NAUTILUS MINERALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(US dollars)

The following Management Discussion and Analysis ("MD&A") has been prepared as at March 17, 2016 for the year ended December 31, 2015.

The MD&A of Nautilus Minerals Inc. (the "Company", "NMI" or "Nautilus") should be read in conjunction with the Company's audited consolidated financial statements for the full year ended December 31, 2015 and related notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

This MD&A includes references to United States dollars, Canadian dollars, Papua New Guinea kina, United Kingdom pounds sterling and euros. All dollar amounts referenced, unless otherwise indicated, are expressed in United States dollars and the Canadian dollars are referred to as C$, Papua New Guinea kina are referred to as PGK, United Kingdom pounds sterling are referred to as £ and euros are referred to as €.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This document includes "forward-looking statements" which include all statements other than statements of historical fact.

Forward-looking statements include, but are not limited to, statements with respect to the future price of copper, gold and other metals; the estimation of mineral resources; the realization of mineral resource estimates; plans for establishing or expanding mineral resource estimates on the projects; the construction and delivery of the Production Support Vessel ("PSV"); the fulfillment of the obligations under the Ore Sales Agreement with Tongling Nonferrous Metals Group Co. Ltd ("Tongling Sales Agreement") and the timing and sustainability of such arrangements; costs and timing of the development of the Seafloor Production System; the Company's seafloor massive sulphide prospects ("SMS") (including Solwara 1) and new deposits; success of exploration and development activities; permitting time lines; currency fluctuations; requirements for additional capital; government regulation of exploration operations; the Company's financial position; business strategy; plans and objectives of management for future operations; the design and performance of the PSV and the Seafloor Production Tools ("SPTs"); and the procurement of the PSV. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, the risk of failure to obtain required equity or debt funding; the risk that material assumptions listed in the paragraph below will not be borne out; changes in project parameters as plans continue to be refined; any additional permitting or licensing requirements associated with any modifications to the scope of the Solwara 1 Project; future prices of copper, gold and other metals being lower than expected; the over-arching risk that the Company will not commence production of mineralized material; possible variations in resources, grade or recovery rates; the risk of failure to conclude the investigation into the cyber-attack, the inability to reach agreement with Marine Assets Corporation ("MAC") as to the deposit under the vessel charter agreement, the insolvency of MAC or the applicable shipyard and other events which may cause a delay to the delivery of the PSV; the risk that the obligations under the Tongling Sales Agreement are not fulfilled; late delivery of the PSV and SPTs or other equipment; variations in the cost of the PSV and SPTs or other equipment; variations in exchange rates; the failure to obtain regulatory approval for financings; changes in the cost of fuel and other inflationary factors; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities.

Such forward-looking statements are current only as at the date this MD&A and are based on numerous material assumptions (that management believes were reasonable at the time they are made) regarding the Company's present and future business strategies and the environment in which the Company will operate in the future, including the Company's continued compliance with regulatory requirements, the proposed mine plan and the estimated cost and availability of funding for the continued exploration of the Company's tenements and the development of the Seafloor Production System. The Company has also assumed that market fundamentals will result in sustained copper and gold demand and prices; that the proposed development of its Seafloor Production System will be viable operationally and economically and proceed as expected; and that any additional financing needed will be available on reasonable terms. With respect to the arrangement with MAC, the Company is assuming that the parties will observe their obligations, that the investigation into the cyber-attack will reach a timely conclusion and that MAC and the Company can agree how to proceed in relation to the payment of the deposit under the vessel charter agreement.

OUR BUSINESS

Overview

Nautilus is a seafloor resource exploration company and the first publicly listed company to commercially explore the ocean floor for copper, gold, silver and zinc rich seafloor massive sulphide deposits and for manganese, nickel, copper and cobalt nodule deposits. The Company's main focus is to create shareholder value by demonstrating the viability of the seafloor production system and establishing a pipeline of development projects to maximize the value of mineral licenses and exploration applications that Nautilus holds in various locations in the Pacific Ocean.

The Company's principal project is the Solwara 1 Project in the Bismarck Sea. The Solwara 1 Project and the Company's other projects are described in detail in the Company's Annual Information Form, available on SEDAR at www.sedar.com.

Nautilus' seafloor production system has the potential to open a new frontier of resource development as land-based mineral deposits continue to be depleted. Nautilus plans to become the world's first seafloor producer of copper and gold.

2015 SIGNIFICANT EVENTS

- Solwara 1 Project advanced
- Production Support Vessel construction advanced
- Exploration programs undertaken
- Earth Economics' independent Environmental and Social Benchmarking Analysis released
- Nautilus and Tongling sign new offtake agreement for Solwara 1
- The State Nominee elects not to exercise option
- Rights offering announced to raise C$103M
- Equipment Storage and Wet Testing Contracts

Solwara 1 Project advanced

During 2015 the Company continued to advance the Solwara 1 Project and in particular, the three key equipment contracts.

Project Build Progressed

Commissioning of the Auxiliary Cutter, Bulk Cutter and Collecting Machine continued at Soil Machine Dynamics premises in Newcastle, England, with the SPTs delivered in January 2016 following the completion of factory acceptance testing. Upon delivery, the equipment was loaded on to a vessel for transport to Duqm port in Oman where the Company plans to undertake shallow water wet testing to further commission this equipment during 2016.

