

BAJA MINING CORP.

Interim Consolidated Financial Statements

March 31, 2006 and 2005

(Unaudited)

Baja Mining Corp.
Interim Consolidated Balance Sheets
As at March 31, 2006 and December 31, 2005
(Unaudited prepared by management)

ASSETS	March 2006 Unaudited	December 2005 Audited
Current assets		
Cash and cash equivalents	\$ 5,941,429	\$ 2,760,084
Accounts receivable	377,974	216,657
Due from related party (<i>Note 6b</i>)	43,844	43,844
	6,363,247	3,020,585
Mineral properties and mining concessions (<i>Note 3</i>)	757,793	757,793
Property, plant and equipment (<i>Note 4</i>)	686,122	598,714
	\$ 7,807,162	\$ 4,377,092
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 222,056	\$ 392,129
Due to related parties (<i>Note 6c</i>)	34,547	61,146
	256,603	453,275
SHAREHOLDERS' EQUITY		
Share capital (<i>Note 5</i>)	45,677,938	45,406,370
Share subscriptions (<i>Note 10a</i>)	4,995,962	-
Contributed surplus (<i>Note 5f</i>)	2,629,441	2,339,721
Deficit	(45,752,782)	(43,822,274)
	7,550,559	3,923,817
	\$ 7,807,162	\$ 4,377,092

Commitments (*Note 8*)

ON BEHALF OF THE BOARD:

“John Greenslade”	“Robert Mouat”
Director	Director

See accompanying Notes to the Consolidated Financial Statements

Baja Mining Corp.
Interim Consolidated Statements of Loss and Deficit
For the three months ended March 31
(Unaudited prepared by management)

	2006	2005
Exploration expenses		
Camp, general and travel	\$ 34,858	\$ 147,583
Concession and claim fees	22,613	74,102
Drilling	79,954	221,440
Feasibility studies	167,975	493,456
Geological and environmental	41,068	3,073
Metallurgical	50,207	-
Pilot plant costs	438,311	175,229
Professional and consulting fees Related Party (Note 6a)	176,825	296,611
Stock-based compensation expense (Note 5f)	261,036	-
	1,272,847	1,411,494
General and administrative expenses		
Amortization	50,248	4,366
Audit and legal fees	38,388	10,853
Filing, exchange and transfer agent fees	16,882	8,683
Interest and bank charges	1,417	783
Management and consulting fees Related party (Note 6a)	77,228	49,704
Office and general	42,350	25,265
Promotion, trade show and marketing	68,977	51,232
Rent	17,975	27,616
Stock-based compensation expense (Note 5f)	159,500	375,620
Telephone	10,390	3,242
Travel	128,592	27,605
Wages and subcontract	144,584	44,066
	756,531	629,035
Loss before other items	(2,029,378)	(2,040,529)
Foreign exchange gain	85,066	9,855
Interest income and other	13,804	13,233
Net loss for the period	(1,930,508)	(2,017,441)
Deficit - beginning of period	(43,822,274)	(36,825,543)
Deficit - end of period	\$ (45,752,782)	\$ (38,842,984)
Basic and diluted loss per share for the period	\$ (0.03)	\$ (0.03)
Weighted average number of shares outstanding	76,303,573	60,236,306

See accompanying Notes to the Consolidated Financial Statements

Baja Mining Corp.
Interim Consolidated Statements of Cash Flows
For the three months ended March 31
(Unaudited prepared by management)

	2006	2005
Operating activities		
Net loss for the period	\$ (1,930,508)	\$ (2,017,441)
Items not involving cash:		
Amortization	50,248	4,366
Stock-based compensation expense	420,536	375,620
	<u>(1,459,724)</u>	<u>(1,637,455)</u>
Net changes in working capital balances		
Accounts receivable and advances	(161,317)	(22,961)
Accounts payable and accrued liabilities	(170,073)	(876,527)
	<u>(1,791,114)</u>	<u>(2,536,943)</u>
Investing activities		
Advances (repayments) of amounts due to related parties	(26,599)	(60,532)
Acquisition of property, plant and equipment	(137,654)	(29,048)
	<u>(164,253)</u>	<u>(89,580)</u>
Financing activities		
Net proceeds from issuance of common shares	140,750	-
Share subscriptions received	4,995,962	1,160,700
	<u>5,136,712</u>	<u>1,160,700</u>
Increase (decrease) in cash and equivalents	3,181,345	(1,465,823)
Cash and equivalents - beginning of period	2,760,084	5,248,382
Cash and equivalents - end of period	\$ 5,941,429	\$ 3,782,559

