Baja Mining Corp.

Consolidated Financial Statements
December 31, 2015
(expressed in thousands of US dollars)

April 21, 2016

Independent Auditor's Report

To the Shareholders of Baja Mining Corp.

We have audited the accompanying consolidated financial statements of Baja Mining Corp., which comprise the consolidated balance sheets as at December 31, 2015 and December 31, 2014 and the consolidated statements of operations, comprehensive loss, changes in equity, and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform our audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Baja Mining Corp. as at December 31, 2015 and December 31, 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which discloses conditions and matters that indicate existence of material uncertainty that may cast significant doubt about Baja Mining Corp.'s ability to continue as a going concern.

(Signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Baja Mining Corp.

Consolidated Balance Sheets

As at December 31, 2015 and December 31, 2014

(expressed in thousands of US dollars, unless stated otherwise)

	December 31, 2015	December 31, 2014
ASSETS		
Cash and cash equivalents	651	1,891
Other current assets (note 4)	228	330
Current assets	879	2,221
Other receivables (note 4)	1,000	1,000
Shareholder loans receivable (note 5)	17,905	17,905
Property, plant and equipment (note 6)	-	9
Total assets	19,784	21,135
LIABILITIES AND EQUITY		
Accounts payable and accrued liabilities	377	433
Current liabilities	377	433
Subordinated debt (note 7)	10,000	10,000
Provision for foreign withholding tax liability (note 12)	1,541	1,541
Total liabilities	11,918	11,974
Share capital (note 8)	291,467	291,467
Contributed surplus	144,084	144,054
Deficit	(433,223)	(435,419)
Accumulated other comprehensive income	5,538	9,059
Total shareholders' equity	7,866	9,161
Total liabilities and shareholders' equity	19,784	21,135

Nature of operations and going concern (note 1)
Guarantees, commitments and contingencies (note 14)

Approved by the Board and authorized for issue on April 21, 2016.

/s/ C. Thomas Ogryzlo Director /s/ Ross Glanville Director

The accompanying notes form an integral part of these consolidated financial statements.

Baja Mining Corp.

For the years ended December 31, 2015 and 2014

(expressed in thousands of US dollars, except per share amounts and number of shares outstanding)

Consolidated Statements of Operations

	Years ended December 31, 2015	2014
Expenses		
General and administration (note 9)	1,194	1,468
Exploration and evaluation expenditures (note 10)	110	377
Impairments (note 4)	-	505
Loss before other items	(1,304)	(2,350)
Foreign exchange gain	3,500	1,768
Finance income	4	11
Finance expense	(4)	(6)
Income (loss) before tax	2,196	(577)
Tax (expense) recovery (note 12)	-	-
Income (loss) for the year	2,196	(577)
Loss per share		
Basic and diluted	0.01	-
Weighted average number of shares outstanding		
Basic and diluted	340,213,025	340,213,025

Consolidated Statements of Comprehensive Loss

	Years ended December 31, 2015	2014
Income (loss) for the year	2,196	(577)
Other comprehensive loss		
Items that may be reclassified subsequent to profit or loss		
Currency translation adjustment	(3,521)	(1,897)
Total comprehensive loss	(1,325)	(2,474)

The accompanying notes form an integral part of these consolidated financial statements.

Baja Mining Corp.

Consolidated Statements of Changes in Equity

(expressed in thousands of US dollars, unless stated otherwise)

	Share capital		Contributed		Accumulated other comprehensive	
	Number	Amount	surplus	Deficit	income	Total
Balance – January 1, 2014	340,213,025	291,467	143,940	(434,842)	10,956	11,521
Loss for the year	-	-	-	(577)	-	(577)
Currency translation adjustment	-	-	-	-	(1,897)	(1,897)
Stock-based compensation expense	-	-	114	-	-	114
Balance – December 31, 2014	340,213,025	291,467	144,054	(435,419)	9,059	9,161
Income for the year	-	-	-	2,196	-	2,196
Currency translation adjustment	-	-	-	-	(3,521)	(3,521)
Stock-based compensation expense	-	-	30	-	-	30
Balance – December 31, 2015	340,213,025	291,467	144,084	(433,223)	5,538	7,866

The accompanying notes form an integral part of these consolidated financial statements.

