BAJA MINING

Management's Discussion and Analysis
Year Ended December 31, 2015

This Management's Discussion and Analysis ("MD&A") of Baja Mining Corp. and its subsidiaries ("Baja" or the "Company") provides analysis of the Company's financial results for the year ended December 31, 2015. All financial information included in this MD&A, including comparatives, has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The following information should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2015, including the notes to those financial statements (the "Financial Statements"), which are available on the SEDAR website at www.sedar.com. Financial information is expressed in United States dollars, unless stated otherwise. This MD&A is current as of April 21, 2016.

Caution on Forward-Looking Information

This MD&A contains certain forward-looking statements concerning anticipated developments in Baja's operations in future periods. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. These forward-looking statements may include statements regarding exploration results, mineral resource estimates, projected liquidity, capital expenditures, available capital resources and the potential availability of short-term and long-term financing, timelines, strategic plans, market prices of base metals or other statements that are not statements of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of Baja may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors. Baja's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from Baja's expectations include: the impact of the loss of control of the Company's principal asset and related uncertainties regarding decisions on the further development of the Boleo Project (or the "Project"); uncertainties as to when or if the Company will realize any cash flows from the Boleo Project or generate revenues or cash flow from its own independent operations; uncertainties relating to the Company's ability to obtain additional financing to fund its future working capital and/or investment needs, including any cash call in support of the Project to avoid further dilution of the Company's ownership in the Project; uncertainties involved in fluctuations in copper and other commodity prices and currency exchange rates; uncertainty as to timely availability of permits and other governmental approvals; other uncertainties relating to the Boleo Project including it obtaining adequate funding to support working capital needs and the ramp-up of production, achieving sustainable profitability, the need for cooperation of government agencies and local groups in the exploration and development of the Project, and the issuance of required permits; and other risks and uncertainties disclosed herein for the year ended December 31, 2015, and other information released by Baja and filed with the appropriate regulatory agencies.

Summarized Financial Results

(thousands of USD unless otherwise noted)	**December 31 2015**	**December 31 2014**
Cash and cash equivalents	651	1,891
Working capital	502	1,788
Other receivables - non-current [(1)]	1,000	1,000
Shareholder loans receivable	17,905	17,905
Subordinated debt[(2)]	10,000	10,000

1) MMB MSA margin receivable of $1.00 million (see "*Ongoing Discussions on New Shareholders Agreement*" on page 3).
2) Manganese Refundable Deposit Liability.

	Three months ended December 31		Years ended December 31	
(thousands of USD unless otherwise noted)	**2015**	**2014**	**2015**	**2014**
Loss before other items	(380)	(932)	(1,304)	(2,350)
Foreign exchange gain	638	695	3,500	1,768
Income (loss) for the period	258	(237)	2,196	(577)

Fourth Quarter Highlights and Recent Events

- On October 6, 2015, and November 9, 2015, Baja announced the execution of a settlement agreement (the "Settlement") between the parties to the class action providing that it would be dismissed, no liability would be admitted, and the Settlement amount would be CDN $11 million, to be paid by the Company's insurers (see "*Legal Proceedings – Class Action*" on page 4).
- At the end of the quarter, the Company had working capital of $0.50 million. The Company will require additional funding in the near-term to cover its operating costs and any development costs at Cinto Colorado (see "*Liquidity, Capital Resources, and Going Concern*" on page 11).
- In October 2015, the Company initiated steps to implement the liquidation of its Luxembourg holding companies, which is expected to eliminate approximately $0.1 million of annual running costs. On December 3, 2015, the liquidation of Boleo International S.à r.l. was completed, and on December 28, 2015 Baja International S.à r.l. was placed in voluntary liquidation, which was completed on March 25, 2016 (see "*Liquidation of Luxembourg Subsidiaries*" on page 5).
- On October 22 and 23, 2015, Baja management met with representatives of Korea Resources Corporation ("KORES") in Vancouver to continue discussions on the new shareholders agreement and the management services agreement ("MSA") margin receivable for Minera y Metalúrgica del Boleo, S.A. P.I. de C.V. ("MMB") (see see "*Ongoing Discussions on New Shareholders' Agreement*" on page 3).
- On October 30 and 31, 2015, Baja's executive management team (Tom Ogryzlo, Interim CEO; Dr. David Dreisinger, VP Metallurgy; Nigel Kirkwood, CFO) visited the Boleo Project to meet with senior management of MMB to discuss progress at Boleo, including the process plant production ramp-up and both the underground and open pit mining (see "*Boleo Project Development Activities, October 2015 Site Visit*" on page 6 and 7).
- During the quarter, the Company agreed to an extension of the Cinto Colorado option agreement through to December 31, 2016, and incurred expenditures of $0.02 million (2014 - $0.07 million) (see "*Cinto Colorado Project*" on page 3).
- During the quarter, Baja management presented its preliminary concepts for the development of the Cinto tailings to MMB and KORES. In early April 2016, the executive management of the Company, together with a representative of SNC-Lavalin, met with senior executives of KORES in Seoul to discuss further development concepts (see "*Cinto Colorado Project*" on page 3).
- The Company reported net income during the quarter ended December 31, 2015, of $0.26 million, including the impact of a $0.64 million foreign exchange gain during the quarter (see "*Review of Baja's Operating Results*" on page 9).
- Subsequent to the year end, the MMB 2016 capital and operating budget was approved by all members of the MMB board of directors, including Baja. MMB management have projected a cash shortfall of $300 million for the Boleo Project in 2016 (see "*Boleo Project Development Activities, Projected Cash Shortfall 2016*" on page 8).

- MMB reported to the Company that copper production for 2015 was 7,319 tonnes, and targeted production for 2016 is approximately 22,000 tonnes (see "*Boleo Project Development Activities, December 2015 Site Visit and February 2016 Site Visit*" on page 7 and 8).
- On February 5, 2016, and March 23, 2016, MMB issued cash calls of $38.3 million and $90.0 million, respectively. The Company informed MMB that it would contribute its 10%, which may give rise to dilution of the Company's 10% shareholding in MMB (see "*Boleo Project Development Activities, Projected Cash Shortfall 2016*" on page 8).
- In early April 2016, the Company was advised by MMB that the cobalt-zinc circuits have been commissioned and the plant is now producing zinc sulphate and cobalt metal. MMB management have declared that the commissioning phase of the processing plant operations has now been completed with the operation of the plant now stabilized and achieving planned production targets (see "*Boleo Project Development Activities, February 2016 Site Visit*" on page 7).

Overview

Baja Mining Corp. was incorporated on July 15, 1985, under the *Company Act* (British Columbia). The Company's principal asset is its minority investment in the Boleo Project, a copper-cobalt-zinc-manganese deposit located near Santa Rosalia, Baja California Sur, Mexico, including its shareholder loan in MMB with a carrying value of $17.9 million as at December 31, 2015. The Project achieved the production first copper in January 2015 and is in the production ramp-up phase of operations.

As at December 31, 2015, the Company owned a 10.0% interest in the Project. MMB holds all mineral and property rights in the Project. As at December 31, 2015, the remaining 90.0% of MMB was indirectly owned by members of a Korean consortium (the "Consortium"), comprised of KORES, LS-Nikko Copper Inc., Hyundai Hysco Co. Ltd., SK Networks Co. Ltd., and Iljin Materials Co. Ltd., which acquired an initial 30% interest in June 2008.

Following the loss of control of MMB on August 27, 2012, the Company is no longer the operator of the Boleo Project and no longer has day-to-day involvement in the management and development of the Project or access to timely operational or financial information, or the Project site. The Company's current focus is on addressing outstanding matters relating to the change of control in MMB, ongoing litigation and related insurance matters, and is working to identify and evaluate alternative project opportunities with potential for near-term cash flow or value creation (see "*Cinto Colorado Project"* on page 3).

The Company is liquidating its Luxembourg subsidiaries in an effort to simplify its legal structure and reduce operating complexity and costs (see "*Liquidation of Luxembourg Subsidiaries*" on page 5).

Ongoing Discussions on New Shareholders' Agreement

Baja management met with KORES in Vancouver on October 22 and 23, 2015, to continue discussions on the revised MMB shareholders' agreement (the "Shareholders' Agreement"). Baja believes that significant progress has been made toward reaching a final agreement on the key issues, including dilution, the manganese production decision and related payments (see Baja news release dated April 2, 2014), as well as the management services agreement ("MSA") margin amount owing to Baja pursuant to the MSA prior to its termination effective in February 2013.

The Company and KORES met again to discuss the Shareholders' Agreement in Santa Rosalia in December 2015 and in Seoul in early April 2016, and have agreed to work toward finalizing the Shareholders' Agreement and related matters at a next meeting in Vancouver in mid-May.