**Supplemental Schedule of Non-Cash Investing and Financing
Activities (Note 9)**

See accompanying Notes to the Consolidated Financial Statements

Baja Mining Corp.
Notes to the Interim Consolidated Financial Statements
For the three months ended March 31, 2006 and 2005
(Unaudited prepared by management)

1 Nature and continuance of operations

Baja Mining Corp. (“the Company”), formerly First Goldwater Resources Inc., was incorporated on July 15, 1985 under the Company Act of British Columbia. The Company is a reporting issuer in British Columbia and trades on the TSX Venture Exchange. Effective April 20, 2004, the Company completed a business combination with Mintec International Corporation through a reverse takeover.

The Company is in the process of exploring its resource properties in Mexico and is considered to be in the exploration stage.

These financial statements are presented in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern which assume that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company’s ability to meet its obligations and maintain its operations is contingent upon successful completion of additional financing arrangements and/or the ability to generate profitable operations in the future.

2 Summary of Significant Accounting Policies

These unaudited interim financial statements are prepared by the Company in accordance with Canadian generally accepted accounting principles. The preparation of financial data is based on accounting policies and practices consistent with those used in the annual audited financial statements. These interim financial statements do not include all the disclosures included in the Company’s annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the Company’s annual financial statements.

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The Company’s significant subsidiary is Mintec International Corporation and its wholly owned subsidiary, Minera y Metalurgica Del Boleo, S.A de C.V., which has been accounted for using the purchase method. All significant inter-company transactions and balances have been eliminated.

(b) Management estimates

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results may differ from these estimates.

(c) Fair market value of financial instruments

The Company’s financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and amounts due to/from related parties. The fair value of these financial instruments approximates their carrying values, unless otherwise noted. The Company is not exposed to significant interest, currency or credit risks arising from these financial instruments, except for the currency risk (*Note 2d*).

Baja Mining Corp.
Notes to the Interim Consolidated Financial Statements
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2 **Summary of Significant Accounting Policies – (cont'd)**

(d) **Foreign currency translation and currency risk**

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates of exchange in effect at the date of the balance sheet. Non-monetary assets, liabilities and other items are translated at historical rates. Revenue and expenses are translated at average rates of exchange prevailing during the period. Exchange gains or losses arising from these translations are included in income of the period.

The Company operates internationally, which gives rise to the risk 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.

As at March 31, 2006, the Company has the following foreign denominated financial instruments:

	Foreign currency amount	Canadian Dollar amount
Cash in United States Dollars	373,277	435,552
Cash in Mexican Pesos	590,644	63,258
Value added taxes recoverable in Mexican Pesos	1,674,570	179,346

3 **Mineral properties and mining concessions**

Boleo Project details are as follows:

	March 31, 2006	December 31, 2005
Property rights (<i>Note 3a</i>)	\$ 651,443	\$ 651,443
Mining concessions (<i>Note 3b</i>)	106,350	106,350
Total at cost	\$ 757,793	\$ 757,793

(a) **Property rights**

The Company owns three properties containing approximately 6,692 hectares, located near Santa Rosalia, Baja California Sur, Mexico. The annual property tax on these properties is approximately \$5,800.

(b) **Mining concessions**

The Company acquired certain concessions covered by 16 separate titles and covering approximately 18,084 hectares, located near Santa Rosalia, Baja California Sur, Mexico. The annual fees related to these concessions are approximately \$154,700.

