Management's Discussion and Analysis
Quarter Ended June 30, 2016

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, 2016. 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, 2016, including the notes to those interim 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 August 25, 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 continue as a going concern and 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, 2015, and other information released by Baja and filed with the appropriate regulatory agencies.

Summarized Financial Results

(*thousands of USD unless otherwise noted*)	June 30, 2016	December 31, 2015
Cash and cash equivalents	237	651
Working capital	54	502
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.

(*thousands of USD*)	Three months ended 2016	2015	Six months ended 2016	2015
Loss before other items	(211)	(340)	(454)	(645)
Foreign exchange gain (loss)	15	(340)	(1,201)	1,442
Net (loss) income for the period	(196)	(680)	(1,655)	798

Second Quarter Highlights and Recent Events

- At the end of the quarter, the Company had working capital of $54,000. The Company will require additional funding in the near-term to cover its operating costs (see "*Corporate Outlook*" on page 4 and "*Liquidity, Capital Resources and Going Concern*" on page 9).
- The Company reported a net loss during the quarter ended June 30, 2016, of $196,000, including the impact of a $15,000 foreign exchange gain during the quarter. During the quarter the Company achieved further general and administration cost savings associated with the expiration of the Company's office lease at the end of April 2016, the liquidation of the Luxembourg subsidiaries and the departure of a full-time employee (see "*Review of Baja's Operating Results*" on page 6);
- The Company met in Vancouver in mid-June 2016 with representatives of KORES to discuss the few outstanding issues remaining in respect of the revised MMB shareholders' agreement (the "Shareholders' Agreement"). Discussions are underway for a portion of the MSA margin amount owing to Baja to be paid to the Company shortly after finalizing the Shareholders' Agreement (see "*Ongoing Discussions on New Shareholders' Agreement*" on page 3).
- In early April 2016, the executive management of the Company, together with a representative of SNC-Lavalin, met with senior executives of KORES in Wonju, Korea to present its preliminary development concepts of the Cinto Colorado tailing, including the construction of an autoclave to supply copper concentrate to Boleo and the development of the Cinto tailings. KORES informed that it would not pursue any development plans with the Company at this time. (see "*Cinto Colorado Project*" on page 3).
- Tom Ogryzlo, Interim CEO, and Nigel Kirkwood, CFO, visited the Boleo Mine on June 17, 2016, to attend a board meeting of Minera y Metalúrgica del Boleo, S.A. P.I. de C.V. ("MMB") and tour the Boleo process plant, underground and open pit mining (see "*Boleo Project Development Activities, June 2016 Site Visit*" on page 5).
- MMB reported to the Company that copper production for the year to date through May 31, 2016 was 5,000 tonnes, with 6,309 tonnes shipped, and targeted production for 2016 at 20,000 tonnes (see "*Boleo Project Development Activities, July 2016 Site Visit*" page 5).
- On May 27, 2016, MMB issued a cash call for $40.0 million for funding planned operations through Q3 2016. The Company informed MMB that it would not contribute its 10% share (see "*Boleo Project Development Activities, Boleo Project Funding*" on page 6);
- On June 30, 2016, Ross Glanville resigned as a director of the Company (see "*Change to Board of Directors*" on page 4);
- In June 2016, Mr. Ogryzlo and later in July 2016, Mr. Kirkwood, together with a representative of SNC Lavalin, visited a small scale copper processing plant in Chile and have entered into discussions in connection with a possible investment in the operation (see "*Corporate Outlook*" on page 4).

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 June 30, 2016. The Project achieved the production first copper in January 2015 and in April 2016, MMB management declared that the commissioning phase of the processing plant operations has now been completed.

As at June 30, 2016, the Company owned a 10.0% interest in the MMB. MMB holds all mineral and property rights in the Project. As at June 30, 2016, 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 and is working to identify and evaluate alternative project opportunities with potential for near-term cash flow or value creation (see "*Cinto Colorado Project"* below).

Ongoing Discussions on New Shareholders' Agreement

Baja management met in Vancouver in mid-June 2016 with representatives of KORES to discuss the few outstanding issues remaining in respect of the revised MMB shareholders' agreement (the "Shareholders' Agreement"), including dilution and the manganese production decision and related payments (see Baja news release dated April 2, 2014), as well as settlement of the Management Services Agreement ("MSA") margin amount owing to Baja.

Baja believes that an agreement in principle has been reached, but the specifics remain subject to final documentation and the approval of the Shareholders' Agreement by the KORES and Baja Boards and by the remaining members of the Korean Consortium. The Company understands that KORES is still working through its internal and Korean Consortium approval processes. If approved, a portion of the MSA margin amount owing to Baja is to be paid to the Company shortly after finalizing the Shareholders' Agreement.