Cinto Colorado Project

In early November 2015, the President of Cinto Colorado met with the newly-elected President of the Municipio of Mulegé (the "Municipio"), who requested that Cinto Colorado and Baja present the tailings project to the

Cabildo (elected municipal governing body) of the Municipio to formally ratify support for the project. At a meeting with Cinto Colorado on December 18, 2015, the President of the Municipio pledged to present the Cinto tailings project to the Cabilido to obtain its formal support for the project.

In January 2016, Baja and Cinto Colorado presented development concepts for the tailings project to a meeting of the Cabilido. At that time, Baja and Cinto requested that the Cabilido adopt a formal resolution in support of the tailings project. Following several one-on-one meetings between the President of Cinto Colorado and members of the Cabilido in early April 2016, the members of the Cabilido have committed to call a special meeting quickly to vote on the tailings project.

On January 7, 2016, the Company announced that initial metallurgical test work on samples taken from the Cinto Colorado leach/precipitation/flotation (LPF) tailings located in Santa Rosalia, adjacent to the Boleo mine site, have yielded positive results. The Company engaged Met-Solve Laboratories ("Met-Solve") in Langley, BC to undertake and coordinate the testing, which was supervised by Dr. Dreisinger, with Dr. Thomas Glück, the former Director of Process Technology at Baja and a co-author of the 2010 Boleo Technical Report, as project manager.

Further, the Company reported that test work confirmed that the Cinto tailings are suitable for leaching. Recoveries from bench scale testing approached 70% with modest acid consumption. Ion exchange (IX) testing using a copper selective, chelating resin, produced concentrated copper solutions potentially suitable for direct addition to the Boleo plant copper recovery process or, alternatively, for direct electrolysis to copper metal. One option for direct electrolysis would be to use Electrometal's EMEW technology.

Baja presented its preliminary concepts for the development of the Cinto tailings to MMB and KORES, including simply trucking the tailings on an existing haul road to be fed into the Boleo plant, or producing and supplying an enriched copper pregnant liquor solution (PLS), pumped a distance of approximately 2 km from the Cinto plant to the Boleo plant. The Company agreed with KORES that it would advance these concepts for further review with KORES and MMB. A key aspect of its discussions with KORES will be to determine what level of cooperation in terms of access to infrastructure and process consumables that Baja and Cinto may be able to secure from MMB.

With the preliminary interest expressed by KORES and MMB, and the anticipated support from the Municipio, the Company commissioned SNC-Lavalin to prepare a scoping study in connection with processing a high arsenic copper concentrate in an autoclave to supply a PLS copper solution to Boleo. Additionally, the Company has undertaken some further metallurgical testing on the tailings, which may be processed in parallel with the copper concentrate. The scoping study supported the technical and commercial viability of the project concept, subject to testing in the market.

In early April 2016, the executive management of the Company, together with a representative of SNC-Lavalin, met with senior executives of KORES in Seoul to discuss the autoclave concept. The Company is awaiting feedback from KORES.

An extension to the Cinto Colorado option agreement through December 31, 2016, has been agreed by the parties.

The Company incurred exploration and evaluation expenditures relating to the Cinto Colorado Option Agreement for the three months ended December 31, 2015 of $0.02 million (2014 - $0.07 million). Total expenditures from inception of the project are $1.05 million, covering the period from the quarter ended June 30, 2013, to the quarter ended December 31, 2015.

Legal Proceedings – Class Action

Following the announcement of the forecasted cost overruns and the resulting funding shortfall in April 2012, a shareholder of the Company commenced a class action lawsuit under the Class Proceedings Act (Ontario) (the "CPA") against the Company and certain of its present and former directors and officers.

On April 28, 2014, the Ontario Superior Court of Justice certified the action as a class proceeding under the CPA and dismissed all claims against certain individual defendants. As against Baja and the remaining individual defendants, the court granted leave to the plaintiff to proceed only with respect to statutory claims under s. 138.3 of the Securities Act (Ontario) (the "OSA") and dismissed all other claims.

On October 6, 2015, and November 9, 2015, Baja announced the execution of a settlement agreement (the "Settlement") between the parties providing among other things that the Action would be dismissed, no liability would be admitted, and the Settlement amount would be CDN $11 million, inclusive of administration and legal costs of the class, and of any other costs or expenses related to the Action or the Settlement.

The CDN $11 million settlement was paid directly by Baja's insurers to a trust account controlled by the plaintiff's legal counsel in November 2015, and accordingly no provision has been recognized by the Company at December 31, 2015.

On February 19, 2016, the Ontario Superior Court of Justice approved the Settlement and dismissed the Action.

Liquidation of Luxembourg Subsidiaries

In October 2015, the Company initiated steps to implement the liquidation of its Luxembourg holding companies, which is expected to eliminate approximately $0.1 million of annual running costs.

An extraordinary general meeting of the sole shareholder held on December 3, 2015, closed the liquidation of Boleo International S.à r.l. On December 28, 2015, at an extraordinary general meeting of the sole shareholder, Baja International S.à r.l. was placed in liquidation.

On December 29, 2015, the liquidator of Baja International S.à r.l. distributed to the sole shareholder, Baja Mining Corp., as an advance on the liquidation proceeds of Baja International S.à r.l. by way of a payment in kind consisting of 12,749,094 shares held in MMB.

On March 25, 2016, the liquidation of Baja International S.à r.l. was completed.

Corporate Outlook

The Company's current focus continues to be on addressing outstanding matters relating to the change of control of MMB and the Boleo Project and its restructuring so as to minimize potential risks and maximize potential value for the Company and its shareholders (see "*Ongoing Discussions on New Shareholders' Agreement*" on page 3). In addition, the Company is working to identify and is selectively evaluating alternative project opportunities, including the Cinto Colorado option. The Company does not have sufficient cash resources to fund its operations for the next 12 months and is preparing to raise additional financing to fund its ongoing overheads and to successfully develop the Cinto Colorado project and exercise its option, or pursue other potential project opportunities.

At its meeting of shareholders held on December 16, 2015, the Company was granted approval to consolidate its share capital on the basis of one new share for every 20 existing shares outstanding.

Boleo Project Development Activities

The latest available NI 43-101 compliant technical report on the Boleo Project is dated March 2, 2010 (the "March 2010 Technical Report"), which is available on the Company's website or on www.sedar.com (the "March 2010 Technical Report"). The Company believes that the preparation of an updated NI 43-101 technical report, that would have otherwise superseded the March 2010 Technical Report, is no longer practical. Readers are cautioned that the Company exerts no control or influence over the Boleo mine plan redesign process or timing, or any decision by MMB or KORES to update the March 2010 Technical Report. Readers are further cautioned that information regarding the Boleo Project set out in the March 2010 Technical Report and its existing public disclosure may no longer be current or accurate, and may not be updated in the foreseeable future, or ever.

The Company's principal asset is its minority investment in the Boleo Project and related shareholder loan. Therefore, the Company's management attempts to closely follow, and wherever possible influence, developments at the Project, which are relevant to the Company's investment, and ultimately any recovery it may realize. To the best of the Company's knowledge, the key developments during the period are summarized under the sub-section headings below.

Information presented in the sub-sections "October 2015 Site Visit", "December 2015 Site Visit" and "February 2016 Site Visit", below is based on or derived from the latest available information provided to the Company by MMB and KORES at that time. The Company ceased to control MMB or be the operator of the Boleo Project on August 27, 2012. Readers are cautioned that while the Company has no reason to believe that the information provided to it by MMB and/or KORES and reflected herein is not materially correct, it has not independently verified the accuracy or completeness of such information and must rely on MMB and/or KORES for the provision of such information.

The Boleo Project is located on the east coast of Baja California Sur, Mexico, near the town of Santa Rosalia, some 900 kilometers south of San Diego, California. The deposit contains seven mineralized seams, called "mantos", stacked within a single formation, all dipping gently to the east towards the Sea of Cortez in a step-like fashion, due to post depositional faulting.

The Project consists of roughly 12,000 hectares of mineral concessions and 7,000 hectares of surface occupancy rights, each assembled as part of a contiguous titled block. The Project is located within the "buffer zone" of the El Vizcaíno Biosphere ("El Vizcaíno"), a Mexican National environmental reserve; and the required Environmental Impact Manifest has been approved by Mexican authorities, allowing the Project to be built and operated in the buffer zone of El Vizcaíno.

October 2015 Site Visit *(see Company news release dated November 10, 2015)*

The Company's executive management (Tom Ogryzlo - Interim CEO, Nigel Kirkwood – CFO, and David Dreisinger – VP Metallurgy) visited the Boleo Project on October 30 and 31, 2015, and met with operations management of MMB to discuss progress at Boleo, including the process plant production ramp-up and both the underground and open pit mining.

