

# **Nautilus Minerals Inc.**

(an exploration stage company)

## **Condensed Interim Consolidated Financial Statements For the three and six months ended June 30, 2016 and June 30, 2015**

(Expressed in US Dollars)

(Unaudited)

# Nautilus Minerals Inc.

## Consolidated Statements of Financial Position

(expressed in US Dollars)

(unaudited)

	June 30, 2016 \$	December 31, 2015 \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 4)	51,268,318	56,456,820
Prepaid expenses and advances	313,386	730,187
	51,581,704	57,187,007
<b>Non-current assets</b>		
Restricted cash (Note 7)	526,026	516,144
Prepaid expenses and advances (Note 10)	8,500,000	8,500,000
Property, plant and equipment (Note 9)	214,612,529	198,167,119
Exploration and evaluation assets (Note 8)	50,574,038	47,263,716
	274,212,593	254,446,979
<b>TOTAL ASSETS</b>	325,794,297	311,633,986
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	10,981,297	8,870,120
Project partner contribution (Note 6)	12,859,346	16,104,471
Provision for employee entitlements	1,168,492	859,673
	25,009,135	25,834,264
<b>Non-current liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	5,373,921	4,563,233
Project partner contribution (Note 6)	48,170,256	48,522,297
Provision for employee entitlements	577,698	582,128
	54,121,875	53,667,658
<b>TOTAL LIABILITIES</b>	79,131,010	79,501,922
<b>Equity (Note 12)</b>		
Share Capital	535,626,519	514,161,841
Contributed Surplus	50,703,191	50,368,719
Deficit	(339,666,423)	(332,398,496)
Total Equity	246,663,287	232,132,064
<b>TOTAL LIABILITIES AND EQUITY</b>	325,794,297	311,633,986

**Going Concern (Note 2)**

**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 and six months ended June 30, 2016 and 2015

(expressed in US Dollars)

(Unaudited)

	Three months ended June 30, 2016 \$	Three months ended June 30, 2015 \$	Six months ended June 30 2016 \$	Six months ended June 30 2015 \$
<b>Operating expenses</b>				
Exploration (Note 13)	927,984	3,282,777	1,663,145	3,837,269
General and administration (Note 14)	2,254,616	3,064,782	4,422,614	6,402,593
Corporate social responsibility	276,487	309,821	557,563	496,691
Technology	89,723	120,706	146,220	216,853
Development	588,177	337,408	1,057,396	611,910
Foreign exchange (gains)/losses	(349,092)	540,715	(403,780)	286,793
<b>Operating loss</b>	<b>3,787,895</b>	<b>7,656,209</b>	<b>7,443,158</b>	<b>11,852,109</b>
Interest income	(24,235)	(39,019)	(52,252)	(88,395)
Rent and other income	(69,625)	(82,604)	(122,979)	(178,065)
<b>Loss and comprehensive loss for the period</b>	<b>3,694,035</b>	<b>7,534,586</b>	<b>7,267,927</b>	<b>11,585,649</b>
Weighted average number of shares outstanding, basic and diluted	621,934,200	445,355,612	533,231,153	445,329,384
<b>Loss per share</b>				
Basic and diluted	0.01	0.02	0.01	0.03

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

# Nautilus Minerals Inc.

## Consolidated Statements of Cash Flows

For the six months ended June 30, 2016 and 2015

(expressed in US Dollars)

(Unaudited)

