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PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to B2Gold Corp.'s First Quarter 2019 Financial Results Conference Call. I'd now like to turn the call over to Mr. Clive Johnson, President and CEO. You may proceed, Mr. Johnson.

Clive Thomas Johnson - *B2Gold Corp. - President, CEO & Director*

Thanks, operator. Welcome, everyone, to the conference call to discuss the 2019 first quarter results for -- financial results for B2Gold. We had another strong quarter, and I'm going to hand over to Mike in a minute -- Mike Cinnamond, our CFO -- to give us a run-through of the highlights. I think the news release is quite thorough and self-explanatory, it's backed up by the MD&A that we filed as well. So there's lots of information there, so we're going to keep it short and sweet. Mike will give us a run-through of the financial results, and then we're going to quickly turn it over to questions after that and see if we can answer any of your questions.

For the quarter and going forward, we continue to remain focused on maximizing our operations around the world. We are very focused on continuing to generate free cash flow. We're looking at another very good year this year, as Mike will outline as well, in terms of our guidance for the year. We're also very focused on debt repayment as an important part of what we continued after last year repaying $220 million of debt last year, to have a -- to reduce our debt significantly, and we'll continue on that path as well.

Let me -- when we look to the future, we're very focused on our pipeline, I think we've talked about it a little bit before. And the pipeline, some of it's pretty immediate. One is, of course, the expansion of Fekola, which is underway, and we expect to kick in in next year. But given our view of the Preliminary Economic Assessment that we filed, we think that it is going to make a significant increase in production, and we talked about averaging 550,000 ounces a year for the 5 years starting next year. But we haven't done detailed mine plans, those will come later in the year, but the results of the PEA on the expansion of Fekola were extremely robust, and that's a bit of a no-brainer. So that's a real focus going forward.

We're also very excited and focused on exploration. In addition to the north of Fekola, other zones we've discovered around Fekola and then, further to the north, the Anaconda zones. So there'll be a lot more drilling, not just from the infill drilling that's a big part in this part of the year, but in looking forward to the rest of the year, a lot of exploration drilling. We're pretty excited about the ultimate potential of Fekola above and beyond the large resources we've drilled so far. So that's a real focus.

Other things, we have our joint venture, Gramalote in Colombia with AngloGold Ashanti. Where we're at with that right now is we're in discussions with AGA about a budget going forward. We have a new model, which is a lot better model than we had in the past. And that model does, however, indicate that there's a lot more drilling required. So the next step would be to do more drilling. So we're in discussions with AngloGold Ashanti, whether we're going to spend more money on Gramalote, and if so, who is going to spend it and what's it going to look like. So we'll probably have something to talk about there over the next couple of months, whether we go forward and spend more money on Gramalote or not.

Just a comment on another thing Mike will talk about, which we did increase our revolving corporate facility with our great group of bankers, who've been extremely supportive of us. The reason, though, why you increase -- look to increase that facility -- we don't need the cash, that's pretty clear, generating a positive cash flow -- but the banks offered to renegotiate the terms -- more attractive terms to us. I guess they think we've earned it by our performance -- our stellar performance. They're very happy with us and we're very happy with them. So we increased it by just $100 million [depth]. The facility that's available, and there's a very low standby rate when we're not using it, but the key feature is that we have better terms from the banks. So increasing our line by $100 million shouldn't suggest anything other than we got really good terms from the banks and decided to slightly increase the size of our facility. That's the reason we did.

Comment on M&A. For 4.5 years, I've been saying we're not seriously looking at M&A. So let's say it one more time: we're not seriously looking at M&A. We have a pipeline of projects. We're very excited about the potential to build them. I said 4.5 years ago, we're not likely to do any serious M&A until we get credit for Fekola. That was 4.5 years ago. We're still not getting credit for Fekola. We're definitely not getting credit for the Fekola expansion and what else might be in the pipeline. So we're not close to doing any M&A. I hope that's clear. We don't see anything out there we like. We don't want to use our shares anywhere near the [stubble] to do anything. And we've got a great pipeline of projects. And if and when we do another acquisition, I don't think we'll suddenly do something really stupid after 30 years of doing some pretty good deals. So no, we're not doing it. And b, if we ever do, I think we'll probably do another good deal. Fekola turned out pretty good and some of the other ones did as well. So I hope that's clear on that point. You can spread the word: no M&A from us. The only thing we're looking at acquiring are great exploration opportunities. We've acquired some of them. We're going to acquire more of them, but we're not going to pay for ounces that aren't there. We never have.

