

# **Nautilus Minerals Inc.**

(an exploration stage company)

## **Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2016 and March 31, 2015**

(Expressed in US Dollars)

(Unaudited)

# Nautilus Minerals Inc.

## Consolidated Statements of Financial Position

(expressed in US Dollars)

(unaudited)

	March 31, 2016 \$	December 31, 2015 \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 4)	47,458,342	56,456,820
Prepaid expenses and advances	498,229	730,187
	47,956,571	57,187,007
<b>Non-current assets</b>		
Restricted cash (Note 7)	531,715	516,144
Prepaid expenses and advances (Note 10)	8,500,000	8,500,000
Property, plant and equipment (Note 9)	205,160,774	198,167,119
Exploration and evaluation assets (Note 8)	49,017,433	47,263,716
	263,209,922	254,446,979
<b>TOTAL ASSETS</b>	311,166,493	311,633,986
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	12,847,859	8,870,120
Project partner contribution (Note 6)	18,482,309	16,104,471
Provision for employee entitlements	978,756	859,673
	32,308,924	25,834,264
<b>Non-current liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	4,890,430	4,563,233
Project partner contribution (Note 6)	44,549,475	48,522,297
Provision for employee entitlements	673,999	582,128
	50,113,904	53,667,658
<b>TOTAL LIABILITIES</b>	82,422,828	79,501,922
<b>Equity (Note 12)</b>		
Share Capital	514,161,841	514,161,841
Contributed Surplus	50,554,212	50,368,719
Deficit	(335,972,388)	(332,398,496)
Total Equity	228,743,665	232,132,064
<b>TOTAL LIABILITIES AND EQUITY</b>	311,166,493	311,633,986

Approved by the Board of Directors

Signed: "Russell Debney"

Russell Debney

Signed: "Cynthia Thomas"

Cynthia Thomas

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

# Nautilus Minerals Inc.

## Consolidated Statements of Loss and Comprehensive Loss

For the three months ended March 31, 2016 and 2015

(expressed in US Dollars)

(Unaudited)

	Three months ended March 31, 2016 \$	Three months ended March 31, 2015 \$
<b>Operating expenses</b>		
Exploration (Note 13)	735,161	554,492
General and administration (Note 14)	2,167,998	3,337,809
Corporate social responsibility	281,076	186,870
Technology	56,497	96,148
Development	469,219	274,502
Foreign exchange gain	(54,688)	(253,922)
<b>Operating loss</b>	<b>3,655,263</b>	<b>4,195,899</b>
Interest income	(28,017)	(49,376)
Rent and other income	(53,354)	(95,461)
<b>Loss and comprehensive loss for the period</b>	<b>3,573,892</b>	<b>4,051,062</b>
Weighted average number of shares outstanding, basic and diluted	445,502,865	445,302,865
<b>Loss per share</b>		
Basic and diluted	0.01	0.01

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

# Nautilus Minerals Inc.

## Consolidated Statements of Cash Flows

For the three months ended March 31, 2016 and 2015

(expressed in US Dollars)

(Unaudited)

	Three months ended March 31, 2016 \$	Three months ended March 31, 2015 \$
<b>Operating activities</b>		
Loss for the period	(3,573,892)	(4,051,062)
Adjustments for:		
Depreciation and amortization	82,613	283,932
Unrealized foreign exchange gain	(18,173)	(218,194)
Share-based payments	185,493	538,759
Changes in non-cash working capital:		
Prepaid expenses and advances	231,958	250,491
Accounts payable and accrued liabilities	207,782	213,582
<b>Net cash used in operating activities</b>	<b>(2,884,219)</b>	<b>(2,982,492)</b>
<b>Investing activities</b>		
Restricted cash	(15,571)	24,802
Charterers guarantee payment	-	(10,000,000)
Purchase of plant and equipment	(4,154,932)	(7,168,680)
Exploration and evaluation assets	(1,961,929)	(1,214,988)
<b>Net cash used in investing activities</b>	<b>(6,132,432)</b>	<b>(18,358,866)</b>
<b>Financing activities</b>		
Prepaid joint venture contribution	-	-
<b>Net cash generated from financing activities</b>	<b>-</b>	<b>-</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>18,173</b>	<b>218,194</b>
<b>Decrease in cash and cash equivalents</b>	<b>(8,998,478)</b>	<b>(21,123,164)</b>
<b>Cash and cash equivalents - Beginning of period</b>	<b>56,456,820</b>	<b>118,770,134</b>
<b>Cash and cash equivalents - End of period (Note 4)</b>	<b>47,458,342</b>	<b>97,646,970</b>