	Six Months ended June 30, 2016 \$	Six Months ended June 30, 2015 \$
<b>Operating activities</b>		
Loss for the period	(7,267,927)	(11,585,649)
Adjustments for:		
Depreciation and amortization	167,039	655,547
Unrealized foreign exchange gain	(156,815)	343,340
Share-based payments	334,472	837,844
Changes in non-cash working capital:		
Prepaid expenses and advances	416,801	239,814
Accounts payable and accrued liabilities	180,528	576,755
<b>Net cash used in operating activities</b>	<b>(6,325,902)</b>	<b>(8,932,349)</b>
<b>Investing activities</b>		
Restricted cash	(9,882)	(320,900)
Charterers guarantee payment	-	(10,000,000)
Purchase of plant and equipment	(16,382,642)	(11,714,935)
Exploration and evaluation assets	(4,091,569)	(2,898,327)
<b>Net cash used in investing activities</b>	<b>(20,484,093)</b>	<b>(24,934,162)</b>
<b>Financing activities</b>		
Issuance of shares for cash – net of issue costs	21,464,678	-
<b>Net cash generated from financing activities</b>	<b>21,464,678</b>	<b>-</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>156,815</b>	<b>(343,340)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(5,188,502)</b>	<b>(34,209,851)</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>51,268,318</b>	<b>84,560,283</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 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>
Rights issue (Note 12)	188,425,531	21,464,678	-	-	21,464,678
Expiration of loan shares	(1,675,000)	-	-	-	-
Share-based payments	-	-	334,472	-	334,472
Loss for the period	-	-	-	(7,267,927)	(7,267,927)
<b>Balance June 30, 2016</b>	<b>632,453,396</b>	<b>535,626,519</b>	<b>50,703,191</b>	<b>(339,666,423)</b>	<b>246,663,287</b>
<b>Balance 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	-	-	837,844		837,844
Loss for the period	-	-	-	(11,585,649)	(11,585,649)
<b>Balance June 30, 2015</b>	<b>445,302,865</b>	<b>514,149,818</b>	<b>49,734,523</b>	<b>(319,101,815)</b>	<b>244,782,526</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 and six months ended June 30, 2016 and 2015

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(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 and funding requirements 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

# Nautilus Minerals Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2016 and 2015

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(expressed in US Dollars)

(Unaudited)

### 2 Going Concern

These condensed interim consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

On April 8, 2016 the Company received gross proceeds of C\$28.3M following 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.

The Company has no source of revenue and requires significant additional funding to be able to complete the build and deployment of the seafloor production system to be utilized at the Solwara 1 Project by the Company and its joint venture partner (as to 15%), the Independent State of Papua New Guinea's nominee.

In view of the Company's funding requirements, the Company and its operating subsidiaries continue to explore alternatives for securing immediate bridge financing to facilitate the time required to secure the significant additional project funding that is needed and/or to explore alternative transactions aimed at maximizing shareholder value. There can be no assurances that the Company will be able to obtain the necessary bridge financing on acceptable terms or at all.

The Company has reviewed all aspects of its business during this process and as result, has implemented certain measures aimed at preserving the Company's capital position. These measures include reducing the Company's workforce, terminating contracts for the construction of any seafloor production equipment that was in the early stages of development and not entering into any new construction contracts until the additional funding required is secured.

There can be no assurances that the Company will be able to obtain the necessary project financing on acceptable terms or at all. Failure to secure project financing may result in the Company taking further steps aimed at maximizing shareholder value, including suspending or terminating the development of the seafloor production system and the Solwara 1 Project, and engaging in various transactions including, without limitation, asset sales, joint ventures and capital restructurings.

There can be no assurances that any transaction will result from these matters and the Company will provide updates as circumstances warrant. Any transaction(s) will be subject to all necessary stock exchange and, if applicable, shareholder approvals as well as compliance with all other regulatory requirements.

The Company previously disclosed that the construction and development of the entire seafloor production system for initial deployment and testing operations at the Solwara 1 Project, was scheduled to occur during the first quarter of 2018 based on the Company's project timetable and subject to securing additional project funding. However, since, as indicated above, the necessary additional project funding has not been secured, the Company now believes that, in the event that the required funding is secured and the Company is able to continue development of the Solwara 1 Project, the schedule would be delayed but the Company is unable to determine the extent of the delay at this time.

While the Company has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future. 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.

# Nautilus Minerals Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2016 and 2015

(expressed in US Dollars)

(Unaudited)

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 and delivery of equipment. These market conditions, combined with the Company's contractual obligations give rise to a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and, therefore, its ability to realize its assets and discharge its liabilities in the normal course of business.

These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of the assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumptions deemed to be inappropriate. These adjustments could be material.

### 3 Basis of preparation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, IAS 34: Interim Financial Statements, and do not contain all of the information required for annual financial statements and should be read in conjunction with the most recent annual audited financial statements of the Company. These statements follow the same accounting policies and methods of application of the most recent annual audited financial statements.

These condensed interim consolidated financial statements were approved on August 15, 2016 by the Board of Directors.

