BAJA MINING CORP
Management Discussion and Analysis
QUARTER END REPORT – September 30, 2006

This Management's Discussion and Analysis of Baja Mining Corp provides analysis of Baja Mining Corp's financial results for the quarter ended September 30, 2006. The following information should be read in conjunction with the accompanying interim unaudited consolidated financial statements and the notes to the interim unaudited consolidated financial statements and with the audited consolidated financial statements for the year ended December 31, 2005, all of which are available at the SEDAR website at www.sedar.com.

1.1 Date of Report: November 27, 2006

1.2 Overall Performance

Nature of Business and Overall Performance

Baja Mining Corp. (the "Company") is involved in the development of the Boleo copper-cobalt-zinc-manganese 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-manganese mineral deposit (the Boleo property). Since the completion of the above-mentioned financing, the Company has been focused on completing a Definitive Feasibility Study ("DFS") 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 Baja California Sur, Mexico. Over the last twelve years, in excess of CAD $53.0 million has been spent on exploration, pre-feasibility studies and the current DFS on the Boleo Project. The Company has been actively proceeding to complete the DFS, under the direction of Bateman Engineering Inc. Canada ("Bateman"), with assistance primarily from Bateman's office in Brisbane, Australia. The majority of test work for the DFS was completed in July 2006 however a follow-up mine site test (to determine best practice for roof bolt installation during mine development) was planned for September 2006 but has been delayed until November 2006 (successfully completed November 16, 2006) as a result of delay in delivery of roof bolting equipment to site and as result of damage to roads leading to the test mine site and damage to the local community of Santa Rosalia as a result of torrential flooding associated with rainfall from a category 5 hurricane that affected the area in September 2006 and a less severe storm in October 2006. The DFS was scheduled for completion in September 2006; however, delays associated with the mine site test and in obtaining drill rigs for the approximate 38,800 metre in-fill drill program is expected to delay completion of the resource model, resulting in a delay in completing the final mine design; which will have the effect of delaying delivery of the DFS until 2007. Management are progressing on construction financing efforts to limit the effect of the delay on the construction timetable. The DFS is focused on the development of an underground mine, supplemented in some years with partial production from a series of open pits (during the first two years 80% of production is expected from open pits), at a currently estimated production rate (during the initial five years and anticipated to

increase thereafter) of 2.6 million dry tonnes of run-of mine ore to produce up to 50,000 tonnes per year ("tpy") of copper cathode, 2,000 tpy of cobalt cathode (consideration is being given to reduce this to 1,850 tpy), up to 23,000 tpy of zinc sulphate, and possibly 50,000 to 65,000 tpy of manganese (as manganese carbonate).

Current Development in the quarter ended September 30, 2006

Equipment Option Acquired (see news release dated July 20, 2006)

In July 2006, the Company acquired an option to purchase four diesel driven generator sets from a United States power company. Each unit is rated at 2.5MW, providing a total of 10MW. The generation plant had been used to provide standby power for an East Coast island. The units are in excellent condition as they have very low operating hours and are maintained in a hot standby state. The modules are skid-mounted and are thus easily re-locatable. The option provides for a series of payments that, in total, will amount to approximately 10% of the cost of equivalent new units.

The Company's El Boleo project is estimated to require an average of 38 MW of power when fully operational and its power supply will be totally independent of the power grid of the State of Baja California Sur, Mexico, where El Boleo is located. The hydrometallurgical plant for the El Boleo project leaches the run-of-mine ore in a two stage leach process utilizing sulphuric acid. Sulphuric acid is generated on site by burning sulphur in an "acid plant". Most of the power required to operate the mine and mill complex at Boleo will be provided through heat recovery and steam generation from the acid plant. The balance of the requirements will be generated from diesel fired units. The acquisition of the 10 MW generating plant will cover more than this additional power as well as provide power for construction activities. The units will remain in storage, on hot standby, in the United States until required at El Boleo and will be moved to site prior to the start of construction in 2007.

