NAUTILUS MINERALS INC.

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

(US dollars)

The following Management Discussion and Analysis ("MD&A") has been prepared as at May 16, 2016 for the three month period ended March 31, 2016.

The MD&A of Nautilus Minerals Inc. (the "Company", "NMI" or "Nautilus") should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three month period ended March 31, 2016 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") and as applicable to interim financial reporting.

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 of 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 and the estimated costs 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.

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.

OUR BUSINESS

Overview

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

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

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

Q1 2016 SIGNIFICANT EVENTS

- Solwara 1 Project advanced
    - Factory Acceptance Testing ("FAT") completed by SMD on the SPTs
    - SPTs dispatched from Newcastle to Oman on January 29, 2016
    - GE Hydril completed assembly of the Subsea Slurry Lift Pump ("SSLP"), with FAT commenced
- Production Support Vessel construction advanced
- Equipment Storage and Wet Testing Contracts signed
- Rights offering completed

Solwara 1 Project advanced

During Q1 2016 the Company continued to advance the Solwara 1 Project and in particular, the three key equipment contracts.

Project Build Progressed

FAT of the Auxiliary Cutter, Bulk Cutter and Collecting Machine was completed at Soil Machine Dynamics premises in Newcastle, England, with the SPTs delivered in January 2016. 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 period; all materials are on site in Houston, with completion of the riser now expected by the end of Q2 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 SSLP in January 2016, with the pump now undergoing FAT in the first half of 2016. Upon delivery, the equipment will be 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 complete 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 commenced the 2016 stakeholder engagement program along the west coast of New Ireland Province, PNG during Q1. During the quarter Nautilus held meetings with Ward Members and Local Level Government representatives, Working Group meetings with both New Ireland and East New Britain Provincial Governments and community awareness sessions. Maintaining our multi stakeholder approach, representatives from national government agencies were invited to attend community awareness meetings.

In collaboration with the New Ireland Provincial Government, Nautilus has continued to implement its water and sanitation program, initially focusing on schools. The plan will see 27 schools located nearest to the Solwara 1 Project site receive the program. Each school will receive health and hygiene training, along with new facilities which will provide students and teachers with a reliable supply of fresh water and access to sanitation facilities. During the quarter another four schools hosted the program, Umudu Elementary, Pakinsela Elementary and Kabanut Elementary and Primary Schools. At the end of Q1 2016, a total of 15 schools have been completed with 12 to be completed throughout the remainder of the year.

On March 30, 2016, Nautilus and the New Ireland Provincial Government signed a Public Private Partnership (PPP). This PPP will oversee the delivery of a health program which forms part of the Nautilus Minerals Corporate Social Responsibility Plan for its Solwara 1 Project. Under the PPP, Nautilus will fund annual health outreach programs in the communities located nearest to its Solwara 1 Project site. The aim of the PPP is to achieve measurable improvements in community health outcomes, with a focus on maternal/infant health and infectious disease control.

During February and March a team of specialist education consultants, alongside Nautilus employees and government representatives, completed onsite investigations and data collection for an education baseline study. The team visited each school (Primary, Elementary and Community) located nearest to the Solwara 1 Project site as well as the Namatanai Secondary School. The information captured will form the basis of an education baseline study. The next stage of the study will be to analyse the data and report against government policies and standards. The outcome will be a report which will identify opportunities and a path forward for Nautilus and NIPG to improve educational outcomes.

Under the Memorandum of Understanding between the Company and the New Ireland Provincial Government, the Company is to build a minimum of two bridges along the West Coast of New Ireland Province. During Q1, 2016, the National Department of Works, New Ireland Provincial Government and Nautilus agreed on a design option and location for the first bridge. The bridge will be built at a site known as Dubonom which is in Labur Village in Ward 4.

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. Fabrication to date is 16,111 tonnes (78%) of steel cut being 196 blocks (64%) cut, with 125 blocks (41%) of completed structure assembly. There is a total of 305 blocks to be completed for the vessel.

The orders for all major long lead items are in place with deliveries commencing in Q2 2016.

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 27% 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.

C$28.3M raised through rights issue

On April 8, 2016 the Company received gross proceeds of C$28.3 million as a result of the closing of its rights offering through the issuance of an aggregate of 188,425,531 common shares at the subscription price of C$0.15 per share, representing approximately 27% of the total shares on offer.

