

August 12, 2010

## B2Gold Corp. (BTO-T, \$1.73)

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**Rating:** *SECTOR OUTPERFORM*; **12-Month Target:** \$2.60; **Risk:** *SPECULATIVE*  
**Impact:** *Positive - Neutral to our valuation*

**Event:** *B2Gold Amends agreement with Anglo to Advance Gramalote - \$9.2 M Budgeted for H2/10 + Final Feasibility Study by the End of 2012*

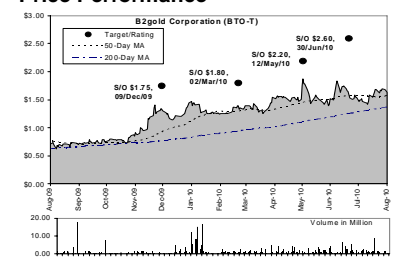
- B2Gold Corp has amending its Gramalote joint venture agreement with AngloGold Ashanti Ltd (NYSE:AU) paving the way for a continuation of exploration and feasibility work into 2011 and 2012, with the goal of completing a final feasibility study by the end of 2012. The companies have agreed to a budget for the Gramalote project, for H2/10 totalling US\$9.18 million to fund 10,000 m of exploration and in-fill drilling and drilling for metallurgical test samples.
- The Gramalote project hosts a NI 43-101 resource of 74.4 Mt grading 1.00 g/t Au (2.39 M oz Au at a 0.5 g/t Au cut-off).
- Key amendments include:
  - Ownership will be retained at 51/49% Anglo/B2Gold (originally BTO had an option to earn a 51% interest in the project by funding the completion of a feasibility study by July 2010);
  - Operatorship will transfer from B2Gold to Anglo (originally BTO managed exploration of the Gramalote property);
  - Each joint venture partner will fund their share of expenditures pro rata (originally BTO had agreed to fund a feasibility study to earn a 2% interest to increase its ownership to 51%).
- B2Gold and AngloGold have also agreed to modify certain rights and restrictions regarding AngloGold's holding of shares of B2Gold. AngloGold will continue to have a pre-emptive right to subscribe on a pro-rata basis for new offerings of shares of B2Gold so as to maintain its percentage ownership (currently 10.2 %). AngloGold has also agreed to reinstate standstill provisions that limit its ability to acquire additional shares of B2Gold and to provide B2Gold with a first opportunity to seek purchasers for AngloGold's shares of B2Gold should AngloGold decide to sell its shares.

**Implications: Positive** – Haywood views the revised agreement with Anglo for the Gramalote joint venture as positive as we ascribe no value for the property in our valuation for the Company, due to uncertainty with regards to future work programs and ownership. Effectively, B2Gold sacrifices its right to earn an additional 2% interest in the property (for feasibility expenditures), and operatorship but will still retain its 49% in a project slated for full feasibility by 2012. Its involvement is supported by equal representation on the JV management committee which will unanimously agree each annual program and budget for Gramalote exploration and development.

**Valuation:** We re-iterate our \$2.60 target price and SECTOR OUTPERFORM rating. Our \$2.60 target is based on a 12.0x multiple to 2011/2012 operating cash flow of US\$69.2 million or US\$0.21 per share. We note that the Company is currently trading at an 8x multiple to 2011/2012 cash flow, a discount to peers (which trade at an average 13x multiple to 2011/2012 cash flow). Further, we view our valuation as conservative as we ascribe no direct value for the Company's 49% interest in the Gramalote project in Colombia (JV AngloGold Ashanti) and the 100%-owned Bellavista Mine in Costa Rica.

<b>Target Price</b>	<b>\$2.60</b>	52-Week High / Low	\$1.92 / \$0.63
Current Price	\$1.73	Shares O/S	308.5 million (basic) 382.1 million (F/D)
Return	50%	Market Capitalization	\$534 million
YTD Performance	43%	Cash	\$22 million
		Working Capital	\$17 million
		Enterprise Value	\$531 million
<b>Risk Profile:</b>	<b>SPECULATIVE</b>	Daily Volume	1,572,750
Forecast Risk	Low-Moderate	Currency	C\$ unless noted
Financial Risk	Low-Moderate	Company Web Site	www.b2gold.com
Valuation Risk	Moderate-High	President/CEO	Clive Johnson
Political Risk	Moderate-High		

### Price Performance



Source: Haywood Securities & Capital IQ

Please see rating structure, important disclosures, risk profile parameters, disclaimers, and notes on pages 3 - 6 of this report.