Successful Test Mining Results at El Boleo Project (see news release dated July 20, 2006)

As part of the Definitive Feasibility Study ("DFS") at Boleo the Company retained Australian Mine Design and Development Pty. Ltd. ("AMDAD"), along with Agapito Associates Incorporated ("AAI") of Golden, Colorado, USA, to design and supervise the tests aimed at defining productive and safe mining methods, as well as to provide geotechnical and operational information to guide design of a full scale underground mine capable of producing over 2.5 million tonnes of ore per year.

The primary objective during test mining was to confirm the geotechnical feasibility of underground mining at Boleo. Further, as a consequence of AAI's extensive experience in underground mining of soft-rock, bedded deposits, it was requested that their report also address and provide recommendations on key operational issues identified during this evaluation.

Based on the test mine activities at Boleo, observations and review of the data and information collected by AAI, the following preliminary geotechnical and operational feasibility conclusions for underground mining in the mantos were reached:

- With appropriate and site-specific mine design, equipment selection, mine planning and operation execution:

    1. Based on currently available information, the most appropriate mining methodology for underground mining the clay mantos and breccias at Boleo would utilize room-and-pillar mining with pillar removal techniques similar to those practiced by the coal mining industries of North America, Australia and South Africa.

2. Room-and-pillar with pillar removal mining methods should approach production levels comparable in magnitude to similar operations in the coal mining industries of North America, Australia and South Africa.

- Longwall and shortwall mining methods are not suited for the conditions at Boleo as a consequence of (1) the extensive faulting which divides the mantos into relatively small, irregular-shaped districts and (2) the hard conglomerate floor that is difficult to cut.

The Company's senior project team are now incorporating the mine trial results and recommendations made by AMDAD and AAI into the design of the underground mine openings and selecting the equipment needed for successful high productivity and safe mining operations.

In-fill Drill Program (see news release dated July 21, 2006)

As part of the Definitive Feasibility Study ("DFS") on the Boleo project, the Company embarked on a 38,800 metre diamond drill-hole program. This program has been designed to reduce the spacing between drill holes, particularly in Manto 1 in the southern part of the property so that the existing "Inferred" resources can be re-classified as "Indicated" or better. The aim is to have a dominantly "Measured" status for blocks that are anticipated to be mined in the first 5-7 years with the balance of blocks that are anticipated to be mined in years 8 through 20 to be classified as either "Measured" or "Indicated". The Company has four drill rigs conducting the in-fill program. The Company is currently updating the resource model based upon the first 20,000 metres of the in-fill drilling that was completed by the end of September 2006. Once the resource model is complete the mine design team will update the mine model to incorporate these results. A second geological model and updated mine plan will be completed once the total in-fill program is complete. Timing of the DFS will in part be dependent on the results of the current update of the geological model and mine plan.

Phase 2 Pilot Plant successfully concluded

A demonstration Phase 2 Pilot Plant campaign ("Pilot Plant") was successfully completed during the quarter at SGS Lakefield Research Ltd ("Lakefield") treating ore from the Boleo property.

A 6 week Pilot Plant campaign was conducted continuously from June 7 to July 14, 2006 treating a composite sample totalling 4.2 tonnes of ore that was obtained during the Test Mining campaign conducted in March at Boleo. The purpose of the demonstration campaign was to:

- Finalize design criteria for recoveries of metals and consumption of key consumables to be used in the Definitive Feasibility Study ("DFS") being prepared by Bateman Engineering Canada Inc. ("Bateman");
- Provide a design basis for Bateman to give process guarantees in the next phase of the project which is detail design and procurement;
- Demonstrate that the high clay content of the Boleo ore does not present a problem for washing in the Counter Current Decantation ("CCD") circuit;
- Produce sufficient quantities of copper cathode, cobalt cathode and zinc sulphate to enable off-take buyers to evaluate the quality of product(s);
- Produce a saleable Manganese product (manganese carbonate);
- Demonstrate that the limestone located at Boleo is suitable for use as the neutralizing agent;
- Confirm that Commonwealth Scientific and Industrial Research Organization's ("CSIRO") Direct Solvent Extraction ("DSX") technology is capable of giving good separation and recovery of Cobalt and Zinc into saleable products; and

- Provide an opportunity for equipment vendors to work with Bateman on equipment design.