General Marine Contractors in Houston continued with fabrication of the riser system during the year; all materials are on site in Houston, with completion of the riser expected by the end of Q1 2016 (excluding ancillary equipment). The Company is in discussions with various other contractors to provide items of equipment required for the riser system and these will be timed for delivery to coincide with completion of shipbuilding.

GE Hydril completed the assembly of the Subsea Slurry Lift Pump in January 2016, with the pump now undergoing factory acceptance testing in the first half of 2016. Upon delivery, the equipment will sent to Duqm port in Oman to undergo wet testing before being delivered to the shipyard in China for incorporation into the shipbuilding program.

Progress on the reinstated contract with Sichuan Hong Hua Petroleum Ltd to fabricate the riser handling equipment continues and completion of this contract is scheduled for the end of Q3 2016 whereupon the equipment will be delivered to the shipyard for integration into the shipbuilding program. The reinstated contract with SPX Clyde Union to complete delivery of seawater pumping systems is underway with this equipment due to be delivered to the shipyard in Q2 2016 where it will be incorporated into the shipbuilding program.

Community Activities

Nautilus is committed to contributing positively towards the sustainable future of the communities in which we work and to being recognized as a valued partner. As such, Nautilus continues to support and develop a variety of community based initiatives in Papua New Guinea (PNG).

Alongside key Provincial Government stakeholders, Nautilus developed and is now delivering a CSR Strategic Plan in the villages located nearest to the Solwara 1 Project, this area is known as the Coastal Area of Benefit ("CAB").

The following highlights the contributions made within the CAB during 2015.

- Establishing a Health Baseline through the completion of a Health Baseline Study in the CAB.
- Water and Sanitation Project implemented in 11 out of 29 elementary and primary schools identified to receive the program.
- Partnership against Malaria with NIPG, NGOs, industry and consultant firm Shared Sky.
- Promoting science in New Ireland schools by sponsoring School Science Awards in New Ireland Province in the areas of Biology, Chemistry, Physics, Geology, Humanities and the overall Science Discipline DUX for grades 9 to 12 donating new resource materials for school libraries.
- Improving access to critical services through the improvement of infrastructure, in particular bridges, along the West Coast of New Ireland.
- Ongoing stakeholder engagement through regular meetings with communities and governments along the West Coast of New Ireland Province and in East New Britain.
- Completion of a Community Needs Assessment in the villages located nearest to the Solwara 1 Project.

Production Support Vessel construction advanced

Vessel basic design continues, with the submission of drawings to the classification society underway. This will ensure the PSV is being designed and built in accordance with classification society rules. Steel cutting was initiated on September 25, 2015, slightly ahead of schedule, marking the start of ship construction. To date the steel for 144 blocks (47%) have been cut, with 129 blocks (42%) fully fabricated. There is a total of 305 blocks to be completed for the vessel.

The orders for all major long lead items are in place.

Exploration programs undertaken

During the year the Company completed two exploration programs (a) a 43 day campaign to the 100% owned exploration licenses in the Solomon Islands; and (b) a 3 month resource evaluation and environmental baseline campaign to the 100% owned Tonga Offshore Mining Limited nodule license areas in the CCZ.

The 43 day MV Duke 2015 campaign to the 100% owned exploration licenses in the Solomon Islands was completed during the third quarter of 2015. Amongst its achievements were the discoveries of two natural hydrothermal plumes which are a high priority for further work to assess their mineralisation potential. Approximately 550 line km of Tow-Yo plume hunting and approximately 31,000km^2 of state-of-the-art multibeam bathymetry/backscatter mapping were completed. This resulted in 68 prospective targets being considered for the next stage of exploration.

The results from the MV Duke 2015 cruise allowed the Company to significantly rationalize the large tenement position in the Solomon Islands.

The 3 month RV Yuzmorgeologia 2015 resource evaluation and environmental baseline campaign to the 100% owned Tonga Offshore Mining Limited license area in the CCZ successfully mobilized on July 22, 2015. This long campaign exceeded all stretch targets with respect to data and sample collection. The analysis and interpretation of the considerable amount of geological data, resource samples and environmental baseline data/samples collected during the campaign is ongoing.

In addition to the above mineral exploration cruises, the 100% owned Solwara 12 project, in the Bismarck Sea, was progressed through the acquisition of environmental baseline data and the deployment of long term environmental baseline monitoring equipment.

Earth Economics' independent Environmental and Social Benchmarking Analysis released

On June 1, 2015 the Company announced that an independent Environmental and Social Benchmarking Analysis (the "Report"), based on natural capital accounting, on Nautilus' Solwara 1 project had been released by Earth Economics. The Report concluded that the Solwara 1 project has the potential to significantly reduce social and environmental impacts commonly associated with large surface terrestrial copper mines.

Earth Economics was commissioned by Nautilus to conduct an independent, objective environmental and social benchmarking analysis comparing the proposed deep seabed Solwara 1 project with terrestrial copper mines. Solwara 1 is expected to be the world's first commercial high-grade seafloor copper-gold mine project. The Report was released on May 31, 2015. Earth Economics was selected for conducting the research because it is an independent, non-partisan, non-profit organization dedicated to research and economic, environmental and social solutions and it houses the most comprehensive database of natural capital valuation studies in the world.

