture management committee which must unanimously agree each annual program and budget for Gramalote exploration and development. Each joint venture partner will fund its share of expenditures pro rata. 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.

Quebradona *(B2Gold 49%/ AngloGold 51%)*
The Quebradona gold porphyry property is a 49%-51% B2Gold-AngloGold joint venture. In the fourth quarter of 2009, the Company made a decision to sell its 49% interest. As a result, the carrying value of the Quebradona property of $11.7 million was written down by $10.7 million, based on the property's estimated fair value. The revised carrying value of $1 million was classified as an asset held for sale as at December 31, 2009. In 2010, the Company decided not to sell its interest in Quebradona but rather to participate in a 2011 geochemical program with AngloGold. Each joint venture partner will fund its share of the program expenditures pro rata. As a result, the carrying value of $1 million previously classified as an asset held for sale was reclassified to mining interests on the Consolidated Balance Sheet as at December 31, 2010.

Disposal of the Cerro Quema property
On July 16, 2009, the Company completed the sale of the common shares of a subsidiary (60% owned) which holds the Cerro Quema property located in Panama. The Company's 60% indirect interest in the Cerro Quema property had been acquired on March 26, 2009 as part of the Central Sun Arrangement *(Note 4)*. The aggregate consideration received was $2.15 million, consisting of $0.35 million in cash (received) and a note receivable of $1.8 million together with interest at a rate of 6% per annum starting on December 1, 2009. The note was receivable in eight instalments with the first payment of $0.1 million due on December 30, 2009 (received) and the last instalment of $600,000 due on October 15, 2010. During 2010, the Company received a further $1.6 million, consisting of principal repayments of $1.5 million and interest income of approximately $0.1 million. The remaining balance of approximately $0.2 million owing under the note was forgiven by the Company in 2010.

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

As a result of the sale, the following assets and liabilities were deconsolidated effective July 16, 2009:

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

Write-off of mining interests
In the fourth quarter of 2010, the Company wrote-off approximately $2.8 million of exploration costs relating to targets abandoned under the initial Calibre Option Agreement.

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

7 Other assets

	2010 $	***2009 $***
Restricted cash pledged as security	**454**	355
Assets held for sale		
Quebradona *(Note 6)*	**-**	1,000
Other	**245**	350
Deferred charges	**357**	75
	1,056	1,780

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8 Credit Facility loan

The Company entered into an agreement relating to a $20 million secured revolving credit facility (the “Credit Facility”) with Macquarie Bank Limited (“Macquarie”) on November 6, 2009. The term of the Credit Facility is for two years with a maturity date of December 31, 2011 and an interest rate of LIBOR plus 5.5%. Under the Credit Facility, the Company granted a general security agreement over its assets and the shares and assets of certain of the Company’s material subsidiaries, and certain of the Company’s material subsidiaries guaranteed the obligations of the Company relating to the Credit Facility. On February 12, 2010, the Company entered into an amending agreement relating to the Credit Facility pursuant to which the Credit Facility was increased to $25 million.

As at December 31, 2009, the Company had drawn down a total of $13.5 million under the Credit Facility and an additional $7.5 million in the first and second quarters of 2010. In the third quarter of 2010, the balance owing under the Credit Facility was fully repaid ($20 million on August 30, 2010 and $1 million on May 21, 2010). Accordingly, $25 million remains available for draw down as at December 31, 2010.

As consideration for the Credit Facility, the Company paid facility fees of $0.6 million to Macquarie and is paying a commitment fee of 1.75% per annum, reduced to 1% per annum effective January 1, 2011, payable quarterly on the undrawn balance of the facility. In addition, the Company issued to Macquarie 11,063,565 share purchase warrants (“Macquarie warrants”). Each warrant entitles the holder to acquire one common share of the Company at an exercise price of Cdn.$0.97 for a period of three years. As at December 31, 2010, 2 million of the Macquarie warrants remain unexercised. The fair value of the Macquarie warrants was calculated to be $4.47 million using the Black-Scholes option pricing model based on a risk-free annual interest rate of approximately 2%, an expected life of three years, an expected volatility of 79% and a dividend yield of nil. The fair value of these warrants has been recorded as part of the transaction costs incurred with respect to the Credit Facility which amounted to approximately $5.5 million.

