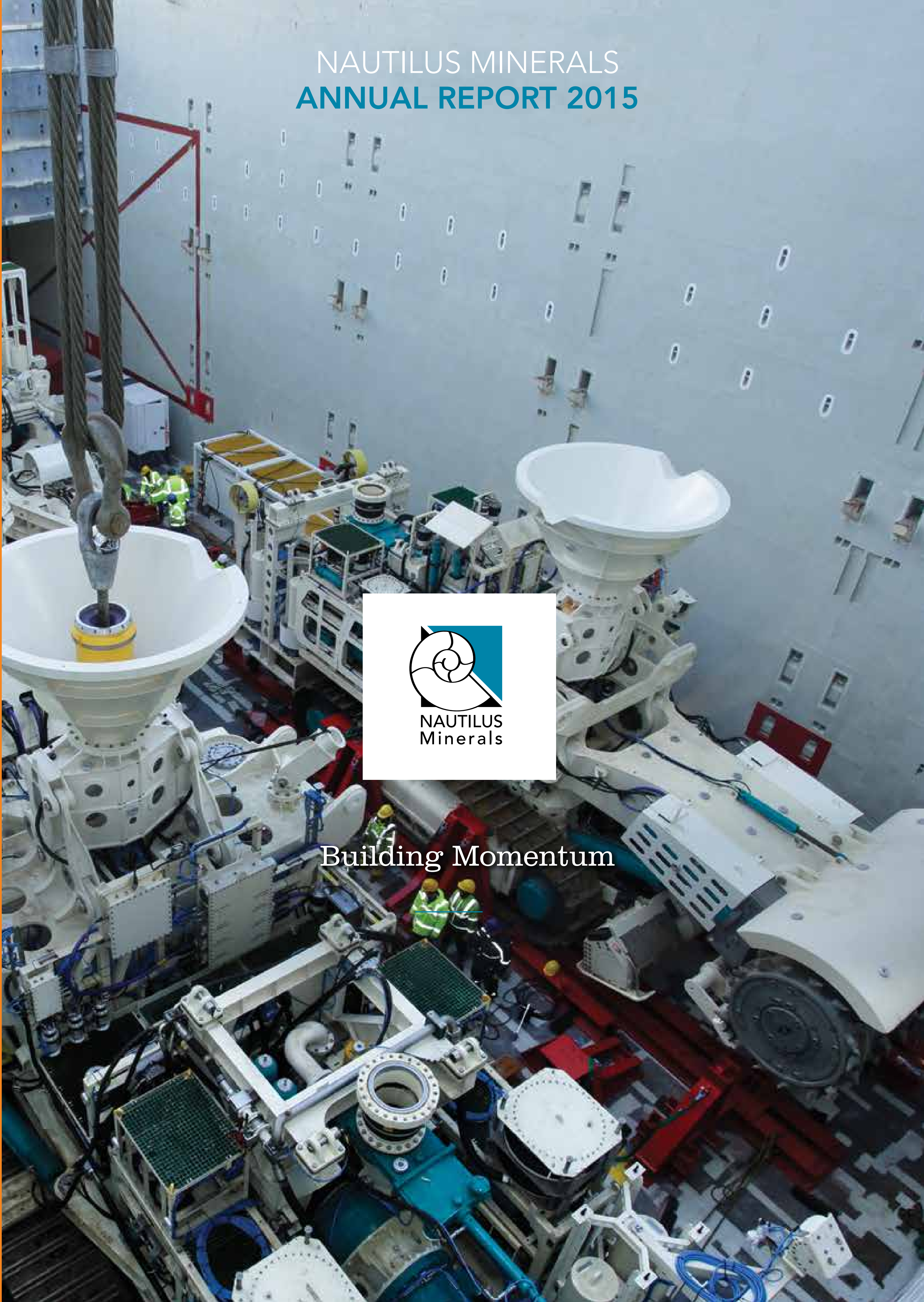
NAUTILUS MINERALS

ANNUAL REPORT 2015

NAUTILUS Minerals

Building Momentum



With the SPTs complete and the RALS including the SSLP due for delivery later in 2016, the final component of the seafloor production system, the PSV, is the last key piece of equipment to be completed. Cutting steel for the PSV has commenced, block assembly is currently taking place and delivery is expected by the end of 2017. Seafloor mineral production at Solwara 1 is gaining momentum as Nautilus looks to the first quarter of 2018 to be on the water and commencing operations in the Bismarck Sea of PNG.

(All acronyms and abbreviations can be found on page 26)

Note Regarding Forward-Looking Information for Annual Report 2015

This document includes "forward-looking statements" or "forward looking information" (hereinafter referred to together as "forward-looking statements") under applicable securities laws, which include all statements other than statements of historical fact.

Forward-looking statements include, but are not limited to, statements with respect to the demand for and 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 Company's projects; the construction and delivery of the PSV; the fulfillment of the obligations under the MOSPA and the timing and sustainability of such arrangements; timing of the development of the Company's seafloor production system; the Company's SMS (including Solwara 1) and new deposits; success of exploration and development activities; requirements for additional capital; government regulation of exploration operations; the Company's financial position and business strategy; plans and objectives of management for future operations, including plans to commence production at Solwara 1 in 2018; and the design and performance of the PSV and the SPTs, RALS and SSLP. 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 the significant equity and/or debt financings required to fund the completion of the build and deployment of the Company's seafloor production system; 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; the risk that the environmental impact of the Company's planned mining operations and seafloor production system will be different than the Company's expectations; any additional permitting or licensing requirements associated with any modifications to the scope of the Solwara 1 Project; future demand for and 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 in 2018 or at all; 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 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 MOSPA 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. As the Company has not completed an economic study in respect of the Solwara 1 Project, there can be no assurance that the Company's production plans will, if fully funded and implemented, successfully demonstrate that seafloor resource production is commercially viable. These and other risk factors are presented in the Company's most recent Annual Information Form and other disclosure documents filed under the Company's profile at www.sedar.com.

Such forward-looking statements are current only as at the date of this Annual Report going to print (April 1, 2016) 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 estimated cost and availability of funding for the development of the seafloor production system and the continued exploration of the Company's tenements; and that key components of the seafloor production system will be built on schedule and in accordance with the Company's specifications, and will operate as planned. 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 the 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. Although the Company has attempted to identify important factors that could cause actual results to differ materially, the assumptions made may not prove to be correct or there may be unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Except as may be required by applicable laws, the Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based.

The reader is cautioned not to place undue reliance on forward-looking statements.

Scientific and Technical Disclosure

All information of a scientific or technical nature contained in this Annual Report has been reviewed and approved by Mike Johnston, CEO and President of Nautilus who is a "qualified person" under National Instrument 43-101.

Contents

Yuzmorgeologiya vessel used during the 2015 polymetallic nodule campaign to the CCZ

"WE BELIEVE SEAFLOOR MINING HAS THE POTENTIAL TO CONTRIBUTE SUBSTANTIALLY TO THE GLOBAL SUPPLY OF NEEDED MINERALS WHILE PROVIDING CONSIDERABLE ENVIRONMENTAL BENEFITS."

Chairman's Letter

DEAR SHAREHOLDER,

2015 has been a year of significant progress for the Company. The Solwara 1 Joint Venture's* seafloor mining project in PNG has taken delivery of its SPTs and construction is well advanced on the 76,000 tonne PSV. To put this in perspective, it has taken 20 years to grow from a small private company to a dynamic internationally owned group with unique patented equipment preparing to mine gold and copper deposits from the deep sea, in an environmentally sensitive fashion. The SPTs have since been delivered to Oman after rigorous FAT at Newcastle-upon-Tyne, UK. The next step is wet testing in Oman supported by United Engineering Services which will involve underwater testing of the machines' various systems such as controls, visualisation and hydraulics. This is the final stage of the SPTs development prior to being deployed. Once tested the equipment will be stored and finally installed on the PSV at the shipyard.

Physical construction of the PSV commenced on schedule in September 2015 at the Fujian Mawei shipyard located in Fuzhou, Fijian Province, China. The shipyard is one of the oldest in China and we have every confidence that this government owned yard will deliver the PSV on time and on budget. The Board visited the shipyard in November and were impressed by the progress to date. At that time 10% of the total steel had been cut. Since then more than 13,500 tonnes of steel has been cut representing 66% of the total. Delivery is scheduled for the end of 2017.

In December 2015, we strengthened our relations with the Tongling Nonferrous Metals Group Co Ltd. by signing a new off-take agreement that provides improved terms. The original binding HOA was signed in April 2012 and since then more detailed negotiations have lead to a MOSPA to the benefit of both parties. The MOSPA delivers Nautilus significant cost savings and reduced risk while allowing Tongling the freedom to process the Solwara 1 mineralised material in any manner that works best for them.

We believe seafloor mining has the potential to contribute substantially to the global supply of needed minerals while providing considerable environmental benefits. We commissioned Earth Economics, an independent non-profit organisation, to evaluate and compare environmental impacts of our Solwara 1 Project with traditional copper mines. Using internationally recognised natural capital accounting techniques, their Environmental and Social Benchmarking Analysis found that Solwara 1 has the potential to significantly reduce social and environmental impacts compared to terrestrial copper mining.

The year has seen changes to the Board with the departure of Usama Barwani and his replacement by Tariq Barwani. We wish to thank Usama for his contributions and welcome Tariq. Tariq is Chief Executive of Mawarid Mining LLC, a wholly owned subsidiary of MB Holding Company of Oman.

The Nautilus stock, initially listed on the Toronto Venture Exchange in May 2006 and moved to the main board in August 2007, is now a designated company on the New York based NASDAQ International Designation, the home of many international high tech leaders. In the 10 years since listing as a publically traded company, we have addressed and surmounted numerous difficult obstacles and are resolved to deliver the Solwara 1 Project in early 2018.

I wish to extend my thanks to my fellow directors for their commitment and support. As well, I want to say thanks to all our shareholders for their support over the years. On behalf of the directors and all our shareholders I want to extend our gratitude to all our employees, management, staff as well as contractors and suppliers who have made our progress to date possible.

Geoff Loudon

A. Geoffrey Loudon
Chairman, Nautilus Minerals Inc.

* (comprising Nautilus 85% and Eda Kopa (Solwara) Limited 15%, a subsidiary of Petromin Holdings PNG following an investment of USD $120 million by the PNG Government)

"THE BUILD OF THE THREE MAIN COMPONENTS OF OUR SEAFLOOR PRODUCTION SYSTEM HAS PROGRESSED SIGNIFICANTLY OVER THE PAST YEAR."

Q&A with the CEO

AS 2018 NEARS, HOW IS THE SOLWARA 1 EQUIPMENT BUILD PROGRESSING, ESPECIALLY THE PRODUCTION SUPPORT VESSEL?

We have seen a notable advancement with regards to the equipment build for the Solwara 1 Project. The build of the three main components of our seafloor production system – the SPTs, RALS and the PSV – has progressed significantly over the past year.

Following commissioning and FAT in dry conditions at SMD's facility in Newcastle-upon-Tyne, UK, we took delivery of the SPTs in early 2016 and now the three machines are in Oman for wet testing planned for later this year.

The RALS is also moving forward on schedule with the SSLP currently undergoing FAT having recommenced assembly in the third quarter of 2015. Delivery is expected in Q2 2016.

As for the vessel, contracts were awarded for all major equipment packages during the past year including the engines and thrusters, cargo handling, cranes, electrical installation and the integrated vessel control system. In keeping with our best-in-class strategy, industry leaders have been engaged in their respective fields for these important contracts; for example Rolls Royce for the engines, MacGregor for the cranes, Siemens for the electrics and Kongsberg Maritime for the vessel control system. All below deck equipment will be installed in the vessel during the build process to minimise equipment integration following vessel delivery.

In September 2015, steel cutting for the PSV began and to date* over 13,500 tonnes of steel representing ~66% of total steel has been cut. We have a team embedded at the Fujian Mawei Shipyard and are closely working with the shipyard and the vessel owners, Marine Assets Corporation, as the vessel takes shape for expected delivery in late 2017.

*as of March 21, 2016

WHAT ARE NAUTILUS' PIPELINE PLANS BEYOND SOLWARA 1?

While our immediate focus is on bringing our Solwara 1 SMS Project into production, we have additional interests that we are progressing. In the near term we are evaluating our current mining lease, ML 154, in PNG and additional SMS prospects in the Bismarck Sea as well as in Tonga, the Solomon Islands and others in the South West Pacific. We need to evaluate and progress these prospects to feed our seafloor production system in future years.

In addition to SMS deposits, we have another metal resource in our polymetallic nodules project in the CCZ, located in the Central Pacific. Since the publication of our updated maiden mineral resource* in 2013, we have continued to advance the mining concept through engineering studies and concept design work around key nodule recovery and lifting equipment, all of which we have protected through patent applications.

* (see Exploration Overview P16 - 17 for more details)

HOW WILL THE ISA'S PROPOSED SEAFLOOR MINING LEGISLATION AFFECT THE COMPANY?

As the first listed company to be granted an exploration tenement by the ISA, we have been actively involved with the ISA for a number of years. At Nautilus, we strive to maintain the highest standards of transparency and stakeholder inclusion, and as such our values align well with the Authority's mandate, established by the 1982 United Nations Convention on the Law of the Sea, to administer the development of the open ocean for the benefit of all mankind.

We are privileged to be a part of the International Seabed Authority's work in developing a mining code to regulate prospecting, exploration and exploitation of minerals in the international seabed Area*. To date, the Authority has issued Regulations for Prospecting and Exploration of polymetallic nodules, polymetallic sulphides and cobalt-rich crusts within the Area.

* The Area as defined in United Nations Convention on the Law of the Sea is 'seabed and ocean floor and subsoil thereof, beyond the limits of national jurisdiction'

WHY DID NAUTILUS COMMISSION THE EARTH ECONOMICS STUDY AND WHY IS IT SIGNIFICANT?