### 4 Cash and cash equivalents

	<b>June 30, 2016 \$</b>	<b>December 31, 2015 \$</b>
Cash	31,687,100	7,772,514
Term Deposits	19,581,218	48,684,306
	<u>51,268,318</u>	<u>56,456,820</u>



# Nautilus Minerals Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2016 and 2015

(expressed in US Dollars)

(Unaudited)

### 5 Accounts payable and accrued liabilities

	<b>June 30, 2016 \$</b>	<b>December 31, 2015 \$</b>
<i>Current</i>		
Accounts Payable	1,956,450	925,693
Accrued Liabilities	7,504,710	3,350,734
Retention Payable	1,520,137	4,593,693
	<u>10,981,297</u>	<u>8,870,120</u>
	<b>June 30, 2016 \$</b>	<b>December 31, 2015 \$</b>
<i>Non-current</i>		
Retention Payable	<u>5,373,921</u>	<u>4,563,233</u>
	<u>5,373,921</u>	<u>4,563,233</u>

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.

# Nautilus Minerals Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2016 and 2015

(expressed in US Dollars)

(Unaudited)

### 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.

	June 30, 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	(2,908,226)	(3,665,350)
Exploration and evaluation asset	(584,168)	(975,511)
Management Fee	(104,772)	(139,226)
<b>Total project partner contribution</b>	<b>61,029,602</b>	<b>64,626,768</b>
Current project partner contribution	12,859,346	16,104,471
<b>Non Current Project partner contribution</b>	<b>48,170,256</b>	<b>48,522,297</b>

### 7 Restricted cash

\$526,026 (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 fair value of \$12,213,367 to Barrick Gold Inc.

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 the Solwara 1 exploration and evaluation assets.

# Nautilus Minerals Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2016 and 2015

(expressed in US Dollars)

(Unaudited)

	June 30, 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	592,145	998,006
Environmental consulting	341,552	561,868
Project management and oversight	2,310,463	3,652,672
Geological services and field expenses	24,113	143,776
Mineral property fees	42,049	20,720
	<b>3,310,322</b>	<b>5,527,898</b>
<b>Closing balance</b>	<b>50,574,038</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 June 30, 2016

	Opening Cost Balance \$	Additions \$	Disposals \$	Closing Cost Balance \$	Accum Dep'n \$	Closing Carrying Value \$
Leasehold improvements	69,950	-	-	69,950	(59,914)	10,036
Plant and equipment	975,514	6,273	-	981,787	(704,370)	277,417
Office equipment	3,059,263	56,617	-	3,115,880	(2,749,558)	366,322
Motor vehicles	237,426	69,609	-	307,035	(148,385)	158,650
Land	466,969	-	-	466,969	-	466,969
Subsea equipment under construction (Note 10)	196,853,189	16,479,946	-	213,333,135	-	213,333,135
<b>Total property, plant &amp; equipment</b>	<b>201,662,311</b>	<b>16,612,445</b>	<b>-</b>	<b>218,274,756</b>	<b>(3,662,227)</b>	<b>214,612,529</b>

# Nautilus Minerals Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 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 June 30, 2016.

	100%	Nautilus 85%	State Nominee 15%
Prepaid Charterers Guarantee	10,000,000	8,500,000	1,500,000
Subsea equipment under construction	250,980,159	213,333,135	37,647,024
Exploration and evaluation assets	43,788,038	37,219,832	6,568,206
	304,768,197	259,052,967	45,715,230

# Nautilus Minerals Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2016 and 2015

(expressed in US Dollars)

(Unaudited)

As at June 30, 2016 Nautilus Minerals Inc recognised its share of the joint venture assets as follows.

	<b>June 30, 2016 \$</b>	<b>December 31, 2015 \$</b>
Prepaid Charterers Guarantee	8,500,000	8,500,000
Subsea equipment under construction (Note 9)	213,333,135	196,853,189
Exploration and evaluation assets (Note 8)	37,219,832	33,909,546
	<u>259,052,967</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 June 30, 2016 the Company incurred costs of \$98,055 (Q2 2015 - \$932,042) 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 June 30, 2016 the Company incurred costs of \$590,092 (Q2 2015 – nil) for services provided by UES.

