

BAJA MINING CORP
(Formerly First Goldwater Resources Inc.)
Management Discussion and Analysis
QUARTERLY REPORT – March 31, 2005

This Management's Discussion and Analysis of Baja Mining Corp provides analysis of Baja Mining Corp's financial results for the first quarter ended March 31, 2005. The following information should be read in conjunction with the accompanying unaudited interim consolidated financial statements and the notes to the unaudited interim consolidated financial statements.

1.1 Date of Report: May 30, 2005

1.2 Overall Performance

Nature of Business and Overall Performance

Baja Mining Corp, formerly First Goldwater Resources Inc. ("the Company") is involved in the development of the Boleo copper-cobalt-zinc deposit, Mexico. The Company commenced operations upon incorporation in 1985 and engaged primarily in exploration and development of mineral and natural resource properties.

On April 20, 2004, the Company completed a business combination with Mintec International Corporation ("Mintec") and completed a \$10 million equity financing in conjunction with the business combination. The business combination resulted in a change of control of the Company whereby Mintec is deemed to be the acquirer. The transaction is accounted for under the purchase method, on a reverse take-over basis ("RTO"). Mintec, through its wholly owned Mexican subsidiary, Minera y Metalurgica del Boleo S.A. de C.V. ("MMB"), owns a 100% interest in a copper-cobalt-zinc mineral deposit (the Boleo property). Since the completion of the above-mentioned financing, the Company has been focused on completing the Final Feasibility Study on the Boleo property.

The Boleo Project

The Boleo Project is located on the east coast of the Baja California Peninsula, some 900 kilometres south of San Diego and near the town of Santa Rosalia B.C.S., Mexico. Over the last twelve years, approximately CAD \$33 million has been spent on exploration and pre-feasibility studies on the Boleo Project. Since completing the \$10 million financing in April 2004, the Company has been actively proceeding to complete a Definitive Feasibility Study ("DFS"), under the direction of Bateman Engineering Inc. Canada ("Bateman"), with assistance primarily from Bateman's office in Brisbane, Australia. The DFS is focused on the development of an underground mine at a currently estimated production rate of 2.6 million dry tonnes of run-of mine ore to produce an estimated 50,000 tonnes per year of cathode copper, approximately 2100 tonnes per year of cobalt (either as high grade cobalt cathode or possibly as a high quality cobalt carbonate) and approximately 23,000 tonnes of zinc sulphate per year.

Current Development in the first quarter ended March 31, 2005

As part of the DFS management contracted Hellman & Schofield Pty Ltd. ("Hellman & Schofield"), economic geologists, of Brisbane, Australia, to review all existing geological data in regard to the Boleo deposit and report on the current geological resources. In 2004 H&S produced a 3-dimensional resource block model of the El Boleo Deposit. In producing this model H&S utilized the existing geological interpretation of the deposit and used analytical data that was obtained from exploration and evaluation programs carried out on the project between 1993 and 1998. It was assumed that mining would initially be by the open pit method; hence the model has block dimensions of 50 metres (east)

by 100 metres (north) by 1 m vertically. Grade estimates of Copper, Cobalt and Zinc were determined using Ordinary Kriging, parameters used in the grade estimation are tabulated below:

Parameter	Manto 2,3aa,3a,3,4			Manto 0 & 1		
	Meas	Ind	Inf	Meas	Ind	Inf
Pass						
Search Radii (m)						
X-direction	250	350	500	500	750	1,000
Y-direction	200	280	400	500	750	1,000
Z-direction	2	2	4	2	2	4
Data Criteria						
Min data	18	8	6	18	8	6
Max data	32	32	32	32	32	32

In a report dated March 2005, prepared by Qualified Persons, William Yeo, MAusIMM, PhD., and Phillip Hellman, FAIG, PhD., of Hellman & Schofield (the "H&S Report"), in accordance with National Instrument 43-101, Hellman & Schofield reported a Measured and Indicated resource estimates based on copper equivalent cut-off grades utilizing metal prices of copper (Cu) US \$0.95 per pound, cobalt (Co) US \$12 per pound, and zinc (Zn) US \$0.45 per pound, and defined as Cu Equiv = $Cu + Co*12/0.95 + Zn*0.45/0.95$, as follows:

Cu EQUIV CUT-OFF GRADE		0.5%	1.0%	1.5%	2.0%
Measured	Tonnes (10^6)	51.7	45.7	35.3	24.7
	Cu Eq %	2.09	2.26	2.56	2.91
	Cu %	0.76	0.83	0.99	1.18
	Co %	0.089	0.096	0.107	0.119
	Zn %	0.45	0.46	0.47	0.47
Indicated	Tonnes (10^6)	172.1	114.1	65.4	36.1
	Cu Eq %	1.49	1.86	2.33	2.82
	Cu %	0.57	0.78	1.09	1.46
	Co %	0.050	0.061	0.072	0.081
	Zn %	0.58	0.66	0.68	0.68
Total	Tonnes (10^6)	223.8	159.8	100.7	60.8
	Cu Eq%	1.63	1.97	2.41	2.86
	Cu %	0.62	0.79	1.06	1.35
	Co %	0.059	0.071	0.084	0.097
	Zn%	0.55	0.60	0.61	0.61

The additional Inferred Resource, based on the same copper equivalent criteria, is:

Cu EQUIV CUT-OFF GRADE		0.5%	1.0%	1.5%	2.0%
Inferred	Tonnes (10^6)	310.3	188.13	112.34	65.6
	Cu Eq %	1.47	1.95	2.43	2.94
	Cu %	0.57	0.83	1.14	1.51
	Co %	0.045	0.057	0.067	0.074
	Zn %	0.69	0.85	0.95	1.03

As part of the DFS, the Company will be proceeding with a program of in-fill drilling, currently budgeted at approximately 12,000 meters, to enhance the quality of the above resources.

The full text of the H & S Report can be viewed under the Company's profile at www.sedar.com.

Future Development of the DFS

Subsequent to the successful completion of the Solid/Liquid Separation test and Phase 1 of the Pilot Plant in fiscal 2004 that demonstrated the Boleo ore can be treated in a continuous pilot plant program to leach, separate and recover pay metals in final commercial form, the Company will run a much larger Phase 2 pilot plant in the fourth quarter of 2005. The Phase 2 pilot plant will process approximately 40 tonnes of material and run in steady state conditions for at least six weeks. Bateman has advised that longer pilot plant runs are essential to determine performance of key reagents. It is from this level of test that Bateman will provide process guarantees. In addition, the Company has scheduled an underground test-mining program utilizing a Continuous Underground Mining Machine in June/July 2005. The objective of the test-mining program is to determine the viability of obtaining a relatively higher metal recovery and extraction rate from underground mining method as oppose to an open pit mining method. The program will provide meaningful data in the use of bond and pillar and short well mining technique that are proposed for mining the Boleo deposit.

Financing and Corporate Update

In March 2005, the Company agreed to two private placements: 1) The Company agreed to issue 1,600,000 Units at \$0.75 per Unit for gross proceeds of \$1,200,000. Each Unit consists of one common share and one-half warrant. Each whole warrant is exercisable for a period of 5 years at a price of \$1.15 per share. A finder's fee of \$92,500 will be paid in accordance with the TSX Venture Exchange policy. 2) An additional 80,000 Units at a price of \$0.75 per Unit for gross proceeds of \$60,000 was also agreed for issuance. Each Unit consists of one common share and one-half warrant. Each whole warrant is exercisable for a period of 5 years at a price of \$1.15 per share. In the event the Company enters into any agreements for further third party equity placements in the immediate future at a lower issue price, the two private placements pricing will be reduced accordingly. The proceeds of the private placements will be used for the Definitive Feasibility Study and for working capital purposes. Neither placement has yet closed although the Company has received the placement proceeds. It is anticipated the issue price will be reduced to \$0.60 per Unit and closed upon receipt of TSX Venture Exchange approval.

On March 22, 2005, Baja Mining Corp announced that it has retained Endeavour Financial International Corporation ("Endeavour") on an exclusive basis to provide general corporate financial advice with respect to the financing and development of the Boleo Project. Endeavour will work closely with management to identify and implement various transactions relating to financing of the Boleo Project. Remuneration under the contract is confidential but will include, subject to regulatory approval, the granting of 1,000,000 stock purchase options at a price of \$0.75 per share for a five-year period. The option price may be reduced if the Company completes a private placement in the immediate future at a lower price.

On April 12, 2005, Mr. Ross Glanville was appointed a Director of the Company. Mr. Glanville graduated from the University of British Columbia in 1970 with a Bachelor of Applied Science Degree (Mining Engineering) and became a member of the Association of Professional Engineers of British Columbia in 1972 (P.Eng.). In 1974, he obtained a Master of Business Administration Degree (MBA), specializing in finance and securities analysis. In 1980, he became a member of the Certified General Accountants of B.C. (CGA). Mr. Glanville has thirty-five years of experience in mining, exploration, finance, marketing and management and held senior executive positions with major and junior mining and consulting companies.

The Company also announced the resignation of Mr. Thomas Pressello as Chief Financial Officer of the Company effective April 22, 2005. Mr. Robert Mouat has been appointed as interim Chief Financial Officer.