Baja Mining Corp.
Notes to the Interim Consolidated Financial Statements
For the three months ended March 31, 2006 and 2005
(Unaudited prepared by management)

3 **Mineral properties and mining concessions - (cont'd)**

(c) **Details of cumulative expenditures on the Boleo Project are as follows:**

	<u>March 31, 2006</u>	<u>December 31, 2005</u>
Camp, general and travel	\$ 1,027,647	\$ 1,041,342
Concession and claim fees	1,825,941	1,803,328
Drilling	7,971,265	7,891,311
Ecological	1,034,426	1,034,426
Feasibility studies	3,012,432	2,844,457
Geological and environmental	6,799,408	6,758,341
Hydrological	56,186	56,186
Management fees	3,058,966	2,893,966
Pilot plant costs	8,245,413	7,756,895
Payroll and social security	1,307,814	1,259,261
Professional and consulting fees	3,670,125	3,658,299
Roads	687,494	687,494
Stock based compensation expenses	1,254,933	993,897
	<u>\$ 39,952,050</u>	<u>\$ 38,679,203</u>

4 **Property, Plant and Equipment**

Comprised of the following:

March 31, 2006	Cost	Accumulated Amortization	Net Book Value
Computer equipment and software	\$ 134,481	\$ 102,359	\$ 32,122
Leasehold improvements	101,559	14,722	86,837
Machinery and equipment	274,924	59,939	214,985
Mining equipment	86,262	58,566	27,696
Office equipment and furniture	82,138	36,225	45,913
Transportation equipment	46,922	31,431	15,491
Warehouse	292,105	29,027	263,078
	<u>\$ 1,018,391</u>	<u>\$ 332,269</u>	<u>\$ 686,122</u>
December 31, 2005	Cost	Accumulated Amortization	Net Book Value
Computer equipment and software	\$ 131,626	\$ 92,915	\$ 38,711
Leasehold improvements	101,559	10,152	91,407
Machinery and equipment	274,924	42,749	232,175
Mining equipment	86,262	55,176	31,086
Office equipment and furniture	79,714	33,566	46,148
Transportation equipment	46,922	28,482	18,440
Warehouse	167,149	26,402	140,747
	<u>\$ 888,156</u>	<u>\$ 289,442</u>	<u>\$ 598,714</u>

Baja Mining Corp.
Notes to the Interim Consolidated Financial Statements
For the three months ended March 31, 2006 and 2005
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5 **Share Capital**

(a) **Authorized**

200,000,000 common shares without par value

(b) **Details of transactions are as follows:**

	Shares	Amount
Balance – December 31, 2004	60,236,306	\$ 40,582,163
Brokered private placements (<i>Note 5c</i>)	7,255,715	3,039,500
Non-brokered private placement (<i>Note 5c</i>)	4,505,249	1,601,837
Share issue costs	-	(415,748)
Shares issued on exercise of warrants	4,243,550	585,322
Shares issued on exercise of stock options	40,000	8,800
Fair value of options exercised (<i>Note 5f</i>)	-	4,498
Balance – December 31, 2005	76,280,820	45,406,372
Shares issued on exercise of warrants	25,000	11,250
Shares issued on exercise of stock options	370,000	129,500
Fair value of options exercised (<i>Note 5f</i>)	-	130,816
Balance – March 31, 2006	76,675,820	\$ 45,677,938

(c) **Private Placements**

During the financial year ended December 31, 2005, the following share placements were completed:

(i) March 2005 - a private brokered placement of 2,000,000 units at \$0.60 per unit, realizing gross proceeds of \$1,200,000. Each unit consists of one share and one half share purchase warrant. Two share purchase warrants entitle the holder to acquire one share at \$1.15 within two years of issue. The expiration period for the warrants will be extended to five years, should the Company achieve Tier 1 status prior to expiry of the two year term. Agents' fees relating to this placement amounted to \$92,500 settled in cash.

(ii) March 2005 - a private non-brokered placement of 100,000 units at \$0.60 per unit, realizing gross proceeds of \$60,000. Each unit consists of one share and one half share purchase warrant. Two share purchase warrants entitle the holder to acquire one share at \$1.15 within two years of issue. The expiration period for the warrants will be extended to five years, should the Company achieve Tier 1 status prior to expiry of the two year term.

(iii) October 2005 - a private non-brokered placement of 1,426,678 units at \$0.35 per unit, realizing gross proceeds of \$499,337. Each unit consists of one share and one half share purchase warrant. Two share purchase warrants entitle the holder to acquire one share at \$0.45 within two years of issue.

