BAJA MINING

Management's Discussion and Analysis
Quarter Ended June 30, 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 quarter ended June 30, 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 unaudited condensed interim consolidated financial statements for the quarter ended June 30, 2015 and notes to those financial statements (the "Interim 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 August 27, 2015.

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 in the MD&A for the year ended December 31, 2014, and other information released by Baja and filed on SEDAR at www.sedar.com.

Cautionary note concerning reserve and resource estimates

This MD&A and other information released by Baja uses the terms "resources", "measured resources", "indicated resources" and "inferred resources". United States investors are advised that, while such terms are recognized and required by Canadian securities laws, the SEC does not recognize them. Under United States standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

United States investors are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into reserves. Inferred resources are in addition to measured and indicated resources and have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of the inferred resources will ever be upgraded to a higher category. Therefore, United States investors are also cautioned not to assume that all or any part of the inferred resources exist, or that they can be mined legally or economically.

Baja is required to comply with National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101") of the Canadian Securities Administrators, which contains rules regarding the public disclosure by an issuer of scientific and technical information concerning its material mineral projects. Any reserve and resource estimates contained in this MD&A have been prepared in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum Classification System. The requirements of NI 43-101 are not the same as those of the SEC; however, reserves reported by Baja in compliance with NI 43-101, also qualify as reserves under the SEC's standards.

Summarized financial results

(thousands of USD unless otherwise noted)	**June 30 2015**	**December 31 2014**
Cash and cash equivalents	1,267	1,891
Working capital	1,156	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 4).
2) Manganese Refundable Deposit Liability.

(thousands of USD unless otherwise noted)	**Three months ended June 30 2015**	**2014**	**Six months ended June 30 2015**	**2014**
Loss before other items	(340)	(550)	(645)	(959)
Foreign exchange (loss) gain	(340)	(696)	1,442	91
(Loss) income for the period	(680)	(1,244)	798	(864)
(Loss) income for the period	-	-	-	-

Second quarter highlights and recent events

- On April 14-16, 2015, Baja management travelled to meet with representatives of KORES and LS Nikko in Seoul, Korea. The meetings related mainly to the negotiation of a revised shareholders' agreement for Minera y Metalúrgica del Boleo, S.A. P.I. de C.V. ("MMB").
- On April 20, 2015, Tom Ogryzlo, Baja's Interim CEO, visited the Boleo Project to meet with senior management of MMB and was provided a detailed update of the status of the surface and underground mining, the process plant and support facilities.
- On April 30, 2015 the Company announced that it has been advised by KORES and MMB of further delays to the copper production ramp-up and normalization that had been scheduled to take place during 2015, and the start-up and commissioning of the cobalt-zinc circuits previously targeted to commence in March 2015 (see "*Boleo Project Development Activities, Boleo Project Construction Cost, Production Schedule and Mining Update*" on page 5).
- In addition, on April 30, 2015, the Company announced that as a result of production ramp-up delays and required modifications and/or improvements to mining and the process plant, KORES has advised that MMB

will require further funding, of up to US$200 million to fund MMB's operations through the remainder of 2015, and on April 27, 2015 MMB issued a cash call to its shareholders for $63 million.

- On May 17, 2015, MMB issued an amended cash call for $76 million replacing the April 27, 2015 cash call. To the extent the cash call is paid for by a subscription for MMB shares, dilution of the Company's 10% ownership in MMB will depend upon the amount of the equity cash call and final resolution of the dilution formula to be applied (see "*Boleo Project Development Activities, Project Funding*" on page 7).
- On May 14, 2015, Baja management attended an MMB board meeting held at the Boleo Project and met with representatives of KORES to continue the discussions on the new shareholders agreement and the MSA margin receivable (see "*Ongoing Discussions on New Shareholders Agreement*" on page 4).
- Baja received confirmation from MMB that on July 12, 2015 MMB shipped 1,919 tonnes of electrolytic copper cathodes from its marine terminal at Boleo.
- Additionally, Baja was advised by KORES and MMB that MMB had completed the issuance of an AUD100 million corporate bond swapped for proceeds of approximately USD84 million (see "*Boleo Project Development Activities, Project Funding*" on page 7).
- During the quarter, the Company incurred expenditures of $0.03 million (2014 - $0.16 million) in connection with its Cinto Colorado option agreement (the "Agreement"), and met with candidates for the election in June for President of the Municipio of Mulege to discuss and gain support for the development of the Cinto Colorado tailings and slags. Subsequent to the quarter, the Company initiated metallurgical testwork (see "*Cinto Colorado Project*" on page 4).
- During the quarter, management and directors continued to identify and evaluate a number of prospective opportunities for the Company and entered into exploratory discussions.
- The Company reported a net loss during the quarter ended June 30, 2015, of $0.68 million, including the impact of a $0.34 million foreign exchange loss during the quarter (see "*Review of Baja's operating results*" on page 7).