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

# Nautilus Minerals Inc.

## Consolidated Statements of Changes in Equity

(expressed in US Dollars)

(Unaudited)

	Share capital		Contributed	Deficit	Total
	Number of	Amount	Surplus		equity
	shares	\$	\$	\$	\$
<b>Balance</b>					
<b>January 1, 2016</b>	<b>445,702,865</b>	<b>514,161,841</b>	<b>50,368,719</b>	<b>(332,398,496)</b>	<b>232,132,064</b>
Share-based payments	-	-	185,493	-	185,493
Loss for the period	-	-	-	(3,573,892)	(3,573,892)
<b>Balance</b>					
<b>March 31, 2016</b>	<b>445,702,865</b>	<b>514,161,841</b>	<b>50,554,212</b>	<b>(335,972,388)</b>	<b>228,743,665</b>
<b>Balance</b>					
<b>January 1, 2015</b>	<b>445,302,865</b>	<b>514,149,818</b>	<b>48,896,679</b>	<b>(307,516,166)</b>	<b>255,530,331</b>
Share-based payments	-	-	538,759	-	538,759
Loss for the period	-	-	-	(4,051,062)	(4,051,062)
<b>Balance</b>					
<b>March 31, 2015</b>	<b>445,302,865</b>	<b>514,149,818</b>	<b>49,435,438</b>	<b>(311,567,228)</b>	<b>252,018,028</b>

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

# Nautilus Minerals Inc.

## Notes to Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2016 and 2015

(expressed in US Dollars)  
(Unaudited)

### 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 condensed interim 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.

# Nautilus Minerals Inc.

## Notes to Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2016 and 2015

(expressed in US Dollars)

(Unaudited)

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.

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 initial seafloor operations are planned to commence in Q1 2018, subject to funding.

### ***Liquidity Risk***

These condensed interim consolidated 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.

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 need to secure 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.

### **3 Basis of preparation**

These condensed interim consolidated financial statements should be read in conjunction with our audited consolidated annual financial statements for the year ended December 31, 2015.

# Nautilus Minerals Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2016 and 2015

(expressed in US Dollars)

(Unaudited)

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 - Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). The comparative information has also been prepared on this basis.

These condensed interim consolidated financial statements were approved on May 16, 2016 by the Board of Directors. Policies are consistent with those disclosed in our audited consolidated financial statements for the year ended December 31, 2015.

### 4 Cash and cash equivalents

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
	<b>\$</b>	<b>\$</b>
Cash	9,406,764	7,772,514
Term Deposits	38,051,578	48,684,306
	<u>47,458,342</u>	<u>56,456,820</u>

### 5 Accounts payable and accrued liabilities

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
	<b>\$</b>	<b>\$</b>
<i>Current</i>		
Accounts Payable	3,428,537	925,693
Accrued Liabilities	5,280,292	3,350,734
Retention Payable	4,139,030	4,593,693
	<u>12,847,859</u>	<u>8,870,120</u>

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
	<b>\$</b>	<b>\$</b>
<i>Non-current</i>		
Retention Payable	4,890,430	4,563,233
	<u>4,890,430</u>	<u>4,563,233</u>



# Nautilus Minerals Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2016 and 2015

(expressed in US Dollars)

(Unaudited)

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.

