**IF YOU ARE A REGISTERED SHAREHOLDER AND RESIDENT IN AN ELIGIBLE JURISDICTION OR A PRE-APPROVED JURISDICTION, YOUR RIGHTS CERTIFICATE IS ENCLOSED. PLEASE READ THIS MATERIAL CAREFULLY AS YOU ARE REQUIRED TO MAKE A DECISION PRIOR TO 2:00 P.M. (VANCOUVER TIME) ON MAY 31, 2013.**

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.*

***Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.*** *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Company Secretary of Nautilus Minerals Inc. at Level 7, 303 Coronation Drive, PO Box 1213, Milton, Queensland, Australia 4064 (Telephone +61-73318-5555) or 10th Floor, 595 Howe Street, Vancouver, British Columbia, V6C 2T5 (Telephone 604-687-1224) and are also available electronically at www.sedar.com.*

*The securities offered herein have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**1933 Act**"), or under the securities laws of any state of the United States, and, subject to certain exceptions, may not be offered or sold within the United States. See "Plan of Distribution".*

*With respect to the United Kingdom, the securities being offered hereunder are only available to: (i) persons outside the United Kingdom; or (ii) persons in the United Kingdom who are: (a) a "qualified investor" within the meaning of Section 86(7) of the United Kingdom Financial Services and Markets Act 2000, as amended ("**FSMA**"), acting as principal or in circumstances where Section 86(2) FSMA applies; and (b) also within the categories of persons referred to in Article 19 (investment professionals) or Article 49 (high net worth companies, unincorporated associations, etc.) of the United Kingdom Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**") (all such persons together being referred to as "relevant persons"). The securities being offered hereunder are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents. This document contains no offer of transferable securities to the public in the United Kingdom within the meaning of sections 85(1) and 102B FSMA. This document is not a prospectus for the purposes of Section 85(1) FSMA. Accordingly, this document has not been examined or approved as a prospectus by the United Kingdom Financial Services Authority (the "**FSA**") under Section 87A FSMA or by the London Stock Exchange and has not been filed with the FSA pursuant to the rules published by the FSA implementing the Prospectus Directive (2003/71/EC) (the "**United Kingdom Prospectus Rules**") nor has it been approved by a person authorized under FSMA, for the purposes of Section 21 FSMA.*

# SHORT FORM PROSPECTUS

Rights Offering April 15, 2013

NAUTILUS Minerals

## NAUTILUS MINERALS INC.

## $40,000,000

## OFFERING OF RIGHTS TO SUBSCRIBE FOR UP TO 200,000,000 COMMON SHARES AT A PRICE OF $0.20 PER COMMON SHARE

Nautilus Minerals Inc. (the "**Company**" or "**Nautilus**") is distributing (the "**Offering**") to the holders of its outstanding common shares (the "**Common Shares**") of record ("**Shareholders**") at the close of business (Vancouver time) on April 25, 2013 (the "**Record Date**") one right (the "**Right**") for each Common Share held which will entitle the Shareholders to subscribe for up to an aggregate of 200,000,000 Common Shares for gross proceeds to the Company of approximately $40 million.

The Rights are evidenced by transferable certificates in registered form (the "**Rights Certificates**"). Each Shareholder is entitled to one Right for each Common Share held on the Record Date. For each Right held, the holder thereof is entitled to purchase 0.844335 Common Shares (the "**Basic Subscription Privilege**") at a price of $0.20 per Common Share (the "**Subscription Price**") prior to 2:00 p.m. (Vancouver time) (the "**Expiry Time**") on May 31, 2013 (the "**Expiry Date**"). No fractional Common Shares will be issued. **RIGHTS NOT**

**EXERCISED BEFORE THE EXPIRY TIME WILL BE VOID AND OF NO VALUE**. Shareholders who exercise in full the Basic Subscription Privilege for their Rights are also entitled to subscribe for additional Common Shares (the "**Additional Shares**"), if available, pursuant to an additional subscription privilege (the "**Additional Subscription Privilege**"). See "*Description of Offered Securities — Additional Subscription Privilege*". Any subscription for Common Shares will be irrevocable once submitted.

| | **Offering Price** | **Fees**(1) | **Proceeds to the Company**(2) |
|---|---|---|---|
| Per Common Share | $0.20 | $0.01 | $0.19 |
| Total Offering | $40,000,000 | $2,000,000 | $38,000,000 |

(1) Under the Standby Commitment (as defined below), the Company has agreed to pay the Standby Purchaser (also defined below) a fee equal to 5% of the aggregate gross proceeds of the Offering.