Baja Mining Corp.

Consolidated Statements of Cash flows

For the years ended December 31, 2015 and 2014

(expressed in thousands of US dollars, unless stated otherwise)

	Years ended December 31, 2015	2014
Cash flows from operating activities		
Income (loss) for the year	2,196	(577)
Items not affecting cash		
Depreciation and accretion	9	13
Stock-based compensation expense	30	114
Unrealized foreign exchange	(3,496)	(1,773)
Impairments (note 4(i))	-	568
	(1,261)	(1,655)
Net changes in working capital balances		
Other current assets	55	819
Accounts payable and accrued liabilities	(3)	(527)
	(1,209)	(1,363)
Cash flows from investing activities		
Reduction of restricted cash	-	181
	-	181
Effect of exchange rate changes on cash and cash equivalents	(31)	(30)
Decrease in cash and cash equivalents	(1,240)	(1,212)
Cash and cash equivalents - beginning of year	1,891	3,103
Cash and cash equivalents - end of year	651	1,891

Supplemental cash flow information (note 15)

The accompanying notes form an integral part of these consolidated financial statements.

1 NATURE OF OPERATIONS AND GOING CONCERN

Baja Mining Corp. (the "Company" or "Baja") was incorporated on July 15, 1985, under the Company Act of British Columbia. The Company's primary asset is its minority investment in the El Boleo copper-cobalt-zinc-manganese deposit (the "Boleo Project" or the "Project") located near Santa Rosalia, Baja California Sur, Mexico. Minera y Metalúrgica del Boleo, S.A.P.I. de C.V. ("MMB") holds the mineral property rights to the Boleo Project. In addition, the Company intends to investigate and potentially pursue alternative project opportunities including Cinto Colorado (note 10). The Company is domiciled in Canada and its registered office is 1430 – 800 West Pender Street, Vancouver, British Columbia, V6C 2V6.

The Company is a reporting issuer in Canada and trades on the TSX Venture Exchange, the Frankfurt Stock Exchange and the OTC market.

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of operations. The Company's ability to continue as a going concern is dependent on its ability to generate future profitable operations and/or obtain the necessary financing to meet its obligations and repay its liabilities from normal operations when they become due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least but not limited to twelve months from the end of the reporting period.

As at December 31, 2015, the Company had cash and cash equivalents of $651, working capital of $502, and an accumulated deficit of $433,223. The Company incurred negative cash flows from operations of $1,209 for the year then ended. The Company expects to incur further losses in the development of its business. Based on the Company's cash flow forecasts, it will require additional financing within the next 12 months in order to meet its ongoing corporate overhead, and to continue its exploration and evaluation programs. Management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive, or will be able to raise additional future funding when required. These factors cast significant doubt on the Company's ability to continue as a going concern.

These consolidated financial statements do not include the adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. These adjustments may be material.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Basis of preparation

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as defined in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of preparation (continued)

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis.

c) Principles of consolidation

These consolidated financial statements include the accounts of Baja Mining Corp. and its subsidiaries.

Subsidiaries are all entities over which the Company has control. Control is defined as where the Company is exposed to, or has rights to, variable returns from its involvement in the investee and has the ability to affect those returns through power over the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the Company, until the date on which control ceases. All significant inter-company transactions and balances have been eliminated upon consolidation.

The Company's subsidiaries are Baja International S.à r.l. ("Baja Luxembourg") and its wholly owned subsidiary Boleo International S.à r.l. ("Boleo Luxembourg"). During 2015, the Company commenced an internal restructuring to eliminate its Luxembourg subsidiaries in an effort to simplify its legal structure and reduce operating complexity and costs.