Specifically, the Report compared the social and environmental impacts of the proposed Solwara 1 project with three terrestrial mines: Bingham Canyon (Utah, USA), Prominent Hill (South Australia, Australia) and Intag (a proposed mine in Intag Province, Ecuador).

Key findings of the Report included:

- World demand for copper continues to rise, with increasing global economic development, expanding renewable energy supplies (wind, hydro, wave geothermal, tidal power) and growing copper plumbing, electronics and communications sectors.
- Recycling is likely limited to around 35% of the supply of copper.
- Copper ore grades are declining.
- Environmental and social impacts of copper mining are rising.
- There is an urgent need to meet world copper demand while reducing waste by products, fresh water use and contamination, damaging impacts to communities, mine footprints and CO2 emissions from copper mining.
- Seafloor mining has the potential to minimize the impact of copper mining by producing more copper with fewer natural capital inputs, fewer damaging outputs and a smaller area of impact.
- The proposed Solwara 1 project when compared to the terrestrial mines, entails far less environmental and social impact and less short and long-term risks.

- Terrestrial mines have significant impacts. Measured on the basis of impacts per ton of copper, the Solwara 1 project would outperform terrestrial mines:
    - People will not be displaced by the proposed Solwara 1 project
    - There will be no impact to food production
    - There will be no impact to surface or groundwater fresh water supplies
    - There will be no significant risk of disaster (e.g. mine tailing slide into communities)
    - There will be no impact to pollination, soil formation, erosion, historic and cultural values
- The monetary damages (measured in terms of USD/year) resulting from terrestrial mines is estimated to be significantly more than that of the proposed Solwara 1 project (4 to 13 times per ton of copper produced for the three mines used in the comparison).

The long-term mining liabilities for freshwater contamination, tailings and overburden failures that threaten downstream communities do not exist in Solwara 1.

The Report does not contain any economic analysis of the Solwara 1 Project and Nautilus has not completed a preliminary economic assessment or other economic study on the Solwara 1 Project.

Nautilus and Tongling sign new offtake agreement for Solwara 1

On December 11, 2015 the Company signed a new agreement with Tongling Nonferrous Metals Group Co. Ltd ("Tongling") for the sale of the product extracted from the Company's Solwara 1 deposit located in the Bismarck Sea of Papua New Guinea, with the first delivery expected in the first half of 2018.

On April 21, 2012, Nautilus and Tongling entered into a binding heads of agreement ("HOA") for the sale of the product extracted from the Solwara 1 deposit. Following a series of detailed negotiations focused on achieving a mutually beneficial and workable arrangement, the parties finalized the terms of a new take or pay agreement, referred to as the Master Ores Sales and Processing Agreement ("MOSPA"), which replaced the terms of the HOA.

Compared to the HOA, the terms of the MOSPA offer significant cost savings and reduced business risk to Nautilus, whilst giving Tongling the freedom to process the Solwara 1 material in a manner which optimizes its return. The MOSPA has simplified the arrangements between the parties in many respects and it now operates as a more conventional material sales agreement where Tongling will pay Nautilus for a fixed proportion of copper, gold and silver in the mineralized material.

The copper payment will be for 95% of recoverable copper as determined by locked cycle testwork on samples of shipments. The gold payment is fixed at 50% of the contained gold in the mineralized material which represents a premium payment for gold compared to the HOA. Payment for silver is fixed at 30% of contained silver in the mineralized material. The Asian international copper concentrate benchmark will still be used as the basis for smelter treatment and refining charges related to the recoverable copper.

From Tongling's perspective, the MOSPA offers greater flexibility over the design and operation of a concentrator to be built specifically for the processing of Solwara 1 material. The construction of the concentrator will initially be financed by Tongling, with these costs recovered through a fixed plant capital fee payable by Nautilus monthly over the term of the MOSPA. Nautilus shall provide Tongling with a bank guarantee covering 50% of the concentrator capital cost. Tongling now has the exclusive right to market or process any pyrite concentrates produced from the Solwara 1 material, whereas under the HOA the parties were to jointly market any pyrite concentrates sharing any profit on a 50/50 basis.

The State Nominee elects not to exercise option

On December 11, 2015 the State Nominee, the Company's joint venture partner in the Solwara 1 Project in Papua New Guinea elected not to exercise its option to take up a further 15% interest in the Project.

Nautilus and the State Nominee, which maintains a 15% interest in the Project, continue to work together to complete the seafloor production system to be used at the Project site when mining is planned to commence in Q1 2018.

Rights offering announced to raise C$103M

On February 23, 2016 the Company announced that it had filed a short form prospectus within each province of Canada, other than Quebec, in respect of a rights offering to raise gross proceeds of up to C$103M through the issuance of rights to subscribe for an aggregate of 686,666,666 common shares at a subscription price of C$0.15 per common share.

The rights offering includes an additional subscription privilege under which holders of rights who fully exercise their rights will be entitled to subscribe for additional common shares of the Company, if available, that were not otherwise subscribed for under the rights offering. The Company has also registered the offer and sale of the shares issuable on exercise of the rights within the United States with the United States Securities and Exchange Commission on a registration statement on Form F-7 under the U.S. Securities Act of 1933, as amended.

The offering is being made to all existing shareholders in eligible jurisdictions, as disclosed in the final prospectus.