As the newest frontier in mining, we believe the seafloor has the potential to contribute significantly to the global supply of critical minerals while also providing substantial environmental and social benefits.

The global market for copper roughly doubles every 10 years. Now at ~20 million tonnes, by 2030 the demand is anticipated be for~40 million tonnes. Where will this copper come from?

Due to the relatively high mineral grades, at least 10 times higher than land-based mines*, along with a tiny footprint, virtually no overburden and no social disturbance, seafloor mining projects such as Solwara 1 are expected to be efficient and sustainable alternative sources compared to traditional terrestrial mining.**

* SNL metals Economics Group

** Environmental and Benchmarking Analysis of Nautilus Minerals Inc. Solwara 1 Project

We commissioned Earth Economics, an independent non-profit organisation comprised of economists and ecologists, to evaluate and compare social and environmental impacts of our Solwara 1 Project with three terrestrial copper mines. Using international recognised natural capital accounting methods, Earth Economics analysed 22 environmental and social impact categories with respect to resource, water, soil, habitat and cultural values and found that the Solwara 1 Project would have far fewer impacts than land-based mines.

Nautilus is committed to transparency and commissioning the report is part of our ongoing process to review and evaluate project impacts through objective third party experts. Natural capital accounting processes are a valuable tool in assessing mining projects and ought to be considered as part of the environmental impact assessment. We are devoted to not only set a high bar in our operations but to lead the mining industry into a new paradigm of mining that embraces meaningful social and environmentally responsible practices.

WHERE DO YOU SEE THE MARKETS HEADING IN THE NEXT YEAR OR TWO?

It is a foolish and dangerous exercise to try to predict where the markets are heading.

However, we can deal with what we do know. There will always be a demand for minerals; the demand should continue to increase in both the short and long term; mining on land is becoming increasingly more challenging, costly and difficult for a myriad of reasons; and the ocean represents 70% of the planet and contains the largest known mineral inventories on earth.

Technologies that we have pioneered, in partnership with global leaders such as SMD, Sandvik, GE Oil and Gas, and others will provide, in part, the innovative solutions to unlock this wealth and herald a new frontier which represents nothing less than the very future of mining. Nautilus will continue to lead that frontier.

Mike Johnston
President and CEO,
Nautilus Minerals Inc.

Key Events 2015/16

1. Took delivery of the three SPTs having successfully completed FAT on dry land at SMD's facility in Newcastle-upon-Tyne, UK. The SPTs arrived in Oman in March 2016, where it is planned to undertake wet testing later this year.

2. Signed a contract with United Engineering Services LLC to provide support services associated with wet testing the seafloor production equipment and storing the equipment as it is delivered from various suppliers prior to integration onto the PSV. This testing is planned to occur at Duqm Port in Oman.

3. Awarded key contracts for the long lead vessel items (vessel engines, thrusters, cargo handling, cranes and vessel integrated control system).

4. Commenced FAT on the SSLP with delivery expected mid 2016.

5. Cut first steel on the PSV with the Nautilus Board having visited the shipyard to see the progress. Currently over 117 of the blocks have been assembled with keel laying planned for mid 2016.

Above left: Three SPTs being loaded for transport to Oman
Above right: Nautilus' Chairman, Geoff Loudon and Offshore Project Manager, Mike Howitt at the Fujian Mawei Shipyard

6

Signed new offtake agreement with Tongling Nonferrous Metals Group Co. Ltd for the sale of the product to be extracted from the Company's Solwara 1 deposit located in the Bismarck Sea of PNG.

7

Commissioned an independent Environmental and Social Benchmarking Analysis by Earth Economics to measure the environmental and social impacts of the proposed Solwara 1 Project in comparison with three terrestrial mines. The study demonstrates the clear environmental benefits of developing the first deep seabed copper mine.

8

Became a member of the Nasdaq International Designation, a new over-the-counter platform available to non-U.S. companies.

9

Completed a successful exploration campaign in the Solomon Islands with the primary objective of allowing the Company to significantly rationalise the large tenement position in the Solomon Islands.

10

Completed a 96 day polymetallic nodule exploration resource evaluation and environmental baseline campaign (on the Company's* prospective exploration territory) in the CCZ.

*through its 100% owned subsidiary TOML

Above left: Nautilus Geologists (left and right) with Government Observer (middle)
Above right: Nautilus Geologist (front right),Tongan Government Observer (front left) with three trainees from Tonga (back)

SIGNIFICANT PROGRESS WAS MADE DURING 2015 ON THE VARIOUS COMPONENTS OF THE SEAFLOOR PRODUCTION SYSTEM.

Project Overview

Collecting Machine
(inset – Seafloor Production Tools being shipped to Oman)

Nautilus is currently on track to be the first company to commercially extract copper and gold at the Solwara 1 Joint Venture's* project site in the Bismarck Sea, PNG, with seafloor production operations planned to commence in Q1 2018, subject to funding.

*A joint venture (Solwara 1 Joint Venture) was formed by Nautilus and the Independent State of Papua New Guinea's nominee, Eda Kopa (Solwara) Limited, a wholly owned subsidiary of Petromin PNG Holdings Limited (comprising Nautilus 85% and Eda Kopa (Solwara) Limited 15%).

Seafloor Production Tools

During the year, FAT on the Auxiliary Cutter, Bulk Cutter and Collecting Machine was completed at SMD's facility in Newcastle-upon-Tyne, UK. In late January 2016, the Company took delivery of the three SPTs from SMD. The SPTs have since been shipped to Oman where it is planned that they undergo extensive wet testing at Duqm Port (Q2/Q3 2016), designed to provide a submerged demonstration of the fully assembled SPTs and involving submerged testing of:

- Control systems operations and feedback
- Hydraulic functions
- Collection system functions
- Survey and visualisation systems

United Engineering Services LLC will provide the 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 PSV which is expected to occur in 2017.

The three umbilical winches that store and manage the power and control umbilicals were designed, procured and assembled at SMD. In March 2015, the Company announced that the umbilical winches for the three SPTs had successfully completed FAT. The umbilical cables have since been installed onto the umbilical winches and in Q2 2016 they will be shipped to the shipyard for integration on to the vessel.

Launch and Recovery System

The LARS, which will be used to lift the tools in and out of the water, is comprised of A frames, lift winches, hydraulic power units, electric power units and deck control cabins. The LARS will be sent to the shipyard in Q2 2016.

Riser and Lifting System

In July 2015, GE Hydril recommenced assembly of the SSLP. In February 2016, FAT on the SSLP commenced. Nautilus anticipates taking delivery of the SSLP in Q2 2016.

Welding of the connectors for the riser pipe commenced in January 2015. Nautilus anticipates taking delivery of the Riser and the surface seawater pumps and pull in skids in Q2 2016. Work on the derrick and riser handling systems remain ongoing with delivery anticipated in Q4 2016. Delivery of the riser transfer hoses is due to occur in Q4 2017.

Production Support Vessel

Significant progress was made during the year on the PSV which will serve as the operational base to support the operations to extract and to transport high grade copper and gold material from the Project site in the Bismarck Sea of PNG. The key vessel contracts that were awarded during 2015 can be seen in Table 1 below.

The shipyard continues to progress 3D modelling and preparation of production drawings, steel cutting and block fabrication with keel laying scheduled for mid 2016.

In September 2015, the Company moved into the physical construction phase of the vessel with the first steel being cut. A steel cutting ceremony took place at the shipyard of Fujian Mawei Shipbuilding Ltd. to mark this significant occasion.

As of March 21, 2016, ~13,500 tonnes (66%) of the total steel had been cut, with 117 blocks assembled and an additional 28 blocks in the fabrication stage.

The Company continues to work with Fujian Mawei Shipyard, MAC* and others on its project and is pleased to have established such a good relationship, which will continue over the coming years.

* Marine Assets Corporation, a marine solutions company based in Dubai which specialises in the delivery of new build support vessels for the offshore industry, will own and provide the marine management of the PSV. The PSV will be chartered to Nautilus for a minimum period of five years at a rate of US$199,910 per day, with options to either extend the charter or purchase the PSV at the end of the five year period. MAC entered into a contract with Fujian Mawei Shipbuilding Ltd., based in Fujian province in south-eastern China, to design and construct the PSV in accordance with Nautilus' specifications.

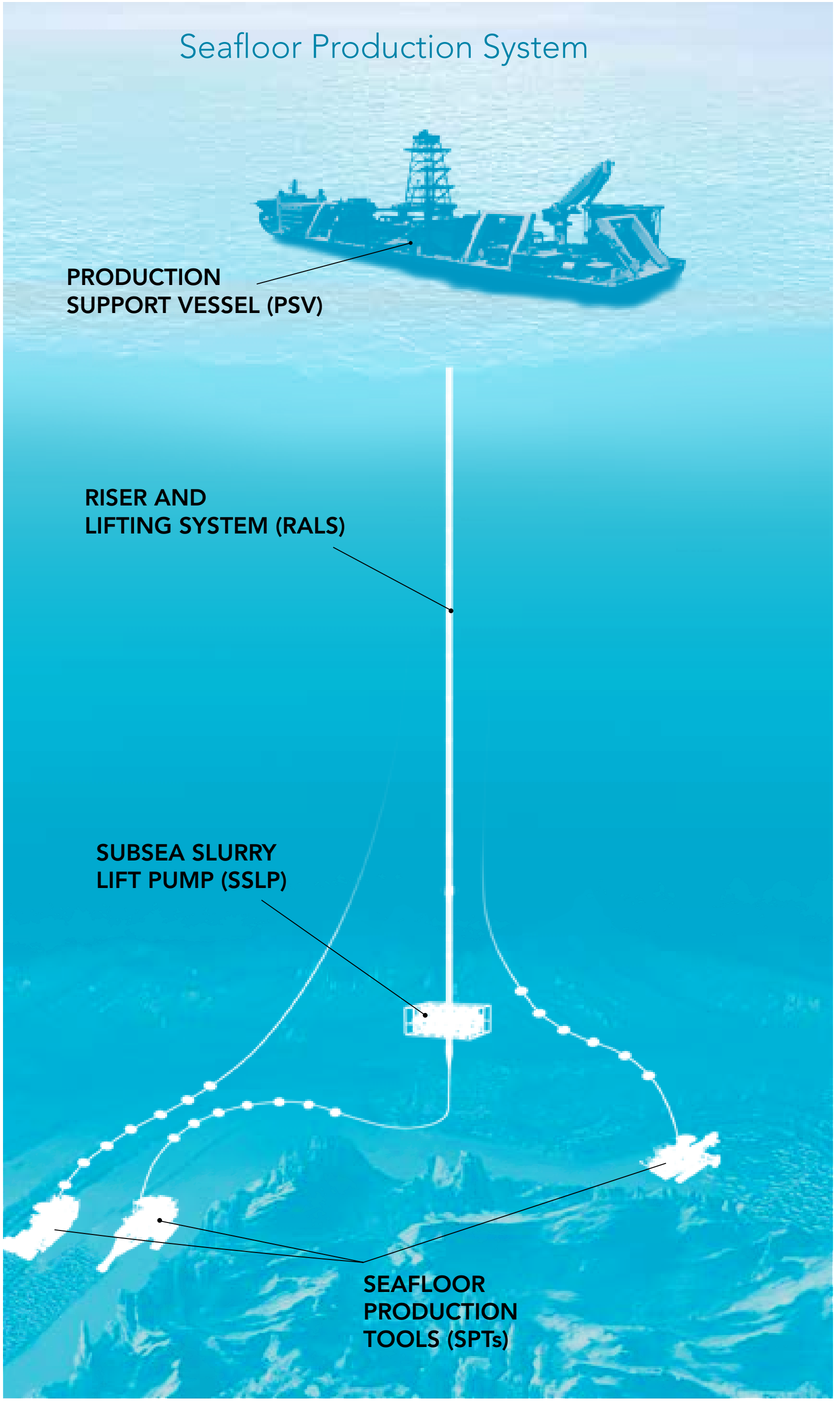
Table 1: Key Vessel Contracts Awarded

Package	To Whom	Comments
Integrated vessel control system	Kongsberg Maritime	Comprises dynamic positioning, marine automation, information management and navigation systems
Electrics	Siemens	Supply of the entire electrical installation for the PSV
Engines & thrusters packages	Rolls Royce Marine	The order secures the main engines, azimuth and tunnel thrusters
Cargo handling equipment	Bedeschi SPA	Will be used to load and recover the dewatered material into/from the storage holds
Cranes	MacGregor	Two knuckle boom units

The SSLP is a key piece of equipment in Nautilus' plan to produce copper, gold and other metals from the deep ocean, with a small environmental footprint, as it enables the transfer of the mineralised material as a slurry from the seafloor to the PSV with no interaction with the overlying water column.

SSLP undergoing FAT

SSLP undergoing FAT



HOW IT WILL WORK

Rock is disaggregated on the seafloor by two large robotic machines that excavate material by a continuous cutting process, not unlike coal or other bulk continuous mining machines on land. The AC is a preparatory machine that deals with rough terrain and creates benches for the other machines to work. It will operate on tracks and has a boom mounted cutting head for flexibility.

The second machine, the BC, has higher cutting capacity but will be limited to working on flatter areas and benches created by the AC. Both machines leave cut material in temporary positions on the seafloor for collection by the CM. The CM, also a large robotic vehicle, will collect the cut material (sand, gravel, silt) by drawing it in as seawater slurry with internal pumps and pushing it through a flexible pipe to the RALS.

The RALS comprises a large pump and rigid riser pipe supported from the vessel which delivers the slurry to the surface.

On deck of the PSV, the slurry is dewatered. The dewatered solid material is stored in the PSV's hull, and then discharged to a transportation vessel that will be moored alongside. Filtered seawater is pumped back to the seafloor through the riser pipes and provides hydraulic power to operate the RALS pump. Discharge of the return water at the seafloor from where it came eliminates mixing of the water column, and minimises the environmental impact of the operation.