Catalysts: 1) Positive exploration results from Nicaragua confirming continued potential for sourcing high grade ore to the La Libertad and Limon mills. 2) Improvement in operating efficiencies at La Libertad and El Limón, in-line with production ramp ups, 3) Colombia: Exploration results from Gramalote - 10,000 m of exploration and in-fill drilling and drilling for metallurgical test samples, 4) Positive developments in Costa Rica (Bellavista mine), relating to the potential start up of the operation.

Last Report: June 30, 2010

**B2Gold Corporation** TSX:BTO Price **\$1.73** Rating: **SECTOR OUTPERFORM**  
**Shares O/S (M) 308.5** **MCap (C\$) (M) \$533.8** **Target: \$2.60** **Return: 50%**

B2Gold is an emerging gold miner with two producing assets – the La Libertad and El Limón mines - in Nicaragua, a past producer – the Bellavista mine – in Costa Rica and exploration properties in Nicaragua and Colombia. Development enhancements are anticipated through exploration and resource growth in Nicaragua complimented by exploration activity in Colombia.

**Investment Highlights**  
 - Company founded in 2007 by the former management team of Bema Gold Corp. Proven track record and extensive financing, production, development & exploration experience.  
 - Un-hedged and debt free with 100% exposure to gold price - Fully funded aggressive production and exploration growth  
 - Acquired La Libertad (Cross) (100%) and El Limón (95%) gold mines in Nicaragua through acquisition of Central Sun Mining in March 09  
 - Announced the sale of their right to earn half of Kinross' Interest in the Kupol East and West Licenses to Kinross Gold Corp (TSX:K) for US\$30M plus contingent payments of US\$15M for each incremental million ounces of Proven and Probable Reserves defined (max 9Moz) and a 1.5% NSR (repurchasable for US\$30M). Expected closing in Q3/10.  
**Operations:**  
 - El Limón Mine: In production since 1941. LOM avg head grade of 4.25 g/t Au and cash costs of US\$633/oz  
 - La Libertad Mine: Currently being upgraded to 5,500 tpd in Q2/10. LOM avg head grade of 1.9 g/t Au and cash costs of US\$500/oz  
**Exploration:**  
 - Radius Gold JV (Nicaragua): option to acquire 60% in Trebol, Paven by spending US\$4M within 4 years  
 - Calibre Mining JV (Nicaragua): option to acquire 51% in NEN Au-Cu project in Nicaragua by spending \$8M by July 2012  
 - Bellavista Mine (Costa Rica): acquired through Central Sun Mining transaction. hosts 1 to P&P reserve of 314 koz (Tyr mine life) and M&I resources of 421 koz, currently under care and maintenance as mine is being reclaimed.  
 - Gramalote & Quebradona (49% & 49%) (Colombia): JV with AngloGold Ashanti. Gramalote - Inferred resource 74.4M @ 1g/t Au (2.39 Moz Au)  
**Catalysts:**  
 (1) Strong cash flow (2) Resource growth through exploration in Nicaragua. (3) Positive exploration news from Nicaragua JV properties – definition of drill targets; Colombia – exploration results at Gramalote.

**B2Gold Corporation Chart**  
 Price, Daily Volume, 50-day EMA, 100-day EMA, Sector Outperform, Target, Sector Perform, Target, Sector Under Perform, Target. S/O, \$1.75, S/O, \$1.80, S/O, \$2.20, S/O, \$2.60.