The Company's two largest shareholders, MB Holding Company LLC and Metalloinvest Holding (Cyprus) Limited, which, together with their affiliates, collectively hold approximately 48% of the outstanding common shares of the Company, have each indicated to the board of directors of the Company their present intention to participate in the offering by exercising all or a portion of their basic subscription privilege. Pursuant to applicable regulatory requirements, completion of the rights offering is not subject to raising a minimum amount of proceeds.

The net proceeds from the offering are expected to be used by the Company to advance the construction and development of the Company's Seafloor Production System and for general working capital requirements. In order to complete the entire Seafloor Production System for initial deployment and testing operations at the Company's Solwara 1 Project, Nautilus will need to obtain additional funding in excess of the maximum proceeds that can be raised under the rights offering (refer to "Use of Proceeds" in the final prospectus).

The offering is being made to the holders of Nautilus' common shares of record at the close of business (Vancouver time) on March 1, 2016. The rights available under the offering will be eligible for exercise from March 7, 2016 until 2:00 p.m. (Vancouver time) on April 6, 2016.

Upon closing, the Company will issue one right for each outstanding common share. Each right will be exercisable to acquire 1.541329 common shares of the Company, upon payment of the subscription price per common share. Fractional shares will not be issued and any fractions will be rounded down to the nearest whole number. To illustrate: an eligible holder of 10,000 shares as of the record date would be issued 10,000 rights, which would entitle the holder to subscribe for 15,413 shares (10,000 x 1.541329) for an aggregate price of $2,311.95 (15,413 x $0.15).

Equipment Storage and Wet Testing Contracts

On January 18, 2016, the Company announced that it had signed agreements with United Engineering Services LLC ("UES") to provide support services associated with wet testing the Company's seafloor production equipment and storing the equipment as it is delivered from various suppliers prior to integration onto the Production Support Vessel.

UES is a wholly-owned subsidiary of MB Holding, which holds, directly or indirectly, approximately 28% of the outstanding Common Shares and has two nominee directors sitting on the Company's board (Dr. Mohammed Al Barwani and Tariq Al Barwani). Accordingly, the support services and equipment storage contracts with UES constitute a "related party transaction" of the Company under Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* ("MI 61-101").

The board of directors of the Company, excluding the two interested directors, unanimously approved the contracts with UES, and determined that the transaction is exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 in reliance on the exemptions set forth in sections 5.5(a) and 5.7(1)(a) of MI 61-101, on the basis that, at the time the transaction was agreed to, neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the transaction exceeds 25% of the Company's market capitalization.

RISK FACTORS

Nautilus' ability to generate revenues and achieve a return on shareholders' investment must be considered in light of the early stage nature of the Solwara 1 deposit and seafloor resource production in general. The Company is subject to many of the risks common to early stage enterprises, including personnel limitations, financial risks, metals prices, permitting and other regulatory approvals, the need to raise capital, resource shortages, lack of revenues, equipment failures and potential disputes with, or delays or other failures caused by third party contractors or joint venture partners. Substantial expenditures are required to discover and establish sufficient resources and to develop the mining and processing facilities and infrastructure at any site chosen for mining. There can be no assurance that the Company will be able to raise sufficient financing to facilitate this development. The Company's existing funds are not sufficient to bring the Solwara 1 Project into production and there can be no assurance that additional sources of finance will be available to the Company. Other factors that influence the Company's ability to succeed are more fully described in the Company's 2016 Annual Information Form available on www.sedar.com, under the heading "Risk Factors". See also the factors discussed under "Cautionary Note Regarding Forward Looking Statements" above.

SUMMARY OF QUARTERLY RESULTS (unaudited)

The following table sets out selected unaudited quarterly financial information of Nautilus and is derived from the unaudited quarterly condensed consolidated interim financial statements prepared by management in accordance with International Financial Reporting Standards ("IFRS") applicable to interim financial reports.

		2014				2015			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	$'M	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Loss for the period	$'M	(3.5)	(3.7)	(4.6)	(2.0)	(4.1)	(7.5)	(8.3)	(5.0)
Basic and diluted loss per share	$/share	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)	(0.01)

As Nautilus is currently a pre-production entity engaging in exploration activities there is a significant amount of variability in the quarterly expenditure of the Company depending on the timing of contract milestones and exploration campaigns. Below is a summary of the more significant fluctuations in results, excluding those resulting from foreign exchange movements:

Q1 2014
The loss for the period reflected a reduction of $0.6 million in professional fee expenditure following the completion of the hearing of the arbitration with the State in Q4 2013.

Q4 2014
The loss for the period reflected two significant offsetting amounts that were realised during the quarter.

During the quarter other income of $15.0 million (2013 – $0.6 million) was recognised on the establishment of the Solwara 1 JV, with $12.1 million received treated as a recovery of previously expensed exploration expenditure and a $2.7 million capital charge also received as a result of the delays in payment during the period of the dispute with the State.

This was offset by a $10.0 million expense resulting from the Company and MAC being the victims of a cyber attack by an unknown third party.

Q2 2015
The loss for the period reflected a significant increase in exploration expenditure to $3.3 million for the quarter as the Company works to progress exploration work in the Solomon Islands.

Q3 2015
The loss for the period reflected a significant increase in exploration expenditure to $3.9 million for the quarter as the Company completed exploration work in the Solomon Islands and commenced resource evaluation and environmental baseline field work in the CCZ.