Copper Shipment, Boleo Production Ramp-up

As reported in the Company's news release dated November 10, 2015, Baja had been advised by MMB that in late October 2015, Boleo shipped a further 2,750 tonnes of copper cathode, in addition to 1,919 tonnes shipped on July 12, 2015, and that MMB plant personnel had been working to address process and equipment issues, which have become apparent during the ramp-up of copper production.

The zinc-cobalt circuit was being commissioned, and Baja management was informed that zinc sulphate production was then expected to commence in December 2015, and cobalt metal production in January 2016. MMB management reported that the ramp-up and operation of the Boleo plant was significantly disrupted by the access restrictions imposed by the former President of the Municipio of Mulegé at the Boleo site in September 2015 (see Company news releases dated September 17, 2015, and September 29, 2015).

MMB management was working to increase copper extraction rates to design levels. The start-up of the sulphur dioxide (SO_2) circuit, which is expected to improve copper recovery, was being prepared for start-up on November 11, 2015, but was then expected to start up in December 2015. Plant management was also investigating other parameters such as operating temperature and acid dosage rates affecting copper recovery in order to make process adjustments in the leaching circuit. These adjustments are also intended to reduce high levels of gypsum present in the circuit. It was reported that it may take several months to make these adjustments, particularly if plant design modifications are required.

The materials handling circuit was functioning satisfactorily and was able to achieve design capacity throughput rates. However, certain modifications were then being introduced to address material sizing to improve the performance of the scrubber and crusher, which at times have been hampered by excessive clay in the plant feed. A fourth tailings pump had just been installed to provide added flexibility and back-up. Several minor but disruptive equipment failures had occurred, which plant management had rectified, including the replacement of a number of blades on leach tank agitators.

The plant continued to be fed from low-grade stockpiles while the operation is being ramped up. Baja management was then advised that expected total copper production for 2015 would be approximately 7,500 tonnes, as compared to 20,000 tonnes previously targeted (see Company news release dated April 30, 2015).

Underground and Surface Mining

New underground mining methods continue to be evaluated. MMB mining crews are advancing access tunnels in three mines at the manto level, and Mexican contract miners are carrying out trials mining using short-wall mining techniques. Underground mining currently employs approximately 140 miners on three production shifts. MMB mine management advised Baja that underground mining conditions remain constrained by very difficult ground conditions, and availability of experienced personnel and equipment. Underground production is averaging approximately 450 tonnes per day. This is programmed to increase to 1,000 tonnes per day before year end with the delivery of additional equipment expected this month.

Surface mining continues to provide the bulk of the material delivered to stockpiles. Year to date through September 2015, surface mining has added approximately 260,000 tonnes to stockpiles with an average grade of 1.43%. Mining strip ratios are currently between 7:1 and 8:1, with an average haul distance of approximately six kms. Both surface and underground mining was halted by the site access restrictions imposed by the Municipio.

MMB mine management are preparing a long-term mine plan that is expected to be finalized before year end.

December 2015 Site Visit *(see Company news release dated January 7, 2016)*

Tom Ogryzlo, Baja Interim CEO, and Nigel Kirkwood, Baja CFO, attended the MMB Board meeting at Boleo on December 17, 2015. At the meeting, the Directors, including representatives of KORES and the Korean Consortium, were presented with an update on operations at Boleo. MMB reported that copper production for 2015 is forecast at 7,319 tonnes, in line with its latest guidance (see Baja news release dated November 10, 2015). A production and operating budget for 2016 was presented to the Board but remained under discussion. It was reported that MMB would require additional funding through 2016. Commissioning of the cobalt and zinc sulphate circuits was underway, and commercial production was targeted for February 2016. A Life of Mine plan (MMB27) was also presented by MMB management to the Board, based on underground production using shortwall mining methods to achieve 3,000 tonnes per day by the end of 2016.

February 2016 Site Visit *(see Company news release dated February 29, 2016)*

Tom Ogryzlo and Wolf Seidler, a Director of Baja, visited the Boleo Mine on February 19, 2016, and met with operations management of MMB to discuss progress at Boleo, including both the underground and open pit mining and the process plant production ramp-up.

Plant

Details of the plant problems and solutions were in line with those reported in the Company's New Release dated November 10, 2015. Some remedies, like the addition of a "Sizer" unit to deal with problems related to clay in plant feed material, have been installed and are functioning as expected, while other improvements are awaiting delivery of key items. MMB management is encouraged by the copper recoveries after reduction leaching, which it advised are currently ±70%. During the ramp-up phase, the plant continues to process lower grade material ranging between 0.70% and 0.90% copper. Baja representatives were not made aware of any process plant problems to which, in the opinion of MMB management, there were no solutions, and were advised that most, if not all of which, should be in place by the end of 2016. Delays in the delivery of key materials are impacting the timing with which outstanding improvements are achievable.

Copper cathode production in 2015 was 7,319 tonnes; the target for 2016 is 22,000 tonnes of copper cathode.

The cobalt and zinc circuits were then scheduled to be in operation sometime in March 2016. The first zinc sulphate prills were on display during Baja's visit having been produced the night before. Cobalt metal was produced in early April 2015, and MMB management have now declared that the commissioning phase of the processing plant operations has been completed, with the operation of the plant now stabilized and achieving planned production targets.

MMB commenced the installation of two additional acid storage tanks at a cost of US$3.5 million.

Underground and Surface Mining

Due largely to difficult ground conditions, underground mining continues to be a serious challenge. The 2015 year end target of producing 1,000 tonnes per day (tpd) underground was achieved on the day before the visit but had not yet been demonstrated to be sustainable at that level. Plans involving new custom built mining equipment and more underground workers are in place to ramp up daily production to the forecast 3,000 tpd by year end.
Two Mexican mining contractors with experience in coal mining are working underground employing approximately 80 miners at that time. They are responsible for the mining activity in two of the underground mines.

Surface mining seemed to be working well. The only challenges relate to the high stripping ratio, which was then reaching 12:1.

The technical and other information in respect of the Boleo operations disclosed herein has been reproduced from Company new releases as referenced. The technical and other information contained in those Company news releases has been provided or disclosed to Baja by MMB management during the site visits. However, Baja is a minority 10% shareholder in MMB, a company indirectly controlled by KORES, a Korean state-owned company. Therefore, Baja does not have direct and independent access to information relating to the operations of MMB customary for a controlling shareholder or project operator. Baja is dependent upon information provided by MMB and/or KORES either routinely to shareholders, or at specific request. Accordingly, the Company and its representatives have been unable to verify the technical disclosures in the news releases relating to current and prospective Boleo mine and process plant production tonnages and operational performance and therefore cannot provide definitive assurance that the technical information disclosed therein and herein is correct. The technical comments contained in the Company news releases with respect to the processing plant was reviewed and approved by Dr. David Dreisinger, Ph.D., P.Eng., F.C.I.M., F.C.A.E, who is a Qualified Person as defined in NI 43-101.

Projected Cash Shortfall 2016

MMB management have projected a cash short fall of approximately US$300 million for 2016 based on a 2016 capital and operating budget, which was approved by all members of the MMB Board of Directors, including Baja. It is unclear at this time to what extent this cash short fall will be covered by new equity and/or new shareholder or third-party loans.

On February 5, 2016, and March 23, 2016, MMB issued cash calls of $38.3 million and $90.0 million, respectively, expected to fund operations through Q2 2016. The Company has informed MMB that it would not participate in and contribute its 10% share in each of the cash calls. This may result in a further decrease in Baja's ownership of the Boleo Project, in addition to that which may arise in respect of the May 2015 MMB cash call (total advance of $76.0 million). The extent of any dilution to Baja's current 10% shareholding in MMB is pending finalization of the revised Shareholders Agreement and the ultimate form of the cash call participation (i.e. shareholder loan or equity).

As at December 31, 2015, MMB reported total financial indebtedness (including indebtedness to shareholders) of a nominal value of approximately $1.50 billion.

Review of Baja's Operating Results

Comparison of the three-month period ended December 31, 2015, to the three-month period ended December 31, 2014

For the three-month period ended December 31, 2015 ("Q4 2015"), the Company recorded net income of $0.26 million or $0.00 per share (basic) as compared to a $0.24 million net loss or $0.00 per share (basic) for the same period in 2014 ("Q4 2014"). The net income in Q4 2015 includes a foreign exchange gain of $0.64 million (gain of $0.70 million in Q4 2014). The net loss in Q4 2014 includes an impairment charge of $0.57 million.