In accordance with CICA recommendations regarding the presentation of financial liabilities, the principal amount owing under the Credit Facility loan had been presented on the Consolidated Balance Sheet net of the unamortized balance of transaction costs.

	2010 *$*	*2009* *$*
Principal amount owing at December 31, 2009	-	13,500
Less: unamortized transaction costs	-	(4,858)
Carrying value	-	8,642

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9 Asset retirement obligations

The Company's asset retirement obligations consist primarily of costs associated with mine reclamation and closure activities. These activities, which tend to be site specific, generally include costs for earthworks, including detoxification and recontouring, revegetation, water treatment and demolition. In calculating the fair value of the Company's asset retirement obligations, management used a credit adjusted risk-free rate applicable to each geographic location ranging from 8.5% to 12% and inflation rates ranging from 3% to 5%. The undiscounted cash flows, before inflation adjustments, estimated to settle the asset retirement obligations was approximately $22.6 million at December 31, 2010.

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

	2010 ***$***	***2009*** ***$***
Balance, beginning of year	**13,824**	-
Additions resulting from Central Sun acquisition *(Note 4)*	**-**	12,334
Reclamation spending	**(1,417)**	(1,028)
Accretion expense	**1,478**	895
Change in obligation	**1,082**	1,623
Balance, end of year	**14,967**	13,824
Less: current portion	**(1,389)**	(658)
	13,578	13,166

10 Other liabilities

	2010 ***$***	***2009*** ***$***
Employee benefits accrual	**2,776**	**2,022**
Other	**-**	**475**
	2,776	**2,497**

Employee benefits accrual of approximately $2.8 million at December 31, 2010 (2009 - $2 million) represents the estimated long-term portion of post-employment benefits of employees at the Nicaraguan and Costa Rican properties.

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11 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, 2010, the Company had 337,570,170 common shares outstanding and no preferred shares outstanding.

	2010		***2009***	
	Shares (‘000's)	***Amount $***	***Shares (‘000's)***	***Amount $***
Balance, beginning of year	**282,531**	**233,842**	162,783	157,602
Issued during the year:				
For cash, net of costs	**25,624**	**29,157**	38,341	24,980
Central Sun acquisition, March 26, 2009	**-**	**-**	80,639	50,802
For cash, on exercise of warrants	**25,027**	**24,229**	384	38
For cash, on exercise of options	**4,388**	**3,730**	384	239
Transfer to share capital the fair value assigned to stock options/share purchase warrants exercised	**-**	**10,027**	-	181
	55,039	**67,143**	119,748	76,240
Balance, end of year	**337,570**	**300,985**	282,531	233,842

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 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.

During 2010, the Company received $3.7 million pursuant to the exercise of 4.4 million stock options and $24.2 million pursuant to the exercise of 25 million warrants (including $15.3 million pursuant to the exercise of 15.9 million warrants held by former Central Sun warrant holders).

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

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

Stock options

During 2010, approximately 3.8 million stock options were granted to employees and consultants of the Company with exercise prices ranging from Cdn.$1.25 to Cdn.$2.57 per share. These stock options have a term of five years. The estimated fair value of these options totalling approximately $3.9 million is being recognized over the vesting period using the Black-Scholes option pricing model, based on a risk-free annual interest rate of approximately 1.43%, an expected life of three-and-a-half years, an expected volatility of 72%, and a dividend yield rate of nil.

On August 4, 2009, the Company granted approximately 10 million stock options with an exercise price of Cdn.$0.80 per option to non-executive directors, non-executive officers, employees and consultants of the Company. These stock options have a term of five years and expire on August 3, 2014. One-third of these options vested on August 4, 2009, another one-third vested on February 4, 2010 and the remainder vested on August 4, 2010. The estimated fair value of these options totalling approximately $5 million was recognized over the vesting period. The fair value was estimated at $0.50 per option at the grant date using the Black-Scholes option pricing model based on a risk-free annual interest rate of approximately 2.66%, an expected life of five years, an expected volatility of 86.7%, and a dividend yield rate of nil.