As of March 31, 2005, the Company had working capital of \$3,746,352, which is not sufficient to satisfy the costs related to the completion of the Final Feasibility Study and current general and administrative activities for the 2005 fiscal year. The Company will undertake additional financing in the near future to complete the Final Feasibility Study, which we anticipate completing by December 2005.

1.3 Results of Operations For the First Quarter Ended March 31, 2005

Operations

The Company is still at the exploration stage at its Boleo Project and has no revenue generating activities. For the quarter ended March 31, 2005 and March 31, 2004 Baja Mining recorded a consolidated net loss of \$2,017,441 (\$0.03 loss per share) and \$47,428 (\$0.00 loss per share) respectively. The results show the effect of substantially higher exploration and administrative activities in the first quarter ended 2005 compared with the previous quarter last year.

Exploration Expenses

The Company incurred \$1,411,494 of exploration expenses in the quarter ended March 31, 2005 compared to \$69,982 in comparable quarter. The increase was attributable to higher exploration activities subsequent to the RTO and the completion of the \$10 million financing. The majority of the exploration expenses related to definitive feasibility study, pilot plant costs, drilling and professional or consulting fees.

General and Administrative Expenses

In this current quarter, the Company granted stock options to a financial consulting firm and expensed stock options vested to investor-relations representatives resulting in a non-cash stock-based compensation expense of \$375,620 (\$nil-2004 comparable quarter). The stock option expense accounted for 60% of the total general and administrative expenses in the quarter.

With increased exploration activities at the Boleo Project and the required infrastructure to support these activities, the Company assembled additional management and administrative staff. Consequently, management and consulting expenses totalled \$49,704 for this quarter versus \$nil in the comparable quarter last year. Wages and subcontract was \$44,066 (\$779-2004 comparable quarter). The Company also incurred \$27,616 rent expense (\$nil-2004 comparable quarter). The Company was relatively inactive in the first quarter of fiscal 2004; therefore, general and administrative expenses were much lower comparatively.

The Company incurred \$27,605 in travelling costs in connection with financing activities and promoting the Company's Boleo Project in this quarter.

As a publicly traded company, Baja Mining Corp incurred \$8,683 in filing, exchange and transfer agent fees for the three months ended March 31, 2005. In contrast, for the three months ended March 31, 2004, prior to the RTO, Mintec International Corporation was a privately held company; therefore, there were no exchange and filing expense incurred.

Investor relations and promotion also increased in this current quarter due to promotional activities for the Boleo Project. The Company retained two in-house investor-relations representatives and one marketing consultant acting as liaison with the investment community. Consequently, investor

relations and promotion expenses totalled \$31,286 and \$19,946 respectively in the quarter versus \$nil in the comparable quarter last year.

1.4 Transactions with Related Parties

For the three months ended March 31, 2005, the Company paid \$99,000 management and consulting fees to companies controlled by officers and directors of the Company. Of this amount, \$39,000 is included in general and administrative expenses and the balance is included in exploration expenses. The Company also paid \$27,616 of rent expense to related companies, which are controlled by directors and officers, for shared office facilities.

All the above charges are on terms and conditions similar to non-related parties.

1.5 Summary of Quarterly Information

Quarterly financial data for the eight most recently completed quarters is provided below.

	Q2 June 30, 2003	Q3 Sept 30, 2003	Q4 Dec 31 , 2003	Q1 Mar 31, 2004	Q2 June 30, 2004	Q3 Sept 30, 2004	Q4 Dec 31, 2004	Q1 Mar 31, 2005
Total Revenues	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-

Income or loss before discontinued operations and extraordinary items:

Total	\$4,660	\$(193,717)	\$(143,094)	\$(47,428)	\$(453,256)	\$(2,436,996)	\$(2,454,005)	\$(2,017,441)
Per Share	\$0.00	\$(0.005)	\$(0.005)	\$(0.00)	\$(0.01)	\$(0.04)	\$(0.04)	\$(0.03)
Per Share Fully Diluted	\$0.00	\$(0.005)	\$(0.005)	\$(0.00)	\$(0.01)	\$(0.04)	\$(0.04)	\$(0.03)

Net income or loss:

Total	\$4,660	\$(193,717)	\$(143,094)	\$(47,428)	\$(453,256)	\$(2,436,996)	\$(2,454,005)	\$(2,017,441)
Per Share	\$0.00	\$(0.005)	\$(0.005)	\$(0.00)	\$(0.01)	\$(0.04)	\$(0.04)	\$(0.03)
Per Share Fully Diluted	\$0.00	\$(0.005)	\$(0.005)	\$(0.00)	\$(0.01)	\$(0.04)	\$(0.04)	\$(0.03)

General Discussion of Quarterly Results

Net Income (Loss)

The Company carried out exploration activities on the Boleo property in Mexico. Factors that caused fluctuations in the Company's quarterly results are the amount and extent of exploration and operating

activities in the quarters. Since completion of the \$10 million equity financing in the second quarter of fiscal 2004, exploration and operating activities increased significantly as reflected in higher net loss in each quarter thereafter.