Operating expenses during the quarter ended December 31, 2015, were $0.38 million compared to $0.93 million for Q4 2014. General and administrative expenses during Q4 2015 were $0.36 million ($0.30 million in Q4 2014). The most significant differences in operating expenses are discussed below:

- Wages, salaries and management fees: $0.11 million ($0.12 million in Q4 2014) – the decrease relative to Q4 2014 reflects the foreign exchange impact of a stronger US$ on the C$ payroll and cost savings from the termination of an employee earlier in the fiscal year;
- Professional and consulting fees: $0.15 million ($0.06 million in Q4 2014) – the Company incurred greater tax consulting and legal fees during the quarter in connection with the restructuring and liquidation of the Luxembourg subsidiaries;
- Office and administration: $0.05 million ($0.07 million in Q4 2014) – the decrease compared to Q4 2014 reflects lower insurance costs and ongoing efforts by management to reduce office costs; and
- Exploration and evaluation expenditures: $0.02 million ($0.07 million in Q4 2014) – the decrease relative to Q4 2014 reflects savings from the absence of legal due diligence cost in Q4 2015. The Company continued to incur certain Cinto Colorado operating costs pursuant to the option agreement;
- Impairment: $Nil ($0.57 million in Q4 2014) – In view of the uncertainty relating to the timing of settlement and the outcome of the ongoing discussions with KORES relating to the settlement of amounts owing to the Company by MMB pursuant to the MSA, as at December 31, 2014, management recorded a $0.57 million impairment charge against the MMB MSA margin receivable.

Other items

- Foreign exchange gain: $0.64 million (gain of $0.70 million in Q4 2014) – during Q4 2015 and Q4 2014, the Canadian dollar weakened against the US dollar. The foreign exchange gains and losses are primarily a result of Baja's (Canadian functional currency) US dollar based investment (shareholder loan) in the Boleo Project.

Comparison of the year ended December 31, 2015, to the year ended December 31, 2014

For the year ended December 31, 2015, the Company recorded net income of $2.20 million or $0.01 per share (basic) as compared to a net loss of $0.58 million or $0.00 per share (basic) for 2014. The income in 2015 results from a foreign exchange gain of $3.50 million (a gain of $1.77 million in 2014).

Operating expenses during 2015 were $1.30 million compared to $2.35 million in 2014. General and administrative expenses during 2015 were $1.19 million ($1.47 million in 2014), including stock-based compensation as detailed below. The most significant differences in operating expenses are discussed below:

- Wages, salaries and management fees: $0.59 million ($0.59 million in 2014) –2015 reflects the payment of a contractual bonus of $0.10 million to the Interim CEO pursuant to the terms of a May 2012 agreement, which offsets savings from the foreign exchange impact of a stronger US$ on the C$ payroll, lower payroll costs with reduced hourly wages paid, and lower administrative costs in Luxembourg;

- Directors fees: $0.11 million ($0.13 million in 2014) – the decrease compared to 2014 reflects savings from the foreign exchange impact of a stronger US$ on the C$ director fees paid and fewer director meetings, which is partly offset by $0.02 in special fees paid to a director in 2015 in his capacity as Chairman of a litigation/insurance committee;
- Professional and consulting fees: $0.18 million ($0.13 million in 2014) – the increase in 2015 reflects increased tax consulting and legal fees associated with the implementation of restructuring and liquidation of the Luxembourg subsidiaries;
- Stock-based compensation: $0.03 million ($0.11 million in 2014) – the decrease relative to 2014 reflects the grant of options in August 2014 that vested fully on the grant date. In September 2014, there was a further grant of options vesting over a two-year period, which gives rise to the expense during 2015;
- Office and administration: $0.22 million ($0.39 million in 2014) – the decrease compared to 2014 reflects lower insurance costs and the ongoing efforts by management to reduce office costs, as well as the foreign exchange impact of a stronger US$ on the C$ office costs;
- Exploration and evaluation expenditures: $0.11 million ($0.38 million in 2014) – the decrease relative to 2014 reflects slowed activity as Cinto Colorado and the Company awaited the outcome of elections in the Municipio of Santa Rosalia earlier in the year and ratification of the Lease by the Cabildo. The Company continued to incur certain Cinto Colorado operating costs pursuant to the option agreement; and
- Impairment: $Nil ($0.51 million in 2014) – In view of the uncertainty relating to the timing of settlement and the outcome of the ongoing discussions with KORES relating to the settlement of amounts owing to the Company by MMB pursuant to the MSA, as at December 31, 2014, management recorded a $0.57 million impairment charge against the MMB MSA margin receivable that was partly offset by a recovery of $0.06 million in receivables previously impaired.

Other items

- Foreign exchange gain: $3.50 million (gain of $1.77 million in 2014) – during 2015 and 2014, the Canadian dollar weakened significantly against the US dollar. The foreign exchange gains or losses are primarily a result of Baja's (Canadian functional currency) US dollar based investment (shareholder loan) in the Boleo Project.

Selected Annual Information

	2015 USD '000s	**2014 USD '000s**	**2013 USD '000s**
Income (loss) for the year	2,196	(577)	(29,319)
Income (loss) per share			
- Basic	0.01	(0.00)	(0.09)
- Diluted	0.01	(0.00)	(0.09)
Total assets	19,784	21,135	24,076
Net working capital (deficit)(2)	502	1,788	(4,867)
Total non-current financial liabilities(3)	11,541	11,541	1,541

(1) The Company's annual financial results as at and for the years ended December 31, 2015, 2014 and 2013 have been prepared in accordance with IFRS. The Company's presentation currency is USD. The functional currency of Baja Mining Corp. is the Canadian dollar; the functional currency of Baja International, S.à r.l. and Boleo International, S.à r.l is the US dollar.

(2) 2015 and 2014 exclude (i) $1.00 million receivable from MMB (2013 – includes $1.67 million (before impairment)), which was reclassified as a non-current asset as at December 31, 2014, reflecting management's judgment that the receivable from MMB may not be realized into cash within twelve months; and (ii) $10.00 million Manganese Refundable Deposit Liability reclassified as a non-

current liability as at June 30, 2014, based on agreement in principle with KORES to restructure terms relating to any possible repayment.

(3) 2015 and 2014 include $10.00 million Manganese Refundable Deposit Liability.

The significant loss in 2013 reflects MMB losses attributable to the Company's results in 2013 prior to the loss of significant influence in Q2 2013 when the Company's ownership interest in MMB was diluted below 20%.

The decrease in the loss in 2014 reflects lower general and administrative costs in 2014 and the absence of any impact of MMB on the Company's financial performance following the loss of significant influence.

The income in 2015 results from a foreign exchange gain of $3.50 million arising during the year.

Review of Quarterly Results

The eight most recently completed quarters up to December 31, 2015:

	Q1 Mar 31, 2014	**Q2 Jun 30, 2014**	**Q3 Sep 30, 2014**	**Q4 Dec 31, 2014**	**Q1 Mar 31, 2015**	**Q2 Jun 30, 2015**	**Q3 Sep 30, 2015**	**Q4 Dec 31, 2015**
Total Revenues (USD '000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Income (loss) for the period attributable to common shareholders of the Company (USD '000)	$ 380	$ (1,244)	$ 524	$ (237)	$ 1,478	$ (680)	$ 1,140	$ 258
Basic and diluted income (loss) per share for the period	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

(1) The Company's financial results presented above have been prepared in accordance with IFRS. The Company's presentation currency is USD. The functional currency of Baja Mining Corp. is the Canadian dollar; the functional currency of Baja International, S.à r.l. and Boleo International, S.à r.l is the US dollar.

The fluctuating income (loss) of the Company is primarily impacted by foreign exchange fluctuations between the Canadian and US dollars, with the largest impact attributable to Baja's (Canadian functional currency) US dollar based investment in the Project.

Liquidity, Capital Resources, and Going Concern

MMB's mineral exploration and development activities have provided the Company with no source of income, and a history of losses, working capital deficiencies and deficit positions. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and, in the near-term, to obtain the necessary financing to meet its obligations, cover overheads, and settle its liabilities from normal operations as they become due. The Company does not expect to receive any cash flows from its shareholding in MMB or shareholder loan in the foreseeable future.

The Company's combined cash and cash equivalents and short-term deposits as at December 31, 2015, totaled $0.65 million (December 31, 2014 - $1.89 million).

The Company has working capital of $0.50 million as at December 31, 2015 (December 31, 2014 – $1.79 million).

During the year ended December 31, 2015, the Company utilized $1.21 million of cash in operations (2014 - $1.36 million). This was measured after taking into account adjustments for non-cash items such as an unrealized foreign exchange gain of $3.50 million (2014 - $1.77 million gain) and, in 2014, an unrealized impairment expense of $0.57 million. In addition, net changes in working capital balances released cash of $0.05 million (2014 – $0.29 million).