(2) Before deducting the expenses of the Offering, estimated to be approximately $450,000. The expenses of the Offering and the Standby Fee will be paid by the Company.

This prospectus qualifies the distribution of the Rights as well as the Common Shares issuable upon exercise of the Rights and the Standby Shares (as defined below) in each province of Canada other than Quebec (the "**Eligible Jurisdictions**"). The Company has received conditional approval to list the Rights distributed under this prospectus and the Common Shares issuable upon the exercise of the Rights on the Toronto Stock Exchange (the "**TSX**"). The final approval of such listing is subject to the Company fulfilling all of the listing requirements of the TSX. The Common Shares currently outstanding are listed and posted for trading on the TSX under the symbol "NUS" and are quoted on the OTCQX International under the symbol "NUSMF". On April 12, 2013, the closing price for the Common Shares on the TSX was $0.24 per share and on the OTCQX International was US$0.2614 per share.

Computershare Investor Services Inc. (the "**Subscription Agent**"), at its principal office in the City of Vancouver, British Columbia (the "**Subscription Office**"), is the subscription agent for this Offering. See "*Description of Offered Securities — Subscription and Transfer Agent*".

For Common Shares held through a securities broker or dealer, bank or trust company or other participant (a "**CDS Participant**") in the book based system administered by CDS Clearing and Depository Services Inc. ("**CDS**"), a subscriber in an Eligible Jurisdiction or an Approved Eligible Holder (as defined herein) may subscribe for Common Shares by instructing the CDS Participant holding the subscriber's Rights to exercise all or a specified number of such Rights and forwarding the Subscription Price for each Common Share subscribed for to such CDS Participant in accordance with the terms of this Offering. A subscriber wishing to subscribe for Additional Shares pursuant to the Additional Subscription Privilege must forward its request to the CDS Participant that holds the subscriber's Rights prior to the Expiry Time on the Expiry Date, along with payment for the number of Additional Shares requested. Any excess funds will be returned by mail or credited to the subscriber's account with its CDS Participant without interest or deduction. Subscriptions for Common Shares made through a CDS Participant will be irrevocable and subscribers will be unable to withdraw their subscriptions for Common Shares once submitted. See "*Description of Offered Securities — Rights Certificate — Common Shares Held Through CDS*".

For Common Shares held in registered form, a Rights Certificate evidencing the number of Rights to which a holder is entitled will be mailed with a copy of this prospectus to each registered Shareholder as of the close of business on the Record Date. In order to exercise the Rights represented by the Rights Certificate, the holder of Rights must complete and deliver the Rights Certificate to the Subscription Agent in the manner and upon the terms set out in this prospectus. All exercises of Rights are irrevocable once submitted. See "*Description of Offered Securities − Rights Certificate − Common Shares Held in Registered Form*".

**If a Shareholder does not exercise, or sells or otherwise transfers, its Rights, then such Shareholder's current percentage ownership in the Company will be diluted as a result of the exercise of Rights by other Shareholders.**