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

A summary of changes to stock options outstanding:

	Number of outstanding options ('000's)	*Weighted-average exercise price (in Cdn.$)*
Outstanding at December 31, 2008	5,380	2.40
Granted	10,060	0.80
Options issued on Central Sun acquisition	7,989	1.45
Exercised	(384)	0.67
Forfeited/expired	(825)	2.02
Outstanding at December 31, 2009	22,220	1.38
Granted	3,795	2.01
Exercised	(4,388)	0.87
Forfeited/expired	(5,998)	2.22
Outstanding at December 31, 2010	15,629	1.35

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Stock options outstanding and exercisable as at December 31, 2010 are as follows:

	Range of exercise price (in Cdn.$)	*Number of outstanding options ('000's)*	*Weighted-average years to expiry*	*Weighted-average exercise price (in Cdn.$)*	*Number of exercisable options ('000's)*	*Weighted-average exercise price (in Cdn.$)*
Issued:						
2009 (*Central Sun replacement options)*	0.95 – 3.72	6,191	1.38	1.48	6,191	1.48
2009	0.80	5,895	3.62	0.80	5,895	0.80
2010	1.25 – 2.57	3,543	4.65	2.05	648	1.35
		15,629	2.97	1.35	12,734	1.09

Share purchase warrants

A summary of changes to share purchase warrants outstanding:

	Number of outstanding warrants ('000's)	*Weighted-average exercise price (in Cdn.$)*
Outstanding at December 31, 2008	23,400	3.67
Issued to Macquarie *(Note 8)*	11,064	0.97
Warrants issued on Central Sun acquisition *(Note 4)*	18,062	0.95
Exercised	(384)	0.11
Expired	(1,127)	0.82
Outstanding at December 31, 2009	51,015	2.21
Exercised	(25,027)	0.98
Expired	(2,588)	2.09
Outstanding at December 31, 2010	23,400	3.54

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As at December 31, 2010, the following warrants to purchase common shares of the Company were outstanding:

	Number of outstanding and exercisable warrants ('000's)	*Exercise price (in Cdn.$)*
Expiring November 9, 2012 (Macquarie warrants) *(Note 8)*	2,000	0.97
Expiring May 15, 2011 (AngloGold warrants)	11,000	3.34
Expiring May 15, 2011 (AngloGold warrants)	10,400	4.25
	23,400	3.54

Included in the above table are 21.4 million warrants issued to AngloGold ("AngloGold warrants") on May 15, 2008 (pursuant to the "Agreement to Amend the Relationship, Farm-Out and Joint Venture Agreement and regarding Gramalote Limited and Other Matters"). The AngloGold warrants are exercisable at any time prior to May 15, 2011 and consist of 11 million warrants exercisable at a price of Cdn.$3.34 per share and 10.4 million warrants exercisable at a price of Cdn.$4.25 per share.

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:

	2010 $	***2009 $***
Balance, beginning of year	**27,800**	11,308
Stock-based compensation - expensed	**1,943**	3,220
Stock-based compensation - capitalized to resource property interests	**427**	1,631
Fair value assigned to Central Sun stock options and share purchase warrants exchanged *(Note 4)*	**-**	7,353
Fair value assigned to warrants issued to Macquarie *(Note 8)*	**-**	4,469
Transfer to share capital on the exercise of stock options	**(10,027)**	(181)
Balance, end of year	**20,143**	27,800

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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.