So with that, I'll pass it over to Mike to give you the financial headlines, and then we'll open up for questions.

Michael Andrew Cinnamond - *B2Gold Corp. - Senior VP of Finance & CFO*

Thanks, Clive.

Clive Thomas Johnson - *B2Gold Corp. - President, CEO & Director*

Is that clear?

Michael Andrew Cinnamond - *B2Gold Corp. - Senior VP of Finance & CFO*

I think that was fairly clear. A quick -- I'll walk us through the revenues and the operating results, and then some comments, I guess, on some elements of the cash flow statement.

So first on the revenue side. In the quarter, we reported $302 million in revenues on sales of 232,000 ounces, also about $42 million less than the prior year quarter. And the main reason for that is -- it was that we sold 28,000 fewer ounces, but we have to -- just want to remind you that, in the prior year quarter of Q1 2018, that's the quarter when we sold down more than 20,000 ounces of low-cost Fekola inventory that we built up in the Fekola ramp-up stage, so that was an opening inventory at the end of 2017, and it sort of -- that was a sort of one-off as we brought Fekola online. So still a very strong sales quarter for us this year. And just that there was a sort of one-off explanation for last year's even higher quarter.

On the production side, consolidated production was 231,000 ounces, which beat budget of 218,000 ounces by 13,000 ounces, and this continues to reflect the outperformance of Fekola and Masbate.

And Otjikoto was slightly up, and then in Nicaragua, El Limon was basically on budget, and Libertad missed by about 3,000 ounces.

Looking at them individually. Fekola had production of 110,000 ounces, beat budget by 7,000. That was due to higher throughput. During the period, we processed a fair amount of weathered saprolite that required less grinding. And because the mill throughput was doing so well, we also made a decision in the quarter to process more of our low-grade stockpiles than we originally budgeted. Because the low-grade stockpiles were lower grade, overall, our grade was slightly down. We were -- the average grade for the quarter was 2.1 grams versus 2.5 grams as budgeted. And that did result in slightly -- a moderate increase in Fekola Koz, which we already pre-released.

Masbate production was 57,000 ounces. We gained 7,000 ounces up on budget. Masbate continues to outperform on a whole -- all levels, higher grade, higher recoveries, and in particular, a lot more oxide content than was budgeted. We're now mining the main vein, and the oxide content there was 31% from processed tonnage versus 8% in the budget. I should also comment that the Masbate expansion came up and online early in the quarter, and we're now running full tilt now, with a processing capacity of 8 million tonnes for the year.

Otjikoto, at 33,000 ounces, a couple thousand ounces above budget, basically online. And Limon was 12,000 ounces, on budget, and Libertad was 18,000 ounces or 3,000 ounces less than budget. Libertad was mainly due to lower grade than planned from San Diego; it was partially offset by our production in San Juan but, overall, resulted in 3,000 ounces under budget.

On a cash cost base, consolidated cash costs for the quarter were $545 an ounce. That was $27 an ounce less than budget, driven mainly by Masbate and Otjikoto, offset by slightly higher costs at Fekola and some higher costs at Limon and Libertad.

Individually, Fekola is still our lowest cost producer at $397 an ounce, which was $28 higher than budget, but that was for the reason I just elaborated on earlier. We made a decision to process a lot more low-grade material than originally budgeted, which raised the cost marginally.

Masbate had a cracking quarter, $546 an ounce, which is $123 less than budget, and that's driven by a number of factors. Above-budget gold production and then gross mining costs which were actually well below budget. There were cost savings in a number of areas. Drilling and blasting was lower, in part because some of the material we were mining came from backfill areas that didn't need blasting, and we were also able to increase the spacing from some of our other blasting in the period. And then load and haul costs were lower because we focused a lot more activity around the Main Vein pit rather than running up to the ROM stockpile.