On October 28, 2015, Boleo Luxembourg was placed in liquidation with the consent of its parent Baja Luxembourg. The assets and liabilities of Boleo Luxembourg were distributed to its parent Baja Luxembourg by the closing of the liquidation of Boleo Luxembourg on December 3, 2015.

On December 28, 2015, Baja Luxembourg was placed in liquidation with the consent of its parent Baja Mining Corp. 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.

d) Foreign currency translation

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). At December 31, 2015, the functional currency of Baja Mining Corp., the parent entity is the Canadian dollar. The functional currency of the Company's subsidiaries is the U.S. dollar. The consolidated financial statements are presented in U.S. dollars, which is the group's presentation currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) **Foreign currency translation** (continued)

Foreign currency transactions

In preparing the financial results of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in currencies other than the functional currency of the individual entities are translated using the period end foreign exchange rate. Non-monetary assets, liabilities, and equity are translated using the rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are included in the consolidated statements of operations.

Translation of the consolidated financial statements into the presentation currency

The results and financial position of all group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows: assets and liabilities using the exchange rate at period end; and income, expenses and cash flow items using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period). All resulting exchange differences arising from the translation of the entities with a functional currency other than the US dollar are reported within accumulated other comprehensive income as a separate component of equity.

e) **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, term deposits, and short-term liquid investments with the original term to maturity of three months or less, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

f) **Financial assets and liabilities**

The Company classifies it financial instruments in the following categories: at fair value through profit and loss, loans and receivables, available-for-sale, and other financial liabilities. The Company classifies its financial assets and liabilities at initial recognition according to their characteristics and management's intentions related thereto. Financial assets are derecognized when the rights to receive cash flows from the asset have expired, or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Where the Company expects to realize the asset or discharge the liability within twelve months, it is recorded as a current asset or liability; otherwise, it is recorded as a long-term asset or liability.

Financial assets and liabilities through profit and loss ("FVTPL")

A financial asset or liability at FVTPL is classified in this category if acquired principally for the purpose of selling or redeeming in the short-term. Derivatives are included in this category unless they are designated as hedges.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial assets and liabilities (continued)

Financial assets and liabilities through profit and loss ("FVTPL") (continued)

Financial assets and liabilities carried at FVTPL are initially recognized at fair value and are subsequently re-measured to their fair value at each reporting date. Realized and unrealized gains and losses arising from changes in the fair value of these financial assets or liabilities are included in the consolidated statements of operations in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

The Company classifies its cash and cash equivalents, receivables, advances and deposits, and shareholder loans receivable in the consolidated balance sheets as loans and receivables.

Available-for-sale financial assets

Available-for-sale ("AFS") financial assets are those non-derivative financial assets that are designated as such or not classified in the any of the other categories.

AFS financial assets are initially recognized at fair value and are subsequently re-measured to their fair value at each reporting date. Unrealized gains and losses arising from changes in the fair value are recognized as a separate component of equity in other comprehensive income until the investment is derecognized or until the investment is determined to be impaired at which the cumulative gain or loss previously recognized in equity is included in the consolidated statements of operations.

Other financial liabilities

Other financial liabilities are recognized initially at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost using the effective interest method.

The Company classifies its accounts payable, accrued liabilities and debt in the consolidated balance sheets as other financial liabilities.

Financial assets – impairments

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial assets and liabilities (continued)

Financial assets – impairments (continued)

Objective evidence of impairment may include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

g) Exploration and evaluation expenditures

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include property option payments and evaluation activity. Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized.

h) Property, plant and equipment

Property, plant and equipment are recorded at historical cost less accumulated depreciation.

Assets available for use are depreciated to their residual values over their estimated useful lives.