**Financials**

	2009	2010E	2011E	2012E	2013E
Forecast Gold Price, US\$/oz		\$1,200	\$1,250	\$1,150	\$1,050
C\$/US\$ FX Rate		\$1.03	\$1.03	\$1.06	\$1.08
Spot C\$/US\$ FX Rate		\$1.05			

**Income Statement (US\$)**

	2009	2010E	2011E	2012E	2013E
Revenue, \$M	20.6	124.9	162.9	171.5	156.6
Cost of Revenue, \$M	19.5	67.7	62.3	65.9	65.7
Gross Profit, \$M	1.2	57.2	100.6	105.6	90.9
General & Admin, \$M	10.4	18.1	17.8	18.2	16.9
Depreciation, \$M	20.6	21.5	30.2	34.7	36.8
Other Expenses, \$M	2.0	6.6	3.0	0.8	0.7
Exploration/Drilling Costs, \$M	-	8.9	2.0	2.0	2.0
Tax, \$M	(0.8)	7.5	18.8	18.8	13.7
Net Income, \$M	(27.8)	(5.3)	28.8	31.0	20.7

**Balance Sheet (US\$)**

	2009	2010E	2011E	2012E	2013E
Cash \$M	2.9	43.3	66.0	145.5	211.9
Working Capital, \$M	11.6	27.6	33.6	37.0	35.5
Long term Debt, \$M	9.7	19.0	-	-	-
Shareholder Equity, \$M	199.7	249.1	283.9	340.9	377.6

**Cash Flow (US\$)**

	2009	2010E	2011E	2012E	2013E
Op. CF (before W/C), \$M	(3.5)	22.8	65.8	72.5	62.8
Financing CF, \$M	38.7	54.6	(19.0)	19.9	11.5
Investing CF, \$M	(36.2)	(28.7)	(16.6)	(5.4)	(1.9)
Free CF, \$M	24.0	43.1	74.8	70.5	58.8
EPS	(0.12)	(0.02)	0.09	0.09	0.06
P/E	-	-	19.0x	17.5x	27.0x
Target Price/EPS	-	-	28.6x	26.3x	40.6x
CFFOPS	-\$0.02	\$0.07	\$0.20	\$0.22	\$0.18
P/CFFOPS	-	23.3x	8.3x	7.5x	8.9x
Target Price/CFFOPS	-	35.1x	12.5x	11.3x	13.4x

**Production Profile**

	2010E	2011E	2012E	2013E
Gold Ounces (000 oz)	38	38	37	37
La Libertad	67	92	112	112
La Libertad Cash Cost, US\$/oz	\$666	\$625	\$625	\$625
Company Total - Au oz ('000)	106	130	149	149
Company Total - Cash Cost, US\$/oz	\$697	\$538	\$504	\$503

**Limon Production Profile**

	2010E	2011E	2012E	2013E
Au oz ('000)	38	38	37	37
Cash Cost, US\$/oz	666	625	625	625

**La Libertad Production Profile**

	2010E	2011E	2012E	2013E
Au oz ('000)	67	92	112	112
Cash Cost, US\$/oz	666	625	625	625

**Metal Inventory - Global Model Mineable, Reserve, and Resource**

	Ownership	Tonnes (M)	Au (g/t)	Au (000 oz)
La Libertad	100%	24.6	1.51	1154.8
Limon	95%	4.4	4.55	622.8
Total		29.0	1.97	1777.6

**Modeled Reserves & Resources**

	Ownership	Tonnes (M)	Au (g/t)	Au (000 oz)
La Libertad	100%	10.1	1.72	539.5
Limon	95%	1.5	4.40	207.8
Total		11.6	2.07	747.3

**Trading Statistics (C\$): Capital Structure**

	Shares O/S, M	% O/S	Major Shareholder (%)
Institutional	131.19	43%	Resolute Funds Ltd. 15%
Management & Insiders	45.48	15%	AngloGold Ashanti Ltd. 10%

**Corporate NAV Summary**

	NAV 0%	NAV 5%	NAV 8%	NAV 6%
Per Share F/D	Interest	CSM	CS/share	CSM
Project NAV	CSM	CS/share	CSM	CS/share
La Libertad	100%	\$253	\$0.74	\$204
Limon	100%	\$20	\$0.06	\$17
Project NAV		\$273	\$0.80	\$221
Corporate Adjustments		-\$27	-\$0.08	-\$27
Cash and equivalents		\$45	\$0.12	\$45
ITM Cash		\$44	\$0.11	\$44
Debt		\$19	\$0.05	\$19
Corporate NAV (excl ITM Cash)		\$37	\$0.09	\$37
Corp + Proj NAV		\$310	\$0.88	\$258

