

Recommendation: Top Pick
Target Price: \$3.40

B2Gold Corp (BTO-TSX)

Jabali is the Real Deal

Current Price	C\$1.64	Shares Outstanding (MM)	
52 Wk High	C\$1.92	Basic	310.2
52 Wk Low	C\$0.59	Diluted	383.8
Cash (MM)	\$21.7	Mgmt. & Dir.	59.4
LT Debt (MM)	\$0.0	Market Cap.	C\$508.8
NAVPS	\$2.90	EV	C\$491.7
P/NAV	0.57x	Reserves	0.8 MMoz
Target Return	107.3%	Total Resource	3.0 MMoz

Fiscal YE Dec. 31		2009A	2010E	2011E
Production (000 oz)	Q1	11 A	16 A	41
	Q2	7 A	28	43
	Q3	10 A	33	43
	Q4	4 A	35	43
	FY	31	113	164
Cash Cost (\$/oz)	FY	\$760	\$543	\$485
	Q1	\$(0.02) A	\$(0.02) A	\$0.05
	Q2	\$(0.01) A	\$0.02	\$0.05
	Q3	\$(0.00) A	\$0.03	\$0.05
	Q4	\$(0.02) A	\$0.04	\$0.05
CFPS, adj.	FY	\$(0.05)	\$0.08	\$0.18
	Q1	\$(0.02) A	\$(0.00) A	\$0.06
	Q2	\$(0.01) A	\$0.04	\$0.08
	Q3	\$0.01 A	\$0.06	\$0.08
	Q4	\$(0.00) A	\$0.07	\$0.08
P/CF	FY	\$(0.02)	\$0.17	\$0.30
		n/a	8.6x	4.9x

Unless otherwise denoted, all figures shown in US\$

Investment Thesis:

B2Gold is a gold producer with two producing mines in Nicaragua and a portfolio of development and exploration assets in Nicaragua, Colombia, Costa Rica and Russia. We expect B2Gold to see an upside re-rating as it proves itself as a stable gold producer. B2Gold also provides exploration upside, on the back of a proven management team with an excellent track record for discovering, developing and operating gold mines in challenging environments.

Highlights:

- Jabali Growing With Every Drill Hole**
 The Jabali target is an exciting new discovery that has been explored in two zones covering a combined strike length of 3.2 km but has surface outcropping that indicates the vein system has a known strike length of 6.2 km.
- Jabali to Provide Higher Grade, Lower Cost Growth**
 Based on the results received to date, we estimate a conceptual resource of 500,000 oz at the Antenna and Central ore shoots and believe Jabali could increase production from the La Libertad property by 40,000 oz/yr to 130,000 oz/yr as early as 2011.
- Top Pick Rating Maintained; Target Increased to C\$3.40**
 B2Gold continues to be rated as our Top Pick as we believe the company provides one of the sector's best combinations of production growth, attractive valuation (0.57x NAV; 5.5x CF) and exploration upside. Additional value from the Gramalote and Bellavista projects will likely be crystallized over the next 12 months which should provide further catalysts for the share price to move higher. We are increasing our target price (based on equal weighting of 1.25x NAV and 10x CF) to C\$3.40 (from C\$2.90) on the back of our NAV increase.

La Libertad Now the Flagship Asset. La Libertad is B2Gold's most important asset as it represents 68% of the NAV and 67% of the company's annual production. The new mill began operation in February and produced 6,008 oz in Q1/10 and we expect 15,000 oz in Q2/10. The ramp-up has continued into Q2/10 with the mill exceeding the nameplate capacity of 3,500 tpd by averaging 4,300 tpd in May. The addition of a second ball mill in June (has been running continuously for two weeks) is expected to increase capacity to 5,500 tpd, although peak rates have exceeded 6,000 tpd recently.

Grade Trending Upwards to Reserve Grade. Feed for the mill is a combination of open pit ore (1.93 g/t) and spent ore from the old heap leach pads (0.80 g/t), providing an average reserve grade of 1.58 g/t. The spent ore pile has approximately 4.0 MMt and at the current mix (65% open pit ore and 35% spent ore) is expected to provide feed for the next 6 years. Grades from the open pit were below expectations in Q1/10 (mill head grade averaged only 1.10 g/t) as mining encountered several unmapped old underground workings in the Crimea pit. These grades have improved in Q2/10 however and trended towards the reserve grade of 1.58 g/t in May. Cash costs averaged \$1,045/oz in Q1/10 but are expected to trend down to the \$450/oz level as throughputs and grades reach projected levels in H2/10.