Otjikoto costs, $519 an ounce, that was $136 less than budget. Key reason for that is that we took out more ore tonnes than we thought. We had budgeted from phase to the Otjikoto pit to Phase 2 of Wolfshag. That resulted in a lower strip ratio. And so we actually stockpiled a bunch of material that we mined in the period, and that had a positive impact on costs recorded.

Then Nicaragua, Limon, $991 an ounce, which is $115 higher than budget, and Libertad $1,295 an ounce, which is $249 higher than budget due to the lower production, as I mentioned earlier.

On the all-in sustaining cost side, $848 an ounce consolidated, which is $133 less than budget, and that's a combination of 2 main factors. The first one is the $27 per ounce lower cash operating cost for the period, and the balance is mainly related to just cash flow -- our capital expenditure timing. We were $24 million lower in the quarter on the CapEx side than we originally budgeted, but almost all of that will reverse. There may be about $4 million of strip at Otjikoto that we won't see reverse. But other than that, we'll see the majority of that CapEx reverse later in the year. So we don't expect that underperformance -- or that cost underage, the $133, to flow through the rest of the year.

A couple of general comments on the operation. The Fekola PEA level will be out shortly in a couple of days' time. And then, I think Clive had already mentioned, what our plans for Gramalote. I should say that Gramalote, we originally had budgeted $5 million just as our share of hole costs for the year, and we're still waiting to determine what drill program we might see for the balance of '19 and into '20, potentially. So at some point in the next little while, I think we'll probably land on an adjusted budget for Gramalote, and we'll be able to report that in the next quarter.

I wanted to mention a few things on the statement of operations and then the cash flows. So just running down the statement of operations, a few comments. On the G&A side, we were about $3 million higher than the prior year quarter. That's mainly for 2 reasons: one, had salary increases across the sort of consolidated group; and then also a couple of million dollars for under-accrual of bonuses at the end of '18, which flowed into Q1 2019.

On the derivative side, we added $6.2 million in derivative gains, but that's almost all fuel. $7 million came from our fuel hedging program and was offset by about $1 million unrealized loss on our interest-free hedges.

Then on the tax side, we're going to start seeing higher taxes on a consistent basis now as we go through because Fekola is fully taxable and Masbate came out of its tax holiday about a year ago, so we're going to start seeing taxes reported on a consistent basis now. So of the $27 million current income taxes, $14 million of that were Fekola; current income taxes of $4 million of that was Fekola priority dividends. Just remind to you that that's where the government's recarrying 10% as reported. Masbate made up $4 million of the tax number. And then, we also had some alternative minimum taxes in Nicaragua and some other withholding taxes.

All that translated into a net income for the period of $26 million or $0.02 a share. On an adjusted earnings basis, we reported $0.04 a share adjusted earnings.

Just a few comments on the cash flow, and then I'll turn it back to Clive and Bill. So on the operating cash flow side, we generated $86 million in the quarter, which was a fairly solid number, but it's $60 million less than we reported in 2018. So again, a couple of comments on that comparative. The main one is the lower sales number that I discussed earlier when we mentioned revenues. So we were about $40 million lower in sales mainly because of the one-off Fekola inventory drawdown in 2018. And we also paid $7 million in tax installments, and we also funded some other working capital movements mainly in inventory buildup. Overall, $86 million, it translates to cash flow per share of $0.09.

Post quarter end, we paid another $30 million in Fekola tax installments. That was to clear off the 2018 Fekola tax liability. And we're also going to pay, in the second quarter, $17 million for the Fekola priority dividend that built up in 2018. So just for your models, be aware of that.

For the full year, we're forecasting, at current gold prices, somewhere around $400 million in operating cash flows.