**Peer Group Comparables (Haywood Securities estimates)**

	Close	Project	Corp. Adj.	Total	P/PNAV	Discount
Alamos Gold Inc.	C\$15.36	C\$10.97	C\$1.10	C\$12.07	1.4x	3%
Brigus Gold Corp	C\$1.32	C\$2.32	(C\$0.43)	C\$1.88	0.6x	3% - 8%
Red Back Mining Inc.	C\$28.12	C\$13.40	C\$0.88	C\$14.28	2.1x	3%
Semako, Inc.	C\$8.26	C\$2.25	C\$0.70	C\$2.95	3.7x	3% - 15%
B2Gold Corporation	C\$1.73	C\$0.65	C\$0.09	C\$0.73	2.7x	8%

**Gold Price Sensitivity - Base Case: 2011 Au = US\$1,250 /oz, 2012 Au = US\$1,150**

Au Price	Project NAV	Cash Flow	Implied	Current	Lib to IP	P/PNAV
\$800	\$158	\$0.45	\$32.54	\$0.10	\$1.22	-30%
\$850	\$166	\$0.48	\$37.44	\$0.11	\$1.40	-19%
\$900	\$174	\$0.50	\$42.22	\$0.13	\$1.58	-9%
\$950	\$181	\$0.53	\$46.78	\$0.14	\$1.75	1%
\$1,000	\$189	\$0.55	\$51.32	\$0.16	\$1.92	11%
\$1,050	\$197	\$0.57	\$55.86	\$0.17	\$2.09	21%
\$1,100	\$205	\$0.60	\$60.40	\$0.18	\$2.26	31%
\$1,150	\$213	\$0.62	\$64.95	\$0.20	\$2.43	40%
\$1,200	\$221	\$0.65	\$69.49	\$0.21	\$2.60	50%
\$1,250	\$229	\$0.67	\$74.03	\$0.22	\$2.77	60%
\$1,300	\$237	\$0.69	\$78.57	\$0.24	\$2.94	70%

**Corporate Contact**

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**B2GOLD**

Source: Haywood Securities





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	Ticker	Company	1	2	3	4	5	6	7	8
	TSX:AGI	Alamos Gold Inc.	X		X					
	TSX:BTO	B2Gold Corp.			X	X				
	TSX:BRD	Brigus Gold Corp.			X	X				
	TSX:RBI	Red Back Mining Inc.			X					
	TSX:SMF	SEMAFO Inc.			X	X				
1	The Analyst(s) preparing this report (or a member of the Analysts’ households) have a financial interest in this company.									
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**SECTOR OUTPERFORM** – Haywood’s top rating category. The analyst believes that the security will outperform its sector. Furthermore, the shares are forecast to provide attractive returns measured against alternative investments when considering risk profiles. The rating carries a minimum total return threshold of 15% for equities and 12% for trusts. The rating applies to companies that have tangible underlying assets that give a measure of support to the market valuation. The rating category considers both the absolute and relative values in assigning the highest rating on the security.

**SECTOR PERFORM** – The analyst believes that the security will trade with tight correlation to its underlying sector. Furthermore, the target price (together with any anticipated distributions) is at or above the market price, and forecast risk-adjusted returns are attractive relative to alternative investments.

**SECTOR UNDERPERFORM** – Investors are advised to sell the security or hold alternative securities within the sector. Stocks in this category are expected to underperform relative to their sector. The category also represents stocks with unattractive forecast returns relative to alternative investments.





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#### **Risk Profile Parameters**

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**SPECULATIVE:** – Investment for risk accounts only. Companies within this category carry greater financial and/or execution risk. All junior/venture companies that carry great financial and/or liquidity risk will be tagged "SPECULATIVE". A stock indicating a SPECULATIVE risk is determined from sector specific criteria outlined below.

#### **Risk Profile Parameters – Mining and Minerals Sector**

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**Forecast Risk:** *High* – Haywood forecasts are below guidance. The Company has a history of missing targets and/or Haywood expects guidance to be lowered. Limited hedging increases commodity leverage. Forecasts reflect higher commodity prices or production relative to guidance. *Moderate* – Haywood forecasts are generally in line with guidance. The Company has a history of meeting or exceeding guidance. Forecasts are consistent with current commodity pricing and production guidance. Hedging is in line with peers. *Low* – Haywood forecasts exceed guidance. The Company has a history of meeting or exceeding guidance. Forecasts allow for modestly lower commodity pricing or production levels. Commodity hedging lowers volatility relative to peers.