When completed, the PSV will measure 227 metres in length and 40 metres in width with accommodation for up to 199 people and generate approximately 31MW of power. All of the below deck mining equipment will be installed in the PSV during the build process to minimise the equipment integration to be completed following delivery of the PSV. The PSV is expected to be delivered by the end of 2017.

THIS PAST YEAR HAS SEEN THE FORMATION OF AN OPERATIONS TEAM FOR THE SOLWARA 1 PROJECT, UNDER THE MANAGEMENT OF ADAM WRIGHT, VICE PRESIDENT PNG OPERATIONS.

Operations Overview

Exploration vessel at sunset
(inset Adam Wright)

This past year has seen the formation of an Operations team for the Solwara 1 Project, under the management of Adam Wright, Vice President PNG Operations. This small core group of key operations personnel will be responsible for delivery of safety, environmental, production and cost outcomes for the production phase of the Solwara 1 Project. The Operations group is currently developing an operational readiness plan which outlines the work that needs to be done between now and commissioning to ensure the Solwara 1 Project ramps up to full production on schedule, assuming operations commence in 2018 as planned.

The "core" Operations team has an impressive mix of leadership in both offshore and onshore environments as well as experience defining and then bringing new concepts, technologies, and projects on line. The experience of the group includes offshore diamond mining operations, onshore mining managerial experience in New Ireland, mining and robotics, environment and community management, impact assessments, and compliance management, government and stakeholder engagement, management supply and logistics for mining operations, rock mechanics, mine planning and project optimisation, operational readiness, commissioning and ramp up of operations and occupational health and safety.

2015 Operations

During 2015, the Operations team made good progress on the development of a Safety Case, which is a best practice risk based approach to safety management, commonly used in offshore industries. In parallel with this, the group continued working on detailed Environmental Monitoring and Management plans which will ensure that the Solwara 1 Project meets all commitments and permit requirements.

Good progress was also made on establishing an effective maintenance capability for the equipment that has been manufactured for the Solwara 1 Project. This work includes establishing spares requirements, developing a maintenance philosophy and detailed preventative maintenance plans. The supply and logistics function was also an area of focus, where a supply chain study will identify key infrastructure and systems required to get spares and consumables to the PSV. In terms of human resources, manpower and training requirements have been identified in preparation for recruitment of personnel as Nautilus heads towards initial seafloor operations.

Agreement with Tongling Nonferrous Metals Group Co. Ltd

In December 2015, Nautilus signed a new agreement with Tongling Nonferrous Metals Group Co. Ltd for the sale of the product that is to be extracted from the Company's Solwara 1 deposit located in the Bismarck Sea of PNG. The new agreement referred to as the MOSPA, replaces the HOA which was signed in April 2012. The MOSPA has clear benefits and greater flexibility for both parties. 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 optimises 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 mineralised material.

Tongling, which is the largest importer of copper concentrates into China will be using the best available double flash smelting technology on the Solwara 1 product. A clear advantage of the Solwara 1 Project is that all components of the mineralised material will be used with no tailings.

Adam Wright (pictured left)

With over 30 years experience in the copper and gold mining industries, having worked on projects in Europe, North America, Latin America, South East Asia, Australasia and Africa, Adam is the perfect candidate to take the Solwara 1 Project into the operating phase. He has previously been responsible for the exploration, project development, construction and operational phases of mine development, with significant exposure to project start ups in developing countries, including PNG.

This year he has been instrumental in maintaining the Company's "social licence" through the development and then leadership of a strong CSR team. Adam's management style is characterised by trust and "hands on" interaction with all key stakeholders. He also established our core operations team and led negotiations for and execution of the new Tongling Ore Sales agreement which was signed in December 2015.

NAUTILUS' EXPLORATION WORK IS FOCUSED ON COPPER AND GOLD RICH DEPOSITS IN THE SOUTH PACIFIC OCEAN AND POLYMETALLIC NODULES IN THE CENTRAL PACIFIC OCEAN.

Exploration Overview

Nautilus Geoscientists deploying water chemistry sensor
(inset Nautilus Geologist)

Nautilus is the first company to commercially explore the seafloor for massive sulphide systems, a potential source of high grade copper, gold, zinc and silver. The Company's SMS exploration work is focused on copper and gold rich discoveries in the Southwest Pacific where Nautilus holds a package of prospective exploration tenements (granted and under application).

To date, the Company has conducted SMS exploration work over its tenements in PNG, Tonga and the Solomon Islands to understand the potential resource and build a pipeline of projects.

Nautilus' copper-gold project, Solwara 1, is under development in the territorial waters of PNG. The Company has been granted the Environment Permit and Mining Lease required for resource development at this site. Nautilus' current resource estimate for Solwara 1 and the maiden inferred resource for the Solwara 12 deposit (located 25km north-west of Solwara 1) can be seen in Table 2 below. For further details refer to the NI 43-101 Technical Report dated March 23, 2012 entitled "Mineral Resource Estimate, Solwara Project, Bismarck Sea, PNG" prepared by Golder Associates Pty Ltd, which can be downloaded from the Canadian Securities Administrators database SEDAR (www.sedar.com).

Nautilus SMS Development 2015

Among its many advantages, the mobile infrastructure used for seafloor mining allows the aggregation of resources from multiple mineralised systems without the need for significant additional capital. The primary objective of Nautilus' exploration program is to discover further mineralised systems to support this business model.

In 2015, Nautilus conducted an exploration program on its 100% owned Solomon Islands licenses with the aim of identifying SMS targets for follow up seafloor target testing. The vessel applied high resolution multibeam echo sounding and plume hunting techniques, which Nautilus has been refining for SMS exploration since 2006. In total, 31,120km^2 of high resolution bathymetry and backscatter data were acquired with the multibeam echo sonar system, and 27 water chemistry towed profiles were conducted over a total of 580 line km. From these data, 68 targets were generated for future follow up, comprised of two hydrothermal plume detections and 66 interpreted from multibeam data.

In late August 2015, with the current economic downturn in the offshore oil and gas sector, Nautilus saw the opportunity to purchase a second-hand seafloor drill rig and plans to modify it for SMS drilling. The planned modifications provide the Company with the capacity to undertake drilling work on prospects, initially in PNG and Tonga, cost effectively, and with significantly greater operational flexibility control. This will assist the Company to test and develop its pipeline of projects.

Above: Exploration vessel, MV Duke used during the 2015 exploration program to the Solomon Islands

Table 2
Nautilus' Resource Estimate 2011.

Solwara 1	Class	Tonnes (kt)	Cu (%)	Au (g/t)	Ag (g/t)	Zn (%)	Contained Cu (t)	Contained Au (koz)
2011	Indicated	1,030	7.2	5.0	23	0.4	74,160	165.6
@2.6% Cu Eq cut off	Inferred	1,540	8.1	6.4	34	0.9	124,740	316.9
Solwara 12	**Class**	**Tonnes (kt)**	**Cu (%)**	**Au (g/t)**	**Ag (g/t)**	**Zn (%)**	**Contained Cu (t)**	**Contained Au (koz)**
2011								
@2.6% Cu Eq cut off	Inferred	230	7.3	3.6	56	3.6	16,790	26.6

Resource Estimate prepared by Ian Lipton, BSc (Hons), FAus IMM, Principal Geologist, a qualified person as defined by National Instrument 43-101. Effective Date: March 23, 2012.

Polymetallic Nodule Project

In addition to SMS deposits, Nautilus is also involved in the exploration for polymetallic nodules. In 2011, Nautilus (through its 100% owned subsidiary TOML), became the first publicly listed company to be awarded an exploration contract by the ISA. The Company was granted 75,000 km^2 in the highly prospective CCZ in international waters of the Central Pacific.

In 2013 the Company published an independent maiden mineral resource estimate for its TOML property in the CCZ, highlighting the significant potential of this area as a resource of nickel, copper, cobalt and manganese (see Table 3 below).

For further details please refer to the Technical Report dated March 20, 2013 entitled, "Updated NI 43-101 Technical Report, Clarion-Clipperton Zone Project, Pacific Ocean", prepared by Golder Associates Pty Ltd. This can be downloaded from the Canadian Securities Administrators database SEDAR (www.sedar.com).

Nautilus Nodule Development 2015

In 2015, Nautilus conducted a 96 day offshore exploration program in the CCZ with the intention of upgrading its current mineral resource estimate and collecting baseline engineering and environmental data to support ongoing studies. The results from this program will be reported by H2 2016.

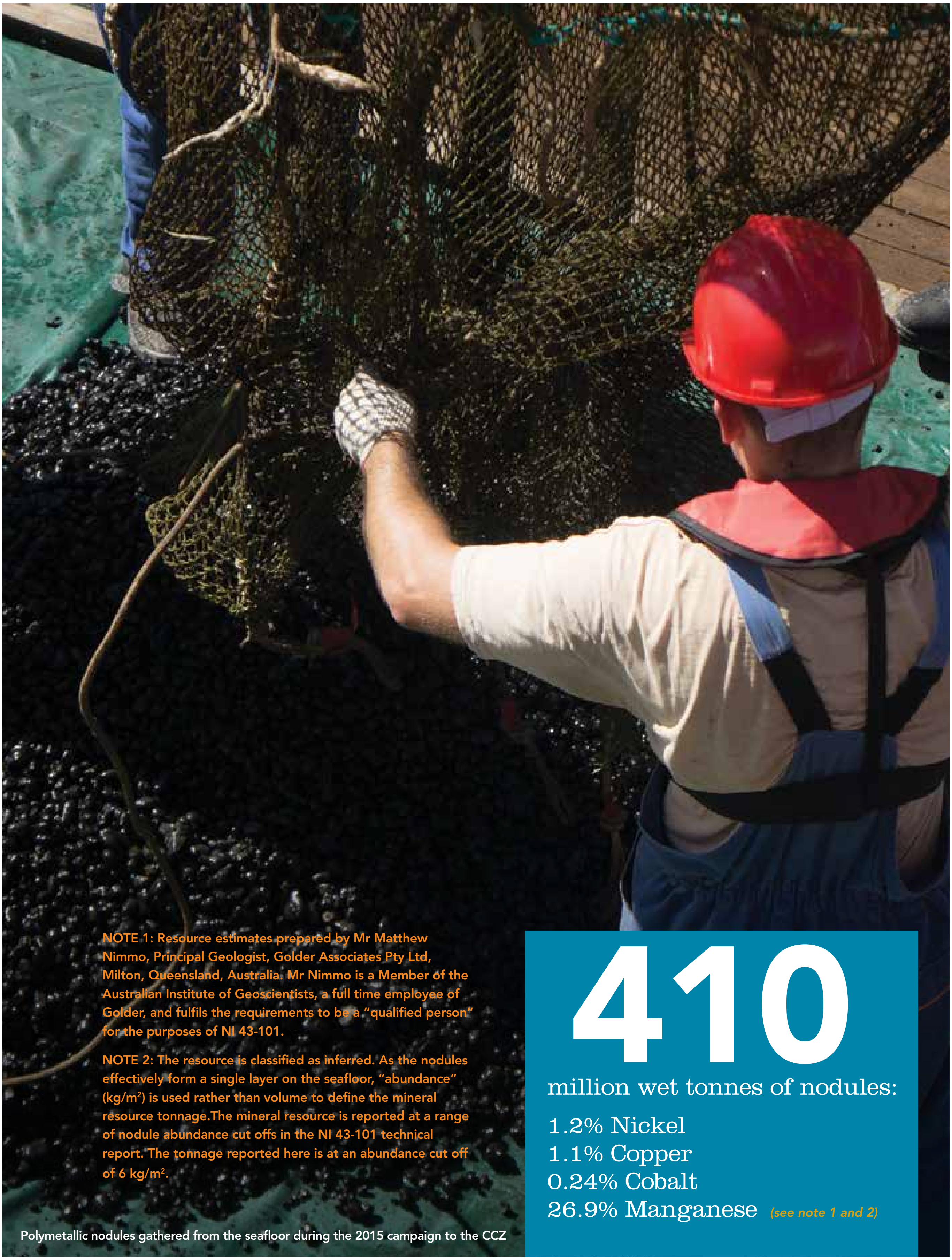
As part of its ISA commitments, five trainees from developing nations and a government observer from Tonga participated in the program which provided an excellent opportunity for these aspiring young professionals from Tonga, Madagascar and Brazil to acquire rare first-hand experience of geological and biological deep-sea exploration.

Table 3: Inferred Mineral Resource Estimate for the TOML Exploration Areas A-D within the CCZ at a series of Nodule Abundance cut-offs (effective date June 22, 2012).

Abundance Cut-off (wet kg/m^2)	Abundance (wet kg/m^2)	Ni (%)	Co (%)	Cu (%)	Mn (%)	Polymetallic Nodules (x10^6 wet tonne)
4	8.9	1.2	0.24	1.1	26.9	440
5	9.1	1.2	0.24	1.1	26.9	420
6	9.4	1.2	0.24	1.1	26.9	410
7	9.8	1.2	0.24	1.1	26.8	370
8	10.4	1.2	0.24	1.0	26.7	310

See notes 1 & 2 on Page 17.

Trainees from developing nations, 2015 polymetallic nodule campaign to the CCZ



NOTE 1: Resource estimates prepared by Mr Matthew Nimmo, Principal Geologist, Golder Associates Pty Ltd, Milton, Queensland, Australia. Mr Nimmo is a Member of the Australian Institute of Geoscientists, a full time employee of Golder, and fulfils the requirements to be a "qualified person" for the purposes of NI 43-101.

NOTE 2: The resource is classified as inferred. As the nodules effectively form a single layer on the seafloor, "abundance" (kg/m^2) is used rather than volume to define the mineral resource tonnage.The mineral resource is reported at a range of nodule abundance cut offs in the NI 43-101 technical report. The tonnage reported here is at an abundance cut off of 6 kg/m^2.