On the financing side, you'll see no drawdowns or repayments of our revolver, but as Clive mentioned, we are still focused on repaying the debt. We did have $140 million of cash at the end of Q1. And normally, we would have paid down some of the revolver, but because we knew we were going to make those Fekola tax installments and priority dividend payments, we didn't pay anything in Q1. But as we move later in the year, and especially with the weighting of production results and cash flows for the second half of the year versus the first half, that's when we expect to start paying some more down on the revolver.

On the investing and CapEx side, $58 million for the quarter. As I said, we were $24 million under across all the sites for various reasons, but we expect most of that to reverse in the period. What you'll also see now as we go forward that wasn't the original budget is approximately $25 million will be added to CapEx for Fekola expansion. I think we disclosed that in our last press release. That's the 2019 share of the mill expansion costs. And we're also evaluating what fleet needs we might have as well, and we expect to have some more information about that as we determine that a bit later in the year. We do think that we'll -- some of that may -- it'll either be financed from using our existing cash flows and revolver, we may also look to some sort of [gap] facility for that.

And in total, we have [security] of $140 million in cash. Like I say, good shape to meet our liabilities and also as we go forward to start paying down some more debt.

I think that's basically all the main points I wanted to highlight there, but I guess I'll turn it back to Clive.

Clive Thomas Johnson - *B2Gold Corp. - President, CEO & Director*

Thanks, Mike. We'll open up to questions now.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And your first question comes from Carey MacRury from Canaccord.

Carey MacRury - *Canaccord Genuity Limited, Research Division - Analyst of Metals and Mining*

Just had a question on Fekola. In Q1, you had throughput of about 6.9 million tonnes annualized. And I know your guidance for the year is 5.75 million tonnes. Just wondering how we should think about throughput this year? I mean obviously, the plants can do well above nameplates. Any color you can provide on that?

Clive Thomas Johnson - *B2Gold Corp. - President, CEO & Director*

Bill?

William Lytle - *B2Gold Corp. - SVP of Operations*

Yes, well, we've always said that if we have some of the softer material that we can run more for sure. What we are saying is that our base case is 6 million tonnes per annum based on grinding sites on the harder ore that we found at Fekola. So I would say, if we continue to find the softer ore, which we're in, then you could expect that we'll be up higher than 6 million tonnes.

Clive Thomas Johnson - *B2Gold Corp. - President, CEO & Director*

In the future, we expect to get into some harder ore.

Carey MacRury - *Canaccord Genuity Limited, Research Division - Analyst of Metals and Mining*

And what's the mix roughly of soft to hard currently?

William Lytle - *B2Gold Corp. - SVP of Operations*

Well, Mike talked a little bit about that for sure. I mean in Q1, we were running, what, was it 9% -- 12% saprolite and some of the other stuff was higher up in the zone. So we didn't see much hard stuff in Q1.

Operator

And your next question comes from Chris Thompson of PI Financial.

Chris Thompson - *PI Financial Corp., Research Division - Head of Mining Research*

Congratulations on a great quarter. Just -- and by the way, thanks for all the detail on the M&A, really appreciate that. Two quick questions, first one on Masbate, second one on Otjikoto. Obviously, great results from Masbate. Obviously, you beat on grade and oxide tonnage. Can we expect any more juice in the tank by way of oxide ore before the mine reverts back to, let's call it, a normal transition fresh oxide mill mix?

Clive Thomas Johnson - *B2Gold Corp. - President, CEO & Director*

Bill, do you want to answer that one?

William Lytle - *B2Gold Corp. - SVP of Operations*

Yes. As we continue, we see -- foresee in this quarter continuing on a similar mix. So this quarter, I think we'll see continued positive results reverting to as planned by Q3 of this year.

Chris Thompson - *PI Financial Corp., Research Division - Head of Mining Research*

Okay. And then, finally, Otjikoto. Obviously, expecting back-half weighted, obviously more production, I guess, in the back half, higher grade, it looks like, from Wolfshag there, 2 pits, Phase 2 there. What are you guys thinking about the underground potential? Is that something you're still evaluating there?