1.6 Liquidity and Capital Resources

For the quarter ended March 31, 2005, the Company had negative cash outflow of \$2,536,943 from operating activities compared to negative cash outflow of \$115,011 in the comparable quarter. The increase in cash outflow was attributed to higher exploration and operation activities on the Boleo property.

For investment activities, the Company's subsidiaries acquired \$29,048 of capital assets in the first quarter for exploration purpose. The Company also advance \$55,942 to a related company.

In March 2005, the Company agreed to two private placements: 1) The Company agreed to 1,600,000 Units at \$0.75 per Unit for gross proceeds of \$1,200,000. Each Unit consists of one common share and one-half warrant. Each whole warrant is exercisable for a period of 5 years at a price of \$1.15 per share. A finder's fee of \$92,500 will be paid in accordance with the TSX Venture Exchange policy. 2) An additional 80,000 Units at a price of \$0.75 per Unit for gross proceeds of \$60,000 was agreed for issuance. Each Unit consists of one common share and one-half warrant. Each whole warrant is exercisable for a period of 5 years at a price of \$1.15 per share. Neither placement has yet closed and it is anticipated the Unit price will be reduced to \$0.60 per Unit and closed on receipt of TSX Venture Exchange approval. For financing activities, the Company repaid \$4,590 to related parties versus \$102,858 advanced from related parties in the comparable quarter last year.

As an exploration stage company, Baja Mining Corp continues to rely on equity or debt financing to meet the ongoing cash requirements of the Company. The Company is investigating the possibility of raising additional capital through debt or equity financing arrangements and, although management has successfully raised significant amounts of capital in the past, there can be no assurance that it will be able to raise additional capital in the future.

1.7 Off-Balance Sheet Arrangements

The Company has no material off-balance sheet arrangement such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations and any obligations that trigger financing, liquidity, market or credit risk to the Company.

1.8 Contractual Obligations and Commitments

The Company has no long-term debts, material capital lease obligations and purchase obligations. The Company has management and consulting contracts with officers and directors of the Company for services rendered with future commitments under these contracts totalled \$216,000 in fiscal 2005 and \$72,000 in fiscal 2006.

The Company has committed to an operating lease for office space for a term of 63 months from July 2005 to September 2010 with minimum lease payment of \$74,480 per annum.

The Company agreed to purchase a Continuous Mining Machine for US \$97,000 for exploration purpose.

The Company also signed an agreement with Bateman Engineering Ltd. Canada for the completion of Final Feasibility Study budgeted at approximately CDN \$8.9 million. The Bateman Agreement does not include the costs of in-fill drilling, the test mining program, or management costs related to the DFS. The completed DFS is estimated to cost approximately US\$10,992,000 (CDN\$13,700,000), of which approximately CDN\$5,200,000 has been incurred to date.

1.9 Financial instruments and Risk Factors

As of March 31, 2005 the Company was not exposed to any financial instruments risks since their fair value approximates their carrying values because of the short-term maturity of those instruments.

The Company operates internationally, which gives rise to the risk of that cash flows may be adversely impacted by exchange rate fluctuations. The Company has not entered into foreign currency contracts to hedge its risk against foreign currency fluctuations.

Mineral exploration and development involves a high degree of risk since few properties are developed into producing mines. There is no assurance that the Company's mineral exploration activities will result in the discovery of resources that would be economical for commercial production. The commercial viability of the mineral deposits is dependent upon a number of factors, which are beyond the Company's control. Some of these factors are attributable to commodity prices, government policy and regulation and environmental protection.

Resource estimates involves degree of uncertainty in the calculation of reserves and the corresponding grades. Resource estimates are dependent partially on statistical inferences drawn from drilling, sampling and other data. The indicated and inferred resources figures set forth by the Company is estimates, and there is no certainty that the level of resources will be realized. In addition, decline in the market price for copper, zinc and cobalt may adversely affect the economics of a reserve and may require the Company to reduce its estimates.

1.10 Outlook

The Company is actively proceeding with the DFS of the Boleo property in order to develop a mine at the Boleo property with an overall objective of maximizing production output and minimizing capital and operating costs.

1.11 Caution on Forward-Looking Information

This report contains certain "forward-looking statements". Such forward-looking statements are subject to risks, uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those acknowledged in such statements.