Operation of the Pilot Plant was stable and reached a steady state condition within a few days of start-up. Operation continued smoothly 24 hours/day for the scheduled period. Test results met or exceeded the desired objectives in all aspects. The extractions of key metals in the leaching circuit under design conditions were: copper 91%; cobalt 82%; zinc 55%; manganese 97%. A number of specialist assays of final products are still pending but it is expected that the copper cathode grade meets LME Grade 'A' specifications (as was the case in the November 2004 pilot plant) and the cobalt metal is suitable for sale without requiring further refining (both of these criteria have now been confirmed).

The overflow of the metal bearing solution from the CCD circuit was very clear and leach residues settled quickly. Limestone, for acid neutralization, from the Boleo property was used, as opposed to purchasing lime for neutralization, for the entire test period. Several equipment vendors were on-site for the test period and the data collected is being used for design of several of the solid/liquid separation steps in the anticipated flow sheet. Good separation of zinc and cobalt was achieved and the zinc solution collected is suitable for production of zinc sulphate that can be sold in the fertilizer and animal feed markets.

President John Greenslade said, "The pilot plant was a technical success. The extraction and recovery of copper, cobalt, zinc and manganese was demonstrated from ore to saleable products. Copper metal cathode, cobalt metal cathode, zinc sulphate solution and precipitated manganese carbonate were all successfully recovered from Boleo ore".

The results of the pilot test are now being incorporated into the DFS report.

Management Changes (see news release dated July 27, 2006)

During the quarter the Company adjusted certain senior management positions to more accurately reflect the work being conducted by certain key members of management. In such regard, Eric Norton, P.Eng., was promoted to the Vice-President – Project Development and Operations; reflecting the broader scope of his responsibility for the development of the Boleo project which involves not only all operations of the DFS, but also strategic planning and implementation of project operations.

William Murray, P.Eng., assumed the role of Vice-President - Corporate Development and Kendra Greenslade was appointed Corporate Secretary.

Commencement of work leading to Detailed engineering (see news Release dated August 18th, 2006)

The Company also announced during the quarter that it had its consulting engineers were moving to establish the base line work required for an early launch of detailed engineering design for construction of the El Boleo project.

Graduation to Tier 1 Listing on the TSX Venture Exchange

The Company also announced during the quarter that it had satisfied the requirements of the TSX Venture Exchange and had graduated its listing to Tier 1 status. The effect of the move to Tier 1 resulted in the escrowed shares that were issued in April 2004 being released from escrow and physically delivered to the registered owners of such shares.

1.4 Results of Operations for the Quarter ended September 30, 2006

Operations

The Company is still at the exploration and development stage at its Boleo Project and has no revenue generating activities. For the three months ended September 30, 2006 and September 30, 2005, the Company recorded a consolidated net loss, before other items, of $7,905,351 ($0.07 loss per share) and $2,260,477 ($0.04 loss per share) respectively. For the nine months ended September 30, 2006 and September 30, 2005, the Company recorded a consolidated net loss, before other items, of $17,060,975 ($0.18 loss per share) and $5,801,214 ($0.09 loss per share) respectively. The results reflect the increased activity on the Boleo project for the period.

Exploration and Development Expenses

The Company incurred $6,528,300 in exploration and development expenses during the quarter ended September 30, 2006 compared with $1,496,653 during the quarter ended September 30, 2005. The Company has been focused on completing the DFS on the Boleo property in Mexico. The majority of the exploration expenses in the current period relate to in-fill drilling, feasibility studies, phase 2 pilot plant costs and other professional consulting fees in connection with the Boleo property. The increased level of activity is a direct result of the completion of a major equity issue in April 2006 and increased activity related to completing the DFS.