(iv) November 2005 - a private non-brokered placement of 1,978,571 units at \$0.35 per unit, realizing gross proceeds of \$692,500. Each unit consists of one share and one half share purchase warrant. Two share purchase warrants entitle the holder to acquire one share at \$0.45 within two years of issue.

Baja Mining Corp.
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5 **Share Capital - (cont'd)**

(c) **Private Placements - (cont'd)**

(v) December 2005 - a private non-brokered placement of 1,000,000 units at \$0.35 per unit, realizing gross proceeds of \$350,000. Each unit consists of one share and one half share purchase warrant. Two share purchase warrants entitle the holder to acquire one share at \$0.45 within two years of issue. Finders fees relating to this issue amounted to \$33,750 settled in cash.

(vi) December 2005 - a private brokered placement of 5,255,715 units at \$0.35 per unit, realizing gross proceeds of \$1,839,500. Each unit consists of one share and one half share purchase warrant. Two share purchase warrants entitle the holder to acquire one share at \$0.45 within two years of issue. Agent's fees relating to this issue amounted to \$186,581 settled in cash.

(d) **Warrants**

As at March 31, 2006 the following warrants are outstanding:

Balance December 2005	Granted 2006	Exercised 2006	Expired 2006	Balance March 2006	Exercise Price	Expiry Date
1,050,000	-	-	-	1,050,000	\$1.15	June 8, 2007 (ii)
713,339	-	10,000	-	703,339	\$0.45	November 2, 2007
989,285	-	-	-	989,285	\$0.45	December 16, 2007
3,127,858	-	15,000	-	3,112,858	\$0.45	December 21, 2007
6,672,351	-	-	-	6,672,351	\$1.15	April 20, 2009
12,552,833	-	25,000	-	12,527,833		

As at December 31, 2005 the following warrants were outstanding:

Balance December 2004	Granted 2005	Exercised 2005	Expired 2005	Balance December 2005	Exercise Price	Expiry Date
666,666	-	-	666,666	-	\$0.75	October 19, 2005
4,210,550	-	4,210,550	-	-	\$0.13	July 11, 2005 (i)
-	1,050,000	-	-	1,050,000	\$1.15	June 8, 2007 (ii)
-	713,339	-	-	713,339	\$0.45	November 2, 2007
-	989,285	-	-	989,285	\$0.45	December 16, 2007
-	3,127,858	-	-	3,127,858	\$0.45	December 21, 2007
6,705,351	-	33,000	-	6,672,351	\$1.15	April 20, 2009
11,582,567	5,880,482	4,243,550	666,666	12,552,833		

- (i) These warrants, originated in First Goldwater Resources Inc., prior to the reverse takeover transaction.
- (ii) The expiration period for the warrants will be extended from two to five years, should the Company achieve Tier 1 status prior to expiry of the two year term.

Baja Mining Corp.
Notes to the Interim Consolidated Financial Statements
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5 **Share Capital - (cont'd)**

(e) **Stock Options**

As at March 31, 2006 the following stock options are outstanding:

Balance December 2005	Granted 2006	Exercised 2006	Expired 2006	Balance March 2006	Exercise Price	Expiry Date
1,530,000	-	-	-	1,530,000	\$0.35(i)	March 22, 2009
495,000	-	20,000	-	475,000	\$0.35(i)	May 17, 2009
225,000	-	-	-	225,000	\$0.35(i)	July 22, 2009
620,000	-	-	-	620,000	\$0.35(i)	August 13, 2009
100,000	-	100,000	-	-	\$0.35(i)	August 20, 2009
1,000,000	-	250,000	-	750,000	\$0.35(i)	March 15, 2010
310,000	-	-	-	310,000	\$0.35(i)	April 12, 2010
1,870,000	-	-	-	1,870,000	\$0.35	September 15, 2010
375,000	-	-	-	375,000	\$0.35	November 30, 2010
-	200,000	-	-	200,000	\$0.56	January 31, 2011
-	200,000	-	-	200,000	\$0.94	February 10, 2011
-	300,000	-	-	300,000	\$0.81	March 01, 2011
-	75,000	-	-	75,000	\$1.21	March 16, 2011
-	400,000	-	-	400,000	\$1.13	March 17, 2011
6,525,000	1,175,000	370,000	-	7,330,000		