The Company did not incur any cash expenditures on property, plant and equipment during the year (2014 - $Nil) nor release any restricted cash balances (2014 - $0.18 million).

The Company did not complete any equity financings during the year (2014 - $Nil), nor receive any cash proceeds (2014 - $Nil) through the exercise of stock options and share purchase warrants.

As at December 31, 2015, the Company has recorded a receivable from MMB amounting to $1.00 million (December 31, 2014 - $1.00 million) in respect of the cumulative margin on services provided to MMB since 2009 pursuant to a management services agreement ("MSA"), which was terminated by MMB during Q1 2013. The timing and amount of settlement has been under discussion with KORES and MMB for an extended period of time, and therefore, there is increased uncertainty as to what amount of this receivable and when this receivable will be realized and whether it will be realized into cash within 12 months. In view of the uncertainty and the outcome of the ongoing discussions with KORES and MMB, during the quarter ended December 31, 2014, management recorded a $0.57 million impairment charge against the MMB receivable, and reclassified the remaining receivable balance of $1.00 million from short-term to long-term assets. As at December 31, 2015, there is no change to the classification or carrying amount of the MMB receivable.

The Company does not have sufficient cash resources to fund its operations for the next 12 months and is preparing to raise additional financing to fund its ongoing overheads and to successfully develop the Cinto Colorado project and exercise its option, or pursue other potential project opportunities. There can be no assurance that the Company would be able to obtain adequate financing in the near future or that such financing would be on terms acceptable to the Company. These factors cast significant doubt on the Company's ability to continue as a going concern.

Commitments, Contingencies and Contractual obligations

As at December 31, 2015, the Company had the following undiscounted contractual obligations:

Contractual Obligations	**Payments due by period (thousands of USD)**				
	Total	Less than 1 year	2-3 years	4-5 years	More than 5 years
Accounts payable	$377	$377	$nil	$nil	$nil
Operating lease obligations [1]	$13	$13	$nil	$nil	$nil
Subordinated debt[2]	$10,000	$nil	$nil	$nil	$10,000
Total	$10,390	$390	$nil	$nil	$10,000

1 The Company has an office lease for its corporate head office expiring on April 29, 2016, committing the Company to an average monthly lease payment of $4.0 (CDN$4.5).

2 The Company has a refundable deposit liability of $10,000 from the sale of 30% of the Company's interest in MMB to the Consortium in 2008. Terms of the manganese production decision and related payments continue to be under discussion as part of negotiations on a revised MMB shareholders' agreement (see "*Ongoing Discussions on New Shareholders Agreement*" on page 3).

Off-Balance Sheet Arrangements

In 2012, the Company entered into a lease assignment for offices no longer used by the Company. In order to induce the landlord to approve the assignment, the Company provided an indemnity agreement to the landlord. The Company will remain liable during the balance of the lease term in the event the assignee does not fulfil its obligation to the landlord. The lease expires September 30, 2020.

The future aggregate minimum lease payments by the assignee to the landlord covered by this indemnity agreement are as follows:

	(USD '000s)
Not later than one year	470
Later than one year and not later than five years	1,840
	2,310

No amount has been accrued for this indemnity as of December 31, 2015, as management has assessed that it is not probable that the Company will be required to cover any amounts under the indemnity.

The Company does not have any other material off-balance sheet arrangements, including guarantee contracts, contingent interests in assets transferred to an entity, or other derivative instruments obligations not already described herein.

Transactions with Related Parties

Compensation of key management personnel

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel of the Company include executive officers and directors.

The compensation paid or payable to key management, or to companies in common with key management personnel, for services provided is shown below.

(USD '000s)	**Years ended December 31,**	
	2015	**2014**
Short-term employee benefits(1)	469	430
Stock-based compensation	24	95
	493	525

(1) 2015 Includes $100 bonus paid to the Interim CEO pursuant to a contract effective from May 2012.

Share Capital Information

The Company did not grant any stock options to employees or directors of the Company during the year. As at the date of this MD&A the Company had an unlimited amount of common shares authorized for issuance, with 340,213,025 issued and outstanding and 5,300,000 stock options outstanding.

Changes in Accounting Standards

Adoption of new or revised IFRS pronouncements during the year

The Company did not adopt any new accounting standard during the year.

Adoption of new or revised IFRS pronouncements not yet effective

New and revised IFRS pronouncements that have been issued but are not yet effective, and that may have an impact on the disclosures and financial position of the Company, are disclosed below. The Company intends to adopt these new or revised standards and interpretations, if applicable, when they become effective.

(i) IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers,* ("IFRS 15") replacing IAS 11 *Construction Contracts*, IAS 18 *Revenue*, and the related revenue-related interpretations. IFRS 15 introduces a single, principle based, five-step model for the recognition of revenue when control of a good or service is transferred to the customer. IFRS 15 also requires expanded disclosures to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers and to improve the comparability of revenue from contacts with customers. IFRS will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of adopting IFRS 15 on the consolidated financial statements.

(ii) IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, to replace IAS 39, *Financial Instruments: Recognition and Measurement,* and ("IAS 39). IFRS 9 introduces a single approach to determine whether a financial asset is measured at fair value through profit and loss, fair value through other comprehensive income, or at amortized cost. Measurement and classification of financial assets is dependent on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset.

For financial liabilities, IFRS 9 retains most of the IAS 39 requirements; however, where the fair value option is applied to financial liabilities, the change in fair value resulting from an entity's own credit risk is recorded in other comprehensive income rather than net earnings, unless this creates an accounting mismatch.

In addition, a new expected credit loss model for calculating impairment on financial assets replaces the incurred loss impairment model used in IAS 39. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure about expected credit losses and credit risk.

IFRS 9 is effective for years beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of adopting IFRS 9 on the consolidated financial statements.

(iii) IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, Leases, ("IFRS 16") replacing IAS 17, Leases, ("IAS 17"). For lessees applying IFRS 16, all leases are considered finance leases and will be recorded on the balance sheet. The only exemptions to this classification will be for leases that are twelve months or less in duration or for leases of low-value assets. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for years beginning on or after January 1, 2019, with early adoption permitted if the entity is also applying IFRS 15. The Company is currently evaluating the impact of adopting IFRS 16 on the consolidated financial statements.

Critical Accounting Estimates and Judgments

The preparation of the consolidated financial statements requires that the Company's management make assumptions and estimates of effects of various future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period. Actual results may differ from those estimates.

Estimates are reviewed on an ongoing basis using historical experience and other factors that are considered relevant given the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

The significant assumptions about the future and other major sources of estimation uncertainty at the end of the reporting period are as follows:

a) **Impairment of amounts due from MMB**

The Company exercises judgment when evaluating the evidence of impairment for amounts due from MMB, including the shareholder loan receivable and long-term other receivable. Where such evidence exists, estimates of future cash flows and the recoverable amount are required to determine the amount of any impairment. Management's judgment and estimates in these areas are based on information available from internal and external resources at that time. In assessing impairment for the shareholder loans receivable, management has considered a number of factors relating to the Boleo Project, including project funding, latest available capital cost estimates and project schedules, preliminary mine and operating plans, future taxes and other market indicators. Actual results could differ from these estimates and judgments, as additional information becomes known (Financial Statements notes 4 and 5).

b) **Classification of receivable from MMB**

The Company exercises judgment in presenting all or a portion of receivable from MMB as current or long-term. It is management's judgement to reflect $1.00 million of the receivable as a long-term asset at December 31, 2015, upon consideration of the length of time this receivable has been outstanding, and the uncertainty to whether this receivable will be realized into cash within twelve months (Financial Statements note 4).

c) **Measurement of the refundable deposit liability**

A refundable deposit liability is payable to the Consortium should a decision be made not to produce manganese from the Boleo Project by the economic completion date of the Project. The Company cannot accurately predict the outcome or timing of this decision (Financial Statements note 7).

d) **Income taxes**

Foreign withholding taxes are payable when interest from shareholder loans are received. The accrued withholding tax is estimated at each reporting period based on management's assessment of ultimate future tax obligations, and the portion attributable to the current reporting period. Actual results could differ from these estimates and judgments, as additional information becomes known (Financial Statements note 12).

e) **Consolidation**

On December 28, 2015, Baja Luxembourg was placed in liquidation with the consent of its parent Baja Mining Corp. as a means for Baja Mining Corp. to hold directly the net assets of Baja Luxembourg. All of the assets and liabilities of Baja Luxembourg were distributed to its parent Baja Mining Corp. by the closing of the liquidation of Baja Luxembourg on March 25, 2016. It is management's judgment the Company retained control over Baja Luxembourg at December 31, 2015. As such, these consolidated financial statements include the results of Baja Luxembourg for the years ended December 31, 2015, and December 31, 2014.