William Lytle - *B2Gold Corp. - SVP of Operations*

The answer is absolutely yes. As a matter of fact, if you remember the long kind of drawn-out saga that we had last year, it was almost a -- it was a push on the economics, open pit versus underground, and a lot of that really depended on the geotech that we had felt was going to be there and the geohydrology. Those studies have now come in much more positive than we had anticipated, and so we are now thinking that we will go underground there for sure, and we may go underground sooner than later. The current plan is to develop our study by the end of Q3, so we can present it to the Board in Q4 of this year, and obviously when we report our life of mines next year and we'll come out.

Operator

(Operator Instructions) And your next question comes from Alvin Islam of Haywood Securities.

Alvin Islam

Congrats on a good quarter. Two questions on Fekola, if I may. Given the higher run rate at Fekola, are you guys noticing any benefits on any particular fixed-cost items?

Clive Thomas Johnson - *B2Gold Corp. - President, CEO & Director*

John, do you want to start?

John Rajala - *B2Gold Corp. - VP of Metallurgy*

Yes, I think we're seeing lower costs per tonne processed with the softer ore because of the higher divisor with the -- that goes along with the higher throughput, less reagent consumptions because of the nature of the ore -- the oxide nature of the ore as well. So yes, we're seeing cost reductions from it.

Alvin Islam

And last one, if I may. How sensitive are you guys to fuel cost variations at Fekola?

Unidentified Company Representative

Well, with the...

Michael Andrew Cinnamond - *B2Gold Corp. - Senior VP of Finance & CFO*

Well, fuel overall for Fekola is about 30% of our production costs, and that's kind of split half-and-half between the fleet and the mill, really. So that gives you an idea of the quantum [schedule] and the overall production mix.

William Lytle - *B2Gold Corp. - SVP of Operations*

Yes. And one of the things we are looking at in conjunction with that, similar to Otjikoto, we are undertaking right now a solar study to put in a solar plant, and those results are coming out, they're imminent. And we anticipate, probably in the next little bit, to announce whether or not we would switch over to at least some of the power plant being on solar.

Clive Thomas Johnson - *B2Gold Corp. - President, CEO & Director*

We're feeling quite positive about that so far.

Operator

Your next question comes from Lawson Winder form BoA Merrill Lynch.

Lawson Winder - *BofA Merrill Lynch, Research Division - VP & Research Analyst*

I just -- I wanted to ask about Jabali Antenna. Obviously, you have made progress there, sort of positive progress. But I mean you still need a resettlement and then, ultimately, you still need the final permit. I mean my thinking is, and correct me if I'm wrong, but I mean the permit is probably going to be easier than the resettlement. But does one depend on the other? And then what gives you confidence that the resettlement will ultimately happen in time for H2? And where is that right now?

Clive Thomas Johnson - *B2Gold Corp. - President, CEO & Director*

Bill?

William Lytle - *B2Gold Corp. - SVP of Operations*

Yes. Resettlement is down to the pointy end. So we've made some good advances there. That's the only impediment as you indicated. Yes, the permit. We've gone through the public consultation process, and we're in good order there. So given our advances on resettlement, we're pretty confident, looking into H2, that we'll be there [happily in time].

Lawson Winder - *BofA Merrill Lynch, Research Division - VP & Research Analyst*

And then just on Gramalote. So in your most recent release prior to the Q1 results out last night, I mean, you basically mentioned that before making a decision that you'd complete an internal PEA on Gramalote. So I'm just curious. I mean was that completed? And then if you do ultimately decide

-- or when you decide to increase the budget for Gramalote, will you be releasing those results of the PEA, Just sort of to outline sort of a justification for that investment? And then anything on time line around that investment decision would be helpful as well.

Clive Thomas Johnson - *B2Gold Corp. - President, CEO & Director*

Yes, I mean, we don't really know the way forward right now with Gramalote. We say we are in discussions with AGA, our partner. We have a new model there now, and it's a much better model than it was before -- than the model that AGA used in their -- what they call the Pre-Feasibility Study in 2017. So we were always of the view that there was issues in the model and we needed more drilling. And now there's been a meeting of the minds that we need more drilling. So the question now is there's -- the new model has some much better economics, but the key to that is that we'll need more drilling to make it indicated. And ultimately, indication would become reserves, it's economics. So that's the conversations going on now.