<u>Overview</u>

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 June 30, 2015. The Project achieved the production of first copper in January 2015, and is in the production ramp-up phase of operations.

As at June 30, 2015, the Company owned a 10.0% interest in the Project through its wholly owned Luxembourg subsidiary, Baja International S.à r.l., which owns 100% of a Luxembourg subsidiary, Boleo International S.à r.l., which in turn owns 10.0% of the shares of MMB. MMB holds all mineral and property rights in the Project. As at March 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. KORES is the ultimate controlling party and parent of MMB with 74% ownership, and 16% is owned by the remaining Consortium members.

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 is evaluating alternative project opportunities with potential for near-term cash flow or value creation (see "*Cinto Colorado Project"* below).

The Company continues to advance steps to restructure and eliminate its Luxembourg subsidiaries in an effort to simplify its legal structure and reduce operating complexity and costs.

Ongoing Discussions on New Shareholders Agreement

During the quarter ended June 30, 2015, the Company was successful in engaging with KORES to advance outstanding matters relating to the proposed New Shareholders Agreement, as well as amounts owing from MMB to Baja pursuant to the terminated management services agreement ("MSA"), and on April 14-16, 2015, Baja management met with KORES in Seoul, South Korea. Then, on May 14, 2015, Baja management attended an MMB board meeting held at the Boleo Project and met with representatives of KORES to continue the discussions on the New Shareholders Agreement and the MSA margin. A number of key items remain under discussion with KORES and other members of the Korean Consortium following those meetings, including aspects relating to dilution and the manganese production decision and related payments (see Baja news release dated April 2, 2014), as well as the MSA margin amount owing to Baja.

Cinto Colorado Project

The Company and Cinto Colorado continue to pursue the Municipio of Mulege (the "Municipio") for the formal ratification of the Cinto lease to the tailings and slags, located in Santa Rosalia, adjacent to Boleo. To date, the Company has attempted to minimize its expenditures relating to Cinto Colorado, including technical expenditures relating to feasibility, until such time as the formal ratification of the Cinto lease has been obtained, or the Company has derived sufficient comfort that the level of risk associated with the project is manageable and acceptable. The Company has met with Canadian and Mexican federal government officials in an effort to accelerate the ratification of the lease agreement or facilitate an alternative solution and, in May 2015, met with candidates running for President of the Municipio in the June 2015 elections to discuss and gain support for the development of the Cinto Colorado tailings and slags. A follow-up meeting is being planned in September with the newly-elected President shortly after taking office and replacing the incumbent.

On July 2, 2015, the Company announced that it had commenced metallurgical testwork, including leaching and recovery, solid-liquid separation and electrowinning tests, on samples taken from the Cinto Colorado tailings. The Company has engaged Met-Solve Laboratories of Langley, BC to undertake and coordinate the testing. The test work is being supervised by the Company's Vice President of Metallurgy, Dr. David Dreisinger, with Dr. Thomas Glück, as Project Manager, the former Director of Process Technology at Baja and a co-author of the 2010 Boleo Technical Report. The Company is awaiting the results of further testing and expects to announce the findings from its testing some time in September 2015.

The Company incurred exploration and evaluation expenditures relating to the Cinto Colorado Option Agreement for the three months ended June 30, 2015 of \$0.03 million (2014 - \$0.16 million). Total expenditures from inception of the project are \$1.01 million, covering the period from the quarter ended June 30, 2013 to the quarter ended June 30, 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.

The plaintiff now seeks as against Baja and the remaining individual defendants:

- a declaration that the defendants made misrepresentations with respect to the costs of the Boleo Project contrary to the OSA during a class period extending from November 1, 2010, to April 23, 2012, and a declaration that the defendants are liable for breaching s. 138.3 of the OSA;
- a declaration that Baja is liable for the acts and/or omissions of its directors, officers, servants, employees, and/or agents pursuant to Part XXIII.1 of the OSA;
- statutory damages pursuant to s. 138.3 of the OSA; and
- interest, legal costs, and costs for notice to class members and for administration of a plan of distribution.