The Company's largest shareholder, MB Holding Company LLC ("MB") participated in the rights offering, through its subsidiary Mawarid Offshore Mining Ltd., by partially exercising its basic subscription privilege. MB, together with its affiliates, now holds approximately 27% (previously 28%) of the Company's outstanding shares. The Company's second largest shareholder, Metalloinvest Holding (Cyprus) Limited, together with its affiliates, now holds approximately 15% (previously 21%) of the Company's outstanding shares (in each case excluding outstanding loan shares).

The net proceeds from the rights 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, as set forth under "Use of Proceeds" in the Company's final prospectus dated February 23, 2016.

On completion of the rights offering, the total number of issued and outstanding shares of the Company is 622,443,396 (excluding the 9,810,000 outstanding shares that have been issued under and remain subject to the restrictions of the Company's share loan plan).

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. 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. Other factors that influence the Company's ability to succeed are more fully described in the Company's 2016 Annual Information Form available on www.sedar.com, under the heading "Risk Factors". See also the factors discussed under "Cautionary Note Regarding Forward Looking Statements" above.

SUMMARY OF QUARTERLY RESULTS (unaudited)

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

		2014			2015				2016
		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Revenue	$'M	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Loss for the period	$'M	(3.7)	(4.6)	(2.0)	(4.1)	(7.5)	(8.3)	(5.0)	(3.6)
Basic and diluted loss per share	$/share	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)	(0.01)	(0.01)

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

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

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

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

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

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

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

Q1 2016
The loss for the period reflected a decrease in exploration expenditure to $0.7 million with current exploration campaigns completed in Q4 2015. No new campaigns were undertaken in Q1 2016. G&A expenditure decreased to $2.2 million due to a decrease in professional fees and travel expenses.

RESULTS OF OPERATIONS – FOR THE PERIOD ENDED MARCH 31, 2016

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

Loss for the period

For the three months ended March 31, 2016, the Company recorded a loss of $3.6 million ($0.01 loss per share) compared to a loss of $4.1 million ($0.01 loss per share) for the same period in 2015. The primary variances were as follows:

Exploration
Exploration expense increased to $0.7 million (2015 - $0.6 million). Geological services were $0.1 million higher due primarily to engineering studies around the nodule mining concept. Mineral property fees were $0.1 million higher due to timing around payments of tenement rents.

	Nodule Exploration Three months ended March 31,		**SMS Exploration Three months ended March 31,**		**Total Exploration Three months ended March 31,**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
General and administration	-	-	10,655	9,211	10,655	9,211
Geological services	47,294	1,169	88,292	12,924	135,586	14,093
Mineral property fees	47,000	47,000	95,424	1,982	142,424	48,982
Professional services	8,149	23,522	7,864	18,145	16,013	41,667
Travel	4,628	17,827	26,719	30,658	31,347	48,485
Salary and wages	63,545	59,520	335,591	332,534	399,136	392,054
Total exploration expenditure	**170,617**	**149,038**	**564,544**	**405,454**	**735,161**	**554,492**

General & Administration

General & Administration expenditure decreased to $2.2 million (2015 - $3.3 million). Professional services decreased by $0.7 million, with Q1 2015 including costs related to the investigation of the cyber attack that occurred in December 2014. Depreciation decreased by $0.2 million with leasehold improvements being fully depreciated at the end of Q2 2015.

	Three months ended March 31, 2016	**Three months ended March 31, 2015**
Office and general	538,111	634,489
Professional services	316,433	975,886
Salary and wages	998,721	1,064,447
Shareholder related costs	148,575	196,528
Travel	83,544	182,528
Depreciation	82,614	283,931
Total general and administration expenditure	**2,167,998**	**3,337,809**

Corporate Social Responsibility

Corporate Social Responsibility increased to $0.3 million (2015 - $0.2 million). The increased expenditure relates to implementation of the water and sanitation program being delivered to schools in the New Ireland Province

Technology

Technology expense remained consistent at $0.1 million (2015 - $0.1 million).

Development

Development expenses increased to $0.5 million (2015 - $0.3 million) due to increased consultant fees related to design and management of the PSV build.

Foreign exchange

A foreign exchange gain of $0.1 million was recorded during the quarter (2015 – $0.3 million). The foreign exchange loss consists of realized gains and losses on actual cash transactions during the period and unrealized gains and losses on cash denominated in different currencies at the period end. The Company holds a “basket of currencies” to act as a natural hedge against its expected cash outflows and can therefore experience unrealized fluctuations at period end when cash balances are converted to US dollars for reporting purposes, as experienced during the current quarter.