So the question is who wants to spend more money in Gramalote? If so, how much? Who is going to spend it? And the next step would be a bunch of drilling. Gramalote has had a lot of engineering. Whether AGA is directed as operator, there's been huge amounts of money spent, probably should have been a little more drilling. But there's been huge amounts of money spent, so the metallurgy is in great shape, the engineering is in great shape. We have a permit in hand, and we're going to keep the permit going, that's part of the process. But it's got a lot of things going for it. Low grade, yes, but low strip ratio, but very attractive metallurgy, et cetera, et cetera. So all of a sudden, there may be some new life in Gramalote based on our new model, but the key will be who wants to do what going forward, and ultimately, what does the new model mean. It needs more drilling for sure. So we are moving within a month -- are moving in a month, and we're going have -- be able to have -- reach an agreement one way or the other with our partner.

Lawson Winder - *BofA Merrill Lynch, Research Division - VP & Research Analyst*

Okay. That's great. And then, just how do you think about the 49% interest at this point? I mean do have a preference one way or another whether you'd like to see your interest stay the same, increase or decrease?

Clive Thomas Johnson - *B2Gold Corp. - President, CEO & Director*

The unusual thing about the joint venture agreement at Gramalote is the fact that 49% is basically effectively 50-50. All the powers you would normally see in a 50-50 joint venture but all the things you have to unanimously agree are in this joint venture whether you own 49% or 35%, frankly. It's an unusual agreement in that regard. So the 49% is very powerful in that sense. So we're not really stuck on percentages a whole lot. We're keen to be the operator. If that's something our partner wants us to do, we'll seriously consider it.

Lawson Winder - *BofA Merrill Lynch, Research Division - VP & Research Analyst*

Okay. Great. And then Mike, sorry, I don't think I heard the numbers that you gave for the Fekola tax makeup, so both the tax installment and the priority dividend. Did you give the amount that was in Q1? And then I think you gave the amount that was expected for Q2. I apologize, I missed it.

Michael Andrew Cinnamond - *B2Gold Corp. - Senior VP of Finance & CFO*

Well, what's in the actual current income tax charge is $18 million for Fekola -- $14 million for current income taxes and $4 million for the priority dividends -- so that's on an accruals basis in the P&L. What was physically paid in cash during the quarter for Fekola was $6 million in Fekola tax installments, but subsequent to the quarter end, we paid another $30 million to settle out our final 2018 tax liability for Fekola. And we're also expecting to pay $17 million in Q2 to settle the 2018 priority dividend.

Operator

And your next question comes from Craig Stanley of Eight Capital.

Craig Philip Stanley - *Eight Capital, Research Division - Principal & Precious Metals Analyst*

You mentioned that you increased the revolver because you get better terms. Can you give us an idea of just what the terms are or just maybe how much you might save per year?

Clive Thomas Johnson - *B2Gold Corp. - President, CEO & Director*

That's probably got some details in the MD&A, but Mike, do you want to add?

Michael Andrew Cinnamond - *B2Gold Corp. - Senior VP of Finance & CFO*

Well, we haven't fully closed it yet, so we didn't disclose the details, but we will when we close it, which is expected very shortly. I can say the pricing is generally a little better than it was and less onerous on the covenants. And the thing we'd probably focus on the most is just the baskets of what carve-outs that you can have, but I think we'll disclose a bit more on that when we actually close it. We're almost there.

Clive Thomas Johnson - *B2Gold Corp. - President, CEO & Director*

Second quarter.

Michael Andrew Cinnamond - *B2Gold Corp. - Senior VP of Finance & CFO*

Second quarter.

Operator

And we have no further questions at this time. So I'll turn it back over to Mr. Johnson for closing remarks.

Clive Thomas Johnson - *B2Gold Corp. - President, CEO & Director*

Okay. Thanks for your time, everyone. Have a good day.

Operator

And this concludes today's conference call. You may now disconnect.