The Company intends to defend itself and has engaged legal counsel to advise and assist the Company in its defence against this lawsuit. No amounts have been recorded for any potential liability arising from this matter as the Company cannot reasonably predict the outcome.

Corporate Outlook

The Company's current focus is 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. In addition, the Company is working to identify and is selectively evaluating alternative project opportunities, including the Cinto Colorado option.

Boleo Project Development Activities

The following description of the Boleo Project is based in part upon information set out in the March 2010 Technical Report on the Project, 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. Therefore, the Company cannot comment further as to when, or if, an updated NI 43-101 Technical Report may become available. Readers are further cautioned that information regarding the Boleo Project from 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 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.

As set out in or derived from the March 2010 Technical Report, the plant at that time was expected to produce, on average, 125 million pounds of copper per year for the first 6 years from ore supplied at an average grade above 2% and an average of 84 million pounds of copper per year at an average ore grade of 1.33% for the scheduled mine life of 23 years. The above figures are subject to change as a result of the revised mine plan being developed by MMB, over which Baja has no control.

Boleo Project Construction Cost, Production Schedule and Mining Update

Information presented below is based on or derived from the latest available information provided to the Company by MMB and KORES. 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 believes that the information provided to

it by MMB and/or KORES and reflected herein is 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.

On January 20, 2015, the Company announced that it had been advised by MMB and KORES that prior problems relating to the acid plant had been resolved and the Boleo plant achieved first copper production on January 17, 2015. MMB also advised that commissioning of the cobalt-zinc circuit had commenced following mechanical completion. MMB was targeting the completion of copper production ramp-up and normalized production by July 2015, completion of commissioning and start-up of the cobalt-zinc circuits by March 2015, and completion of production ramp-up by October 2015.

However, on April 30, 2015, Baja announced that it has been advised by KORES and MMB of further delays to the copper production ramp-up and normalization that had been scheduled to take place during 2015, and the start-up and commissioning of the cobalt-zinc circuits previously targeted to commence in March 2015.

MMB has advised Baja that the Boleo plant can currently sustain a production rate of approximately 500 tonnes of copper per month. Modifications that were required to the heat exchangers in the acid plant and completed in late 2014 have been successful, but processing recovery and plant performance are being adversely impacted by challenges in the materials handling circuit relating to high clay content in the ore. Additionally, critical component parts of the tailings pumps have experienced high levels of erosion. Replacement parts made of more sophisticated materials are now being successfully used. During its visit to Boleo on May 14, 2015, Baja management was advised by MMB that the material handling circuit issues referenced in the April 30, 2015 news release had been corrected.

The previously targeted 24,000 tonnes of copper production forecast for 2015 had been revised by MMB and KORES to 20,000 tonnes, with annualized production for the month of December 2015 expected to reach about 80% of the design capacity of 51,000 tonnes per annum. Baja received confirmation from MMB that on July 12, 2015 MMB shipped 1,919 tonnes of electrolytic copper cathodes from its marine terminal at Boleo.

In April 2015, Baja had been advised by MMB and KORES that cobalt and zinc production was scheduled to commence in August 2015.

Surface mining is not presently required since stockpiles are adequate to feed the plant for at least the next 12 months. These stockpiles have been substantially sourced from open pit mining and grades are lower than had been projected. Progress is being made with underground mining employing new techniques and equipment. However, significant challenges remain to be overcome with the underground mining, which remains the anticipated source for higher grade ore.

Baja management is planning to visit the Boleo Project in mid-September 2015 to meet with MMB management and representatives of KORES to obtain an update on the status of the production ramp-up, including processing performance, copper production forecasts and expected commencement of the cobalt and zinc production circuit, and developments with the underground mining.