**Financial Risk:** *High* – The business plan is not fully funded, but requires debt and/or equity financing. The exploration program is funded for two years or less. This categorization does not predict whether the additional funds will be raised. *Moderate* – The development plan is fully funded, with the exploration program funded for three years or more. The Company's debt is rated below investment grade. *Low* – The Company is fully funded. Its debt is rated investment grade and/or the Company has a history of profitability or dividend payments in each of the last three years.

**Valuation Risk:** *High* – The current valuation is at the high end of historic levels and/or at a premium to peers. The valuation reflects considerable exploration success and/or commodity appreciation. Where applicable, the current capitalization exceeds the DCF evaluation by more than 50%. *Moderate* – The current valuation is within historic ranges and generally consistent with peers. The valuation reflects reasonable exploration success and/or commodity appreciation. Where applicable, the current capitalization exceeds the DCF valuation by 15% to 50%. *Low* – The current valuation is at the low end of historic ranges and at a discount to peer valuations. The valuation reflects limited new exploration success and no commodity appreciation. Where applicable, the current capitalization exceeds the DCF valuation by less than 15% or falls below the current market value.

**Political Risk:** *High* – Currently no industry activity or infrastructure exists. Government opposition is significant. Obtaining permits is challenging. *Moderate* – Industry activity or infrastructure is minimal. Government at national, regional, and local levels is indifferent. Obtaining permits is relatively straightforward. *Low* – Industry activity and infrastructure exist. Government is supportive. Obtaining permits is facilitated.

#### **Distribution of Ratings (as of August 12, 2010)**

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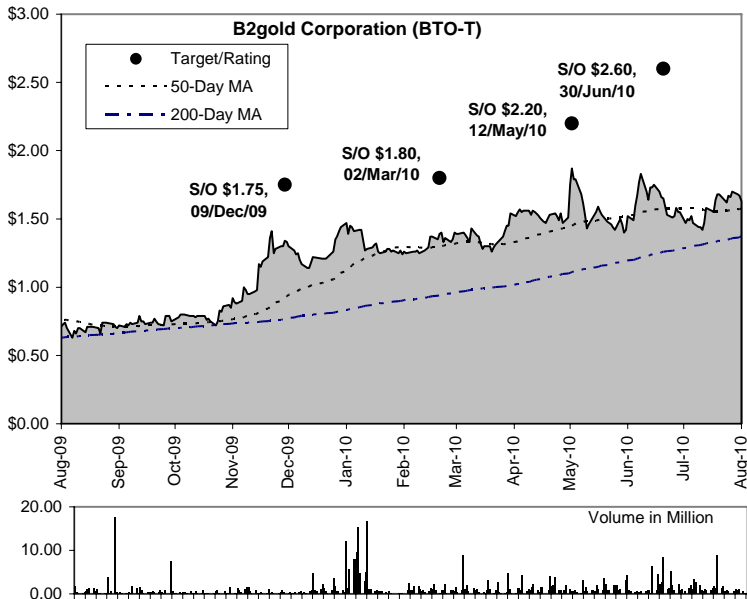
Haywood's current rating structure (outlined above) does not correlate to the 3-tiered BUY, HOLD, SELL structure required by the FINRA. Our ratings of Sector Outperform, Sector Perform and Sector Underperform most closely correspond to Buy, Hold/Neutral and Sell respectively however, as described above, our assigned ratings take into account the relevant sector.





	Distribution of Ratings		IB Clients (TTM)
	%	#	
<b>S/O</b>	55.4%	82	85.7%
<b>S/P</b>	2.0%	3	7.1%
<b>S/U</b>	1.4%	2	0.0%
<b>T</b>	1.4%	2	0.0%
<b>UR (S/O)</b>	6.1%	9	3.6%
<b>UR (S/P)</b>	3.4%	5	0.0%
<b>UR (S/U)</b>	0.7%	1	0.0%
<b>dropped (TTM)</b>	29.7%	44	3.6%

**Rating and Price Target History (as of August 12, 2010)**



Coverage initiated Dec. 9/09

S/O: Sector Outperform; S/P: Sector Perform; S/U: Sector Underperform; T: Tender; U/R: Under Review

Source: Haywood Securities Inc. and Capital IQ