12 Supplementary cash flow information

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

	2010 *$*	*2009* *$*
Non-cash investing and financing activities:		
Future income tax liabilities relating to resource property expenditures	**297**	479
Stock-based compensation, capitalized to resource property interests	**427**	1,631
Common shares issued for Central Sun acquisition *(Note 4)*	**-**	50,802
Fair value assigned to Central Sun stock options and share purchase warrants exchanged *(Note 4)*	**-**	7,353
Fair value assigned to warrants issued to Macquarie *(Note 8)*	**-**	4,469
Accounts payable and accrued liabilities relating to resource property expenditures	**-**	5,258
Interest paid	**974**	-

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

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

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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:

	_2010_ **_$_**	**_2009_** **_$_**
Future income tax assets		
Operating loss carry-forwards	**23,225**	26,951
Share issuance costs	**1,310**	1,588
Current assets and liabilities	**313**	4,133
Asset retirement obligations	**4,319**	4,486
Other	**1,268**	4,214
Gross future income tax assets	**30,435**	41,372
Valuation allowance		
Canada	**(9,834)**	(8,117)
Colombia	**(868)**	-
Costa Rica	**(5,478)**	(5,516)
Nicaragua	**-**	(5,548)
	(16,180)	(19,181)
Net future income tax assets	**14,255**	22,191
Future income tax liabilities		
Resource property interests	**(30,029)**	(30,335)
Other	**(593)**	(3,472)
	(30,622)	(33,807)
Net future income tax liabilities	**(16,367)**	(11,616)

Non-capital loss carry-forwards for Canadian tax purposes total approximately $30.4 million at December 31, 2010, unless utilized $4.1 million expires in 2027, $4.1 million in 2028, $9 million in 2029 and $13.2 million in 2030.

At December 31, 2010, the Company had tax losses in Nicaragua of $35 million that expire from 2011 through 2012. In Costa Rica, at December 31, 2010 the Company had tax losses of $13.8 million that expire from 2011 through 2015. A valuation allowance of $4.1 million has been applied against the related future tax asset arising from the balance of these tax losses. In Colombia, at December 31, 2010 the

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Company had tax losses of $3 million with an unlimited carry forward period. A valuation allowance of $0.8 million has been applied against the related future tax asset arising from these tax losses.

Income tax expense (recovery) differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings from operations before taxes. These differences result from the following items:

	2010 *$*	***2009*** *$*
Consolidated income (loss) before income taxes	**36,184**	(28,570)
Canadian federal and provincial income tax rates	**28.5%**	30.0%
Income tax expense (recovery) at statutory rates	**10,312**	(8,571)
Increase (decrease) attributable to:		
Effects of different foreign statutory tax rates	**(9,031)**	(2,818)
Benefits of assets not recognized in the period in which they arose	**9,025**	(866)
Change due to foreign exchange	**(6,048)**	(3,582)
Non-deductible expenditures	**3,296**	1,177
Change in valuation allowance and estimates	**(3,001)**	9,414
Tax benefits (expenses) on mineral property written off (sold)	**(1,108)**	1,678
Expiry of losses	**1,457**	3,108
Amounts reported through equity	**(461)**	(425)
Change in enacted tax rate	**181**	227
Other	**(168)**	(124)
Future income tax expenses (recovery)	**4,454**	(782)

14 Financial instruments

Fair values
The Company's financial instruments consist of cash and cash equivalents, accounts receivable, marketable securities, and accounts payable and accrued liabilities. The book values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are representative of their respective fair values due to the short-term nature of these instruments. Marketable securities are carried at their fair values based on published market prices at the balance sheet date.

Cash and cash equivalents are classified as Level 2 and marketable securities are classified as Level 1 within the fair value hierarchy established by CICA section 3862.

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

Credit risk
Credit risk refers to the risk that another entity will default on its contractual obligations which will result in a loss for the Company. As at December 31, 2010, the Company's maximum exposure to credit risk was the carrying value of cash and cash equivalents and accounts receivable. The Company limits its credit exposure on cash and cash equivalents by holding its deposits mainly with Canadian chartered banks.

Liquidity risk
Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due or can only do so at excessive costs. The Company manages liquidity risk by maintaining sufficient cash balances to meet these needs. In addition, $25 million is available for draw down under the Credit Facility as at December 31, 2010.

Market risk
Market risk includes currency and price risk.