Q4 2015
The loss for the period reflected a significant decrease in exploration expenditure to $1.5 million dollars for the quarter as the Company completed the resource evaluation and environmental baseline field work in the CCZ.

RESULTS OF OPERATIONS – FOR THE THREE MONTHS ENDED DECEMBER 31, 2015

The following discussion provides an analysis of the financial results of Nautilus:

Loss for the period

For the three months ended December 31, 2015, the Company recorded a loss of $5.0 million ($0.01 loss per share) compared to a loss of $2.0 million ($0.01 loss per share) for the same period in 2014. The primary variances were as follows:

Exploration
Exploration expense decreased to $1.5 million (2014 - $1.8 million). Geological services were $0.7 million higher due to resource evaluation and environmental baseline work undertaken in the CCZ. Mineral property fees were $0.9 million lower due to reduced tenement holdings in the Solomon Islands resulting from the exploration work performed earlier in the year, and Tonga tenement rents that are pending the passage of legislation. Salary and wages decreased by $0.1 million due to the reduction of the short term incentive payment ("STIP") in 2015.

	Nodule Exploration Three months ended December 31,		**SMS Exploration Three months ended December 31,**		**Total Exploration Three months ended December 31,**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
General and administration	-	-	60,795	-	60,795	-
Geological services	648,834	1,572	56,507	21,993	705,341	23,565
Mineral property fees	-	-	59,020	935,212	59,020	935,212
Professional services	72,946	84,043	77,687	78,998	150,633	163,041
Travel	42,392	30,854	46,096	40,408	88,488	71,262
Salary and wages	132,448	93,290	299,610	480,502	432,058	573,792
Total exploration expenditure	896,620	209,759	599,715	1,557,113	1,496,335	1,766,872

General & Administration
General & Administration expenditure decreased to $2.5 million (2014 - $3.3 million). Office and general costs were $0.3 million lower due to a decrease in rent expense having relocated the Brisbane office and the favourable impact from the depreciation of the Australian dollar. Salary and wages were $0.6 million lower due to no short term incentive being paid in 2015. Depreciation decreased to $0.1 million with leasehold improvements being fully depreciated at the end of Q2 2015. This was offset by increased Travel expenditure was $0.2 million higher in line with business requirements.

	Three months ended December 31, 2015	**Three months ended December 31, 2014**
Office and general	470,214	797,118
Professional services	584,130	421,902
Salary and wages	1,050,156	1,675,054
Shareholder related costs	73,067	85,391
Travel	260,875	79,695
Depreciation	81,203	281,359
Total general and administration Expenditure	**2,519,645**	**3,340,519**

Corporate Social Responsibility
Corporate Social Responsibility remained consistent at $0.4 million (2014 - $0.4 million).

Technology
Technology expense remained consistent at $0.1 million (2014 - $0.1 million).

Development
Development expenses decreased to $0.4 million (2014 - $1.3 million) with the corresponding period for 2014 including $0.8 million paid to consultants that assisted with securing the vessel agreement with MAC.

Foreign exchange
A foreign exchange loss of $0.1 million was recorded during the quarter (2014 – $0.02 million). The foreign exchange loss consists of realized gains and losses on actual cash transactions during the period and unrealized gains and losses on cash denominated in different currencies at the period end. The Company holds a "basket of currencies" to act as a natural hedge against its expected cash outflows and can therefore experience unrealized fluctuations at period end when cash balances are converted to US dollars for reporting purposes, as experienced during the current quarter.

Interest income
Interest income earned on cash and cash equivalents held during the period was $0.06 million (2014 - $0.07 million). The Company maintains its cash and cash equivalents with banks with an S&P rating of A+ or better.

Other income
Other income decreased to $0.04 million for the quarter (2014 – $15.0 million) due to the expiration of a sub-lease arrangement and the one off inflows of $14.8 million from Eda Kopa on establishment of the Solwara 1 JV in 2014.

Operating Losses
Overall, Nautilus' operating loss decreased to $5.0 million for the three months ended December 31, 2015, compared to $6.9 million for the corresponding period in 2014. When adjusting the current year operating loss for the respective foreign currency exchange movements, the adjusted operating loss was $4.9 million (2014 $6.9 million), with the major impact coming from no short term incentive being paid in 2015 (2014 $1.1 million) and the development expenditure related to the establishment of the Vessel charter being one time expenditure in Q4 2014.

SELECTED ANNUAL INFORMATION

The following table sets out selected annual financial information of Nautilus and is derived from the Company's audited consolidated financial statements for the years ended December 31, 2015, 2014 and 2013. The information set out below should be read in conjunction with this MD&A and the 2015 Financial Statements. Amounts are expressed in US dollars unless otherwise indicated.

	2015	2014	2013
Sales	$Nil	$Nil	$Nil
Loss for the year	$24,882,330	$13,750,240	$22,339,674
Loss per share (basic and diluted)	$0.06	$0.03	$0.06
Total assets	$311,633,986	$339,567,591	$283,816,470
Total long-term liabilities	$53,667,658	$65,146,077	$10,693,538
Dividends declared	$Nil	$Nil	$Nil

Loss for the year

Expenditure increased in 2015 to $24.9 million (2014 - $13.8 million), the increase was driven primarily by the exploration campaigns undertaken during the year, and the $1.0 million in professional fees related to network monitoring and investigation of the cyber attack that occurred in Q4 2014.