Financial Risk Management

The Company's financial instruments are exposed to the following credit, liquidity and market risks:

a) **Credit risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk is primarily on its cash and cash equivalents, shareholder loans receivable, and other receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

Cash and cash equivalents are substantially invested with highly rated financial institutions with a minimum rating of "A".

Financial assets due from MMB include the shareholder loans receivable of $17.91 million; and $1.00 million in other receivables of which $1.00 million relate to invoices more than one year old. These invoices pertain to services provided by the Company to MMB pursuant to a management service agreement, which was terminated by MMB during the first quarter of 2013. The Company recognized an impairment of $0.57 million as at December 31, 2014, reducing this portion of the MMB receivable to $1.00 million. Repayment of these amounts by MMB is dependent in part on KORES' continued support and the Project establishing profitable operations.

b) **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as outlined in Financial Statements note 16.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. The contractual maturities of the Company's financial liabilities as of December 31, 2015, are as follows:

	Total (USD 000s)	**Contractual Maturity**
Accounts payable and accrued liabilities	377	Due within 1 year
Subordinated debt	10,000	Greater than 1 year *(i)*
Foreign withholding tax liability	1,541	Greater than 1 year *(ii)*
	11,918	

(i) The repayment of the refundable deposit liability, if required, is dependent on the results of the manganese production decision. As the manganese production decision is to be made by the board of directors of MMB, the Company cannot accurately predict the outcome or timing of the manganese production decision (Financial Statements note 7).

(ii) Foreign withholding taxes are payable when interest is received from shareholder loans receivable (Financial Statements note 12).

c) **Foreign exchange risk**

The Company operates internationally with offices and operations in Canada and, up to March 2016, Luxembourg, which gives rise to the risk that its financial instruments may be adversely impacted by exchange rate fluctuations. The Company's operating expenses are incurred primarily in U.S. and Canadian currencies, and to a lesser extent other foreign currencies such as the Euro.

The functional currency of Baja is the Canadian dollar, thus significant foreign exchange gains and losses arise in converting Baja's U.S. dollar-based monetary assets and liabilities to Canadian dollars. These foreign exchange gains or losses are included in the consolidated statements of operations. Currency translation adjustments are recognized in other comprehensive loss arising from the translation of the net assets of Baja in Canadian dollars into the presentation currency of U.S. dollars (Financial Statements note 2(d)).

A significant change in the currency exchange rate between the U.S. dollar relative to the Canadian dollar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not entered into foreign currency contracts to hedge its risk against foreign currency fluctuations.

As at December 31, 2015, U.S. dollar financial instruments subject to foreign exchange risk are as follows:

Baja Mining Corp.	**Foreign currency amount** (USD 000s)
Cash and cash equivalents	516
Shareholder loans receivable	17,905
Receivables	1,000
Accounts payable and accrued liabilities	(35)
Net U.S. assets (liabilities) exposed	19,386

A 1% appreciation or depreciation in the CAD/USD foreign exchange rate would result in an additional foreign exchange gain or loss of approximately $0.21 million and an opposite currency translation gain or loss in other comprehensive loss of $0.21 million.

d) **Interest rate risk**

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at December 31, 2015, the Company has cash and cash equivalents and no interest-bearing debt.

The Company has not entered into any contracts to hedge its risk against interest rate fluctuations.

Risk Factors

Readers should carefully consider the risks and uncertainties described below before deciding whether to invest in shares of the Company's common stock.

The Company's failure to successfully address the risks and uncertainties described below would have a material adverse effect on Baja's business, financial condition and/or results of operations, and the trading price of Baja's common stock may decline and investors may lose all or part of their investment. We cannot assure you that we will successfully address these risks or other unknown risks that may affect Baja's business.

Estimates of mineralized material are inherently forward-looking statements and subject to error. Although resource estimates require a high degree of assurance in the underlying data when the estimates are made, unforeseen events and uncontrollable factors can have significant adverse or positive impacts on the estimates. Actual results will inherently differ from estimates. The unforeseen events and uncontrollable factors include: geologic uncertainties including inherent sample variability, metal price fluctuations, variations in mining and processing parameters, and adverse changes in environmental or mining laws and regulations. The timing and effects of variances from estimated values cannot be accurately predicted.

Certain descriptions or information relating to the Boleo Project in connection with risk factors described herein are based in part upon information set out in the March 2010 Technical Report. The preparation of an updated NI 43-101 compliant technical report that would supersede the March 2010 Technical Report is unlikely to be prepared by MMB. Readers are cautioned that the Company exerts no control or influence over the Boleo mine plan redesign process or timing, or the preparation of other information that may be relevant for the preparation of an updated NI 43-101 technical report. Therefore it is not possible or feasible currently for the Company to prepare an updated NI 43-101 compliant technical report on the Boleo Project, nor can it provide any guidance as to when or if an updated NI 43-101 Technical Report will ever become available. Additionally, readers are further cautioned that the information regarding the Boleo Project in the March 2010 Report and existing public disclosure may no longer be current or accurate, and may differ significantly from actual technical information relating to the Boleo Project.

The Company has limited financial resources and is a going concern risk

At December 31, 2015, the Company had working capital of $0.50 million. Baja's current working capital is not sufficient to meet its planned business objectives, including the identification, evaluation and acquisition of or investment in new project opportunities. Baja will need to generate additional financial resources in the near-term in order to cover its operating overheads and meet its planned business objectives. There can be no assurance that Baja will be able to obtain additional financial resources and/or achieve profitability or positive cash flows. If Baja is unable to obtain adequate additional financing, the Company may be required to curtail operations and/or its planned exploration and development and/or investment activities.

The Company and MMB have no history of generating revenues from operations; the Company may never generate any revenues or cash flows from operations

The Company's interest in MMB (currently 10%, but subject to significant potential dilution) and its shareholder loan to MMB are its principal assets. Production at Boleo is currently in the ramp-up phase, and normalized and profitable production has not yet been achieved. The Company and MMB have never recorded any revenues from mining operations. The Company expects to continue to incur losses, and will continue to do so until such time as the Project generates sufficient positive cash flows to support the payment of shareholder loan interest and/or any principal repayment or other distribution of cash to the Company, or the Company develops an alternative project opportunity generating cash flow for the Company.

As at December 31, 2015, MMB reported indebtedness of a nominal value of $1.50 billion that must be serviced and repaid by MMB in priority over interest paid on and principle repayment of indebtedness to MMB shareholders, and before any dividend distributions. MMB may not generate sufficient cash flows from the Project, and therefore the Company may not, in the foreseeable future or ever, generate any interest revenues or receive any dividends or repayment of loan principal from the Boleo Project. The Company's promissory note issued by MMB is subordinate to other priority debt held by MMB. In the event that on the maturity date of December 31, 2018, the priority debt in MMB is still outstanding, the maturity date of the promissory note will be extended automatically for successive one-year terms as required. There can be no assurance that the Company would be able to raise any additional funding required to finance operations until such time as the Boleo Project generates sufficient positive cash flows for the Company.

The negotiation and finalization of the New Shareholders' Agreement may be delayed further, and the Company may not receive any amounts owing to it by MMB pursuant to the termination of the management services agreement

As at December 31, 2015, the Company has recorded a receivable from MMB amounting to $1.00 million in respect of the cumulative margin on services provided to MMB since 2009 pursuant to a management services agreement ("MSA"), which was terminated by MMB during Q1 2013. The timing and amount of settlement has been under discussion with KORES and MMB for an extended period of time, and therefore, there is increased uncertainty as to what amount of this receivable and when this receivable will be realized.

If the finalization of the ongoing negotiations between the parties to the New Shareholders' Agreement is delayed further, amounts owing to the Company from MMB pursuant to the terminated management services agreement may not be paid to the Company in the near-term, which may impact the Company's ability to continue as a going concern in the near-term.

Pending finalization of the New Shareholders Agreement, the Company may be required to contribute any cash flows received from the Boleo Project toward the repayment of the Manganese Deposit Liability should a decision by made by MMB not to produce manganese

A refundable deposit liability of $10.0 million was included in the cash proceeds received from the sale of 30% of the Company's interest in MMB to the Consortium in 2008. This deposit was to be refundable to the Consortium should a decision be made not to produce manganese from the Boleo Project by the economic completion date.

During the second quarter of 2014, the Company agreed in principle with KORES that once the Boleo Project has started paying cash dividends and provided that the MMB board has decided in good faith not to proceed with the development of manganese at the Boleo Project, Baja will pay the Consortium the $10.0 million out of cash flows paid to Baja from the Boleo Project.

In the event of an MMB board decision not to produce manganese, the Company may forego receipt of any cash flows from the Project until such time that the refundable manganese deposit liability is repaid, which may impact the Company's ability to continue as a going concern.