The technical content included above was extracted from the Company's news release dated April 30, 2015, which was prepared by Baja management and approved by Dr. Thomas Glück, FSAIMM., who is a Qualified Person as defined in NI 43-101. Dr. Glück is the former Director of Process Technology at Baja and a co-author of the 2010 Boleo Technical Report. All technical information disclosed in this news release has been provided or disclosed to Baja by MMB management during the site visit of Mr. Tom Ogryzlo on April 20, 2015, and subsequently confirmed by MMB management and KORES. 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 access to information relating to the operations of MMB customary for a controlling shareholder or project operator, and it depends upon information provided by MMB and/or KORES either routinely to shareholders, or at specific request. Accordingly, Dr. Glück has been unable to verify the technical disclosures in the news release relating to current and prospective process plant production tonnages and operational performance, stockpiles and mining, and therefore cannot provide definitive assurance that the technical information disclosed is correct.

Project Funding

As a result of production ramp-up delays and required modifications and/or improvements to mining and the process plant, at its meetings in Seoul in April 2015, KORES had advised that MMB will require further funding in May 2015 of up to $200 million to fund MMB's operations through the remainder of 2015. Further, Baja was advised by KORES that it expects that funding can only be accomplished by either a cash call from MMB shareholders or possibly some combination of cash call and debt and, on April 27, 2015, MMB issued a cash call to its shareholders for $63 million to cover interest payments on the MMB bonds and KORES loan and operating expenditures for May and June 2015. On May 17, 2015, MMB issued an amended cash call for $76 million replacing the April 27, 2015 cash call (the "Amended Cash Call").

On July 2, 2015, the Company announced that it had received from MMB a defaulting notice in respect of the Amended Cash Call. Pursuant to the Amended Cash Call, Baja was required to contribute $7.6 million no later than June 16, 2015, by way of either shareholder loans or subscriptions for new shares, with which it was unable to comply. Therefore, as noted in its April 30, 2015 news release, dilution of the Company's 10% ownership in MMB may result. However, the extent of such dilution will depend upon the portion of the $200 million funding, previously advised by KORES as required to fund MMB's operations through the remainder of 2015, that is satisfied by equity contributions of shareholders pursuant to cash calls made by MMB, and final resolution of the dilution formula to be applied. In April 2014, Baja reached a non-binding agreement in principle with KORES on an equity dilution formula, which would result in dilution reducing Baja's ownership in MMB by approximately one percentage point for each $100 million of cash calls made to the MMB by shareholders (see Baja News Release dated April 2, 2014). Discussions continue with KORES on finalizing the dilution formula and other aspects of the new shareholders agreement.

In addition, the Company also announced on July 20, 2015, that it had been advised by MMB and KORES that MMB has issued a further aggregate principal amount of $120 million of its 2.875% Guaranteed Notes due 2019 (the "Additional Notes"). The Additional Notes constitute a further issuance of the $340 million aggregate principal amount of 2.875% Guaranteed Notes due 2019 that MMB issued on May 7, 2014, backed by a KORES guarantee (see Baja News Release dated May 13, 2014). The proceeds will be used to fund the production ramp-up and operations through 2015, according to the latest MMB financing plan.

As at June 30, 2015, MMB reported total financial indebtedness (including indebtedness to shareholders) of a nominal value of approximately $1.36 billion.

<u>Review of Baja's operating results</u>

Comparison of the three-month period ended June 30, 2015, to the three-month period ended June 30, 2014

For the three-month period ended June 30, 2015 ("Q2 2015"), the Company recorded a loss attributed to its shareholders of $0.68 million or $0.00 per share (basic) as compared to a loss attributed to its shareholders of $1.24 million or $0.00 per share (basic) for the same period in 2014 ("Q2 2014"). The decrease in the loss is the result of lower operating expenses in Q2 2015 and a lower foreign exchange loss during Q2 2015.

Operating expenses during the quarter ended June 30, 2015, were $0.34 million compared to $0.55 million for Q2 2014. The most significant differences are discussed below:

- Wages, salaries and management fees: $0.14 million ($0.17 million in Q2 2014) – the decrease relative to Q2 2014 reflects lower administrative costs in Luxembourg and savings from a period of unpaid leave for one employee;
- Office and administration: $0.06 million ($0.11 million in Q2 2014) – the decrease compared to Q2 2014 reflects lower insurance costs and the ongoing efforts by management to reduce office costs;

- Shareholders information: $0.03 million ($0.01 million in Q2 2014) – the increase relative to Q2 2014 reflects the timing of the payment of annual filings fees in Q2 2015 this year vs Q1 2014 last year;
- Exploration and evaluation expenditures: $0.03 million ($0.16 million in Q2 2014) – the decrease relative to Q2 2014 reflects slowed activity as Cinto Colorado and the Company awaited the outcome of elections in the Municipio of Santa Rosalia. The Company continued to incur certain Cinto Colorado operating costs pursuant to the option agreement;

Other items

- Foreign exchange loss: $0.34 million ($0.70 million loss in Q2 2014) – during Q2 2015, the Canadian dollar strengthened marginally (Q2 2014 – strengthened) against the US dollar. The foreign exchange gains and losses are primarily a result of Baja's (Canadian functional currency) US dollar based investment in the MMB.