As at December 31, 2005 the following stock options were outstanding:

Balance December 2004	Granted 2005	Exercised 2005	Expired 2005	Balance December 2005	Exercise Price	Expiry Date
240,000	-	40,000	200,000	-	\$0.22	October 1, 2005
2,290,000	-	-	760,000	1,530,000	\$0.35(i)	March 22, 2009
695,000	-	-	200,000	495,000	\$0.35(i)	May 17, 2009
225,000	-	-	-	225,000	\$0.35(i)	July 22, 2009
620,000	-	-	-	620,000	\$0.35(i)	August 13, 2009
500,000	-	-	500,000	-	\$0.35(i)	August 17, 2009
100,000	-	-	-	100,000	\$0.35(i)	August 20, 2009
-	1,000,000	-	-	1,000,000	\$0.35(i)	March 15, 2010
-	310,000	-	-	310,000	\$0.35(i)	April 12, 2010
-	150,000	-	150,000	-	\$0.35(i)	June 01, 2010
-	1,870,000	-	-	1,870,000	\$0.35	September 15, 2010
-	375,000	-	-	375,000	\$0.35	November 30, 2010
4,670,000	3,705,000	40,000	1,810,000	6,525,000		

Baja Mining Corp.
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5 **Share Capital - (cont'd)**

(e) **Stock Options - (cont'd)**

- (i) The exercise prices of stock options, with exercise prices ranging from \$0.60 to \$0.75, granted prior to September 15, 2005, were amended to \$0.35, subject to the approval of disinterested shareholders of the Company. A revaluation of options granted, not yet exercised, and which are subject to this amendment, has been performed.

The Company adopted a stock option plan (“the plan”) whereby, the Company may grant stock options up to a maximum of ten percent of the number of issued shares of the Company. At March 31, 2006, the Company has reserved 7,667,582 common shares under the plan (December 31, 2005 – 7,628,082).

The option plan has the following vesting requirement:

- (i) Options granted to employee and consultants conducting investor relations activities will vest with the right to exercise one-quarter of the option upon conclusion of every three months subsequent to the grant date.
(ii) Options granted to other employees, consultants, directors and officers vest immediately.

The fair value of the options granted during the period was estimated at each grant date using the Black-Scholes option-pricing model. During the period, the Company granted 1,175,000 five year stock options at exercise prices ranging between \$0.56 and \$1.21; 300,000 of which were granted to a director and 875,000 to consultants and employees. Stock-based compensation costs, in the amount of \$420,536 have been recognized and charged to expenses, with an offsetting amount recorded as a credit to contributed surplus.

The fair value of stock options granted was estimated at each grant date based on the Black-Scholes option-pricing model, using the following weighted average assumptions:

	March 2006	December 2005
Risk free interest rate	4.03%	3.89%
Dividend yield	0%	0%
Expected volatility	64.81%	56.65%
Expected stock option life	5 years	5 years
Weighted average fair value of stock options granted	\$0.44	\$0.27

Baja Mining Corp.
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5 **Share Capital - (cont'd)**

(f) **Contributed Surplus**

Balance December 31, 2004	\$ 1,390,189
Fair value of options granted (Note 6f)	954,030
Fair value of 40,000 options exercised (Note 6b)	(4,498)
Balance December 31, 2005	2,339,721
Fair value of options granted (Note 6f)	420,536
Fair value of 370,000 options exercised (Note 6b)	(130,816)
Balance March 31, 2006	\$ 2,629,441

(g) **Escrow Shares**

On April 20, 2004, 40,000,000 shares issued on the acquisition of Mintec International Corporation were placed into escrow and will be released from escrow over a three-year period. 4,000,000 shares were released on April 20, 2004 and 6,000,000 shares are released every six months thereafter. Should the Company become a Tier 1 issuer on the TSX, all remaining escrow shares will be immediately released from escrow. The escrow shares are also subject to a shareholder pooling agreement in terms of which fifty percent of the escrow shares were issued by April 20, 2005, twenty five percent were released by October 20, 2005 and, the balance were released on April 20, 2006.