Total assets

Total assets for the year ended December 31, 2015 decreased to $311.6 million (2014 - $339.6 million). As no additional capital was raised during the year, total assets decreased consistent with the use of cash, primarily for exploration and administration expenditure that is not capitalized.

Long-term liabilities

Long-term liabilities decreased to $53.7 million (2014 - $65.2 million). This resulted from a reduction in the project partner contribution liability of $11.7 million, being the non-current unearned amount of the State's equity contribution for the Solwara 1 JV. The decrease is due to the progress of the Solwara 1 equipment build.

RESULTS OF OPERATIONS – FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015

The following discussion provides an analysis of the financial results of Nautilus:

Loss for the period

For the year ended December 31, 2015, the Company recorded a loss of $24.9 million ($0.06 loss per share) compared to a loss of $13.8 million ($0.03 loss per share) in 2014. The primary variances were as follows:

Exploration
Exploration expense increased to $9.2 million (2014 - $3.6 million) for the year ended December 31, 2015, as a direct result of increased exploration activity for the year. The current year included $2.4 million for the exploration campaign that took place in the Solomon Islands conducting bathymetry mapping and plume hunting activities; $3.3 million in relation to CCZ resource evaluation and environmental baseline work conducted; $0.7 million relating to the planned target generation cruise in Tonga and environmental baseline studies in the Bismarck Sea cost $0.2 million. This was offset by a decrease in mineral property fees of $1.0 million, due to

the strategic relinquishment of a number of tenement holdings in Fiji, Vanuatu and the Solomon Islands and Tonga tenement rents that are pending the passage of legislation.

	Nodule Exploration Twelve months ended December 31,		**SMS Exploration Twelve months ended December 31,**		**Total Exploration Twelve months ended December 31,**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
General and administration	-	-	110,317	-	110,317	-
Geological services	3,184,858	64,700	3,108,121	44,543	6,292,979	109,243
Mineral property fees	47,000	57,000	114,885	1,110,213	161,885	1,167,213
Professional services	260,784	217,708	246,024	274,316	506,808	492,024
Travel	150,675	55,876	221,490	83,202	372,165	139,078
Salary and wages	483,450	385,021	1,308,764	1,288,703	1,792,214	1,673,724
Total exploration expenditure	**4,126,767**	**780,305**	**5,109,601**	**2,800,977**	**9,236,368**	**3,581,282**

General & Administration

General & Administration expenditure increased to $11.6 million (2014 - $11.3 million). There was an increase in professional service fees of $1.6 million primarily related to network monitoring and investigation of the cyber attack that occurred in Q4 2014. Office and General costs decreased by $0.4 million as a result of an office relocation, salary and wages decreased by $0.2 million for the year as increased costs due to an increase in employees was offset by there being no short term incentive paid for the year. Depreciation expense decreased by $0.4 million due to due to leasehold improvements being fully amortised at the end of Q2 2015.

	Twelve months ended December 31, 2015	**Twelve months ended December 31, 2014**
Office and general	2,599,979	3,024,359
Professional services	2,652,712	1,123,702
Salary and wages	4,299,948	4,722,081
Shareholder related costs	479,808	496,497
Travel	808,680	790,068
Depreciation	807,222	1,194,460
Total general and administration Expenditure	**11,648,349**	**11,351,167**

Corporate Social Responsibility

Corporate Social Responsibility expense increased to $1.6 million (2014 - $1.0 million) for the year ended December 31, 2015, with increased costs for preliminary design work associated with infrastructure projects in New Ireland province during the current period.

Technology

Technology expense increased to $0.4 million (2014 - $0.3 million) for the year ended December 31, 2015 due to increased patent costs.

Development

Development expenses decreased to $1.5 million (2014 - $2.8 million) for the year ended December 31, 2015 with the corresponding period for 2014 including $1.0 million paid to consultants that assisted with securing a vessel agreement.

Foreign exchange

A foreign exchange loss of $0.9 million was recorded during the year ended December 31, 2015 (2014 – $0.01 million loss). The foreign exchange loss consists of realized gains and losses on actual cash transactions during the period and unrealized gains and losses on cash denominated in different currencies at the period end. The Company holds a "basket of currencies" to act as a natural hedge against its expected cash outflows and can therefore experience unrealized fluctuations at period end when cash balances are converted to US dollars for reporting purposes, as experienced during the current period.

Interest income
Interest income earned on cash and cash equivalents held during the year ended December 31, 2015 was $0.2 million (2014 - $0.2 million). The Company maintains its cash and cash equivalents with banks with an S&P rating of A+ or better.

Other income
Other income decreased to $0.3 million for the year ended December 31, 2015 (2014 – $15.0 million). The decrease was driven primarily by the one off inflows of $14.8 million from Eda Kopa on establishment of the Solwara 1 JV in 2014.

Operating Losses
Overall, Nautilus' operating loss increased to $25.3 million for the year ended December 31, 2015, compared to $19.0 million in 2014. When adjusting the current year operating loss for the respective foreign currency exchange movements, the adjusted operating loss was $24.4 million (2014 - $19.0 million), with the major impact coming from the $5.6 million of increased exploration expenditure in relation to the various campaigns currently being undertaken and the $1.0 million of professional service fees in relation to network monitoring and investigation of the cyber attack that occurred in Q4 2014.