Depreciation of property, plant and equipment is calculated using the straight-line method over the following estimated useful lives:

Computer software and equipment	two to three years
Office equipment, furniture and vehicles	five years

Both the estimated useful lives and residual values of assets are reviewed at least annually.

i) Impairment of non-financial assets

Assets that are subject to depreciation or amortization are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the consolidated statements of operations for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows ("cash-generating units").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Impairment of non-financial assets (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

j) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the period end, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

k) Stock-based compensation

The Company's share option plan provides for the granting of stock options to directors, officers, employees and service providers, which allows them to purchase common shares of the Company. The Company grants such options on a graded vesting basis for periods of up to five years at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of the options issued to employees, or those providing services similar to employees, is measured at the grant date, using the Black-Scholes option-pricing model, and is recognized over the period that the employees earn the options. The fair value is recognized either as general and administration expense or as property, plant and equipment when grants are to individuals working directly on mineral projects. A corresponding increase is then recognized in equity. The amount recognized is adjusted to reflect the number of share options expected to vest. Stock options issued to non-employees are recognized based on the fair value of the goods or services received.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Share purchase warrants

Share purchase warrants issued by the Company with an exercise price denominated in the Company's functional currency are considered equity instruments, with the consideration received reflected as contributed surplus. Upon exercise, the original consideration is reallocated from contributed surplus to share capital along with the associated exercise price.

m) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustments to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes. Deferred tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are reviewed at each reporting period and recognized to the extent that it is probable that future taxable profits will be available, against which they can be utilized.

Deferred tax assets and liabilities of the same taxable entity are offset when they relate to taxes levied by the same taxation authority and the entity has a legally enforceable right to set off current tax assets against current tax liabilities. Deferred tax assets and liabilities are presented as non-current.

n) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the earnings (loss) for the year attributable to shareholders of the Company by the weighted average number of common shares outstanding during the year.

Diluted earnings (loss) per share is calculated giving effect to the potential dilution that would occur if outstanding stock options and warrants were exercised and converted to common shares. The weighted average number of diluted shares is calculated in accordance with the treasury stock method, whereby dilution is calculated based upon the number of common shares issued should "in-the-money" stock options and warrants be exercised and the proceeds used to repurchase common shares of the Company at the average market price during the period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

p) 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*, (“IFRS 9”) to replace IAS 39, *Financial Instruments: Recognition and Measurement* (“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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Adoption of new or revised IFRS pronouncements not yet effective (continued)

(ii) IFRS 9 – Financial Instruments (continued)

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.

3 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:

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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 (notes 4 and 5).

b) **Classification of receivable from MMB**

The Company exercises judgment in presenting all or a portion of the receivable from MMB as current or long-term. It is management's judgement to reflect $1,000 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 (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 as it outside of its control (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 (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.

(expressed in thousands of US dollars, unless stated otherwise)

4 RECEIVABLES AND OTHER ASSETS

	December 31, 2015	December 31, 2014
Prepaid expenses	14	18
Receivable from insurance recoveries	179	282
Receivable from MMB *(i)*	1,000	1,007
Other receivables, advances, and deposits *(ii)*	35	23
	1,228	1,330
Current balance	228	330
Long-term balance	1,000	1,000

(i) $1,000 of the MMB receivable is classified as a long-term asset as at December 31, 2015 (2014 - $1,000) upon consideration of the length of time this portion of the receivable has been outstanding, and the uncertainty to whether it will be realized into cash within twelve months. During the year ended December 31, 2014, the Company recognized an impairment of $568 on the receivable from MMB.

(ii) During the year ended December 31, 2014, the Company recovered $63 in receivables previously impaired in 2012 from a former related party. This was recorded as an impairment recovery on the consolidated statements of operations.

5 INVESTMENT IN MMB

	December 31, 2015	December 31, 2014
Shareholder loans receivable	17,905	17,905
Available for sale equity securities	-	-

The Company's investment in MMB is a combination of shares in common stock and shareholder loans. The shareholders of MMB are required to fund their proportionate equity percentage in the Boleo Project by advances through shareholder loans or subscriptions to additional shares.