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6 **Related Party Transactions**

(a) The Company entered into the following transactions with current or former directors or officers of the Company or with companies with current or former directors or officers in common:

	<u>March 31, 2006</u>	<u>March 31, 2005</u>
Management fees paid or accrued	\$ 121,468	\$ 127,898
Rent and administration costs paid or accrued	-	10,821
Salaries and wages paid to employees related to directors and officers of the Company	15,000	13,750
Directors fees paid or accrued	4,250	-
	<u>\$ 140,718</u>	<u>\$ 152,469</u>

(b) The Company had the following amounts due from a company with directors in common. The amount is non-interest bearing, unsecured and is due on demand.

	<u>March 31, 2006</u>	<u>December 31, 2005</u>
Minterra Resource Corp.	\$ 43,844	\$ 43,844

(c) The Company had the following amounts due to a company of a former director of the Company or companies with directors in common:

	<u>March 31, 2006</u>	<u>December 31, 2005</u>
Tek Terra Corporation	\$ 21,560	\$ 46,931
Minera Terra Gaia, S.A. de C.V.	10,342	11,570
Holmes Greenslade, a law firm of which an insider is a former partner	2,645	2,645
	<u>\$ 34,547</u>	<u>\$ 61,146</u>

The amounts are non-interest bearing, unsecured and are due on demand.

The above transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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7 **Segmented Information**

The Company's exclusive business activity is exploration and development of mineral reserves. This activity is carried out primarily in Mexico.

The breakdown by geographic region for the three month period ended March 31, 2006 is as follows:

	Canada		Mexico		Consolidated
Exploration expenses	\$	-	\$	1,272,847	\$ 1,272,847
Capital expenditures	\$	4,451	\$	133,203	\$ 137,654
Segment loss	\$	977,138	\$	953,370	\$ 1,930,508
Total assets	\$	5,773,688	\$	2,033,474	\$ 7,807,162

The breakdown by geographic region for the three month period ended March 31, 2005 is as follows:

	Canada		Mexico		Consolidated
Exploration expenses	\$	-	\$	1,411,494	\$ 1,411,494
Capital expenditures	\$	-	\$	29,048	\$ 29,048
Segment loss	\$	555,014	\$	1,462,427	\$ 2,017,441
Total assets	\$	3,733,671	\$	1,259,098	\$ 4,992,769

8 **Commitments**

(a) On September 22, 2004, the Company signed an agreement with Bateman Engineering Pty Ltd. ("Bateman") to complete a definitive feasibility study on the Boleo Project. The estimated contract value is US \$8.9 million. The definitive feasibility report is scheduled to be delivered in September 2006. The agreement may be terminated upon thirty days written notice. As at March 31, 2006, the remaining terminable commitment under the agreement amounted to US \$1.4 million.

(b) The Company has concluded a number of management and consulting agreements with directors and officers of the Company. The future commitments under these contracts as at March 31, 2006 amount to \$234,000 in respect of the year ended December 31, 2006 and \$96,000 in respect of the year ended December 31, 2007.

(c) The Company has committed to an operating lease for office space for a term of 63 months, expiring September 2010. The minimum lease payment is \$74,480 per annum.

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9 **Supplemental Schedule of Non-Cash Investing and Financing Activities**

The following are the non-cash investing and financing activities of the Company during the three months ended March 31:

	<u>2006</u>		<u>2005</u>	
Fair value of options exercised transferred from contributed surplus to share capital	\$	130,816	\$	-
Interest received	\$	13,804	\$	13,233

10 **Subsequent Events**

(a) On April 13, 2006, the Company completed a private placement of 25,555,556 units at \$0.90 per unit for gross proceeds of \$23,000,000. Each unit consists of one share and one half share purchase warrant. Two share purchase warrants entitle the holder to acquire one share at \$1.25 either within two years of issue or on the occurrence of the share price maintaining a level of \$2.50 for a period of twenty consecutive days. The expiry period for the warrants will be extended to five years, should the Company achieve Tier 1 status prior to expiry of the two year term. Of the gross proceeds, \$4,995,962 was received during the three months ending March 31, 2006.