Cinto Colorado Project

In early April 2016, the executive management of the Company, together with a representative of SNC-Lavalin, met with senior executives of KORES in Wonju, Korea to discuss the proposed installation of an autoclave. KORES subsequently informed the Company that though the autoclave installation has attractive commercial merit to add copper cathode production from the SX/EW circuit, which KORES has also been evaluating, KORES has advised that it prefers to wait for acceptable mine and plant production to be achieved and to have MMB undertake this project internally sometime in the future. This position was reaffirmed by KORES to Baja at meetings at Boleo in June 2016. In addition, KORES also indicated that MMB will not utilize the Cinto Colorado tailings as a potential feed source for the Boleo plant, preferring to mine and process low grade Boleo ore. Baja is currently exploring alternative projects (see "*Corporate Outlook*" on page 4).

Cinto Colorado continue to await for a meeting of the Cabildo (elected municipal governing body of the Municipio of Mulegé, the regional municipality) to be held to ratify the Cinto Colorado lease but have been recently advised that the necessary documentation has been readied for ratification by the Cabildo at its next scheduled meeting.

Change to Board of Directors

Ross Glanville who joined the Baja board in August 2012 to support the stabilization and restructuring of the Company following the disclosure of the Boleo cost over-runs and the change in control of the Boleo Project, resigned as a director of the Company at the end of June 2016. At this time, the Company has no plans to name a replacement for Mr. Glanville on the board of directors.

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 pursue other potential project opportunities. In June 2016, Mr. Ogryzlo, and later in July 2016, Mr. Kirkwood together with a representative of SNC Lavalin, visited a small scale copper processing plant in Chile and have entered into discussions in connection with a possible investment in the operation.

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-section "June 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.

June 2016 Site Visit *(see Company news release dated July 11, 2016)*

Tom Ogryzlo, Interim CEO, and Nigel Kirkwood, CFO, visited the Boleo Mine on June 17, 2016, to attend a board meeting of Minera y Metalúrgica del Boleo, S.A. P.I. de C.V. ("MMB") and tour the Boleo process plant, underground and open pit mining.

At the MMB board meeting, MMB management provided an update on recent activities at Boleo and for the year to date through May 2016. Key highlights communicated to Baja at that time were as follows:

- The Boleo process plant was performing well and achieved 86% availability in March 2016 and 81% copper recovery in May 2016. Average feed material grade processed was 1.04%;
- Boleo produced 5,000 MT of copper cathode and shipped 6,309 MT;
- The cobalt-zinc circuit was ramping up production. A design error in the zinc circuit was corrected in early April and cobalt production was being optimized with target levels exceeding budget. The plant had produced 35 MT of cobalt and 153 MT of zinc sulphate;
- Plant and mining operations were severely disrupted for 15 days in late April and early May by a group of approximately 100 MMB union workers who created an illegal blockade at the main gate, demanding a change of union and the replacement of the current union leader. These demands were provoked by a Federal Union and did not originate internally within MMB;
- Plant throughput was also impacted by two weeks of unscheduled maintenance in January due to repairs to the leaching tank agitators. Additionally, in mid-June there was a one-week shut down due to the rupture of the return water line to the ocean, which caused the acid plant to be shut down and restarted;
- Cu production for the year was then forecast at 20,000 MT in line with the budget (21,806 MT) having been able to move forward a scheduled plant shut-down for maintenance later in the year, which was undertaken during the recent plant shut downs;
- Underground test mining in good ground conditions had reached a maximum daily rate of 1,000 tonnes per day ("tpd") but average production remains more in the order of 400tpd. Geological ground conditions remain more severe than ever anticipated and these conditions together with delays in the delivery of customized mining equipment are limiting underground production. The illegal blockade also resulted in the loss of a substantial portion of the experienced underground miners effectively stalling progress underground;
- Surface mining was delivering an average grade of 1.14% and operating with a strip ratio approximating 10:1, with an average haul of four kilometres;
- The mine plan for the current year had been revised to decrease underground production by 50% of budget and increase surface production by the shortfall to maintain a stable source of feed to the plant. As at the end of May 2016, surface and underground mining achieved production of 154,000 DMT at an average grade of 1.25%;
- In the second half of the year, retreat mining and semi-shield mining operations underground were scheduled to resume, supported by the delivery of new equipment and the recruitment of experienced underground miners with daily production targeted to reach about 2,000tpd. The addition of new trucks to the haul fleet in June and July was expected to support increased surface production under the revised mine plan; and
- Changes to the management structure at MMB were introduced to reflect the shift from the development to the operations stage, including the appointment of Mr. Sang Bum Lee to the position of CEO.