At December 31, 2015, the Company held 10% (2014 - 10%) of the common shares of MMB at $Nil (2014 - $Nil).

Korea Resources Corporation ("KORES") is the ultimate controlling party and parent of MMB holding 74% (2014- 74%) of the common shares of MMB. The remaining 16% (2014 - 16%) ownership of MMB is held by a Korean Consortium comprised of related parties to KORES ("the Consortium").

5 INVESTMENT IN MMB (continued)

Shareholder loans receivable

On April 1, 2014, the Company agreed with KORES and other members of the Consortium to convert all outstanding shareholder loans to MMB into equity of MMB (the "Conversion"). The Conversion was based on principal and accrued interest balances as of December 31, 2013. Pursuant to the Conversion, the Company agreed to convert its $93,820 principal in shareholder loans to MMB into equity of MMB, and to restructure the accrued and unpaid interest of such loans amounting to $28,224 into a separate promissory note that matures December 31, 2018, and accrues ordinary interest at 4% per annum.

Management estimated the $17,905 carrying value of its investment in MMB approximated its fair value on initial recognition on April 1, 2014. 100% of the fair value of $17,905 for the Company's retained interest is attributed to the new promissory note of $28,224 resulting in no gain or loss being recognized as of April 1, 2014.

Subsequent to the initial recognition, the shareholder loans receivable are measured at amortized cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the financial instrument's expected life to the net carrying amount of the financial instrument.

Upon recognition of the new promissory note on April 1, 2014, the Company calculated an effective interest of 14.3% using the contractual cash flows associated with a $28,224 principal balance over the remaining term of the loan, which matures on December 31, 2018. The promissory note is subordinate to other priority debt held by MMB. In the event that on the maturity date the priority debt in MMB is still outstanding, the maturity date of the new promissory note will be automatically extended for successive one-year terms as required. However, management considered the going concern uncertainties for MMB, and concluded not to recognize any investment income for the shareholder loans receivable for the year ended December 31, 2015 (2014 - $Nil).

(expressed in thousands of US dollars, unless stated otherwise)

6 PROPERTY, PLANT AND EQUIPMENT

Cost	
Balance – January 1, 2014	89
Foreign currency translation	(8)
Balance – December 31, 2014	81
Disposals	(8)
Foreign currency translation	(13)
Balance – December 31, 2015	60
Accumulated depreciation	
Balance – January 1, 2014	(65)
Depreciation	(13)
Foreign currency translation	6
Balance – December 31, 2014	(72)
Depreciation	(9)
Disposals	8
Foreign currency translation	13
Balance – December 31, 2015	(60)
Net carrying value	
At December 31, 2014	9
At December 31, 2015	-

7 SUBORDINATED DEBT FACILITIES

Refundable deposit liability

A refundable deposit liability of $10,000 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. Alternatively, additional consideration was to be paid to the Company by the Consortium of approximately $13,000 upon a positive decision related to the production of manganese being made by the time of economic completion of the Boleo Project.

During the second quarter of 2014, the Company agreed in principle with KORES that once the Boleo Project has started paying cash dividends and 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 $10,000 out of cash flows paid to Baja from the Boleo Project.

If the MMB board decides in good faith to proceed with the development of manganese at the Boleo Project, the Consortium will pay Baja the $13,000 out of cash flows paid to the Consortium from the Boleo Project. Terms of the manganese production decision and related payments continue to be under discussion as part of negotiations on a revised MMB shareholders' agreement.

(expressed in thousands of US dollars, unless stated otherwise)

7 SUBORDINATED DEBT FACILITIES (continued)

As the manganese production decision is to be made by the board of directors of MMB and the Company no longer controls MMB, the Company cannot accurately predict the outcome or timing of the manganese production decision. No decision on manganese production has been made by MMB as of December 31, 2015.