Cash flows

Operating activities
Cash used in operating activities was $21.7 million for the year ended December 31, 2015 compared to $1.7 million for 2014, largely reflecting the increase in exploration expenditures in the period and the absence of the one off cash inflows from Eda Kopa on establishment of the Solwara 1 JV in 2014.

Investing activities
Cash outflows due to investing activities were $39.5 million for the year ended December 31, 2015 compared to cash inflows of $10.4 million for 2014. The current year was impacted by the $10.0 million prepaid in relation to the charterers' guarantee, while the prior year included $35.8 million cash inflow for the recovery of exploration and evaluation costs relating to the establishment of the Solwara 1 JV in 2014.

Financing activities
Cash inflows from financing activities were $0.01 million for the year ended December 31, 2015, compared to $69.4 million for 2014. The current inflows relate to loan shares exercised during the period, while the prior year included $69.4 million cash inflow relating to the establishment of the Solwara 1 JV in 2014.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial objective is to ensure that it has sufficient liquidity in the form of cash and/or debt capacity to finance its ongoing requirements to support the Company's strategy of becoming the first company to commercially extract copper, gold, silver and zinc from the seafloor.

Key financial measures

The Company uses the following key financial measures to assess its financial condition and liquidity:

	December 31, 2015	**December 31, 2014**
Working Capital	$31.4 million	$100.6 million
Cash and Cash Equivalents	$56.5 million	$118.8 million

Under the Company's Investment Policy, cash cannot be invested for more than 90 days and must be held on deposit with banks with an S&P credit rating of A+ or better.

Outlook and capital requirements

The Company's known contractual obligations at December 31, 2015, are quantified in the table below:

	December 31, 2015 $
Non-cancellable commitments	
Not later than 1 year	655,916
Later than 1 year and not later than 2 years	635,865
Later than 2 years and not later than 3 years	73,544,599
Later than 3 years and not later than 4 years	73,490,252
Later than 4 years and not later than 5 years	73,434,384
Later than 5 years	145,934,300
Total Commitments	367,695,316

The non-cancellable commitments as at December 31, 2015 include $365.0 million for payments to be made under the charter party arrangement with MAC for the PSV with a commencement date no later than January 1, 2018.

The Company is involved in mineral exploration which is a high risk activity and relies on results from each exploration program to determine if areas justify any further exploration and the extent and method of appropriate exploration to be conducted.

The Company has no source of revenue and has significant cash requirements to be able to meet its administrative overhead and maintain its property interests. In order to be able to advance the development of the Solwara 1 Project and its mineral property interests, the Company will be required to raise additional funding. Until that time, certain discretionary expenditures may be deferred and measures to reduce operating costs will be taken in order to preserve working capital.

Nautilus expects that cash and cash equivalents will be sufficient to pay for capital expenditure commitments and general and administrative costs for the next 12 months. Depending upon future events, the rate of expenditures and other general and administrative costs could increase or decrease. The Company continues to evaluate a range of alternative options available to it to access capital to fund future expenditures.

Nautilus' opinion concerning liquidity and its ability to avail itself in the future of the financing options mentioned above are based on currently available information. To the extent that this information proves to be inaccurate, future availability of financing may be adversely affected.

Factors that could affect the availability of funding include Nautilus' performance (as measured by various factors including the progress and results of its exploration work), the state of international debt and equity markets, investor perceptions and expectations of past and future performance, the global financial climate, metal and commodity prices, political events in the south Pacific, obtaining operating approvals from the PNG government for the Solwara 1 Project, drilling and metallurgical testing results on the Company's tenements, ongoing results from environmental studies, engineering studies and detailed design of equipment.

Foreign currency exchange rate risk

The Company's operations are located in several different countries, including Canada, Australia, PNG, Tonga, Solomon Islands, Fiji and New Zealand and require equipment to be purchased from several different countries. Nautilus has entered into key contracts in United States dollars and British pounds sterling. Future profitability could be affected by fluctuations in foreign currencies. The Company has not entered into any foreign currency contracts or other derivatives to establish a foreign currency protection program but may consider such actions in the future.

Foreign exchange risk is mitigated by the Company maintaining its cash in a "basket" of currencies that reflect its current and expected cash outflows. As at December 31, 2015 the Company held its cash in the following currencies:

Currency Denomination	**% of total cash in US$ terms held**
USD	76
GBP	15
CAD	2
AUD	5
EUR	2
	100

Interest rate risk

The Company holds cash and cash equivalents which earn interest at variable rates as determined by financial institutions. As at December 31, 2015, with other variables unchanged, a 0.1% increase (decrease) in the interest rate would have no significant effect on comprehensive loss.

Credit risk

The Company places its cash only with banks with an S&P credit rating of A+ or better.

The maximum exposure to credit risk at the reporting date is the carrying value of cash and cash equivalents and other receivables.

Liquidity risk

The Company manages liquidity by maintaining adequate cash and short-term investment balances. In addition, the Company regularly monitors and reviews both actual and forecasted cash flows.

On February 23, 2016 the Company filed a short form prospectus within each province of Canada, other than Quebec, in respect of a rights offering to raise gross proceeds of up to C$103M through the issuance of rights to subscribe for an aggregate of 686,666,666 common shares at a subscription price of C$0.15 per common share.