410

million wet tonnes of nodules:

1.2% Nickel
1.1% Copper
0.24% Cobalt
26.9% Manganese *(see note 1 and 2)*

Polymetallic nodules gathered from the seafloor during the 2015 campaign to the CCZ

NAUTILUS IS COMMITTED TO CONTRIBUTING POSITIVELY TOWARDS THE SUSTAINABLE FUTURE OF THE COMMUNITIES IN WHICH WE WORK AND TO BE RECOGNISED AS A VALUED PARTNER.

Corporate Social Responsibility Overview

PNG community member taking part in the Nautilus baseline education study
(insert Local children from New Ireland)

Nautilus is committed to being Community Accountable, Responsible Environmentally and Safe. The Company strives to operate in a manner that ensures it contributes positively to the communities in which it operates, maintain environmental care and ensure zero harm to people working in or within its business.

The Nautilus CARES program was established as part of the Company's commitment to CSR and serves to highlight the Community, Environment and workplace Health and Safety initiatives associated with its activities.

Initiatives

Nautilus is committed to contributing positively towards the sustainable future of the communities in which it works and to being recognised as a valued partner. As such, Nautilus continues to support and develop a variety of community based initiatives in PNG and Tonga.

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, in an area known as the CAB.

Some highlights of the 2015 CARES program include:

Health

Establishing a Health Baseline in PNG

In the second quarter of 2015, Nautilus completed a Health Baseline Study (the Study) in the CAB. The aim of the Study, which was completed in partnership with the NIPG, was to identify opportunities to improve community health outcomes. Specialist international health consulting company, Abt JTA, was engaged to lead the Study with support from NIPG health professionals.

Following the study, Nautilus and NIPG co-hosted a workshop, which was attended by representatives from all levels of government, healthcare workers, faith based organisations and aid agencies, to discuss the findings of the Study.

In early 2016, Nautilus and NIPG held their first health committee meeting to discuss establishing a Public Private Partnership which will oversee the delivery of the Company's health program in New Ireland Province. Nautilus looks forward to working with its partners to deliver a high impact health program for the communities along the west coast of New Ireland.

Water and Sanitation Program New Ireland, PNG

Following the successful 2014 water and sanitation pilot program, Nautilus has committed to furthering its implementation. During 2015, the program, which is aligned with NIPG's Water, Sanitation and Hygiene project, was implemented in 11 out of 29 elementary and primary schools identified to receive the program. Nautilus plans to complete the school program in 2016 and begin piloting a similar program in a village in 2017.

PNG company, ATprojects, a specialist in sustainable development, has been engaged to deliver the program. In addition to new water supply (water tanks) and toilet facilitates, students at each school undergo health and hygiene education sessions.

Following the training, students understand and accept the benefits of good hygiene practices and therefore take ownership of building, using and maintaining the new facilities.

At each site local youths are hired to work alongside the ATprojects team to learn how to build and maintain the water supply and toilet infrastructure. The aim of this capacity building exercise is to provide youths with the skills and experience to help further the implementation of this program.

Partnership against Malaria, PNG

In December 2015, Nautilus signed a LOI along with NIPG, Shared Sky and other industry organisations. Under the LOI, partners will work together to formally establish the New Ireland Malaria Alliance. The Alliance has the ultimate objective of establishing New Ireland as the first province in PNG to achieve malaria pre-elimination and then elimination.

The Company looks forward to working with the Alliance to make New Ireland malaria free.

Health Initiatives in Tonga

Nautilus is collaborating with the Ministry of Health in Tonga to deliver critical supplies and equipment to local community health departments to enhance emergency, dental and ambulatory services and will continue to do so in 2016.

Education

Promoting science in New Ireland schools

Since 2009, Nautilus has sponsored School Science Awards in New Ireland Province. These prizes are awarded to the highest performing science students at secondary and high schools to encourage students to continue with their studies.

In addition to sponsoring school awards, Nautilus donated new resource materials for school libraries. During 2015, Nautilus purchased 15,000 Kina worth of books from the National Library to donate to schools in New Ireland. The Company's donation was part of a scheme run by the Library which saw them donate an additional 10,000 Kina worth of books. These books have been delivered to five primary schools and one high school.

EcoCARES

In partnership with EcoCARES Pacific Trust, Nautilus continues to support the study of science in Tongan schools by sponsoring the annual National High School Science Competition. A key aim of the event is to promote and encourage further education. Nautilus has proudly sponsored this event since 2009 and will continue its support in 2016.

Tonga Maritime Polytechnical Institute

Nautilus continues to support education in Tonga. In November 2015, Nautilus awarded five scholarship reimbursements to TMPI students (three funded by Nautilus and two by TOML). The Nautilus scholarship reimbursement scheme pays course fees to the top performing students at TMPI.

Building Capacity

Nautilus is committed to local recruitment and training and is currently engaged in a program to build skills and capacity in PNG and Tonga. Nautilus has employed and provided vocational training for geologists, geophysicists and environmental scientists in this marine focused industry.

Nautilus intends to apply this commitment to all countries in which it operates by employing suitably qualified host country nationals and developing training and localisation programs to ensure their future training and professional development.

Above left: PNG CSR Manager at one of the 2015 water and sanitation program opening ceremonies.
Right: Fire fighting facility in Tonga which was partly funded by Nautilus.

Infrastructure

PNG - Improving access to critical services

Nautilus is committed to improving infrastructure, in particular bridges, along the west coast of New Ireland. This year the Company completed site investigations, geotechnical work and drilling at six wet crossings identified in consultation with NIPG and the NDoWs. In addition to the site work, contractor Cardno completed a Conceptual Design Report which outlines a range of design options and costs.

In 2016, Nautilus plans to complete detailed designs and commence construction on the first bridge. The Company is working with the NDoWs and the NIPG to best identify where the bridges will be most beneficial. The bridges will provide communities with all weather access to critical services, including health and education. Improved access will also encourage business development as farmers will be able to transport their produce to market.

Tonga - Fire Fighting Simulator

In 2015, the TMPI completed construction of a new fire fighting simulator which was partly funded by Nautilus. Its construction is an important initiative as it allows TMPI to provide training at international standards. In the long term the initiative will increase the pool of Tongan marine crew with international certification for hire by the Tongan offshore mining industry.

Community Engagement

Nautilus conducts regular engagements with Papua New Guinean and Tongan stakeholders. The aim of the Company's engagement program is to keep communities updated on current and future programs and most importantly for Nautilus employees to listen and respond to the questions and concerns of the community.

PNG

Communities along the west coast of New Ireland Province have been and will continue to be the focus of the Company's community engagement program. During 2015, Nautilus held three community engagement programs in New Ireland and one in East New Britain.

Being an open and transparent company, Nautilus invites representatives from the Mineral Resource Authority, Conservation Environment Protection Authority and Provincial Government to attend these meetings.

Nautilus also held quarterly meetings with the Provincial Administrations in New Ireland and East New Britain Provinces as well as monthly meetings with Local Level Government Officials and Ward Members from the CAB. Nautilus' community engagement program will continue throughout the remaining development and operational phases of the Solwara 1 Project.

Understanding community needs

Demonstrating the Company's commitment to being recognised as a valued community partner, in 2015 Nautilus completed a Community Needs Assessment in the villages located nearest to the Solwara 1 Project (in the CAB).

This Assessment is not a requirement but was initiated by Nautilus to gain a better understanding of the current standard of living in the communities and to identify the community's priorities for development. The team surveyed over 1,500 households which identified a total population of 8,146 in the CAB.

Nautilus hired 17 community members from the CAB to assist the team complete the survey. The data collected has helped Nautilus, NIPG and Local Governments to finalise the Company's CSR Strategic Plan and will form a baseline to track progress. All data has been provided to the relevant government agencies.

~1500

households surveyed which identified a total population of 8,146 in the CAB.

Community member (hired by Nautilus Minerals to conduct Community Needs Assessment) filling in information as part of the survey

NAUTILUS IS COMMITTED TO TAKING THE LEAD IN DEVELOPING A SUSTAINABLE APPROACH TO THE DEVELOPMENT OF THIS NEW INDUSTRY.

Environment

Nautilus believes that development of the seafloor mining industry is part of the solution to meet the world's increasing demand for metal resources in an environmentally and socially responsible manner. The Company is committed to taking the lead in developing a sustainable approach to the development of this new industry.

In 2015, Nautilus continued its focus on the environmental aspects of all its activities, with three major bodies of work:

- the continuation of environmental baseline studies in the Bismarck Sea, Papua New Guinea to support the Solwara 1 Project and other exploration targets and to inform the development of the Solwara 1 Project Environmental Management and Monitoring Plan;
- the commencement of environmental studies in the CCZ; and
- the commissioning of an independent Natural Capital Accounting assessment of the Solwara 1 Project.

Insert: Nautilus Environmental Scientist taking water samples for hydrothermal plume analysis

Environmental work completed during 2015

Nautilus continued to study the Solwara 1 Project area in 2015 in order to further build the understanding of the baseline environment at the site and to inform the management and monitoring commitments that will comprise its Environmental Management and Monitoring Plan. Offshore Environmental Programs totalling four weeks of study time were carried out at Solwara 1 and regionally, comprising a number of detailed studies (see Table 4 below for details).

Nautilus continues to work with the PNG regulators and other government stakeholders including the National Fisheries Authority and the National Maritime Safety Authority in relation to the studies and commitments for its Environmental Management and Monitoring Plan.

Environmental Studies – Clarion Clipperton Zone

TOML, a subsidiary of Nautilus, conducted a 90 day program to the CCZ in 2015, with the intention of upgrading its current mineral resource estimate and collecting baseline engineering and environmental data. The environmental data gathered is currently being reviewed and studied.

TOML will continue to work with the ISA in relation to the provision of data obtained during these types of programs, and the analysis of the large quantity of biological samples collected during this program.

Natural Capital Accounting Report

The commissioning of the independent Natural Capital Report by Earth Economics is part of the Company's ongoing process to work with multi-stakeholders and third-party experts to review, estimate and evaluate project impacts. To promote and encourage transparency, scientists and research groups that collaborate with Nautilus are free to publish the results of their studies, regardless of the nature of the findings.

In 2015, this independent Environmental and Social Benchmarking Analysis (the Report), written by Earth Economics, was published. The Report was conducted utilising an internationally recognised natural capital accounting approach. The Report also utilises Earth Economics' comprehensive database of natural capital valuation studies as well as publicly available data such as the Global Reporting Initiative, Environmental Impact Assessments, and Annual Report documentation.*

*This 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.

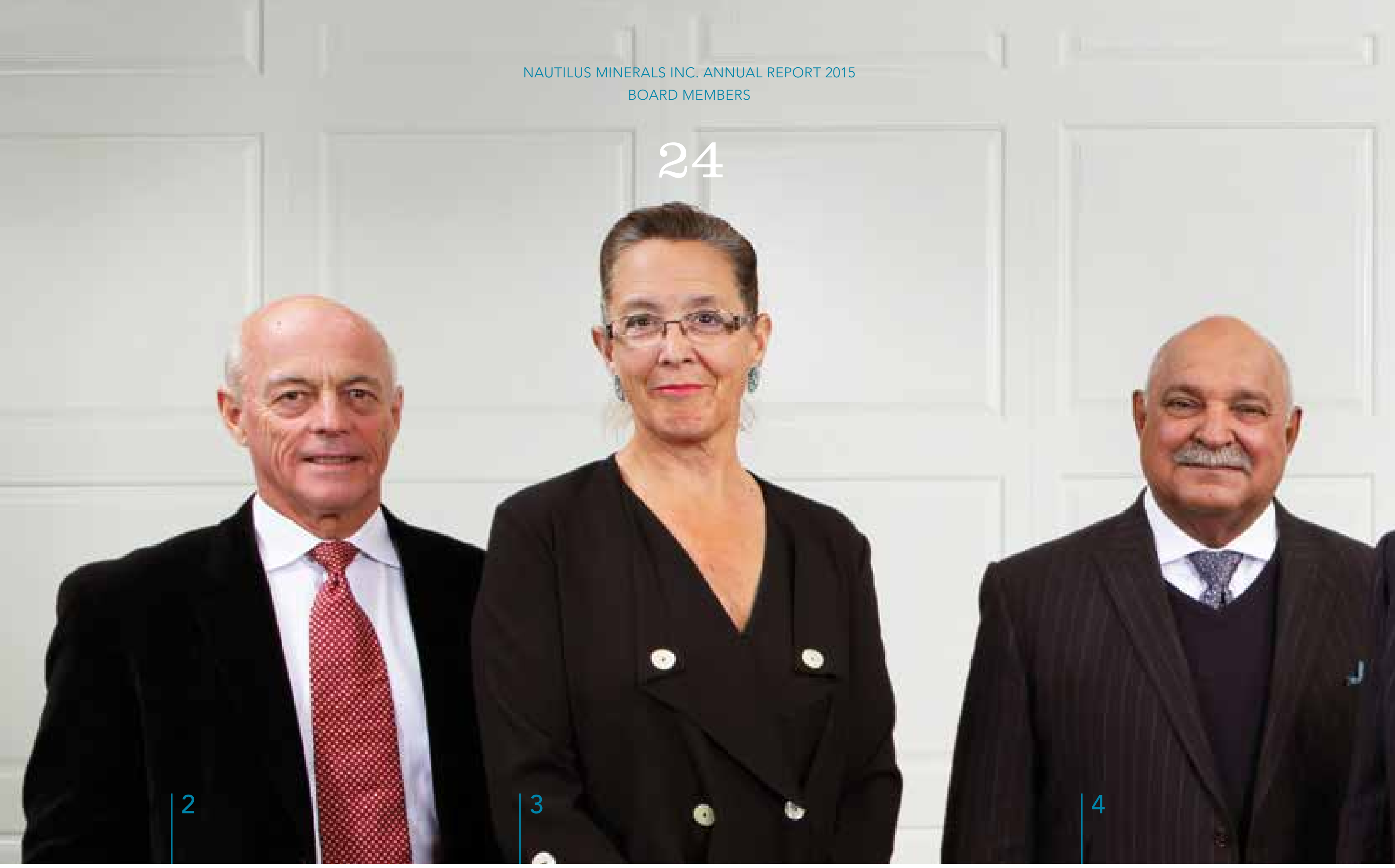
The Report found that the Solwara 1 Project will likely exhibit significantly reduced social and environmental impacts compared to terrestrial copper mines. An interesting aspect of the Solwara 1 Project, and something that sets it apart from traditional mining projects, is that no people will be displaced there will be no impact on food production, surface or groundwater fresh water supplies.