Further dilution of ownership in MMB is expected as total Project capital costs have exceeded $1,751 million and further funding from MMB shareholders is required to Boleo's operations before the Project is self-sustaining from a cash flow perspective

The total costs to complete the Boleo Project have exceeded $1,751 million and the Project is not yet self-sustaining from a cash flow perspective. The Project has required further external debt financing to complete construction and for working capital requirements during the commissioning, start-up and ramp-up phases of operations.

Baja and KORES have agreed in principle that the New Shareholders' Agreement will provide that if Baja is asked to make a contribution pursuant to a future cash call in connection with new funding and Baja does not make its proportionate contribution, the non-defaulting MMB shareholders will have the right to contribute on behalf of Baja, in which case Baja's current 10% ownership in MMB may be diluted, and such dilution could be material.

MMB management have projected a cash short fall of approximately US$300 million for 2016 based on a 2016 capital and operating budget, which was approved by all members of the MMB Board of Directors, including Baja. It is unclear at this time to what extent this cash short fall will be covered by new equity and/or new shareholder or third-party loans.

To date, MMB has issued three cash calls for an aggregate funding of $204.3 million, including $128.3 million in 2016 expected to fund operations through Q2 2016. The Company informed MMB that it would not participate in and contribute its 10% share in each of the cash calls. The extent of any dilution to Baja's current 10% shareholding in MMB is pending finalization of the revised Shareholders Agreement and the ultimate form of the cash call participation contributed on behalf of the Company (i.e. shareholder loan or equity).

Further cash calls are anticipated during 2016 to fund the projected cash short fall for the year, which may give rise to further dilution. There can be no assurance that MMB will not require further funding in 2016, or beyond, and issue further cash calls to fund operations, resulting in even further dilution of Baja ownership in MMB.

The Boleo Project may struggle to achieve profitability and maintain the continued financial support of KORES and/or to attract further external funding

MMB has relied upon external debt financing backed by a KORES guarantee to fund the completion of the Boleo construction and additional working capital requirements for commissioning, start-up and ramp-up of operations.

MMB management have projected a cash short fall of approximately $300 million for 2016 based on a 2016 capital and operating budget. Should MMB require further funding for its operations in 2016, or if the Boleo Project does not achieve the 2016 operating targets and/or profitability in the foreseeable future, the continued financial support of KORES and, therefore, the continued viability of the Boleo Project and MMB are uncertain. Should KORES no longer support the Project financially, the Boleo Project may be shut down indefinitely.

Whether the Project ultimately will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and cost of mining; metal prices, which are highly cyclical; metallurgical recoveries under actual conditions and reagent costs (particularly the price of sulphur, which has fluctuated dramatically in the past few years); and government regulations, including those relating to prices, taxes, royalties (currently there are no royalties against the Project), land tenure, land use, importing and exporting of minerals, and environmental protection.

The Boleo Project is facing mining difficulties and may prove to be uneconomic

The Project represents a predominantly soft-rock, ore-body, spread amongst seven flat-lying ore beds (or "mantos"). MMB was planning to apply a mechanized room-and-pillar mining method for most of the mining, utilizing a fleet of continuous miners, mobile roof support and mobile haulage equipment for the purpose of advance and retreat mining.

However, underground, soft-rock mining presents a number of significant challenges including (but not limited to) safe and efficient ground control, geotechnical complexities aggravated by the presence of historic underground mine excavations (some filled and some unfilled), attracting and retaining suitably skilled personnel, operating specialized mining equipment and associated maintenance support.

MMB continues to evaluate a number of potential mining methods and alternative mine plans, including increasing the proportion of open pit mine production. There is no assurance that MMB will be able to achieve the mining production levels required and at reasonable cost to ensure the economic viability of the Project.

Baja no longer has complete and timely access to material or relevant information concerning MMB and the Boleo Project

As the Company no longer controls MMB or is the operator of the Boleo Project, the Company is dependent on MMB and/or KORES providing the Company with relevant and accurate technical and financial information regarding MMB and the Boleo Project ("Material Information") for it to ensure that its shareholders and the markets are appropriately informed and updated in accordance with the Company's continuous reporting and other regulatory requirements. As the members of the Consortium and KORES may have differing internal and/or external informational reporting requirements, the Company may not always have, or be granted access to, on a timely basis, all Material Information. While the Company is working with MMB and KORES to ensure that it receives timely access to all such Material Information the Company may not receive or be aware of such Material Information to enable it to disclose to its shareholders and the markets on a timely and complete basis.

Baja may experience difficulties with its Boleo partners

Baja transferred control of MMB and the Boleo Project to the Consortium in 2012 and is no longer the operator of the Project. The Company and the Consortium continue to advance matters in connection with the change of control as contemplated in the Consortium Financing. The Consortium acquired the right to implement certain amendments to the current shareholders' agreement between Baja and the Consortium governing the rights of the shareholders of MMB (the "Shareholders' Agreement"), expanding the power of the Consortium to manage the business of MMB and limiting Baja's rights. As at the date of this MD&A, changes to the Shareholders' Agreement have not yet been agreed to, subjecting the Company to potential risks including disagreements with the Consortium regarding the nature of the changes to be reflected in the New Shareholders' Agreement, which may impact upon the Company's various rights and protections as a non-controlling partner.

As a non-controlling partner, Baja is subject to the risks normally associated with such arrangements. These risks include disagreement with a partner on how to develop, operate and finance a project and possible litigation between Baja and any partner regarding contractual arrangements. Such circumstances may have an adverse effect on the Company's relationship with the Consortium and its ability to maximize any financial returns to Baja shareholders from the Boleo Project.

The Company may not be able to deliver an updated NI 43-101 technical report on the Boleo Project to its shareholders, nor participate in the Phase II Funding Requirement

In July 2012, SRK Consulting Inc. ("SRK Consulting") was separately engaged by Baja to complete an updated NI 43-101 compliant technical report on the Boleo Project. MMB and KORES have informed the Company that they are no longer working with SRK Consulting to assist in revising the Boleo mine plan, but that MMB's own mine plan will be finalized in the foreseeable future. MMB is unlikely to resume using SRK Consulting to assist with the mine plan.

The Company has no control or influence over the completion of the mine plan, nor MMB's or KORES's use of SRK Consulting to assist in revising the mine plan. Therefore, the Company believes that the preparation of an updated technical report on the Boleo Project that complies with NI 43-101 standards may not be practicable. In this case, the Company would be unable to disclose and file an updated NI 43-101 Technical Report on SEDAR for shareholders and other potential investors to evaluate the Project, nor exercise its Phase II Participation Rights to buy back into the Project to a maximum 40% ownership in MMB.

As a holding company, Baja's ability to make payments depends on the cash flows of its subsidiaries

Baja is a holding company that conducts substantially all of its operations through subsidiaries. Baja has no direct operations and no significant assets other than the shares of any subsidiaries. Therefore, Baja is dependent on the cash flows of its subsidiaries to meet its obligations, including payment of principal and interest on any debt Baja may incur. The Company no longer controls MMB or the Boleo Project and therefore is not in control of decisions relating to dividends, interest, debt repayment or other distributions to MMB shareholders of excess cash flows, if any, that may be generated by the Project. Currently, the shareholder agreement between the Consortium and the Company does not set out any dividend policy, and there is no assurance that any future agreement on dividend policy will be reached between the parties when the New Shareholders' Agreement is finally renegotiated to reflect adjustments pursuant to the Consortium Financing and the principles agreed with KORES in April 2014. The Consortium may choose to reinvest any excess cash flows generated by the Boleo Project into the Project, or opt for MMB to invest in further projects. There can be no assurance that the Company will generate any cash flow from its investment (including its shareholder loan receivable) in the Project.

Additionally, the ability of Baja's subsidiaries to provide it with payments may be constrained by the following factors: (i) the cash flows generated by operations, investment activities and financing activities; (ii) the level of taxation, particularly corporate profits and withholding taxes, in the jurisdiction in which they operate; and (iii) the introduction of exchange controls and repatriation restrictions or the availability of hard currency to be repatriated.

If Baja is unable to receive sufficient cash from its subsidiaries, it may be required to raise funds in a public or private equity or debt offering or sell some or all of its assets. Baja can provide no assurances that an offering of its debt or equity can or will be completed on satisfactory terms or that it would be sufficient to enable it to make payment with respect to its guarantees. The foregoing events could have an adverse impact on Baja's future cash flows, earnings, results of operations and financial condition.