The Company's operations in foreign countries are subject to currency fluctuations and such fluctuations may materially affect the Company's financial position and results. The Company reports its financial results in United States dollars and incurs expenses in United States dollars, Canadian dollars, Nicaraguan córdobas, and Colombian pesos. As the exchange rates between the Nicaraguan córdoba, Colombian peso and Canadian dollar fluctuate against the United States dollar, the Company will experience foreign exchange gains and losses. The exchange rate between the córdoba and the United States dollar varies according to a pattern set by the Nicaraguan Central Bank. The córdoba has been annually devalued versus the United States dollar by means of a crawling peg mechanism which currently stands at approximately 5%. All of the Company's gold production activities are currently conducted in Nicaragua.

The Company also maintains cash and cash equivalents denominated in currencies other than the reporting currency, primarily in Canadian dollars. Based on the balances of its cash and cash equivalents at December 31, 2010, 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 $1.6 million.

The Company's operations expose it to changes in the price of gold. Currently, the Company does not engage in any activities that would mitigate this risk. A 5% increase/ (decrease) in the price of gold would have resulted in a decrease/ (increase) in earnings of approximately $6.4 million in 2010 based on gold revenue. The Company's earnings also could be affected by the prices of other commodities such as fuel and other consumable items, although to a lesser extent than by the price of gold. The prices of these commodities are affected by numerous factors beyond the Company's control.

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15 Segmented information

On March 26, 2009, the Company completed a business combination with Central Sun acquiring the Limon Mine (95%) and Libertad Mine (100%). The Libertad Mine achieved commercial production on February 1, 2010 following the completion of the conversion of the 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, the Company had no source of operating revenue and its principal activity consisted of exploration in Colombia and Russia.

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

			2010		
	Limon Mine ***$***	***Libertad Mine*** ***$***	***Other Mineral Properties*** ***$***	***Corporate & Other*** ***$***	***Total*** ***$***
Assets					
Cash	3,878	21,061	248	44,825	70,012
Accounts receivable & prepaids	706	4,559	15	325	5,605
Value-added and other tax receivables	1,572	3,738	-	215	5,525
Inventories	8,873	10,565	-	-	19,438
Marketable securities	-	-	-	483	483
Mining interests	30,749	109,068	93,490	2,428	235,735
Other assets	-	-	344	712	1,056
	45,778	148,991	94,097	48,988	337,854
Capital expenditures	9,950	23,779	9,951	-	43,680
Gold revenue	48,020	79,501	-	-	127,521
Net income (loss)	4,266	21,194	21,221	(17,191)	29,490

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	2009				
	Limon Mine $	***Libertad Mine $***	***Other Mineral Properties $***	***Corporate & Other $***	***Total $***
Assets					
Cash	915	1,612	64	333	2,924
Accounts receivable & prepaids	1,599	1,550	75	1,701	4,925
Value-added and other tax receivables	738	2,390	-	45	3,173
Note receivable	-	-	-	1,700	1,700
Inventories	7,340	2,923	-	-	10,263
Marketable securities	-	-	-	369	369
Mining interests	26,154	99,986	93,893	2,187	222,220
Other assets	-	-	1,350	430	1,780
	36,746	108,461	95,382	6,765	247,354
Capital expenditures	1,937	40,487	8,649	-	51,073
Gold revenue	20,638	-	-	-	20,638
Net income (loss)	(2,078)	-	(18,284)	(7,426)	(27,788)

The Company's mining interests are located in the following geographical locations

	2010 $	***2009 $***
Mining interests		
Nicaragua	**144,298**	126,726
Colombia	**87,642**	83,507
Costa Rica	**2,412**	2,147
Uruguay	**1,367**	-
Canada	**16**	40
Russia	**-**	9,800
	235,735	222,220

16 Contingent gain

By Statement of Claim dated March 16, 2009, Central Sun commenced a legal proceeding in Ontario (the "Engineering Action") against several engineering firms and certain individual engineers alleging that the Defendants were negligent and breached their contractual obligations with respect to the siting, design, construction, assessment and monitoring of the Bellavista gold mine *(Notes 4 and 6)* 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. Preliminary motions have been brought by the Defendants to challenge the Ontario court's jurisdiction. The outcome of this claim is not determinable at this time and no accrual for this contingency has been made in the consolidated financial statements.

17 Subsequent event

Subsequent to December 31, 2010, approximately 0.8 million stock options were exercised for gross proceeds of approximately $0.75 million.