Jabali Growing With Every Drill Hole. The Jabali target is an exciting new discovery for B2Gold and is located 15 km east of the La Libertad mill. The Jabali quartz vein system has been explored in two zones covering a combined strike length of 3.2 km (Figure 1) with 19 trenches and 21 drill holes but has surface outcropping that indicates the vein system has a known strike length of 6.2 km. Most of the near surface, high grade vein material exposed in the trenching has been partially mined historically, but remains open to depth. B2Gold has budgeted approximately 30 holes for its 2010 drill program at Jabali, but with the drilling success so far this year, we expect this program to be expanded in H2/10 such that a resource can be drilled off by year-end. Trenching and drilling has identified two ore shoots at Central (600 m of strike) and Antenna (450 m of strike) that dip to the west and have exhibited significant widths (7-30 m) and economic grades (1.4-8.74 g/t; open pit cut-off would likely be 0.5 g/t). Recent results gave indication of a possible third ore shoot, as drilling from the eastern edge of Central returned 3 m at 8.69 g/t gold. Central remains open along strike and down-dip.

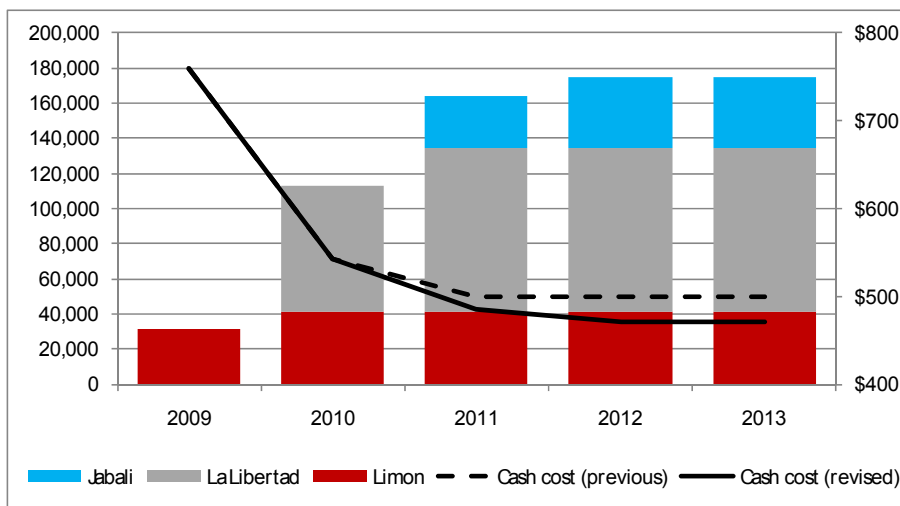
Figure 1: Jabali Vein System (Antenna on left, Central on right)



open pits and trucked to La Libertad for processing as early as 2011. The critical items to this timeline are receiving the necessary permits (mining, trucking) and surface rights.

Jabali to Provide Higher Grade, Lower Cost Growth. We have added Jabali to our production model in 2011 by assuming initial production from the estimated 200,000 t of old artisanal waste dumps (colluvium) that grade approximately 4 g/t. We estimate B2Gold could truck approximately 1,000 tpd from Jabali to the La Libertad mill in 2011 as this material could be excavated under a simpler permit as it is essentially a clean-up exercise. Open pit mining in 2012 (likely from the Antenna ore shoot initially) would commence after all the required drilling, permitting and road work is completed. Using these guidelines, as well as 90% recoveries, a 6:1 strip ratio for Antenna and assuming the Jabali ore is processed at the expense of the lower grade spent ore, total production from the La Libertad property increases by 40,000 oz/yr to 130,000 oz/yr. We estimate capital costs for road upgrades and stripping to be \$5 MM while contractor mining costs of \$1.60/t should be similar to Mojon and Crimea. Transport costs are estimated at \$3.50/t, processing costs at \$11/t and administrative costs at \$1.50/t. Based on these parameters, we estimate Jabali ore would have cash costs of only \$250/oz, and would help lower the overall La Libertad cash costs by 13% to \$390/oz. The impact on B2Gold's overall production and costs is illustrated in Figure 2.

Figure 2: B2Gold Revised Production and Cost Profile



Source: Cormark Securities Inc.

NAV Increases to C\$2.90 on Jabali Estimates. Incorporating Jabali into our valuation effectively adds \$160 MM (or \$0.50 per share) to our NAV_{5%} and increases our La Libertad NPV_{5%} by 32%. We view as an effective way to value this near-term source of production and believe that continued exploration success at Jabali could lead to significantly more ounces and value. With this increase, our NAV is now C\$2.90 (Figure 3).

Steady Limon Continues To Perform. At Limon, management reiterated 2010 production guidance of 40,000 oz at cash costs in the \$600-\$700/oz range. B2Gold is on pace to achieve this target with Q2/10 expected to be in-line with Q1/10 results (10,257 oz at \$671/oz). Limon currently represents only 13% of B2Gold's NAV, however it is a steady producer that generates modest cash flows at these gold prices.