General and Administrative Expenses

General and administrative expenses ("G&A") for the quarter ended September 30, 2006 increased by $613,227 compared with the previous year. Increases were mainly in the following areas:

- Amortization: $43,810 (2005 - $11,389) Amortization has been allocated between exploration and general and administration. The increase is the result of the acquisition of additional equipment during the year.
- Audit and legal fees: $110,616 (2005 - $4,422) The increase results from additional legal work related to exchange filings in both the Canada and the US and increased year-end audit accruals.
- Rent: $32,034 (2005 - $35,986) The decrease is the result of shared office recovery on the increased office space to accommodate additional personnel in Canada and Mexico.
- Stock-based compensation: $2,515,358 (2005 - $436,924) has been recognised during the quarter ended September 30, 2006. Of this amount, $839,461 has been allocated to general and administration expenses, and the balance to exploration expenses. During the quarter ended September 30, 2006, the Company granted 2,950,000 stock options to directors, employees and consultants of the Company at an exercise price of $1.33. The fair value of options granted was estimated using the Black-Scholes option pricing model. Stock-based compensation expenses accounted for 51.3% (2005 – 57.2%) of total G&A expenses.
- Travel: $149,882 (2005 - $20,974) Travel has been allocated between exploration and general and administration. These costs increased as a result of additional visits to the mine site by management and consultants of the Company. Additional travel was also undertaken to secure funds for ongoing operations, as well as investor awareness programs.
- Wages: $231,143 (2005 - $46,302) Wages have been allocated between exploration and general and administration. Costs have increased due to key additions of employees as the Company moves the next stage of development.

1.5 Summary of Quarterly Information

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

	Q4 Dec 31, 2004	Q1 Mar 31, 2005	Q2 Jun 30, 2005	Q3 Sep 30, 2005	Q4 Dec 31, 2005	Q1 Mar 31, 2006	Q2 Jun 30, 2006	Q2 Sep 30, 2006
Total Revenues	$-	$-	$-	$-	$-	$-	$-	$-
Net loss for the period	$(2,454,005)	$(2,017,441)	$(1,496,227)	$(2,313,964)	$(1,169,099)	$(1,930,508)	$(7,227,621)	$(7,325,564)
Basic and diluted loss per Share	$(0.04)	$(0.03)	$(0.02)	$(0.04)	$(0.02)	$(0.03)	$(0.07)	$(0.07)

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 results were the amount and extent of exploration and operating activities in the quarters. Since completion of the $10 million equity financing on April 20, 2004, and subsequent financings and in particular the $23 million equity issue in April 2006, exploration and operating activities increased significantly as reflected in net losses during each quarter thereafter.

1.6 Contractual Obligations and Commitments

The Company has a number of management and consulting agreements. The future commitments under these contracts as at September 30, 2006 amount to:

12 month period ending	
2007	$ 336,200
2008	$ 288,000
2009	$ 240,000
	$ 864,200

The Company has committed to two operating leases for office space in Vancouver expiring September 2010 with monthly lease payments of $8,628. The Company has also committed to two operating leases in Mexico City expiring June 2007 and August 2007 with monthly lease payments of $1,707. Total operating lease obligations are disclosed below.

The Company also signed an agreement with Bateman Engineering Ltd. Canada for the completion of the DFS budgeted at approximately US $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 DFS is scheduled to be completed in 2007. The agreement may be terminated upon thirty days written notice. As at September 30, 2006, the Company had a remaining terminable commitment of US $0.9 million.

The following table lists as of September 30, 2006 information with respect to the company's known contractual obligations.