Should Baja be required to pay the $10,000 refundable deposit liability, it is management's judgement as of December 31, 2015, that no repayment would be required within the next twelve months. Accordingly, the $10,000 refundable deposit liability is recorded as a long-term liability as of December 31, 2015.

8 SHARE CAPITAL

a) Authorized share capital

The Company has been authorized to issue an unlimited number of common shares without par value.

b) Warrants

Details of share purchase warrant activity are as follows:

Warrants outstanding – January 1, 2014	7,408,727
Warrants terminated during the year	(7,408,727)
Warrants outstanding – December 31, 2014	-
Warrants outstanding – December 31, 2015	-

The outstanding share purchase warrants were terminated in 2014 pursuant to the terms of a settlement agreement between the Company and the counterparty.

c) Stock options

Details of the Company's stock option activity are as follows:

	Number of options	Weighted average exercise price (Cdn$ per option)
Stock options outstanding – January 1, 2014	7,717,500	1.07
Granted	4,950,000	0.05
Forfeited/expired	(1,505,000)	0.77
Stock options outstanding – December 31, 2015	11,162,500	0.66
Forfeited/expired	(5,112,500)	1.14
Stock options outstanding – December 31, 2015	6,050,000	0.26

(expressed in thousands of US dollars, unless stated otherwise)

8 SHARE CAPITAL (continued)

c) **Stock options** (continued)

The following table summarizes information about stock options outstanding and exercisable at December 31, 2015:

Range of prices (Cdn$ per option)	Number of outstanding options	Weighted average years to expiry for outstanding options	Weighted average exercise price for outstanding options (Cdn$)	Number of exercisable options	Weighted average exercise price for exercisable options (Cdn$)
0.05 to 0.55	4,800,000	3.69	0.05	3,725,000	0.05
0.56 to 1.06	1,250,000	0.24	1.06	1,250,000	1.06
	6,050,000	2.98	0.26	4,975,000	0.30

At December 31, 2015, there were no (2014 – nil) potentially dilutive shares related to stock options that have been included in the diluted earnings per share calculation for the year presented because their effect is anti-dilutive.

The Company's stock option plan (the "Plan") allows the Company to grant stock options up to a maximum of 10% of the number of issued shares of the Company. Options granted under the Plan will vest with the right to exercise one-quarter of the options upon conclusion of every six months subsequent to the grant date, unless otherwise specified by the board of directors at the time the particular options are granted.

No stock options were granted in 2015. During 2014, the Company granted 4,950,000 five-year stock options to employees, directors, and consultants of which 2,725,000 of these stock options vested in full upon their issue. The remaining options granted under the Plan will vest with the right to exercise one-quarter of the options upon conclusion of every six months subsequent to the grant date.

The fair value of the options granted during the year is estimated at each measurement date using the Black-Scholes option-pricing model, using the following assumptions.

	2015	2014
Risk-free interest rate	-	1.22%
Dividend yield	-	0%
Expected volatility	-	189.94%
Expected stock option life	-	3 years
Weighted average forfeiture rate	-	19.14%
Weighted average fair value of stock options granted	-	Cdn $0.04

Expected volatility is determined by reference to historically observed prices of commons shares.

(expressed in thousands of US dollars, unless stated otherwise)

8 SHARE CAPITAL (continued)

c) **Stock options** (continued)

The total stock-based compensation recorded during the year was $30 (2014 - $114). This has been recognized to general and administration expense with the offsetting amount recorded to contributed surplus.

9 GENERAL AND ADMINISTRATION EXPENSE

	Years ended December 31, 2015	2014
Wages, salaries, and management fees *(i)*	593	592
Directors fees	108	130
Stock-based compensation (note 8(c))	30	114
Professional and consulting fees	183	130
Office and administration	219	389
Shareholders information	52	100
Depreciation	9	13
	1,194	1,468

(i) During the quarter ended March 31, 2015, the Company paid a $100 bonus to the interim CEO pursuant to the terms of a contract effective from May 2012. No bonuses were paid in 2014.