The Company plans to use the net proceeds from the Offering, together with the Company's existing cash reserves, to advance the development of the Company's Seafloor Production System and for general working capital requirements.

The Company has no source of revenue and has significant cash requirements to be able to meet its administrative overhead and maintain its property interests. In order to be able to complete the ongoing sub-sea equipment construction contracts and advance the development of its mineral property interests, the Company will need to raise additional equity, debt and/or joint venture partner funding in excess of the maximum Offering amount. Until that time, certain discretionary expenditures may be deferred and measures to reduce operating costs may be taken in order to preserve working capital, as such the Company's exposure to liquidity risk is currently considered to be low.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity of IFRS requires the use of judgements and estimates that affect the amount reported and disclosed in the consolidated financial statements and related notes. These judgements and estimates are based on management's knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies and notes to the financial statements, and the key areas are summarized below.

The area of judgment that has the most significant effect on the amounts recognized in these consolidated financial statements is the review of asset carrying values and impairment assessment.

Review of asset carrying values and impairment assessment
Property, plant and equipment and exploration and evaluation assets are considered for impairment when events or changes in circumstances indicate that their carrying amounts may not be recoverable. If an indicator is identified, the asset's recoverable amount is calculated and compared to the carrying amount. For the purpose of measuring recoverable amounts, assets are

grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or "CGUs"). The recoverable amount is the higher of an asset's fair value less costs to dispose and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The determination of fair value less costs to sell and value in use requires management to make estimates and assumptions about expected production, sales volumes, commodity prices, mineral resources, operating costs and future capital expenditures. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these assumptions, which may impact the recoverable amount of the assets.

In considering whether any impairment indicators occurred in respect of the Company's long lived assets as at December 31, 2015, management took into account a number of factors such as long term metal prices, projected costs to operate equipment, availability and costs of finance, cost and state of completion of subsea equipment construction, exploration successes in other areas, the existence and terms of binding off-take agreements and the Company's market capitalization compared to its net asset value.

Management has concluded that there are no impairment indicators relating to the Company's long-lived assets as at December 31, 2015.

FUTURE ACCOUNTING CHANGES

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after January 1, 2015 that would be expected to have a material impact on the Company.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2016. The company has reviewed the disclosure requirements of changes in IFRS 8 'Operating Segments', IFRS 9 'Financial Instruments: Classification and Measurement' (effective January 1, 2018) and IFRS 7 'Financial Instruments: Disclosure' (effective January 1, 2018), however this does not currently require any changes to disclosures within the financial statements of the Company.

IFRS 15 Revenue from Contracts with Customers deals with revenue recognition and establishes principles of reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when the customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The Standard replaces IAS 18 Revenue, and IAS 11 Construction Contracts and related interpretations. IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is still in the process of assessing the impact, if any, on the financial statements of this new standard.

IFRS 16 Leases will be effective for accounting periods beginning on or after January 1, 2019. Early adoption will be permitted, provided the Company has adopted IFRS 15 Revenue from Contracts with Customers. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The Company is in the process of assessing the impact, if any, on the financial statements of this new standard.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on our consolidated financial statements.

OUTSTANDING SHARE DATA

The following is a summary of the Company's outstanding share data as of March 17, 2016.

Common shares

A total of 445,502,865 common shares are outstanding including 11,485,000 restricted shares.

Restricted shares

A total of 11,485,000 restricted shares are issued and outstanding under the Company's share loan plan, with loan expiry dates ranging from April 2016 through to July 2018. The weighted average issue price for the restricted shares is C$0.51.

Stock Options

A total of 5,645,000 stock options are issued and outstanding, with expiry dates ranging from April 2016 through to July 2018. The weighted average exercise price for all stock options is C$0.43. All stock options entitle the holders to purchase common shares of the Company.

INTERNAL CONTROLS

Disclosure controls and procedures

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of Nautilus' disclosure controls and procedures. Based on the results of that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as at December 31, 2015, the Company's disclosure controls and procedures were effective in providing reasonable assurance that the information required to be disclosed by the Company in reports it files under securities legislation are recorded, processed, summarized and reported within the appropriate time periods and forms specified in the securities legislation.

Internal control over financial reporting

The Company's management is responsible for establishing and maintaining an adequate system of internal controls, including internal controls over financial reporting. The Company's internal control over financial reporting (ICFR) is in accordance with criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations (COSO) framework. Nautilus' internal controls include policies and procedures that (1) pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, the transactions related to acquisition, maintenance and disposition of assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and receipts are recorded and expenditures are incurred only in accordance with authorization of management and directors; and (3) provide reasonable (but not absolute) assurance of compliance with regulatory matters and to safeguard reliability of the financial reporting and its disclosures. Having assessed the effectiveness of the Company's internal controls over financial reporting, the Chief Executive Officer and Chief Financial Officer believe that: (1) the internal controls over financial reporting are effective and provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS; and (2) that no material weaknesses in the reporting were discovered as at December 31, 2015.

There have been no material changes in the Company's ICFR since the year ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitation in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any system of control also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatement due to error or fraud may occur and not be detected.

ADDITIONAL SOURCES OF INFORMATION

Additional information regarding Nautilus Minerals Inc., including its Annual Information Form, is available on SEDAR at www.sedar.com and on the Company's website www.nautilusminerals.com.