As a minority shareholder of MMB holding a 10% interest in MMB, Baja is not the operator of the Boleo Project, and is dependent on MMB's management for information regarding MMB's operations and the status of the Boleo Project.

The technical and other information in respect of the Boleo operations disclosed herein has been reproduced from the Company new release as referenced, or in reports provided to the Company by MMB. The technical and other information contained in that Company news release has been provided or disclosed to Baja by MMB management during the site visit. 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 release 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

Boleo Project Funding

On May 27, 2016, MMB issued a cash call for $40.0 million for funding planned operations through Q3 2016. The Company has informed MMB that it would not contribute its 10% share of the cash call. 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, February 2016 and March 2016 MMB cash calls (total advance of US$204.3 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) (see "*Ongoing Discussions on New Shareholders' Agreement*" on page 3).

Review of Baja's Operating Results

Comparison of the three-month period ended June 30, 2016, to the three-month period ended June 30, 2015

For the three-month period ended June 30, 2016 ("Q2 2016"), the Company recorded net loss of $196,000 or $0.00 per share (basic) as compared to a net loss of $680,000 or $0.00 per share (basic) for the same period in 2015 ("Q2 2015"). The net loss in Q2 2016 includes a foreign exchange gain of $15,000 (loss of $340,000 in Q2 2015).

Operating expenses during the quarter ended June 30, 2016, were $211,000 compared to $340,000 for Q2 2015. General and administrative expenses during Q2 2016 were $185,000 ($312,000 in Q2 2015). The most significant differences in operating expenses are discussed below:

- Wages, salaries and management fees: $99,000 ($136,000 in Q2 2015) – the decrease relative to Q2 2015 reflects cost savings from the departure of one employee at the end of Q2 2015 and cost savings attributable the liquidation of the Luxembourg subsidiaries. An additional employee left the Company during Q2 2016, the cost savings from which were offset by severance paid during the quarter;
- Director fees: $23,000 ($31,000 in Q2 2015) – the decrease relative to Q2 2015 reflects fewer director meetings held during the current period and no further fees being paid in respect of the function of the Chairman of the Litigation Committee following the settlement of the class action in the previous quarter;
- Professional and consulting fees: $29,000 ($47,000 in Q2 2015) – the decrease relative to Q2 2015 reflects a reduction in audit and tax consulting fees incurred;
- Office and administration: $32,000 ($60,000 in Q2 2015) – the decrease relative to Q2 2015 reflects cost savings attributable the liquidation of the Luxembourg subsidiaries and to the set up of a virtual office following the expiration of the Company's office lease at the end of April 2016; and
- Shareholder information: $1,000 ($28,000 in Q2 2015) – the decrease relative to Q2 2015 reflects the substantial reduction in the Company's Ontario Security Commission annual filing fee;

Other items

- Foreign exchange gain: $15,000 (loss of $340,000 in Q2 2015) – during Q1 2016, the Canadian dollar weakened marginally against the US dollar as compared to a strengthening against the US dollar in Q2 2015. 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 six-month period ended June 30, 2016, to the six-month period ended June 30, 2015

For the six-month period ended June 30, 2016 ("6M 2016"), the Company recorded net loss of $1,655,000 or $0.00 per share (basic) as compared to income of $798,000 or $0.00 per share (basic) for the same period in 2015 ("6M 2015"). The net loss in 6M 2016 includes a foreign exchange loss of $1,201,000 (gain of $1,442,000 in 6M 2015).

Operating expenses during 6M 2016 were $454,000 compared to $645,000 for 6M 2015. General and administrative expenses during 6M 2016 were $377,000 ($583,000 in 6M 2015). The most significant differences in operating expenses are discussed below:

- Wages, salaries and management fees: $198,000 ($358,000 in 6M 2015) – the decrease relative to 6M 2015 reflects the payment in Q1 2015 of a contractual bonus of $0.10 million and the foreign exchange impact of a stronger US$ on the C$ payroll. In addition, the decrease relative to 6M 2015 reflects cost savings from the departure of one employee at the end of Q2 2015 and cost savings attributable the liquidation of the Luxembourg subsidiaries arising in Q1 2016;
- Director fees: $44,000 ($58,000 in 6M 2015) – the decrease relative to 6M 2015 reflects fewer director meetings held during the current period and no further fees being paid in respect of the function of the Chairman of the Litigation Committee following the settlement of the class action in Q1 2016;
- Professional and consulting fees: $40,000 ($8,000 recovery in 6M 2015) – in 6M 2015, the Company recovered amounts incurred in connection with defending the Louis Dreyfus actions, which was settled during Q1 2014. During 6M 2016, the Company incurred lower audit and tax advisory fees than in 6M 2015, and incurred legal fees in connection with the negotiation of the revised shareholders agreement and insurance coverage matters relating to the class action not recoverable as defence costs;
- Office and administration: $83,000 ($114,000 in 6M 2015) – the decrease relative to 6M 2015 reflects management's continuing efforts to reduce costs, and includes specific cost savings attributable the liquidation of the Luxembourg subsidiaries and to the set up of a virtual office following the expiration of the Company's office lease at the end of April 2016; and
- Shareholder information: $7,000 ($35,000 in 6M 2015) – the decrease relative to 6M 2015 reflects the substantial reduction in the Company's Ontario Security Commission annual filing fee;
- Exploration and evaluation expenditures: $77,000 ($62,000 in 6M 2015) – the increase relative to 6M 2015 reflects expenditures incurred by the Company for the preparation the technical scoping study commissioned in respect of the autoclave project. The Company continued to incur certain Cinto Colorado operating costs pursuant to the option agreement;