Ongoing and potential future litigation and regulatory investigations

Following the Company's announcement of the forecast Project cost overruns on April 23, 2012, the Company was subject to legal proceedings and litigation, including a class action lawsuit initiated by a shareholder seeking among other relief, damages in the amount of Cdn$250 million. While a settlement has been reached between the parties and the class action lawsuit has been dismissed, the Company may become subject to other legal proceedings in the ordinary course of conducting its business. In general, litigation claims can be expensive and time consuming to bring or defend against, and could result in settlements or damages that could significantly affect the Company's financial position. The Company intends to contest any such litigation claims to the extent of any available defenses. However, it is not possible to predict the final outcome of any current litigation, additional litigation or regulatory investigations to which the Company may become party or subject to in the future, and the impact of any such litigation or regulatory investigations on its business, results of operations and financial condition could be material. More information can be found under "*Legal Proceedings - Class Action"* on page 4.

The Company has entered into the Cinto Colorado option agreement, but it may not have or be able to raise sufficient funds to exercise its option and further develop the project successfully

In order to exercise its option to acquire its 80% interest in Cinto Colorado should the parties pursue the development of the processing option for the tailings and/or slags, the Company may be required to fund a PFS and DFS. The Company currently has insufficient funds available to support its ongoing operational requirements for the next 12 months or to fund a PFS. In addition to requiring funds to support its ongoing operations, should the Company continue to pursue the development of the processing option for the tailings and/or slags, the Company would be required to raise additional funding to complete a PFS and DFS. The Company may also be required to raise sufficient project financing to support the development of the tailings and/or slags beyond the DFS stage, before exercising its option to acquire its interest in Cinto Colorado. There can be no assurance that the PFS or DFS will support a viable project and/or that the Company would be successful in raising the necessary funds to advance the project or finance ongoing operations.

Cinto Colorado may not be successful in securing the formal ratification by the Municipio of the Cinto lease and may be unable to advance the development of the Cinto Colorado tailings and/or slags

There is no guarantee that title to the Cinto tailings and/or slags will not be challenged or impugned. Cinto Colorado's rights pursuant to its lease may be subject to prior unrecorded agreements or transfers or the claims of local people, and title may be affected by undetected defects. There may be valid challenges to the Cinto lease which, if successful, could impair development and/or operations. Other than the ongoing discussions with the Municipio regarding the ratification of the Cinto lease, there are currently no known or threatened challenges to the Cinto lease of which Baja's is aware.

The Cinto Colorado Project is located in Mexico and is subject to country risks that may affect Baja's ability to complete development work on or operate the Project

All of Baja's mineral activities are conducted in Mexico. Baja's Cinto Colorado Project activities will be exposed to various levels of political, economic and other risks and uncertainties. These risks include but are not limited to, hostage taking, fluctuations in currency exchange rates, high rates of inflation, excessive import duties and taxes on the importation of equipment, expropriation and nationalization, possible future restrictions on foreign exchange and repatriation, changes in taxation, labour and mining regulations and policies, and changing political conditions, currency controls, and government regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ local citizens.

Changes, if any, in mining or investment policies, or shifts in political attitude in Mexico, may adversely affect Baja's operations or profitability. Current activities and future operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes (including mining duties), expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications, and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The occurrence of these various factors and uncertainties cannot be accurately predicted, and could have an adverse effect on Baja's operations or future profitability.

The Company may not be successful in securing any the support of MMB and/or KORES, including access to certain operational infrastructure at Boleo, for development concepts involving Cinto Colorado, and therefore the Company may be unable to advance certain concepts being evaluated

Baja has presented preliminary concepts for the development of the Cinto tailings to MMB and KORES, including simply trucking the tailings on an existing haul road to be fed into the Boleo plant, or processing and supplying an enriched copper pregnant liquor solution (PLS), pumped a distance of approximately 2 km from the Cinto plant to the Boleo plant. A key aspect of its discussions with KORES will be to determine what level of cooperation in terms of access to infrastructure and process consumables that the Company and Cinto may be able to secure from MMB, which may have bearing on the ultimate viability of the development concepts.

The Company may never declare dividends

The Company has never declared or paid dividends on the common shares of Baja. The Company currently expects to retain earnings, if any, to finance growth and development of its business, and does not expect to pay cash dividends on the common shares in the near future. The declaration of dividends is within the discretion of the Company's board of directors and will depend upon the board's assessment of the Company's earnings, capital requirements, operating and financial conditions and other relevant factors, including the commencement of profitable operations at the Boleo Project and the prospect for interest income or other distributions of earnings from the Project.

The price of Baja's securities, the ability to raise any additional financing that may be needed in the future, any future exploration or development activities and its investment in the Boleo Project may be adversely affected by fluctuations in copper and other metal prices

The value and price of Baja's common shares, its financial results, and the results of its exploration activities may be significantly adversely affected by declines in the price of copper and other metals. Copper, cobalt and zinc sulphate prices fluctuate widely and are affected by numerous factors beyond its control such as interest rates, exchange rates, inflation or deflation, fluctuation in the value of the U.S. dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of copper, cobalt and zinc producing countries throughout the world. The prices for copper, cobalt and zinc fluctuate in response to many factors beyond anyone's ability to predict. These fluctuations if adverse either individually or cumulatively could render the Cinto Colorado project, the Boleo Project or any other future project uneconomic, or if placed into commercial production could cause fluctuations in earnings including possible reductions in revenues, net income and possible losses.

The prices used in determining resource estimates are disclosed and differ from daily prices quoted in the news media. The percentage change in the prices of metals cannot be directly related to the estimated resource quantities, although it affects the resultant cash flow, if any, and may result in a significant change in the amount of resources. Because mining occurs over a number of years, it may be prudent to continue mining for some periods during which cash flows are temporarily negative for a variety of reasons including a belief that the low price is temporary, to retain staff, to maintain social license to operate, or to defer permanent closure costs.

Boleo Project reserve calculations and life-of-mine plans using significantly lower copper and other metal prices than utilized in the March 2010 Technical Report or those that may be utilized in any updated NI 43-101 technical report when/if available and subsequent capital updates or mine and operating plans could result in material write-downs of the Company's investment in the Project.

In addition to adversely affecting MMB's or another project's mineralized material estimates and its financial condition, declining metal prices can impact operations by requiring a reassessment of the commercial feasibility of a particular project. Such a reassessment may be the result of a management decision related to a particular project. The need to conduct such a reassessment may cause substantial delays in development or may interrupt operations, if any, until the reassessment can be completed.

Changes to the Board and/or management may adversely affect the Company

The success of the Company is currently largely dependent on the performance of its directors and officers. The loss of the services of any of these persons could have a materially adverse effect on Baja's business and prospects. There is no assurance Baja can maintain the services of its directors, officers or other qualified personnel required to operate its business. Any Board or management changes may present potential issues with continuity.

Any failure by the Company's Interim CEO, any successor CEO or other member of senior management, or the Company's management team to perform as expected may have a material adverse effect on Company's business, results of operations and financial condition.

Baja is subject to foreign currency risk

The Company operates internationally with offices and operations in Canada and Luxembourg (up to March 2016), which gives rise to the risk that its financial instruments may be adversely impacted by exchange rate fluctuations. A portion of the Company's expenses are incurred in US dollars and to a lesser extent other foreign currencies.

A significant change in the currency exchange rate between the US dollar and the Canadian dollar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not entered into foreign currency contracts to hedge its risk against foreign currency fluctuations. The functional currency of Baja is the Canadian dollar, thus significant foreign exchange gains or losses may arise in converting Baja's US dollar-based investment in the Boleo Project to Canadian dollars.

Corruption and Bribery

Baja is required to comply with anti-corruption and anti-bribery laws. If the Company finds itself subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions imposed on Baja resulting in a material adverse effect on the Company.

Uninsurable Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and Baja may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of Baja.

Currently, Baja does not have liability and property insurance in place given the inactivity at its Cinto Colorado Project in the Mexico. However, historically, Baja has maintained liability and property insurance where reasonably available, in such amounts it then considered prudent. Baja may become subject to liability for hazards against which it cannot insure, or which it may elect not to insure against due to high premium costs or other reasons.

The Company may not be able to maintain a listing of its common shares on the TSX-V

The Company may face further financial difficulties in the foreseeable future, which could cause it not to be able to maintain its current listing on the TSX-V. If the Company is unable to maintain the listing of its common shares on an exchange, it will make it difficult for shareholders to sell their shares.

For further risk factors more specific to MMB in which the Company holds a 10% shareholding as at December 31, 2015, the reader is referred to other risks and uncertainties disclosed in Baja's Annual Information Form for the year ended December 31, 2013, filed with the Canadian securities regulatory authorities and available on the SEDAR website at www.sedar.com.

Disclosure controls and procedures

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the Financial Statements and this accompanying MD&A (together, the "Annual Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with its filings on SEDAR at www.sedar.com.