Exploration At Limon Offers Upside. B2Gold is overhauling the entire approach to exploration at Limon, a property that has been severely undercapitalized under previous owners. Systematic exploration work will focus on identifying immediate feed for the mill, delineating material for the next 3-4 years and further exploring many of the large ounce potential targets on the property. While the reserve life is currently only 3 years, our valuation assumes conversion of 50% of the M&I resource to provide a 7-year mine life. After

reviewing the exploration work completed this year, we are confident that the reserve life will be extended at year-end 2010, with most new ounces coming from the Santa Pancha deep zone.

Figure 3: B2Gold NAV Summary

Asset		C\$ MM
La Libertad (100%), Nicaragua	NPV _{5%}	\$486.4
Jabali (100%), Nicaragua	NPV _{5%}	\$160.0
Limon (95%), Nicaragua	NPV _{5%}	\$96.1
Gramalote (51%), Colombia	\$50/oz in-situ	\$59.7
Bellavista (100%), Costa Rica	\$25/oz in-situ	\$19.2
Kupol Licenses (37.5%), Russia	nominal value	\$50.0
Working capital	at March 31, 2010	\$17.0
Long-term debt	at March 31, 2010	\$0.0
Total NAV		\$888.4
Shares o/s		310.2
NAVPS		\$2.90

Based on gold price of \$1,250/oz in H2/10 and 2011, \$1,100/oz in 2012 and \$1,000/oz in 2013+

Source: Cormark Securities Inc.

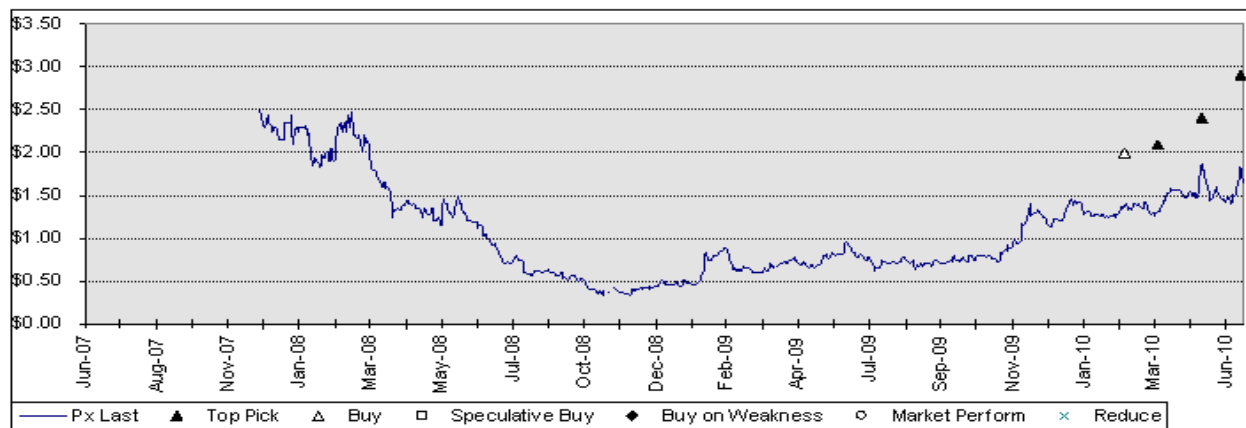
Gramalote Ready for Next Step. B2Gold and AngloGold are still in negotiation regarding exploration and development terms of the joint venture at Gramalote (currently 51% B2Gold/49% Anglo), but B2Gold indicated it is anticipating a resolution soon, having agreed in principle on certain terms and acknowledging that both parties want to take the project forward. Gramalote accounts for only 8% of our NAV (\$50/oz of B2Gold's share of 2.39 MMoz resource), but we see considerable upside in the resource as there are several nearby zones containing at-surface alteration and mineralization characteristics similar to the current Gramalote resource.

Top Pick Rating Maintained; Target Increased to C\$3.40. B2Gold continues to be rated as our Top Pick as we believe the company provides one of the sector's best combinations of production growth, attractive valuation (0.57x NAV; 5.5x CF) and exploration upside. Additional value from the Gramalote and Bellavista projects will likely be crystallized over the next 12 months which should provide further catalysts for the share price to move higher. We are increasing our target price (based on equal weighting of 1.25x NAV and 10x CF) to C\$3.40 (from C\$2.90) on the back of our NAV increase.

We, Richard Gray and Graeme Jennings, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject company(ies) and its (their) securities. We also certify that we have not been, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

B2Gold Corp

Source: Cormark Securities Inc.



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Reduce	0%

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Recommendation / Target Chg

Date	C\$
17-Jun-10	2.90 (TP)
12-May-10	2.40 (TP)
01-Apr-10	2.10 (TP)
02-Mar-10	2.00 (B)

Updated June 22, 2010

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