Comparison of the six-month period ended June 30, 2015, to the six-month period ended June 30, 2014

For the six-month period ended June 30, 2015 ("6M 2015"), the Company recorded income attributed to its shareholders of $0.80 million or $0.00 per share (basic) as compared to a loss attributed to its shareholders of $0.86 million or $0.00 per share (basic) for the same period in 2014 ("6M 2014"). The income in 6M 2015 results from a foreign exchange gain of $1.44 million.

Operating expenses during 6M 2014 were $0.65 million compared to $0.96 million in 6M 2014. The most significant differences are discussed below:

- Wages, salaries and management fees: $0.36 million ($0.32 million in 6M 2014) – the increase relative to 6M 2014 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 reduction in the hourly wages paid during 6M 2015 vs 6M 2014;
- Office and administration: $0.11 million ($0.21 million in 6M 2014) – the decrease compared to 6M 2014 reflects lower insurance costs and the ongoing efforts by management to reduce office costs;
- Shareholders information: $0.04 million ($0.09 million in 6M 2014) – the decrease relative to 6M 2014 reflects the application fees incurred in prior year in connection with the relisting on the TSX Venture Exchange;
- Exploration and evaluation expenditures: $0.06 million ($0.26 million in 6M 2014) – the decrease relative to 6M 2014 reflects slowed activity as Cinto Colorado and the Company awaited the outcome of elections in the Municipio of Santa Rosalia and legal due costs incurred during the 6M 2014.

Other items

- Foreign exchange gain: $1.44 million (gain of $0.09 million in 6M 2014) – during 6M 2015 the Canadian dollar weakened appreciably (6M 2014 – weakened marginally) against the US dollar. The foreign exchange gains or losses are primarily a result of Baja's (Canadian functional currency) US dollar based investment in the Project.

Selected Annual Information

	2014 USD '000s	2013 USD '000s	2012 USD '000s
(Loss) for the year attributable to shareholders of the Company	(577)	(29,319)	(270,273)
(Loss) per share			
- Basic	(0.00)	(0.09)	(0.79)
- Diluted	(0.00)	(0.09)	(0.79)
Total assets	21,135	24,076	54,376
Net working capital (deficit)(2)	1,788	(4,867)	(85)
Total non-current financial liabilities(3)	11,541	1,541	1,072

(1) The Company's annual financial results as at and for the years ended December 31, 2014, 2013 and 2012 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 and MMB is the US dollar, while the functional currency of MMB's subsidiaries Desarrollos y Servicios Costeros, S.A. de C.V. and Servicios y Desarrollos Meseta Central, S.A. de C.V. is the Mexican Peso. MMB was deconsolidated on August 27, 2012.

(2) 2014 excludes (i) $1.00 million receivable from MMB (2013 – includes $1.67 million (before impairment)), which is 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) 2014 includes $10.00 million Manganese Refundable Deposit Liability.

The significant loss attributable to shareholders and the decrease in total assets and total non-current liabilities in 2012 results from the deconsolidation of MMB during the year and reflects the significant impairments recorded following the cost overruns.

The decrease in the loss in 2013 reflects: i) the reduced level of MMB losses attributable to the Company's results in 2013, reflecting the Company's lower percentage ownership in MMB and loss of significant influence in Q2 2013; ii) the significant impairments recorded by MMB following identification of the cost overrun in Q2 2012 and iii) management's continued efforts to reduce costs in 2013.

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.

Review of quarterly results

The eight most recently completed quarters up to June 30, 2015:

	Q3 Sep 30, 2013	**Q4 Dec 31, 2013**	**Q1 Mar 31, 2014**	**Q2 Jun 30, 2014**	**Q3 Sep 30, 2014**	**Q4 Dec 31, 2014**	**Q1 Mar 31, 2015**	**Q2 Jun 30, 2015**
Total Revenues (USD '000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Income (loss) for the period attributable to common shareholders of the Company (USD '000)	$(1,199)	$193	$380	$(1,244)	$524	$(237)	$1,478	$(680)
Basic income (loss) per share for the period	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
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 fluctuations in income (loss) attributable to shareholders 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.