(b) Subsequent to March 31, 2006, the Company granted 100,000 stock options at a price of \$1.45 to employees of the Company with an expiry date five years from the date of grant.

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Notes to the Interim Consolidated Financial Statements
For the three months ended March 31, 2006 and 2005
(Unaudited prepared by management)

11 Differences Between United States and Canadian Generally Accepted Accounting Principles ("GAAP")

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada. Except as set out below, these financial statements also comply, in all material aspects, with accounting principles generally accepted in the United States and the rules and regulations of the Securities Exchange Commission.

- (a) Under Canadian GAAP, the mineral properties are carried at cost and written off or written down if the properties are abandoned, sold or if management decides not to pursue the properties. Under United States GAAP, the Company would periodically review and obtain independent reports in determining adjustments to the mineral properties and record properties at net realizable value. The Company has not yet obtained an independent report for United States GAAP purposes, therefore, the Company's mineral property costs would have been written off.
- (b) The impact of the above differences between Canadian and United States GAAP on the deficits as at March 31, as reported, is as follows:

	2006	2005
Deficit - As reported	\$ (45,752,782)	\$ (38,842,984)
Less capitalized mineral property costs	(757,793)	(757,793)
Deficit in accordance with United States GAAP	<u>\$ (46,510,575)</u>	<u>\$ (39,600,777)</u>

- (c) The impact of the above differences between Canadian and United States GAAP on the statement of changes in shareholders' equity, as reported, is as follows:

	Common Shares		Contributed Surplus	Deficit	Share Subscriptions	Total
	Number	Amount				
Shareholders' equity balance as reported at March 31, 2006	76,675,820	\$ 45,677,938	\$ 2,629,441	\$ (45,752,782)	\$ 4,995,962	\$ 7,550,559
Less capitalized mineral property costs	-	-	-	(757,793)	-	(757,793)
Shareholders' equity in accordance with United States GAAP at March 31, 2006	76,675,820	\$ 45,677,938	\$ 2,629,441	\$ (46,510,575)	\$ 4,995,962	\$ 6,792,766

	Common Shares		Contributed Surplus	Deficit	Share Subscriptions	Total
	Number	Amount				
Shareholders' equity balance as reported at December 31, 2005	76,280,820	\$ 45,406,372	\$ 2,339,721	\$ (43,822,274)	\$ -	\$ 3,923,817
Less capitalized mineral property costs	-	-	-	(757,793)	-	(757,793)
Shareholders' equity in accordance with United States GAAP at December 31, 2005	76,280,820	\$ 45,406,372	\$ 2,339,721	\$ (44,580,067)	\$ -	\$ 3,166,024

Baja Mining Corp.
Notes to the Interim Consolidated Financial Statements
For the three months ended March 31, 2006 and 2005
(Unaudited prepared by management)

11 **Differences Between United States and Canadian Generally Accepted Accounting Principles ("GAAP") – (cont'd)**

In March 2005, the SEC staff issued Staff Accounting Bulletin ("SAB") No. 107, "Share-Based Payment," which provides guidance on the interaction between SFAS No. 123R and certain SEC rules and regulations, as well as on the valuation of share-based payments. SAB No. 107 provides interpretive guidance related to valuation methods (including assumptions such as expected volatility and expected term), first time adoption of SFAS No. 123R in an interim period, the classification of compensation expense and disclosures subsequent to adoption of SFAS No. 123R. The Company is currently evaluating the impact of SAB No. 107 on our consolidated financial statements.

In March 2005, the FASB issued Interpretation 47 ("FIN 47"), "Accounting for Conditional Asset Retirement Obligations"—an interpretation of FASB No. 143. FIN 47 clarifies that the term "conditional asset retirement obligation" as used in SFAS No. 143 refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. FIN 47 requires a liability to be recognized for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. FIN 47 was effective for fiscal years ending after December 15, 2005. The adoption of FIN 47 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In June 2005, the FASB issued FASB Staff Position Paper ("FSP") 115-1, "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments," superseding EITF 03-1. Adoption of FSP 115-1 is not expected to have a material impact on our consolidated financial position, results of operations or cash flows.