### 6 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.

	March 31, 2016 \$	December 31, 2015 \$
<b>Opening Balance</b>	<b>64,626,768</b>	<b>70,906,854</b>
Prepaid Charterers Guarantee	-	(1,500,000)
Subsea equipment under construction	(1,239,046)	(3,665,350)
Exploration and evaluation assets	(309,482)	(975,511)
Management Fee	(46,456)	(139,226)
<b>Total project partner contribution</b>	<b>63,031,784</b>	<b>64,626,768</b>
Current project partner contribution	18,482,309	16,104,471
<b>Non Current Project partner contribution</b>	<b>44,549,475</b>	<b>48,522,297</b>

### 7 Restricted cash

\$531,715 (December 31, 2015 - \$516,144) has been provided as security for leases and tenements held in Papua New Guinea and Fiji.

### 8 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 10) 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.

# Nautilus Minerals Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2016 and 2015

(expressed in US Dollars)

(Unaudited)

	March 31, 2016 \$	December 31, 2015 \$
<b>Opening balance</b>	<b>47,263,716</b>	<b>41,735,818</b>
Boat charter and fuel	-	150,856
Engineering services	445,530	998,006
Environmental consulting	219,126	561,868
Project management and oversight	1,045,003	3,652,672
Geological services and field expenses	-	143,776
Mineral property fees	44,058	20,720
	<b>1,753,717</b>	<b>5,527,898</b>
<b>Closing balance</b>	<b>49,017,433</b>	<b>47,263,716</b>

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.

## 9 Property, plant and equipment

### Period ended March 31, 2016

	Opening Cost Balance \$	Additions \$	Disposals \$	Closing Cost Balance \$	Accum Dep'n \$	Closing Carrying Value \$
Leasehold improvements	69,950	-	-	69,950	(59,189)	10,761
Plant and equipment	975,514	-	-	975,514	(680,133)	295,381
Office equipment	3,059,263	55,007	-	3,114,270	(2,701,356)	412,914
Motor vehicles	237,426	-	-	237,426	(137,127)	100,299
Land	466,969	-	-	466,969	-	466,969
Subsea equipment under construction (Note 10)	196,853,189	7,021,261	-	203,874,450	-	203,874,450
<b>Total property, plant &amp; equipment</b>	<b>201,662,311</b>	<b>7,076,268</b>	<b>-</b>	<b>208,738,579</b>	<b>(3,577,805)</b>	<b>205,160,774</b>

# Nautilus Minerals Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2016 and 2015

(expressed in US Dollars)

(Unaudited)

### Year ended December 31, 2015

	Opening Cost Balance	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 10)	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

## 10 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
	238,486,612	202,713,620	35,772,992

The table below presents the carrying value of the project assets as at March 31, 2016.

	100%	Nautilus 85%	State Nominee 15%
Prepaid Charterers Guarantee	10,000,000	8,500,000	1,500,000
Subsea equipment under construction	239,852,294	203,874,450	35,977,844
Exploration and evaluation assets	41,956,791	35,663,272	6,293,519
	291,809,085	248,037,722	43,771,363

# Nautilus Minerals Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2016 and 2015

(expressed in US Dollars)

(Unaudited)

As at March 31, 2016 Nautilus Minerals Inc recognised its share of the joint venture assets as follows.

	<b>March 31, 2016 \$</b>	<b>December 31, 2015 \$</b>
Prepaid Charterers Guarantee	8,500,000	8,500,000
Subsea equipment under construction (Note 9)	203,874,450	196,853,189
Exploration and evaluation assets (Note 8)	35,663,272	33,909,546
	<u>248,037,722</u>	<u>239,262,735</u>

## 11 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 LLC (“UES”), a wholly owned subsidiary of MB Holding Company LLC (“MB Holding”), one of the Company’s major shareholders. 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 period ended March 31, 2016 the Company incurred costs of \$67,357 (Q1 2015 - \$644,279) for services provided by PGI.