Subsequent to April 30, 2013, the Company's investment in MMB is carried as a loan receivable and the Company's results are no longer impacted by the results of MMB. In Q4 2014, the loss includes an impairment charge of $0.57 million.

Liquidity and capital resources

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/or obtain the necessary financing to meet its obligations and repay its liabilities from normal operations as they become due.

The Company's combined cash and cash equivalents and short-term deposits as at June 30, 2015, totaled $1.27 million (December 31, 2014 - $1.89 million).

The Company has working capital of $1.16 million as at June 30, 2015 (December 31, 2014 – $1.79 million).

During the six months ended June 30, 2015, the Company utilized $0.60 million of cash in operations (2014 - $0.75 million). This was measured after taking into account adjustments for non-cash items such as an unrealized foreign exchange gain of $1.44 million (2014 – $0.10 million gain) and net changes in working capital balances that released cash of $0.01 million (2014 – $0.21 million).

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

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

As at June 30, 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 June 30, 2015, there is no change to the classification or carrying amount of the MMB receivable.

The Company believes that it may not have sufficient cash resources to fund its operations for the next 12 months and may need to raise additional financing to fund its ongoing overheads and/or 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.

Commitments, contingencies and contractual obligations

As at June 30, 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	$458	$458	$nil	$nil	$nil
Operating lease obligations [1]	$36	$36	$nil	$nil	$nil
Subordinated debt[2]	$10,000	$nil	$nil	$10,000	$nil
Total	$10,494	$494	$nil	$10,000	$nil

1 The Company has an office lease for its corporate head office expiring in April 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 million from the sale of 30% of the Company's interest in MMB to the Consortium in 2008. During the quarter ended June 30, 2014, Baja and KORES agreed that the New Shareholders Agreement will provide that once the Boleo Project has started paying cash dividends and if the MMB board has decided in good faith not to proceed with the development of manganese at the Boleo Project, Baja will pay the Korean Consortium the US$10 million out of cash flows paid to Baja from the Boleo Project. This defers the possibility of Baja having to make this payment and may ensure that it will have the funds it will need to make the refund payment if it is required. Alternatively, if the MMB board decides in good faith to proceed with the development of manganese at the Boleo Project, the Korean Consortium will pay Baja the US$13 million out of cash flows paid to the Korean Consortium from the Boleo Project. As a result of this agreement, the Company has reassessed the expected timing for the settlement of this liability and the refundable deposit liability is recorded as a non-current liability. However, the Company cannot accurately predict the timing of any future payments beyond one year. Therefore, there is uncertainty to when the $10 million will actually become due and payable.

In addition, following the Company's announcement of the forecasted Project cost overruns on April 23, 2012, the Company has become subject to a class action lawsuit initiated by a shareholder (see "*Legal Proceedings-Class Action"* on page 4).

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	513
Later than one year and not later than five years	2,170
Later than five years	136
	2,819

No amount has been accrued for this indemnity as of June 30, 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)	Six Months ended June, 2015	2014
Short-term employee benefits[(1)]	293	217
Stock-based compensation	16	-
	309	217

(1) 6M 2015 Includes $100 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 quarter. 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 11,106,250 stock options outstanding.

Critical accounting estimates and judgments

The preparation of the Interim 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 relate to the following:

- Recoverability of current receivables;
- Classification of receivable from MMB;
- Impairment of amounts due from MMB;
- Measurement of the refundable deposit liability;
- Income taxes;
- Contingent liabilities; and
- Going concern assumption.

Further detail is set out in note 3 of the Company's audited annual consolidated financial statements for the year ended December 31, 2014 and, in respect of the going concern assumption, note 1 of the Interim Financial Statements.

Risk factors

Readers should carefully consider the risks and uncertainties described in the Company's MD&A for the year ended December 31, 2014 (available on the SEDAR website at www.sedar.com), before deciding whether to invest in the common shares of Baja.

In addition, the reader's attention is directed to the going concern risk highlighted in Note 1 of the Financial Statements and in the "*Liquidity and capital resources*" section of this MD&A.

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 Interim Financial Statements and this accompanying MD&A (together, the "Interim 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.