As the first company in the world to commercially explore the seafloor for metals mining, Nautilus is committed to setting a high bar for the industry; and believes that natural capital accounting is a legitimate and useful tool for both industry and governments to assess mining projects. Nautilus also believes that the natural accounting process should be considered as part of the Environmental Impact Statement process in the future, in order to truly understand the impacts of proposed mining projects around the world.

Earth Economics is an independent, non-partisan and non-profit organisation dedicated to conservation research and economic solutions, and they have a very experienced team made up of economists and ecologists. They are also world experts in natural capital accounting and house the most comprehensive database of natural capital valuation studies in the world. In addition, they have a long standing reputation for delivering independent appraisals of industry projects, including terrestrial mining projects, and were perfectly positioned to design the parameters and commission the research.

Table 4: 2015 Environmental Studies PNG

Work	Reason
Additional water sampling	to understand natural variation
Survey of coral reef areas	to ensure we can show we are not impacting reefs
Measuring the noise from volcano	to understand background noise
Sampling soft sediment fauna	to understand changes across the mine site
Survey of fish tissue metal content	to ensure we can show we are not impacting fish
Sampling of plankton	to understand movement or dispersion
Additional sedimentation rate monitoring	to understand the variation in natural sedimentation rates over time



❶ GEOFF LOUDON
(CHAIRMAN AND NON-EXECUTIVE DIRECTOR)

Mr. Geoff Loudon is a New Zealand based resource professional with qualifications in geology and engineering. His extensive international experience covers resource exploration, development and production as well as investment banking. Mr. Loudon has worked worldwide including Australasia, Asia, the Americas and Europe.

Mr. Loudon is Executive Chairman of the private New Zealand based L&M Group of minerals and energy companies. He is a director of the Papua New Guinea based PNG City Mission.

Mr. Loudon was founder and Chairman of Niugini Mining Limited, discoverer of the Lihir gold deposit in PNG which was developed by Rio Tinto in 1995. Mr. Loudon was a founding director of Lihir Gold Limited from inception in 1995 until it was taken over in 2010.

Professional affiliations include Fellow of the Society of Economic Geologists, Fellow of the Australasian Institute of Mining and Metallurgy, Member of the Canadian Institute of Mining and Member of the American Institute of Mining and Exploration.

❷ RUSSELL DEBNEY
(NON-EXECUTIVE DIRECTOR)

Mr. Russell Debney was Chairman of the Board of Directors of Nautilus Minerals Niugini Limited and Nautilus Minerals Oceania Limited prior to the acquisition of those companies by Nautilus. He has been actively involved in Nautilus' development strategy, almost since inception. He is based in Sydney, Australia and is a commercial and corporate lawyer as well as a director of a number of companies in the mining and resources industry.

Mr. Debney has extensive experience in the management, financing and structuring of technology and resource projects, particularly in the offshore environment. He was a Director and Senior Vice President of the Global Engineering Group, a world leading offshore oil and gas engineering company for almost 15 years and until 2015 was CEO of ASX-listed Direct Nickel Limited.

❸ CYNTHIA THOMAS
(NON-EXECUTIVE DIRECTOR)

Ms. Thomas joined the Board of Directors in June 2010. She has over 30 years of banking and mine finance experience, and currently acts as Principal of Conseil Advisory Services Inc. ("Conseil"), an independent financial advisory firm specialising in the natural resource industry which she founded in 2000. Prior to founding Conseil, Ms. Thomas worked with Bank of Montreal, Scotiabank and ScotiaMcLeod in the corporate and investment banking divisions. Ms. Thomas holds a Bachelor of Commerce degree from the University of Toronto and a Masters in Business Administration from the University of Western Ontario. Ms. Thomas was formerly a Director of PolyMet Mining Corp. and Ferrinov Inc., a private corporation and is currently a Director and Chair of Victory Nickel Inc. and a Director of KWG Resources Inc.

4 DR. MOHAMMED AL BARWANI
(NON-EXECUTIVE DIRECTOR)

Dr. Mohammed Al Barwani joined the Board in September 2012. Dr. Barwani is founder and Chairman of MB Holding group of companies (www.mbholdingco.com). He has a Bachelor's Degree in Science from Miami University, USA and was awarded a Master's Degree and PhD (Honorary) in Petroleum Engineering from Herriot- Watt University, UK.

MB Holding is the parent company of a number of companies with wide ranging interests in oil and gas, mining, marine and engineering services. MB Holding also has investments in financial services and in hospitality development. MB Group has operations in more than 20 countries, and employs more than 6,000 employees.

Dr. Barwani is a non-executive Director of a number of publicly traded and joint stock companies: Oman Air, Al Madina Insurance co. SAOG, Al Madina Investments SAOG (Muscat Stock Market), and UCL Resources. Dr. Barwani was formerly a non-executive director of National Bank of Oman, Shell Oman Marketing Company, Transgulf Holding and Taageer Leasing Company, Oman.

He is the Honorary Consul of the Republic of Poland to the Sultanate of Oman. He is also a member of the Sea-keepers International, a group dedicated to the protection of the Ocean's eco-systems and its environment.

Dr. Barwani was awarded a life Time Achievement by the Al-Iktissad Wal-Aamal (2008), selected by Ernst & Young as a Global Entrepreneur representing Oman in 2012. He was conferred "COMMANDEUR" IN DE ORDE VAN ORANGE-NASSAU by Her Majesty the Queen of The Netherlands in January, 2012. He was awarded the Order of Merit of the Republic of Poland in March 2014.

5 TARIQ AL BARWANI
(NON-EXECUTIVE DIRECTOR)

Mr. Tariq Al Barwani is a director and shareholder of MB Holding Company LLC, Chief Executive Officer of Mawarid Mining LLC ("Mawarid") and the Managing Director of MB Petroleum Services ("MBPS") both of which are wholly-owned subsidiaries of MB Holding Company.

Mawarid was established to explore and develop mining opportunities in the Sultanate of Oman and has more recently made substantial investments in international exploration and development projects in Saudi Arabia, Tanzania, Rwanda, Kazakhstan, Iran and Namibia. MBPS has become one of the largest oilfield services companies in the Middle East. The MB Petroleum group has a presence in more than 15 countries, with offices in Europe, the Middle East, North Africa, South East Asia and Asia Pacific.

Mr. Barwani has a Bachelor of Science in Geology from Imperial College, UK and a Masters in Business Administration specialising in strategy and leadership from McGill University in Canada.

6 MARK HORN
(NON-EXECUTIVE DIRECTOR)

Mr. Mark Horn has worked as an international fund manager, financial analyst and corporate financier, and has extensive international experience in the natural resources and high technology sectors. He started his career at the Co-operative Insurance Society, and then moved to Globe Investment Trust, before joining Rockefeller and Co. He subsequently worked for Kleinwort Benson Investment Management, before becoming Head of Research at Canaccord Capital (Europe). Thereafter he established his own FCA authorised corporate finance advisory firm.

Mr. Horn holds an ALM, (Harvard University, USA); BA, BA(Hons) (First Class), MA, (Rhodes University, South Africa); BSc, BSc(Hons) (Geosciences), B.Eng(Hons), (Open University, UK); LLB(Hons), LLM, MBA(Banking) (London University, UK); Dip.B.Admin (Manchester Business School, UK). Mr. Horn has been called to the Bar of England and Wales as a Barrister of the Honourable Society of Lincoln's Inn.

Acronyms and Abbreviations

AC	Auxiliary Cutter
BC	Bulk Cutter
CAB	Coastal Area of Benefit
CARES	Community Accountable, Responsible Environmentally, Safe
CCZ	Clarion Clipperton Zone
CM	Collecting Machine
CSR	Corporate Social Responsibility
FAT	Factory Acceptance Testing
HOA	Heads of Agreement
ISA	International Seabed Authority
LARS	Launch and Recovery System
LOI	Letter of Intent
MAC	Marine Assets Corporation t/as MAC Offshore
MOSPA	Master Ore Sales and Processing Agreement
Nautilus Minerals	The Company or Nautilus
NDoWs	National Department of Works
NIPG	New Ireland Provincial Government
PNG	Papua New Guinea
PSV	Production Support Vessel
RALS	Riser and Lifting System
SMD	Soil Machine Dynamics
SMS	Seafloor Massive Sulphide
SPE	Seafloor Production Equipment
SPT	Seafloor Production Tool
SSLP	Subsea Slurry Lift Pump
TMPI	Tonga Maritime Polytechnical Institute
TOML	Tonga Offshore Mining Limited
Tongling	Tongling Nonferrous Metals Group Co. Ltd.

SPTs at SMD's facility in Newcastle-upon-Tyne

Financial Contents

Management's Responsibility for Financial Reporting

The preparation and presentation of the accompanying consolidated financial statements, Management Discussion and Analysis ("MD&A") and all financial information in the Annual Report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Financial statements, by nature, are not precise since they include certain amounts based upon estimates and judgements. When alternative methods exist, management has chosen those it deems to be the most appropriate in the circumstances.

Management, under the supervision of and the participation of the President and Chief Financial Officer, have a process in place to evaluate disclosure controls and procedures and internal control over financial reporting as required by Canadian securities regulations. We, as President and Chief Financial Officer, will certify our annual filings with the CSA as required in Canada by National Instrument 52-109.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee which is independent from management.

The Audit Committee is appointed by the Board of Directors and reviews the consolidated financial statements and MD&A; considers the report of the external auditors; examines the fees and expense for audit services; and recommends to the Board the independent auditors for appointment by the shareholders. The independent auditors have full and free access to the Audit Committee and meet with the Audit Committee to discuss their audit work, the Company's internal control over financial reporting and financial reporting matters. The Audit Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders.

Signed: **Michael Johnston**
President and Chief Executive Officer

Signed: **Shontel Norgate**
Chief Financial Officer

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.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(US dollars)

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 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).

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(US dollars)

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.

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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.

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(US dollars)

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).

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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.

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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.

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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 Year ended December 31,		SMS Exploration Year ended December 31,		Total Exploration Year 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 leasehold improvements being fully amortised at the end of Q2 2015.

	Year ended December 31, 2015	Year 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 & Administration expenditure	**11,648,349**	**11,351,167**

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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.

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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.

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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.

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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.

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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.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(US dollars)

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**.

Independent Auditor's Report

March 17, 2016

To the Shareholders of Nautilus Minerals Inc.

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

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 700,
Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806 W: www.pwc.com/ca
"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Consolidated Statements of Financial Position

For the years ended December 31, 2015 and 2014 (expressed in US Dollars)

	December 31, 2015 $	December 31, 2014 $
ASSETS		
Current assets		
Cash and cash equivalents (Note 5)	56,456,820	118,770,134
Prepaid expenses and advances	730,187	766,226
	57,187,007	119,536,360
Non-current assets		
Restricted cash (Note 9)	516,144	595,952
Prepaid expenses and advances (Note 12)	8,500,000	-
Property, plant and equipment (Note 11)	198,167,119	177,699,461
Exploration and evaluation assets (Note 10)	47,263,716	41,735,818
	254,446,979	220,031,231
TOTAL ASSETS	311,633,986	339,567,591
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	8,870,120	7,414,236
Project partner contribution (Note 7)	16,104,471	10,733,912
Provision for employee entitlements	859,673	743,035
	25,834,264	18,891,183
Non-current liabilities		
Accounts payable and accrued liabilities (Note 6)	4,563,233	4,570,655
Project partner contribution (Note 7)	48,522,297	60,172,942
Provision for employee entitlements	582,128	402,480
	53,667,658	65,146,077
TOTAL LIABILITIES	79,501,922	84,037,260
Equity (Note 15)		
Share Capital	514,161,841	514,149,818
Contributed Surplus	50,368,719	48,896,679
Deficit	(332,398,496)	(307,516,166)
TOTAL EQUITY	232,132,064	255,530,331
TOTAL LIABILITIES AND EQUITY	**311,633,986**	**339,567,591**

Approved by the Board of Directors

Russell Debney

Cynthia Thomas

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

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2015 and 2014 (expressed in US Dollars)

	December 31, 2015 $	December 31, 2014 $
Operating expenses		
Exploration (Note 16)	9,236,368	3,581,282
General and administration (Note 17)	11,648,349	11,351,167
Corporate social responsibility	1,621,232	974,949
Technology	410,157	313,759
Development	1,485,422	2,764,730
Foreign exchange loss	940,930	9,355
Operating loss	25,342,458	18,995,242
Security deposit expensed (Note 18)	-	10,000,000
Interest income	(195,152)	(207,049)
Rent and other income (Note 19)	(264,976)	(15,037,953)
Loss and comprehensive loss for the year	24,882,330	13,750,240
Weighted average number of shares outstanding, basic and diluted	445,449,605	442,263,742
Loss per share		
Basic and diluted	0.06	0.03

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2015 and 2014 (expressed in US Dollars)