10 EXPLORATION AND EVALUATION EXPENDITURES

	Years ended December 31, 2015	2014
Cinto Colorado		
Legal and environmental due diligence	15	217
Metallurgy, operations engineering and design	56	66
Operating payments	39	86
Travel	-	8
	110	377

Cinto Colorado

On April 30, 2013, the Company entered into an option agreement (the “Agreement”) whereby it can earn up to an 80% interest in Cinto Colorado S. de R.L. de C.V. (“Cinto Colorado”), a private Mexican company. Cinto Colorado’s main asset is a surface lease, which entitles Cinto Colorado to process and/or sell tailings and slag now stored on the lands subject to the lease (the “Lands”). The Lands are situated within Santa Rosalia, Baja California Sur, Mexico and are adjacent to the existing Boleo Project of MMB.

(expressed in thousands of US dollars, unless stated otherwise)

10 EXPLORATION AND EVALUATION EXPENDITURES (continued)

Under the terms of the Agreement, as amended effective December 15, 2015, for Baja to exercise its right to acquire the interest in Cinto Colorado it is required to:

- Pay $72 to Cinto Colorado (already paid);
- Deliver a NI 43-101 compliant preliminary feasibility study ("PFS") at the earlier of (i) six months from the date that Cinto Colorado and/or Baja receives formal written communication from MMB that, after proper evaluation and consideration, it will not pursue the purchase for processing at Boleo the Cinto Colorado tailings in their current or other derivative form, and (ii) December 31, 2016;
- Deliver a NI 43-101 compliant definitive feasibility study ("DFS") on or before eight months following the completion of the PFS; and if needed, complete a financing on or before six months following the delivery of the DFS, equal to the minimum amount estimated in the DFS needed to implement the DFS' recommendations.

11 RELATED PARTY TRANSACTIONS

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.

	Years ended December 31,	
	2015	**2014**
Short-term employee benefits (note 9*(i)*)	469	430
Stock-based compensation	24	95
	493	525

12 INCOME TAXES

Income tax recognized in profit or loss is comprised of the following:

	Years ended December 31,	
	2015	**2014**
Withholding taxes	-	-
Current income tax	-	-
Tax (expense) recovery	-	-

(expressed in thousands of US dollars, unless stated otherwise)

12 INCOME TAXES (continued)

A reconciliation between the tax expense and the product of accounting income or loss multiplied by the Company's statutory tax rate of 26% for the year ended December 31, 2015 (2014 – 26%) is as follows:

	Years ended December 31, 2015	2014
Income (loss) before income tax	2,196	(577)
Statutory tax rate	26%	26%
Expected (expense) recovery at statutory tax rate	(571)	150
Difference in foreign tax rates	(6)	(7)
Effect of foreign exchange differences	(6,939)	(3,887)
Non-deductible expenses	361	61
Change in estimates	(357)	503
	(7,512)	(3,180)
Change in unrecognized deferred tax assets	7,512	3,180
Income tax (expense) recovery	-	-

The provision for accrued foreign withholding taxes of $1,541 at December 31, 2015 (2014 - $1,541) is payable when interest from shareholder loans is received (notes 3(d) and 5).

The significant components of deferred income tax assets and deferred income tax liabilities are as follows:

	December 31, 2015	December 31, 2014
Non-capital loss carry-forwards	10,031	11,855
Deferred financing costs	-	16
Property, plant and equipment	475	564
Capital losses and contributions	24,498	29,655
Share issuance costs	-	303
Exploration expenses	632	755
	35,636	43,148
Unrecognized deferred tax assets	(35,636)	(43,148)
Deferred tax assets	-	-
Deferred tax liabilities	-	-
Net deferred tax asset (liability)	-	-

(expressed in thousands of US dollars, unless stated otherwise)

12 INCOME TAXES (continued)

At December 31, 2015, the Company had unrecognized non-capital losses for income tax purposes of $38,580 (2014 - $45,598) that may be used to offset future taxable income as follows:

				December 31, 2015
		Local currency	**USD equivalent**	**Expiry date**
Non-capital losses				
Canadian dollar	CAD	53,397	38,580	2023 - 2035

13 SEGMENTED INFORMATION

Operating Segments

The Company currently operates in one business segment, being the acquisition, exploration and development of resource properties.