# Nautilus Minerals Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2016 and 2015

(expressed in US Dollars)

(Unaudited)

## 12 Equity

### a) Common shares issues

Gross proceeds of C\$28,263,830 were raised through the issuance of rights to subscribe for an aggregate of 188,425,531 common shares at a subscription price of C\$0.15 per common share, with the offer closing on April 08, 2016. (2015 – Nil).

### b) Share options

#### Outstanding share options

	Share options	Weighted average exercise price C\$
At January 1, 2015	4,945,000	0.50
Granted	1,800,000	0.45
Expired	(400,000)	0.52
Forfeited	(700,000)	0.91
At December 31, 2015	<b>5,645,000</b>	<b>0.43</b>
Expired	(225,000)	1.01
At June 30, 2016	<b>5,420,000</b>	<b>0.41</b>

Information relating to share options outstanding at June 30, 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	12.1
	<b>5,420,000</b>	<b>3,240,000</b>	<b>0.41</b>	<b>0.36</b>	<b>12.1</b>

# Nautilus Minerals Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2016 and 2015

(expressed in US Dollars)

(Unaudited)

### c) 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</b>	<b>11,485,000</b>	<b>0.51</b>
Expired	(1,675,000)	1.01
<b>At June 30, 2016</b>	<b>9,810,000</b>	<b>0.43</b>

Information relating to loan shares outstanding at June 30, 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	7,310,000	0.43	0.39	7.7
	<u>9,810,000</u>	<u>7,310,000</u>	0.43	0.39	7.7

# Nautilus Minerals Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2016 and 2015

(expressed in US Dollars)

(Unaudited)

### 13 Exploration Expenditures

	Three months ended June 30 2016 \$	Three months ended June 30 2015 \$	Six months ended June 30 2016 \$	Six months ended June 30 2015 \$
General and administration	11,953	9,102	22,609	18,312
Geological services and field expenses	377,050	2,463,270	512,636	2,477,365
Mineral property fees	20,136	4,165	162,560	53,147
Professional services	78,429	198,605	94,442	240,271
Travel	46,290	134,219	77,636	182,704
Wages and salaries	394,126	473,416	793,262	865,470
Total Exploration Expenditures	927,984	3,282,777	1,663,145	3,837,269

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 June 30, 2016, total rental commitments are \$1.1 million and total expenditure commitments are \$28.3 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.



# Nautilus Minerals Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2016 and 2015

(expressed in US Dollars)

(Unaudited)

### 14 General and Administration Expenditures

	Three months ended June 30 2016 \$	Three months ended June 30 2015 \$	Six months ended June 30 2016 \$	Six months ended June 30 2015 \$
Office and general	559,491	849,558	1,097,602	1,484,049
Professional services	224,583	439,816	541,016	1,415,702
Salary and wages	1,018,610	1,039,127	2,017,332	2,103,574
Shareholder related costs	201,375	94,164	349,950	290,692
Travel	166,132	270,501	249,675	453,029
Depreciation	84,425	371,616	167,039	655,547
Total General & Administration Expenditures	2,254,616	3,064,782	4,422,614	6,402,593

### 15 Contingencies and Commitments

#### a) Non-cancellable commitments

	June 30 2016 \$
<b>Non-cancellable operating leases</b>	
Not later than 1 year	709,170
Later than 1 year and not later than 2 years	671,823
Later than 2 years and not later than 3 years	73,549,982
Later than 3 years and not later than 4 years	73,516,426
Later than 4 years and not later than 5 years	73,170,327
Later than 5 years	145,934,300
<b>Total Commitments</b>	<b>367,552,028</b>

The non-cancellable commitments as at June 30, 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.

# Nautilus Minerals Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2016 and 2015

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(expressed in US Dollars)

(Unaudited)

The Company has entered into various contracts for the design and build of the seafloor production system. As at June 30, 2016, the committed value of the contracts is \$39.6 million. The committed value of \$39.6 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 period 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.

#### *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 June 30, 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 and Solomon Islands 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 June 30, 2016 the Company held its cash and cash equivalents in the following currencies:

# Nautilus Minerals Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2016 and 2015

(expressed in US Dollars)

(Unaudited)

<b>Currency Denomination</b>	<b>% of total cash in US\$ terms held</b>
USD	55
GBP	5
CAD	32
AUD	7
EUR	1
	<hr/>
	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 the reporting date is the carrying value of cash and cash equivalents and other receivables.

### *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.