	December 31, 2015 $	December 31, 2014 $
OPERATING ACTIVITIES		
Loss for the year	(24,882,330)	(13,750,240)
Adjustments for:		
Depreciation and amortization	807,222	1,194,460
Unrealized foreign exchange loss	1,078,050	39,425
Share-based payments	1,476,700	1,259,192
Security deposit expensed	-	10,000,000
Changes in non-cash working capital		
Prepaid expenses and advances	36,039	(207,549)
Accounts payable and accrued liabilities	(230,892)	(208,062)
Net cash used in operating activities	(21,715,211)	(1,672,774)
INVESTING ACTIVITIES		
Restricted cash	79,808	62,371
Charterers guarantee payment	(10,000,000)	-
Purchase of plant and equipment	(23,142,571)	(12,235,806)
Exploration and evaluation assets	(6,464,653)	(3,169,800)
Joint venture contribution	-	35,772,992
Security deposit expensed	-	(10,000,000)
Net cash generated from (used) in investing activities	(39,527,416)	10,429,757
FINANCING ACTIVITIES		
Prepaid joint venture contribution	-	69,418,756
Issuance of shares for cash - net of issue costs	7,363	15,857
Net cash generated from financing activities	7,363	69,434,613
Effect of exchange rate changes on cash and cash equivalents	(1,078,050)	(39,425)
(Decrease) / Increase in cash and cash equivalents	(62,313,314)	78,152,171
Cash and cash equivalents - Beginning of year	118,770,134	40,617,963
Cash and cash equivalents - End of year (Note 5)	**56,456,820**	**118,770,134**

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

Consolidated Statements of Changes in Equity

(expressed in US Dollars)

	Share capital		Contributed Surplus	Deficit	Total equity
	Number of shares	Amount			
		$	$	$	$
Balance January 1, 2014	**440,772,865**	**514,123,985**	**47,647,463**	**(293,765,926)**	**268,005,522**
Exercise of share options	80,000	15,857	-	-	15,857
Share-based payments	-	-	1,259,192	-	1,259,192
Transfer of value on exercise of share options	-	9,976	(9,976)	-	-
Issue of shares in Share Loan Plan	4,450,000	-	-	-	-
Loss for the year	-	-	-	(13,750,240)	(13,750,240)
Balance December 31, 2014	**445,302,865**	**514,149,818**	**48,896,679**	**(307,516,166)**	**255,530,331**
Exercise of loan shares	-	7,363	-	-	7,363
Share-based payments	-	-	1,476,700	-	1,476,700
Transfer of value on exercise of loan shares	-	4,660	(4,660)	-	-
Issue of shares in Share Loan Plan	400,000	-	-	-	-
Loss for the year	-	-	-	(24,882,330)	(24, 882,330)
Balance December 31, 2015	**445,702,865**	**514,161,841**	**50,368,719**	**(332,398,496)**	**232,132,064**

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (expressed in US Dollars)

1. Corporate Information

Nature of Operations

Nautilus Minerals Inc. (the "Company", "Nautilus" or "NMI") is a company whose common shares are listed on the Toronto Stock Exchange and quoted on OTCQX International and Nasdaq International Designation program.

Nautilus is engaged in the exploration and development of the ocean floor for copper and gold rich seafloor massive sulphide deposits and for manganese, nickel, copper and cobalt nodule deposits. To date the Company has not earned any revenues from operations and is considered to be in the exploration stage. The Company has one segment being mineral property exploration in Australasia. The exploration activity involves the search for deepwater copper and gold rich seafloor massive sulphides in the western Pacific Ocean and nodule deposits in the eastern Pacific Ocean. The Company's main focus is to create shareholder value by demonstrating 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 Papua New Guinea (PNG) in the Bismarck Sea. The proposed principal operations of the Company subject to permitting will be the extraction of copper, zinc, gold and silver deposits where there are economically viable discoveries.

The Company's consolidated financial statements and those of its controlled subsidiaries ("consolidated financial statements") are presented in US Dollars.

Nautilus is a company incorporated in British Columbia, Canada. The registered office, head office and principal offices of the Company are located at:

Registered Office (Vancouver, Canada)

Nautilus Minerals Inc.
Floor 10
595 Howe St
Vancouver, BC, V6C 2T5
Canada

Head Office (Vancouver, Canada)

Nautilus Minerals Inc.
Suite 1400
400 Burrard Street
Vancouver, BC, V6C 3A6
Canada

Corporate Office (Toronto, Canada)

Nautilus Minerals Inc.
Suite 1702,
141 Adelaide Street West
Toronto, Ontario M5H 3L5
Canada

Operations (Brisbane, Australia)

Nautilus Minerals Inc.
Level 3, 33 Park Road
Milton Queensland,
Australia 4064

2. State of PNG's participation in Solwara 1 Project and Liquidity Risk

State of PNG Participation in Solwara 1 Project

On April 24, 2014, the Company announced that it and the Independent State of Papua New Guinea ("State") had signed the PNG Equity Agreement, enabling the Solwara 1 Project to move forward toward production with the full support of the State.

Under the PNG Equity Agreement, the State has taken an initial 15% interest in the Solwara 1 Project, with an option to take up to a further 15% interest within 12 months of completion under the Agreement. On April 24, 2014, the date the PNG Equity Agreement was executed, the State paid Nautilus a non-refundable deposit for its initial 15% interest of $7.0 million.

On December 11, 2014, completion occurred in accordance with the PNG Equity Agreement such that the sum of $113.0 million was released from escrow to Nautilus and the unincorporated joint venture between Nautilus and the State's Nominee (Eda Kopa (Solwara) Limited) in respect of the Solwara 1 Project was formed (the "Solwara 1 JV"). The Solwara 1 JV is governed by the Joint Venture Agreement among the parties to the PNG Equity Agreement.

On June 11, 2015 the Company announced that it has agreed to extend by six months the exercise date of the options granted to the State Nominee under the PNG Equity Agreement to increase its stake by up to a further 15%. 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.

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (expressed in US Dollars)

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.

Liquidity Risk

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

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.

3. Summary of significant accounting policies

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

3.1 Basis of measurement

The consolidated financial statements of Nautilus Minerals Inc. have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost convention, as modified by any financial assets and financial liabilities measured at fair value through profit or loss.

The consolidated financial statements were authorized for issue by the Board of Directors on March 17, 2016.

3.2 Consolidation

The financial statements of the Company consolidate the accounts of Nautilus Minerals Inc. and its subsidiaries. All intercompany transactions, balances and any unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are all entities (including structured entities) over which Nautilus Minerals Inc. has control. We control an entity when we are exposed to, or have rights to, variable returns from its involvement with the entity and have the ability to affect those returns through our power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date which control is transferred to us until the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

These consolidated financial statements include the accounts of the Company which is incorporated in Canada and all of its subsidiaries. The Company's significant subsidiaries include Nautilus Minerals Niugini Limited (Papua New Guinea), Nautilus Minerals Pacific Proprietary Limited (Australia), Nautilus Minerals (Tonga) #1 Limited, Tonga Offshore Mining Limited (Tonga), Nautilus Minerals Singapore Limited and Koloa Moana Resources Inc (Canada), all of which are wholly owned subsidiaries.

3.3 Foreign currency translation

a) Functional and presentational currency

The consolidated financial statements are presented in United States Dollars, which is the functional and presentational currency of Nautilus Minerals Inc. Items included in the financial statements of each consolidated entity in the Nautilus Minerals group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency for all significant entities within the consolidated group is United States Dollars.

b) Transactions and balances

Foreign currency transactions are accounted for at the rates of exchange at the date of the transaction. Monetary assets and liabilities are translated at year-end exchange rates. Gains and losses arising on settlement of such transactions and from the translation of foreign currency monetary assets and liabilities are recognized in the statement of loss.

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (expressed in US Dollars)

3.4 Cash and cash equivalents

The Company considers cash and cash equivalents to comprise amounts held in banks and highly liquid investments with maturities at time of purchase of 90 days or less.

3.5 Financial assets

a) Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All of the Company's financial assets are currently classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise restricted cash and cash and cash equivalents. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

b) Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognises an impairment loss as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

3.6 Property, plant and equipment

Equipment is recorded at cost less accumulated depreciation. The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Depreciation is calculated over the estimated useful life of the assets on a straight-line basis as follows:

	Estimated useful life (in years)
Leasehold improvements	3
Plant and equipment	3 – 15
Office equipment	1 – 20
Motor vehicles	6 - 8

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

3.7 Exploration and evaluation assets

All costs directly related to the acquisition of rights to explore for minerals are capitalized.

Once the right to explore has been obtained, the Company will incur exploration and evaluation expenditures to advance an area of interest. Such expenditures include:

- Exploratory drilling;
- Geological, geochemical and geophysical studies;
- Sampling;
- The depreciation of equipment used in the above activities, and
- Activities involved in evaluating the technical feasibility and commercial viability of extracting mineral resources.

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (expressed in US Dollars)

The Company expenses all exploration and evaluation expenditures until management conclude that a future economic benefit is more likely than not to be realized. In evaluating if expenditures meet this criterion to be capitalized, management considers the following:

- The extent to which reserves or resources, as defined in National Instrument 43-101 have been identified in relation to the project in question;
- The status of cost assessments or scoping studies;
- The status of environmental permits, and
- The status of mining leases or permits.

Once the Company considers that a future economic benefit is more likely than not to be realized from an area of interest, all subsequent costs directly relating to the advancement of the related area of interest are capitalized. Capitalized costs are considered to be tangible assets as they form part of the underlying mineral property and are recorded within 'exploration and development assets' at cost less impairment charges, if applicable. No amortization is charged during the exploration and evaluation phase because the asset is not available for use. When the Company considers that the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, capitalized exploration and evaluation costs are reclassified to mineral properties.

3.8 Joint Arrangements

Under IFRS 11 Joint Arrangements, investments in joint arrangements are typically classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Under the terms of the unincorporated joint venture agreement between the Company and the State Nominee, Nautilus and the State Nominee each beneficially own, 85% and 15% respectively, of the Solwara 1 project and the subsea equipment tools. They are tenants in common in proportion to their ownership interest.

Accordingly, the Company records its 85% interest in the assets and liabilities and income and expenses of the unincorporated joint venture in the consolidated financial statements. The impact of this is similar to proportionate consolidation.

3.9 Impairment of non-financial assets

Property, plant and equipment, and mineral properties are considered for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If an impairment 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 sell and value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Fair value is determined as the amount that would be obtained by the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value of mineral assets is generally determined as the present value of the estimated cash flows expected to arise from the continued use of the asset, including any expansion projects.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and from its ultimate disposal.

Impairment is normally assessed at the level of CGUs, which are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets.

Non-financial assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed. When a reversal of a previous impairment is recorded, the reversal amount is adjusted for depreciation that would have been recorded had the impairment not taken place.

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (expressed in US Dollars)

3.10 Share based payments

The cost of equity-settled and cash settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the relevant vesting period.

The company grants either stock options or loan shares as remuneration for directors and as a part of a long term incentive plan for certain employees. Where the shared based payment is for remuneration they generally vest over 2.5 years (20% every six months) and expire after three years. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Where the share based payment is as part of a long term incentive plan they generally vest in a single tranche 2.5 years from issue and expire after 3.5 years. In both instances the fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model.

At each period end, before vesting, the cumulative expense is calculated based on management's best estimate of the number of equity instruments that will ultimately vest. The movement in this cumulative expense is recognised in the income statement, with a corresponding entry in equity.

The proceeds from the exercise of stock options in addition to the carrying value attributable to those options exercised are recorded as share capital.

3.11 Employee Benefits

a) Annual Leave

The liability for accrued annual leave is recognised in respect of employees' services up to the end of the reporting period and is measured at the amounts expected to be paid when the liability is settled. All liabilities recognised in respect of annual leave are classified as current given the Company does not have an unconditional right to defer settlement of these amounts.

b) Long Service Leave

The provision for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using an appropriate risk-free rate at the end of the reporting period, giving consideration to the terms and currencies that match, as closely as possible to the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit and loss.

Where the Company does not have an unconditional right to defer settlement for at least the next twelve months, regardless of when the actual settlement is to occur, the liability is recognised as current, with all other amounts recognised as non-current.

3.12 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.13 Income tax

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is measured at tax rates that are expected to apply in periods in which the temporary differences reverse based on tax rates and law enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

3.14 Share capital

Incremental external costs directly attributable to the issue of new common shares are deducted from share capital.

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (expressed in US Dollars)

3.15 Loss per share

Basic loss per share is computed by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion or exercise of securities only when such conversion or exercise would have a dilutive effect on earnings per share. The dilutive effect of outstanding stock options and their equivalents is reflected in diluted earnings per share by application of the treasury stock method which assumes that any proceeds from the exercise of share options would be used to purchase common shares at the average market price during the period. During years when the Company has generated a loss, the potential shares to be issued from the assumed exercise of options are not included in the computation of diluted per share amounts because the result would be anti-dilutive.

3.16 Significant accounting judgements and estimates

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 best 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 estimates is contained in the accounting policies and notes to the financial statements.

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

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, based on this analysis that no impairment was required to be recognized at December 31, 2015 in respect of the Solwara 1 project and the subsea equipment currently under construction.

4. Changes in accounting policy and disclosures

New and amended standards adopted by the Company

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.

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (expressed in US Dollars)

5. Cash and cash equivalents

	December 31, 2015 $	December 31, 2014 $
Cash	7,772,514	70,901,963
Term Deposits	48,684,306	47,868,171
	56,456,820	118,770,134

6. Accounts payable and accrued liabilities

	December 31, 2015 $	December 31, 2014 $
Current		
Accounts Payable	925,693	963,995
Accrued Liabilities	3,350,734	2,323,975
Retention Payable	4,593,693	4,126,266
	8,870,120	7,414,236

	December 31, 2015 $	December 31, 2014 $
Non-current		
Retention Payable	4,563,233	4,570,655
	4,563,233	4,570,655

The current and non-current Retention Payable represents the contractual retention from payments to Soil Machine Dynamics and General Marine Contractors to be paid on completion of the contract for the construction of the Seafloor Production Tools. The amounts considered non-current are not due within the next 12 months.

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (expressed in US Dollars)

7. Project Partner Contribution

The project partner contribution liability is the unearned portion of the purchase price of the State's initial 15% interest of the Solwara 1 JV recorded as a current liability, being 15% of the approved project budget for the next 12 months, with the balance recorded as non-current.