Other items

- Foreign exchange loss: $1,201,000 (gain of $1,442,000 in 6M 2015) – during 6M 2016, the Canadian dollar strengthened against the US dollar as compared to a weakening against the US dollar in 6M 2015. 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.

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.

(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 $3,500,000 arising during the year.

Review of Quarterly Results

The eight most recently completed quarters up to June 30, 2016:

	Q3 Sep 30, 2014	**Q4 Dec 31, 2014**	**Q1 Mar 31, 2015**	**Q2 Jun 30, 2015**	**Q3 Sep 30, 2015**	**Q4 Dec 31, 2015**	**Q1 Mar 31, 2016**	**Q2 Jun 30, 2016**
Total Revenues (USD '000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Income (loss) for the period attributable to common shareholders of the Company (USD '000)	$ 524	$ (237)	$ 1,478	$ (680)	$ 1,140	$ 258	$ (1,459)	$ (196)
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 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.

As at June 30, 2016, the Company has recorded a receivable from MMB amounting to $1,000,000 (December 31, 2015 - $1,000,000) 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 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, as at June 30, 2016, the receivable balance of $1,000,000 is classified as a long-term asset, and there is no change to the classification or carrying amount of the MMB receivable. However, the MSA margin amount receivable is currently under discussion in connection with the Shareholders' Agreement negotiations, including the possible payment of a portion of the MSA margin amount owing to Baja shortly after finalizing the Shareholders' Agreement (see "*Ongoing Discussions on New Shareholders' Agreement*" on page 3).

The Company's combined cash and cash equivalents and short-term deposits as at June 30, 2016, totaled $237,000 (December 31, 2015 - $651,000).

The Company has working capital of $54,000 as at June 30, 2016 (December 31, 2015 – $502,000).

During 6M 2016, the Company utilized $423,000 of cash in operations (6M 2015 - $603,000). This was measured after taking into account adjustments for non-cash items such as an unrealized foreign exchange loss of $1,198,000 (6M 2015 - $1,440,000 gain) and cash released from net changes in working capital balances of $29,000 (6M 2015 – $13,000).

The Company did not incur any cash expenditures on property, plant and equipment during the quarter (2015 - $Nil).

The Company did not complete any equity financings during 6M 2016 (6M 2015 - $Nil), nor receive any cash proceeds (2015 - $Nil) through the exercise of stock options.

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 in Cinto Colorado, 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 June 30, 2016, 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	$199	$199	$nil	$nil	$nil
Subordinated debt[1]	$10,000	$nil	$nil	$nil	$10,000
Total	$10,199	$199	$nil	$nil	$10,000

1 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	515
Later than one year and not later than five years	1,697
	2,212

No amount has been accrued for this indemnity as of June 30, 2016, 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)	**Three months ended June 30,**		**Six months ended June 30,**	
	2016	**2015**	**2016**	**2015**
Short-term employee benefits[(1)]	88	99	174	293
Stock-based compensation	1	6	4	16
	89	105	178	309

(1) Six months ended June 30, 2015 includes $100 bonus paid to the Interim CEO pursuant to a contract effective from May 2012.

Accounts payable and accrued liabilities

As at June 30, 2016, the accounts payable and accrued liabilities balance includes $44,000 owing to key management personnel (December 31, 2015 - $Nil).

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 4,737,500 stock options outstanding.

Changes in Accounting Standards

Adoption of new or revised IFRS pronouncements during the period

The Company did not adopt any new accounting standard during the quarter ended June 30, 2016.

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:

- Classification of receivable from MMB;
- Impairment of amounts due from MMB;
- Measurement of the refundable deposit liability;
- Income taxes; 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, 2015 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, 2015 (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, Capital Resources and Going Concern*" section of this MD&A (page 9).

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.