On January 18, 2016, the Company announced that it had signed agreements with 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.

For the period ended March 31, 2016 the Company incurred costs of \$301,051 (Q1 2015 – nil) for services provided by UES.

# Nautilus Minerals Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2016 and 2015

(expressed in US Dollars)

(Unaudited)

## 12 Equity

### a) Share options

#### Outstanding share options

	Share options	Weighted average exercise price C\$
<b>At January 1, 2015</b>	4,945,000	0.50
Granted	1,800,000	0.45
Expired	(400,000)	0.52
Forfeited	(700,000)	0.91
<b>At December 31, 2015 and at March 31, 2016</b>	<b>5,645,000</b>	<b>0.43</b>

Information relating to share options outstanding at March 31, 2016 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	3,240,000	0.41	0.36	15.1
1.00 – 1.99	225,000	225,000	1.01	1.01	0.3
	<b>5,645,000</b>	<b>3,465,000</b>	<b>0.43</b>	<b>0.40</b>	<b>14.5</b>

# Nautilus Minerals Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2016 and 2015

(expressed in US Dollars)

(Unaudited)

### b) Loan Shares

#### Outstanding loan shares

	Loan shares	Weighted average exercise price C\$
<b>At January 1, 2015</b>	11,325,000	0.52
Granted	400,000	0.45
Expired	(200,000)	0.91
Exercised	(40,000)	0.24
<b>At December 31, 2015 and at March 31, 2016</b>	<b>11,485,000</b>	<b>0.51</b>

Information relating to loan shares outstanding at March 31, 2016 is as follows:

Price range C\$	Outstanding share 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	7,230,000	0.43	0.39	10.7
1.00 – 1.99	1,675,000	1,675,000	1.01	1.01	0.3
	<u>11,485,000</u>	<u>8,905,000</u>	0.51	0.50	9.2

# Nautilus Minerals Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2016 and 2015

(expressed in US Dollars)

(Unaudited)

### 13 Exploration Expenditures

	Period ended March 31,	
	2016	2015
	\$	\$
General and administration	10,655	9,211
Geological services and field expenses	135,586	14,093
Mineral property fees	142,424	48,982
Professional services	16,013	41,667
Travel	31,347	48,485
Wages and salaries	399,136	392,054
Total exploration expenditures	735,161	554,492

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.

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 March 31, 2016, total rental commitments are \$0.7 million and total expenditure commitments are \$29.6 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.

### 14 General and Administration Expenditures

	Period ended March 31,	
	2016	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 expenses	2,167,998	3,337,809

# Nautilus Minerals Inc.

## Notes to Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2016 and 2015

(expressed in US Dollars)

(Unaudited)

### 15 Contingencies and Commitments

#### a) *Non-cancellable commitments*

	<b>March 31 2016 \$</b>
<i>Non-cancellable operating leases</i>	
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
<b>Total Commitments</b>	<b>367,714,891</b>

The non-cancellable commitments as at December 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.

#### 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 March 31, 2016, the committed value of the contracts is \$48.9 million. The committed value of \$48.9 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.

### 16 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.



# Nautilus Minerals Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2016 and 2015

(expressed in US Dollars)

(Unaudited)

### 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 March 31, 2016 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.

### 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 March 31, 2016 the Company held its cash and cash equivalents in the following currencies:

Currency Denomination	% of total cash in US\$ terms held
USD	77
GBP	15
CAD	2
AUD	5
EUR	1
	<hr/> 100 <hr/>

### 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 the reporting date is the carrying value of cash and cash equivalents and other receivables.

# Nautilus Minerals Inc.

## Notes to Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2016 and 2015

---

(expressed in US Dollars)  
(Unaudited)

### *d) Liquidity Risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by the delivery of cash or another financial asset. 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 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 need to secure 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.

## **17 Subsequent Events**

### **Rights offering closed on April 8, 2016 raising C\$28.3M**

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'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.