	December 31, 2015 $	December 31, 2014 $
JV partner cash contribution	-	120,000,000
Prior period JV contribution	-	1,797,081
Opening Balance	**70,906,854**	**121,797,081**
Previously expensed exploration expenditure	-	(12,068,246)
Capital charge	-	(2,740,006)
Prepaid Charterers Guarantee	(1,500,000)	-
Subsea equipment under construction	(3,665,350)	(31,073,449)
Exploration and evaluation assets	(975,511)	(5,008,526)
Management Fee	(139,226)	-
Total project partner contribution	64,626,768	70,906,854
Current project partner contribution	16,104,471	10,733,912
Non Current Project partner contribution	**48,522,297**	**60,172,942**

8. Income Tax

a) A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	December 31, 2015 $	December 31, 2014 $
Loss before income taxes	(24,882,330)	(13,750,240)
Canadian statutory tax rate	26.00%	26.00%
Income tax recovery based on the above rates	(6,469,406)	(3,575,062)
Increase/(decrease) due to:		
Non-deductible expenses and other	7,438,131	9,607,982
Effect of change in Canadian and foreign future tax rates	(324,352)	1,617,512
Tax effect of tax losses and temporary differences not recognized	(644,373)	(7,650,432)
Income tax expense/(recovery)	-	-

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (expressed in US Dollars)

b) The significant components of the Company's future income tax assets and liabilities are as follows:

	December 31, 2015 $	December 31, 2014 $
Future income tax assets		
Non-capital losses	35,979,855	33,799,763
Capital losses	2,418,882	2,885,746
Unamortized share issue costs	198,338	405,947
Unrealized foreign exchange losses and other	5,984,977	8,285,783
Mineral properties and property, plant and equipment	35,193,477	35,042,663
Total future income tax assets	79,775,529	80,419,902
Less: Tax benefits not utilized	(79,775,529)	(80,419,902)
Net future income tax assets/(liabilities)	-	-

c) The Company has non-capital loss carry forwards of $128,636,322 that may be available for tax purposes. The loss carry forwards expire as follows:

	Canada $	**Australia, Singapore and Tonga $**
2018	-	-
2019	-	-
2020	-	-
2021	-	-
2022	-	-
2023	-	-
2024	-	-
2025	-	-
2026	2,076,826	-
2027	3,718,513	-
2028	-	-
2029	4,268,713	-
2030	4,341,289	-
2031	4,066,305	-
2032	1,335,066	-
2033	2,232,771	-
2034	2,377,770	-
2035	3,134,604	-
Not limited	-	101,084,465
Total non-capital losses	27,551,857	101,084,465

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (expressed in US Dollars)

9. Restricted cash

$516,144 (December 31, 2014 - $595,952) has been provided as security for leases and tenements held in Papua New Guinea and Fiji.

10. Exploration and evaluation assets

In 2006, the Company through its 100% owned subsidiary Nautilus Minerals Niugini Ltd acquired a 100% interest in certain PNG subsea exploration licenses by issuing common shares with an estimated historical fair value of $12,213,367 to Barrick Gold Inc., following its acquisition of Placer Dome.

Following the grant of the mining lease (ML154) for the Solwara 1 deposit on January 13, 2011 the Company determined that an economic benefit is more likely than not to be recovered from the Solwara 1 deposit and, accordingly, commenced capitalizing exploration and evaluation costs associated with the Solwara 1 deposit.

With the formation of the joint venture (Note 12) between the Company and the State Nominee on December 11, 2014, the Company commenced recording its 85% share of the related joint venture expenditure on exploration and evaluation assets.

	December 31, 2015 $	December 31, 2014 $
Opening balance	**41,735,878**	**43,448,448**
Boat charter and fuel	150,856	-
Engineering services	998,006	735,650
Environmental consulting	561,868	230,302
Project management and oversight	3,652,672	2,220,764
Geological services and field expenses	143,776	32,400
Mineral property fees	20,720	28,371
Disposal to joint venture (Note 12)	-	(4,960,117)
	5,527,898	(1,712,630)
Closing balance	47,263,716	41,735,818

The disposal to joint venture amount of $4,960,117 represents the recovery, under the terms of the PNG Equity Agreement, of 15% of the costs, as defined, previously capitalised to the Solwara 1 project that are attributable to the State Nominee (Note 12).

Although the Company has taken steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee a clear title. Property title may be subject to unregistered prior agreements and regulatory requirements. The Company is not aware of any disputed claim of title.

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (expressed in US Dollars)

11. Property, plant and equipment

	Opening Cost Balance $	Year ended December 31, 2015 Additions $	Disposals $	Closing Cost Balance $	Accum Dep'n $	Closing Carrying Value $
Leasehold improvements	2,829,694	11,214	(2,770,958)	69,950	(58,465)	11,485
Plant and equipment	785,935	189,579	-	975,514	(655,894)	319,620
Office equipment	3,220,918	224,649	(386,304)	3,059,263	(2,653,397)	405,866
Motor vehicles	165,562	88,447	(16,583)	237,426	(127,436)	109,990
Land	466,969	-	-	466,969	-	466,969
Subsea equipment under construction (Note 12)	176,082,878	20,770,311	-	196,853,189	-	196,853,189
Total property, plant & equipment	**183,551,956**	**21,284,200**	**(3,173,845)**	**201,662,311**	**(3,495,192)**	**198,167,119**

	Opening Cost Balance $	Year ended December 31, 2014 Additions $	Disposals $	Closing Cost Balance $	Accum Dep'n $	Closing Carrying Value $
Leasehold improvements	2,828,884	810	-	2,829,694	(2,315,383)	514,311
Plant and equipment	778,781	7,154	-	785,935	(582,675)	203,260
Office equipment	3,205,369	15,549	-	3,220,918	(2,842,122)	378,796
Motor vehicles	165,562	-	-	165,562	(112,315)	53,247
Land	466,969	-	-	466,969	-	466,969
Subsea equipment under construction (Note 12)	195,745,530	11,150,223	(30,812,875)	176,082,878	-	176,082,878
Total property, plant & equipment	**203,191,095**	**11,173,736**	**(30,812,875)**	**183,551,956**	**(5,852,495)**	**177,699,461**

12. Joint Arrangements

On December 11, 2014, the Company announced that all terms of the PNG Equity Agreement had been met and the unincorporated joint venture between Nautilus and the State Nominee in respect of the Solwara 1 Project was formed. The table below presents the carrying value of the project assets on this date that were transferred on formation of the joint venture.

	100%	Nautilus 85%	State Nominee 15%
Subsea equipment under construction	205,419,165	174,606,290	30,812,875
Exploration and evaluation assets	33,067,447	28,107,330	4,960,117
	238,486,412	202,713,620	35,772,992

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (expressed in US Dollars)

The table below presents the carrying value of the project assets as at December 31, 2015.

	100%	Nautilus 85%	State Nominee 15%
Prepaid Charterers Guarantee	10,000,000	8,500,000	1,500,000
Subsea equipment under construction	231,591,987	196,853,189	34,738,798
Exploration and evaluation assets	39,893,584	33,909,546	5,984,038
	281,485,571	239,262,735	42,222,836

As at 31 December 2015 Nautilus Minerals Inc. recognised its share of the joint venture assets as follows:

	December 31, 2015 $	December 31, 2014 $
Prepaid Charterers Guarantee	8,500,000	-
Subsea equipment under construction (Note 11)	196,853,189	176,082,878
Exploration and evaluation assets (Note 10)	33,909,546	28,381,647
	239,262,735	204,464,525

13. Compensation of Key Management

Key management includes the company's directors and members of the Executive Committee that includes the CEO, CFO, VP Projects, VP PNG Operations (employment commenced August 2014), VP Strategic Development & Exploration and VP Corporate Social Responsibility (employment ended August 2014). Compensation awarded to key management included:

	December 31, 2015 $	December 31, 2014 $
Salaries and short-term employee benefits	2,013,446	2,470,914
Benefits paid on termination	-	181,178
Stock based compensation	1,075,049	712,786
Superannuation payments	118,430	145,145
	3,206,925	3,510,023

14. Related party transactions

Protection Group International Ltd, trading as PGI Strontium Ltd ("PGI") is a company based in the United Kingdom which provides integrated, intelligence-led risk management solutions with respect to the protection of assets. PGI is a privately owned company of which 51% is owned by United Engineering Services, a wholly owned subsidiary of MB Holding Company LLC, one of the Company's major shareholders with a 28.14% interest. PGI provided risk assessment and training related services to the Company in the normal course of business and on an arm's length basis. For the year ended December 31, 2015 the Company incurred costs of $1,019,988 (2014 – nil) for services provided by PGI.

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (expressed in US Dollars)

15. Equity

a) Share options

Outstanding share options

	Share options	Weighted average exercise price C$
At January 1, 2014	4,075,000	**0.88**
Granted	2,250,000	0.53
Expired	(500,000)	2.91
Forfeited	(800,000)	1.07
Exercised	(80,000)	0.22
At December 31, 2014	**4,945,000**	**0.50**
Granted	1,800,000	0.45
Forfeited	(400,000)	0.52
Expired	(700,000)	0.91
At December 31, 2015	**5,645,000**	**0.43**

Information relating to share options outstanding at December 31, 2015 is as follows:

Price range C$	Outstanding share options	Vested stock options	Weighted average exercise price of outstanding options C$	Weighted average exercise price of vested options C$	Weighted average remaining life of outstanding options (months)
0.00 – 0.99	5,420,000	1,960,000	0.41	0.34	18.1
1.00 – 1.99	225,000	225,000	1.01	1.01	3.3
	5,645,000	**2,185,000**	0.43	0.41	17.5

b) Loan Shares

Outstanding loan shares

	Loan shares	Weighted average exercise price C$
At January 1, 2014	6,875,000	0.56
Granted	5,450,000	0.57
Forfeited	(800,000)	0.53
Expired	(200,000)	2.91
At December 31, 2014	**11,325,000**	**0.52**
Granted	400,000	0.45
Forfeited	(200,000)	0.91
Expired	(40,000)	0.24
At December 31, 2015	**11,485,000**	**0.51**

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (expressed in US Dollars)

Information relating to loan shares outstanding at December 31, 2015 is as follows:

Price range C$	Outstanding loan shares	Vested loan shares	Weighted average exercise price of outstanding loan shares C$	Weighted average exercise price of vested loan shares C$	Weighted average remaining life of outstanding loan shares (months)
0.00 – 0.99	9,810,000	3,900,000	0.43	0.42	13.7
1.00 – 1.99	1,675,000	1,675,000	1.01	1.01	3.3
	11,485,000	5,575,000	0.51	0.60	12.2

The fair value of the share options and loan shares granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Options granted in 2015	Options granted in 2014
Expected dividend yield	Nil	Nil
Expected stock price volatility	104.04%	111.28%
Risk-free interest rate	0.58%	1.13%
Expected life of options in years	3.00	2.83

The weighted average fair value of the options granted was C$0.45 (2014 – C$0.53).

	Loan shares granted in 2015	Loan shares granted in 2014
Expected dividend yield	Nil	Nil
Expected stock price volatility	104.04%	111.28%
Risk-free interest rate	0.58%	1.13%
Expected life of loan shares in years	3.00	2.83

The weighted average fair value of the loan shares granted was C$0.45 (2014 – C$0.57).

The Black-Scholes pricing models used to price options and loan shares require the input of highly subjective assumptions including the estimate of the share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

16. Exploration Expenditures

	Year ended December 31, 2015 $	2014 $
General and administration	110,317	9,590
Geological services and field expenses	6,292,979	99,653
Mineral property fees	161,885	1,167,213
Professional services	506,808	492,024
Travel	372,165	139,078
Wages and salaries	1,792,214	1,673,724
Total operating expenses	9,236,368	3,581,282

In accordance with our policy on exploration and evaluation assets, all exploration expenditure incurred for the Solwara 1 project is capitalised to exploration and evaluation assets, with all other exploration expenditure expensed to the Statement of Loss.

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (expressed in US Dollars)

In order to maintain the exploration leases, licenses and permits in which the Company is involved, the Company is expected to fulfil the minimum annual expenditure conditions under which the tenements are granted. These obligations may be varied from time to time, subject to approval, and are expected to be fulfilled in the normal course of operations of the Company. The exploration commitments are based on those exploration tenements that have been granted and may increase or decrease depending on whether additional applications are granted, relinquished or form joint ventures in the future. Based on tenements granted at December 31, 2015, total rental commitments are $0.7 million and total expenditure commitments are $29.1 million over the life of the licenses, which in the majority of cases extend to a maximum of two years, with the exception of the CCZ tenements where expenditure commitments extend to 5 years.

17. General and Administration Expenditures

	Year ended December 31,	
	2015	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 expenses	11,648,349	11,351,167

18. Security Deposit Expensed

On February 2, 2015, the Company announced that it and MAC had been victims of a cyber attack by an unknown third party. The Company has engaged a cyber security consultant to investigate the cyber-attack that resulted in the Company paying a deposit of $10,000,000 owing to MAC under the vessel charter agreement to a bank account which the Company believed to be MAC's, but which MAC has advised was not its account. In the circumstances, the Company has agreed to pre-pay US$10,000,000 of the US$18,000,000 charterer's guarantee on the basis that: (i) the remaining US$8,000,000 of the charterer's guarantee will be provided to MAC by the Company on the commencement of the charter of the vessel in accordance with the original contract; and (ii) the parties have agreed to determine how to proceed in relation to the $10,000,000 deposit following the conclusion of the investigations, which may take some months.

Because of the uncertainty relating to the recovery of the deposit, the full amount was expensed as at December 31, 2014 to the statement of loss. Should the Company be able to recognise any future economic benefit attributable to the payment following the conclusion of the relevant investigations, a credit would be recorded in the statement of loss in the period of recovery.