	Payments due by period				
Contractual Obligations	*Total*	*Less than 1 year*	*1- 3 years*	*3 – 5 Years*	*More than 5 years*
Long-Term Debt Obligations	$-	$-	$ -	$ -	$ -
Operating Lease Obligations	$ 431,000	$ 120,407	$ 310,593	-	-
Consulting Contract Obligations	$1,864,200	$1,336,200	$528,000	-	-
Purchase Commitment Obligations	$504,000	$504,000			
Bateman Contract Obligation	$1,008,000	$1,008,000			
Other Long-Term Liabilities Reflected on the Company's Balance Sheet under Canadian GAAP	-	-	-	-	-
Total	$3,807,200	$2,968,607	$838,593	$-	$ -

1.7 Liquidity

During the quarter ended September 30, 2006, the Company had negative cash flow of $6,366,232 (2005 - $1,695,360) from operating activities. The cash outflow was mainly attributable to exploration expenditures of $6,528,300 (2005 - $1,496,653) and general and administration expenditures of $1,377,051 (2005 - $763,824).

In terms of investment activities, the Company utilized $50,500 (2005 - $208,005) to acquire mining equipment for use at and to develop the test mine site, and $3,307 ($Nil) for leasehold improvements and office furniture and equipment.

During the quarter ended September 30, 2006, the Company raised $335,907 (2005 - $400,172) on the exercise of warrants and options. Of this amount $57,706 (2005 - $400,172) related to warrants exercised, $271,724 (2005 - $Nil) to share options exercised, and $6,477 (2005 - $Nil) related to convertible securities purchased.
The Company's primary capital assets are cash and mineral properties. The cash is currently used for exploration and preparation of a definitive feasibility study.

We do not anticipate that it we will require additional capital to fund our business activities during the next twelve months, until construction financing of the Boleo project is required. The Company expects to raise this with a combination of debt and equity financing. We have no revenues from operations and do not expect to generate any revenues from operations in the foreseeable future.

Except for the construct of the Boleo project, we anticipate expenditures for the following over the next 12 months:

- Complete definitive feasibility study on the Boleo Project approximately $2,600,000;
- Contingency costs related to the Boleo Project of approximately $500,000;
- Creation of an environmental trust fund for the Boleo Project $100,000;
- Permitting activities on the Boleo Project of approximately $200,000;

- Purchase of four diesel generators approximately $504,000;
- General and administrative expenses of approximately $3,500,000.

1.8 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.

1.9 Transactions with Related Parties

During the quarter ended September 30, 2006, the Company paid $262,974 (2005 - $126,498) management, consulting fees and wages to directors and officers and employees related to directors of the Company, and to companies controlled by officers and directors of the Company. The Company paid $Nil (2005 - $7,000) of rent expense to related companies, which are controlled by directors and officers, for shared office facilities. The Company also paid directors' fees of $12,750 (2005 - $Nil).

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

1.10 Change of Auditors

Due to a transaction between Staley, Okada & Partners ("Former Auditor") and PricewaterhouseCoopers, LLP ("Current Auditor"), the Audit committee appointed PricewaterhouseCoopers, LLP as the auditor of the Company effective November 20, 2006. As a result, we do not believe that the Notice of change of auditor required by National Instrument 51-102 part 4.11 is required.

1.14 Financial instruments and Risk Factors

As of September 30, 2006 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.

1.15 Share Capital information

As at the date of this report the Company had 200,000,000 common shares authorized for issuance, with 107,206,871 issued and outstanding. The Company had 9,665,000 outstanding stock options. The Company also had 23,597,192 in outstanding warrants available to be exercised.

In October 2006, the Company granted 570,000 stock options to employees of the Company at exercise prices between $1.03 and $1.13 per share for a period of five years expiring in October 2011.

During October 2006 an additional 50,000 warrants, exercise price $0.45 expiring on December 21, 2007, were issued upon the exercise of 100,000 warrants at $0.35.

1.16 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.

1.17 Cautions 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.