No revenues were earned from external customers in either 2015 or 2014.

Geographic Segments

The Company operates internationally with the head office located in Canada and the subsidiaries located in Luxembourg. The property plant and equipment held at December 31, 2015 and December 31, 2014 was located in Canada.

14 GUARANTEES, COMMITMENTS AND CONTINGENCIES

a) In 2012, the Company entered into a lease assignment for offices no longer being 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 fulfill its obligations to the landlord. The lease expires September 30, 2020.

   At December 31, 2015, total future aggregate minimum lease payments over the remaining lease term by the assignee to the landlord covered by this indemnity agreement is $2,310.

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

b) Future commitments under non-cancellable operating leases for offices are as follows:

Not later than one year	13
	13

   Minimum lease payments of $42 (2014 - $49) were recognized as an expense in the consolidated statements of operations.

(expressed in thousands of US dollars, unless stated otherwise)

14 GUARANTEES, COMMITMENTS AND CONTINGENCIES

c) 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) and dismissed all other claims (the “Action”).

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.

15 SUPPLEMENTAL CASH FLOW INFORMATION

	December 31, 2015	December 31, 2014
Cash in bank	156	210
Cash equivalents	495	1,681
	651	1,891

During the year ended December 31, 2015, the Company received interest in cash of $4 (2014 - $11).

16 MANAGEMENT OF CAPITAL

It is the Company’s objective when managing capital to safeguard the Company’s ability to continue as a going concern, to maximize the potential value of its investment in MMB and to pursue alternative project opportunities for the benefit of its stakeholders. The Company’s capital resources are now largely determined by the strength of the junior resource markets and by the status of the Boleo Project in relation to these markets, and the Company’s ability to compete for investor support for the Boleo Project and any other prospective projects.

16 MANAGEMENT OF CAPITAL (continued)

The Company manages the capital structure and makes appropriate adjustments to it based upon changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

The Company's short-term operating budgets are reviewed and updated annually and as necessary depending on various factors, including operational and strategic decision-making and general industry conditions.

17 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 $17,905 and $1,000 in other receivables from 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 $568 during the year ended December 31, 2014, reducing this portion of the MMB receivable to $1,000. Repayment of these amounts by MMB is dependent in part on KORES' continued support and the Project establishing profitable operations.

b) **Liquidity risk** (note 1)

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 note 16 to these consolidated financial statements.

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:

17 FINANCIAL RISK MANAGEMENT (continued)

b) Liquidity risk (continued)

	Total	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 (note 7).

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

c) Foreign exchange risk

The Company operates internationally with offices and operations in Canada and, up to March 2016, in 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 (note 2(d)).

A significant change in the currency exchange rate of 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.

(expressed in thousands of US dollars, unless stated otherwise)

17 FINANCIAL RISK MANAGEMENT (continued)

c) Foreign exchange risk (continued)

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
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 $210 and an opposite currency translation gain or loss in other comprehensive loss of $210.

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.

18 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

There are three levels of fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with level 1 inputs having the highest priority. The levels used to value the Company's financial assets and liabilities are described below.

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly, i.e. as prices, or indirectly, i.e. derived from prices.
- Level 3 – Inputs for the asset or liability that are not based on an observable market, i.e. unobservable inputs.

All of the Company's financial assets and financial liabilities are initially recorded at fair value. The carrying value of the financial assets and liabilities approximate their fair value as of December 31, 2015. The Company has not offset financial assets with financial liabilities.