19. Rent and Other Income

	Year ended December 31,	
	2015	2014
	$	$
Other income	22,640	837
Rental income	103,110	228,864
Joint venture management fee	139,226	-
Capital charge	-	2,740,006
Reimbursement of exploration expenditures	-	12,068,246
Total rent and other income	264,976	15,037,953

The capital charge and the reimbursement of the exploration expenditures in 2014 represent items that were included in the purchase price paid by the State Nominee for its' 15% interest in the Solwara 1 project. The capital charge of $2.7 million was interest payable by the State Nominee under the PNG Equity Agreement in relation to interest accrued on outstanding amounts during the dispute resolution process. The amount of $12.1 million was the State Nominee's share of the exploration expenditure for the Solwara 1 project prior to the grant of the mining license. The exploration expenditures were expensed by the Company in prior years.

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (expressed in US Dollars)

20. Contingencies and Commitments

a) Non-cancellable commitments

	December 31, 2015 $
Non-cancellable operating leases	
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.

b) Cancellable commitments

In order to maintain the exploration leases, licenses and permits in which the Company is involved, the Company is committed to fulfil the minimum annual expenditure conditions under which the tenements are granted. These obligations may be varied from time to time, subject to approval, and are expected to be fulfilled in the normal course of operations of the Company. The exploration commitments are based on those exploration tenements that have been granted and may increase if applications are granted in the future.

The Company has entered into various contracts for the design and build of the seafloor production system. As at December 31, 2015, the committed value of the contracts is $52.9 million (equivalent). The committed value of $52.9 million reflects ongoing milestone payments for continuing contracts. The contracts are cancellable by the Company at any time, however, in the event of cancellation, the Company is liable for any costs incurred up to that point, with an estimate of costs for terminated contracts included in the accrued costs at year end. No other penalties or cancellation fees are payable under these contracts.

21. Financial risk management

The Company's activities expose it to a variety of financial risks: foreign exchange risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out under policies approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

a) Capital Management

The Company's objectives in the managing of the liquidity and capital are to safeguard the Company's ability to continue as a going concern and provide financial capacity to meet its strategic objectives. The capital structure of the Company consists of equity attributable to common shareholders, comprising of issue share capital, contributed surplus and deficit.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets to facilitate the management of its capital requirements. The Company prepares annual expenditure budgets that are updated as necessary depending upon various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. As at December 31, 2015 the Company does not have any long-term debt and is not subject to any externally imposed capital requirements. The Company has sufficient funds to meet its current operating and exploration and development obligations.

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (expressed in US Dollars)

b) Foreign exchange 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, British pounds sterling and euros. 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 and cash equivalents in a "basket" of currencies that reflect its current and expected cash outflows. As at December 31, 2015 the Company held its cash and cash equivalents in the following currencies:

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

c) Credit Risk

The company places its cash and cash equivalents only with banks with an S&P credit rating of A+ or better. Our maximum exposure to credit risk at reporting date is the carrying value of cash and cash equivalents and other receivables.

d) 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. The exposure of the Company to liquidity risk is considered to be minimal.

22 Subsequent Events

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 or 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 will 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.

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (expressed in US Dollars)

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.

Executive Committee

MICHAEL JOHNSTON PRESIDENT AND CEO

Mr. Michael Johnston, Nautilus' CEO joined the Company just prior to its TSX listing in 2006 as Vice President for Strategic Development and Exploration. He was initially appointed interim President and CEO in October 2012, and confirmed as President and CEO in April 2014 on the successful resolution of the dispute with the State of PNG. He has more than 30 years experience in the mining industry, and over 10 years experience in deep sea mining and exploration. During his time at Nautilus he was instrumental in developing the Company's extensive land position in the South West Pacific, obtaining the first licence granted to a publicly listed company by the International Seabed Authority, and developing the first commercial exploration and resource evaluation programs for deep sea minerals, including the delivery of the world's first NI 43-101 resource, mine plan and Environmental Impact Statement, for seafloor massive sulphides. He has also been a key figure for the Company in establishing and improving critical government, supplier and investor relationships.

Prior to joining Nautilus, Mr. Johnston spent over 11 years in senior management positions with Placer Dome, including General Manager Exploration Asia-Pacific and Technical Services Manager for the giant Porgera Gold Mine in Papua New Guinea, where he led a large multidisciplinary team providing the technical management and design for the 210,000 tpd open Pit and 6,000 tpd underground mines and related facilities.

SHONTEL NORGATE CHIEF FINANCIAL OFFICER

Ms. Shontel Norgate joined Nautilus Minerals in 2006 as Chief Financial Officer. Prior to this, Ms. Norgate was the financial controller of Macarthur Coal Ltd., which is a publicly-listed coal mining company on the Australian Securities Exchange. Before joining Macarthur, Ms. Norgate was the financial controller of a listed exploration company for seven years and commenced her career as an auditor with a predecessor firm of PricewaterhouseCoopers in Australia.

Ms. Norgate is a qualified Chartered Accountant and a member of the Chartered Secretaries of Australia. Ms. Norgate has over 20 years commercial experience in the resources industry including debt and equity finance, financial reporting, project management, corporate governance, commercial negotiations and business analysis.

KAREN HAUFF GENERAL COUNSEL AND COMPANY SECRETARY

Prior to joining Nautilus in 2010, Ms. Hauff was the General Counsel and Company Secretary of then ASX listed mineral sands mining company, Bemax Resources Limited, after having spent 8 years in private practice, including 6 years at international legal firm, Norton Rose Fulbright (formerly Deacons) as a Senior Associate in its Commercial Dispute Resolution group.

Ms. Hauff is a qualified solicitor of the Supreme Court of Queensland and the High Court of Australia, with more than 15 years' experience in legal practice, including in the areas of risk management, compliance and corporate governance. In addition to her legal qualifications, Ms. Hauff holds a Bachelor of Commerce (Accounting) and served for 4 years as Deputy Chairman and Secretary on the Board of charitable organisation, CHI.L.D. - The Association for Childhood Language and Related Disorders.

KEVIN CAIN VP PROJECTS

Mr. Kevin Cain joined Nautilus as Project Director for Solwara 1 Project in May 2010. Mr. Cain has over 40 years experience in the offshore oil and gas industry with experience in the North Sea, Middle East, South East Asia and Australasia. Mr. Cain's experience covers shallow and deep water projects and FEED to development of offshore projects. Prior to joining Nautilus, Mr. Cain was the Vice President Marine Construction and Fabrication for Clough Limited with assets located in the Gulf of Mexico, Thailand, Australia and South East Asia. Prior to joining Clough, Mr. Cain was Project Director for Technip Oceania.

Executive Committee

ADAM WRIGHT VP PNG OPERATIONS

Mr. Adam Wright has over 30 years experience in the copper and gold mining industries, having worked on projects in Europe, North America, Latin America, South East Asia, Australasia and Africa. He has been responsible for the exploration, project development, construction and operational phases of mine development, as well as working on acquisition and development opportunities in the gold and base metals sectors.

Mr. Wright was General Manager of the Hidden Valley gold mine in PNG, taking the project from exploration, through construction and in to operation. He was also responsible for the successful ramp up of operations at the Lumwana copper mine in Zambia. In both cases Mr. Wright played a significant role in the key areas of stakeholder engagement and corporate social responsibility.

Mr. Wright has a Masters of Engineering degree in Mineral Process Engineering from Imperial College London.

JONATHAN LOWE VP STRATEGIC DEVELOPMENT AND EXPLORATION

Mr. Jonathan Lowe joined Nautilus in January 2007 as Chief Geophysicist. He was appointed as Exploration Manager in September 2008 and VP Strategic Development and Exploration in January 2013. During this time he has been a driving force behind the Company's successful exploration programs and exploration technologies. Prior to joining Nautilus Minerals, Mr. Lowe worked for BHP Billiton where he gained 12 years of global exploration experience, initially as a geophysicist and then as a business development manager.

Mr. Lowe is a Fellow and Chartered Professional of AusIMM, and a member of the Society of Economic Geologists. He has a BSc (hons) in Geophysics from Curtin University, an MBA in Technology Management from Latrobe University and is a graduate of the Australian Institute of Company Directors.

MEL TOGOLO PNG COUNTRY MANAGER

Mr. Mel Togolo has over 30 years of experience in senior roles, working for industry and government in Papua New Guinea and abroad. He was President of the Business Council of Papua New Guinea for six years and continues to be consulted as a mentor.

Mr. Togolo has represented industry at the board level, including roles at Westpac Bank PNG Limited, Highlands Gold Limited and Bougainville Copper Limited, and was also Deputy Chairman of the Investment Promotion Authority of Papua New Guinea. While he is no longer the Chairman of the Board of National Superannuation Fund Limited, he remains as member on the Board.

In January of 2004, Mr. Togolo was appointed Commander of the Most Excellent Order of the British Empire (CBE) for his services to commerce and industry. Prior to his appointment at Nautilus he worked for ten years as the General Manager of Corporate Affairs at Placer Dome Niugini Limited.

PAUL TAUMOEPEAU TONGA COUNTRY MANAGER

Mr. Paul Taumoepeau grew up in Tonga, before going overseas to pursue academic studies. He returned to Tonga in 1992 working firstly in the public sector before moving to the private sector. Mr. Taumoepeau spent 13 years with the National Reserve Bank of Tonga, where he filled numerous positions, setting up domestic market and corporate services systems. Prior to his appointment at Nautilus he worked for Leiola Group Limited, where he was the General Manager in his last two years.

Mr. Taumoepeau was Vice-President of the Tonga Chamber of Commerce & Industry for two years before becoming President from 2008 to 2010. He still serves as a Council member on the Chamber and is presently a director of two public enterprises, the Tonga Development Bank and Friendly Islands Shipping Agency. Mr Taumoepeau is also the Immediate Past Chair of PIPSO (Pacific Islands Private Sector Organisation), the regional private sector representative body for the Pacific Islands.

Mr Taumoepeau holds a B Econ from the University of New England, Australia and an MBA from Massey University in New Zealand.

Corporate Governance

CORPORATE GOVERNANCE

Nautilus is committed to the pursuit of high standards of corporate governance, reflecting not only applicable legal and regulatory requirements but also having regard to global developments in relation to corporate governance best practices. Nautilus has adopted an approach of continuous improvement to review and develop appropriate policies and supporting systems to ensure transparency and the integrity of our business practices.

Mandate of the Board of Directors

- Setting Nautilus' strategic objectives;
- Evaluating corporate risks and opportunities;
- Approving annual budgets;
- Monitoring performance against such budgets;
- Promoting ethical and responsible corporate conduct;
- Addressing succession planning;
- Evaluating Board needs and performance; and
- Fostering a system of effective, accurate and timely public disclosure.

OVERVIEW OF COMMITTEE MANDATES

Specific responsibilities have been delegated to two Board Committees, which have access to independent expertise at the Company's expense.

AUDIT COMMITTEE

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities with respect to the Company's financial reporting and continuous disclosure; the Company's systems of internal controls and financial reporting processes; and the review and appraisal of the performance and independence of the Company's external auditors.

The Audit Committee operates in accordance with Terms of Reference adopted by the Board. The Audit Committee consists of three Board members who are all independent.

These Board members are:

- Geoff Loudon
- Russell Debney
- Cynthia Thomas

GOVERNANCE, NOMINATION AND REMUNERATION COMMITTEE

The primary function of the Governance, Nomination and Remuneration Committee is to assist the Board in fulfilling its oversight responsibilities with respect to evaluating the effectiveness and performance of the Board and its Committees; ensuring the observation of good corporate governance practices; key compensation and human resources policies; executive management compensation, succession and development; and directors' compensation, succession and development.

The Governance, Nomination and Remuneration Committee operates in accordance with Terms of Reference adopted by the Board. The Governance, Nomination and Remuneration Committee consists of four Board members.

These Board members are:

- Geoff Loudon
- Russell Debney
- Cynthia Thomas
- Tariq Al Barwani

Corporate Information

Board of Directors

Geoff Loudon, Chairman

Russell Debney, Director

Cynthia Thomas, Director

Dr. Mohammed Al Barwani, Director

Mark Horn, Director

Tariq Al Barwani, Director

Officers and Management

Michael Johnston, President and
Chief Executive Officer

Shontel Norgate, Chief Financial Officer

Karen Hauff, General Counsel and
Company Secretary

Kevin Cain, VP Projects

Jonathan Lowe, VP Strategic Development
and Exploration

Adam Wright, VP PNG Operations

Mel Togolo, Papua New Guinea, Country Manager

Paul Taumoepeau, Tonga, Country Manager

Transfer Agent and Registrar

The transfer agent and registrar for the shares of the Company is Computershare, its offices are located at:

9th Floor, 100 University Avenue
Toronto, ON M5J 2Y1 Canada

Annual Information Form

The Company prepares an Annual Information Form (AIF) which is filed with the securities commission in Canada. Copies of the AIF, annual and quarterly reports are available from the Canadian Securities Administrators database SEDAR (www.sedar.com)

For Shareholder Accounts

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International: +514.982.7555
email: service@computershare.com

Inquiries in the U.S:

U.S Investment bank Euro Pacific Capital Inc, serves as Nautilus Minerals' Principal American Liaison (PAL) on the OTCQX and the NASDAQ International Designation

Euro Pacific Capital, Inc.
88 Post Road West, 2nd Floor
Westport, CT 06880

Telephone: +1.203.662.9700
Attn: Thomas Tan
email: ttan@europac.net

Investor Relations Contact

Institutional and individual investors seeking financial information about the Company are invited to contact the Investor Relations team:

Telephone: +1.416.551.1100
email: investor@nautilusminerals.com
web: www.nautilusminerals.com

Stock Exchange Listing and Symbols

The Company's shares are listed on the Toronto Stock Exchange (TSX) under the symbol NUS, the OTCQX International under the ticker NUSMF and the NASDAQ International Designation under the ticker NUSMF.

Auditors

PricewaterhouseCoopers LLP

Bankers

Canadian Imperial Bank of Commerce

ANZ Banking Corporation

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This Annual Report is printed with the environment in mind using FSC® certified paper containing 10% post consumer recycled content and certified fiber, it's the optimal environmental choice.

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