Interest income

Interest income earned on cash and cash equivalents held during the period was $0.03 million (2015 - $0.05 million). The Company maintains its cash and cash equivalents with banks with an S&P rating of A+ or better.

Other income

Other income remained consistent at $0.1 million for the quarter (2015 – $0.1 million).

Operating Losses

Overall, Nautilus’ operating loss decreased to $3.6 million for the period ended March 31, 2016, compared to $4.1 million for the corresponding period in 2015. When adjusting the current year operating loss for the respective foreign currency exchange movements, the adjusted operating loss was $3.7 million (2015 $4.4 million), with the major impact coming from the reduced expenditure related to the network monitoring and investigation of the cyber attack that occurred in 2014, offset by increased consulting fees for the Seafloor Production Vessel design.

Cash flows

Operating activities
Cash used in operating activities was $2.9 million for the three months ended March 31, 2016, which remained consistent with the $3.0 million of cash used in the corresponding period in 2015.

Investing activities
Cash used in investing activities was $6.1 million for the three months ended March 31, 2016 compared to $18.4 million for the corresponding period in 2015, with the fluctuation representative of the milestone based contracts in place for the construction of the equipment.

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:

	March 31, 2016	**March 31, 2015**
Working Capital	$15.7 million	$76.3 million
Cash and Cash Equivalents	$47.5 million	$97.6 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 March 31, 2016, are quantified in the table below:

	March 31, 2016 $
Non-cancellable commitments	
Not later than 1 year	700,612
Later than 1 year and not later than 2 years	666,738
Later than 2 years and not later than 3 years	73,567,915
Later than 3 years and not later than 4 years	73,533,948
Later than 4 years and not later than 5 years	73,311,378
Later than 5 years	145,934,300
Total Commitments	367,714,891

The non-cancellable commitments as at March 31, 2016 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.

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.

On April 8, 2016 the Company received gross proceeds of C$28.3M as a result of the closing of its rights offering through the issuance of an aggregate of 188,425,531 common shares at the subscription price of C$0.15 per share, representing approximately 27% of the total shares on offer.

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 continue to advance the development of the Solwara 1 Project and its mineral property interests, the Company will be required to raise additional equity, debt and/or joint venture partner funding. Until that time, certain discretionary expenditures may be deferred and measures to reduce operating costs will be taken in order to preserve working capital.

Nautilus expects that cash and cash equivalents will be sufficient to pay for existing capital expenditure commitments and general and administrative costs for the next 12 months. Depending upon future events, including access to additional capital, 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 March 31, 2016 the Company held its cash in the following currencies:

Currency Denomination	**% of total cash in US$ terms held**
USD	77
GBP	15
CAD	2
AUD	5
EUR	1
	100

Interest rate risk

The Company holds cash and cash equivalents which earn interest at variable rates as determined by financial institutions. As at March 31, 2016, with other variables unchanged, a 0.1% increase (decrease) in the interest rate would have no significant effect on comprehensive loss.

Credit risk

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

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

Liquidity risk

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

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On April 8, 2016 the Company received gross proceeds of C$28.3 million as a result of the closing of its rights offering through the issuance of an aggregate of 188,425,531 common shares at the subscription price of C$0.15 per share, representing approximately 27% of the total shares on offer

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. Until that time, certain discretionary expenditures may be deferred and measures to reduce operating costs may be taken in order to preserve working capital.

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 March 31, 2016, 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 March 31, 2016.

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 May 16, 2016.

Common shares

A total of 632,253,396 common shares are outstanding including 9,810,000 restricted shares.

Restricted shares

A total of 9,810,000 restricted shares are issued and outstanding under the Company's share loan plan, with loan expiry dates ranging from Jul 2016 through to July 2018. The weighted average issue price for the restricted shares is C$0.43.

Stock Options

A total of 5,420,000 stock options are issued and outstanding, with expiry dates ranging from July 2016 through to July 2018. The weighted average exercise price for all stock options is C$0.40. All stock options entitle the holders to purchase common shares of the Company.

INTERNAL CONTROLS

Internal control over financial reporting

There have been no material changes in the Company's internal control over financial reporting since the year ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

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.