This prospectus qualifies the distribution of the Rights as well as the Common Shares issuable upon exercise of the Rights and the Standby Shares in the Eligible Jurisdictions. The Rights as well as the Common Shares issuable upon exercise of the Rights and the Standby Shares are not being distributed or offered to Shareholders in any jurisdiction other than the Eligible Jurisdictions (an "**Ineligible Jurisdiction**") and, except under the circumstances described herein, Rights may not be exercised by or on behalf of a holder of Rights resident in an Ineligible Jurisdiction (an "**Ineligible Holder**"). This prospectus is not, and under no circumstances is to be construed as, an offering of any Rights or Common Shares for sale in any Ineligible Jurisdiction or a solicitation therein of an offer to buy any securities. Rights Certificates will not be sent to Shareholders with addresses of record in any Ineligible Jurisdiction, other than Pre-Approved Jurisdictions (as defined herein). Instead, such Ineligible Holders (other than holders in the United States) will be sent a letter advising them that their Rights Certificates will be held by the Subscription Agent, who will hold such Rights as agent for the benefit of all such Ineligible Holders. See "*Description of Offered Securities — Ineligible Holders*".

Under a standby purchase agreement dated March 28, 2013 (the "**Standby Purchase Agreement**"), Mawarid Offshore Mining Ltd. (the "**Standby Purchaser**") which, together with its affiliates, holds approximately 16.7% of the outstanding Common Shares, has agreed, subject to certain terms, conditions and limitations, to purchase, at the Subscription Price, all of the Common Shares not otherwise purchased pursuant to the exercise of Rights under this Offering (the "**Standby Shares**"). The Standby Purchase Agreement may be terminated by the Standby Purchaser prior to the Expiry Time in certain circumstances. This prospectus qualifies the distribution of the Standby Shares. In consideration of the agreement of the Standby Purchaser to purchase the Standby Shares as provided above, the Standby Purchaser will be entitled to the Standby Fee. See "*Standby Commitment*".

**The Standby Purchaser is not engaged as an underwriter in connection with the Offering and has not been involved in the preparation of, or performed any review of, this prospectus in the capacity of an underwriter. No underwriter has been involved in the preparation of this prospectus or performed any review of the contents of this prospectus.**

**There are risks associated with an investment in Common Shares. See "*Risk Factors*" for a discussion of factors that should be considered by prospective investors and their advisors in assessing the appropriateness of an investment in the Common Shares.**

The Company, after reasonable inquiry, is uncertain as to the number of rights that will be exercised by other insiders. It believes that certain insiders of the Company, other than the Standby Purchaser, will be issued Rights to purchase approximately 65,326,950 Common Shares, representing approximately 32.7% of the Offering. See "Intention of Insiders to Exercise Rights".

The Company's head office is located at Suite 1400, 400 Burrard Street, Vancouver, British Columbia, V6C 3A6. The Company also has a project and operations office located at Level 7, 303 Coronation Drive, Milton, Queensland, Australia 4064, PO Box 1213. The Company's registered and records office is located at 10th Floor, 595 Howe Street, Vancouver, British Columbia, V6C 2T5. The Company also has a corporate office located at Suite 1702, 141 Adelaide Street West, Toronto, Ontario M5H 3L5.

The individuals signing the Company's certificate page for this prospectus reside outside of Canada. Although such persons have appointed DuMoulin Black LLP, 10th Floor, 595 Howe Street, Vancouver, British Columbia, V6C 2T5 as their agent for service of process in Canada (other than Quebec), it may not be possible for investors to enforce judgments obtained in Canada against such persons.

## TABLE OF CONTENTS

## ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering the Rights, and offering to sell and seeking offers to buy the Common Shares, only in jurisdictions where, and to persons to whom, offers and sales are lawfully permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the Rights or Common Shares.

In this prospectus, "**Nautilus"**, "**we**", "**us**" and "**our**" refer collectively to Nautilus Minerals Inc. and each of its material subsidiaries, unless the context otherwise requires. The Company's financial statements that are incorporated by reference into this prospectus have been prepared in accordance with International Financial Reporting Standards. The Company presents its financial statements in United States dollars.

## CANADIAN MINERAL DISCLOSURE STANDARDS

This prospectus has been prepared in accordance with the requirements of securities laws in effect in Canada, which differ from the requirements of United States securities laws. In Canada, an issuer is required to provide technical information with respect to mineralization, including reserves and resources, if any, on its mineral exploration properties in accordance with Canadian requirements, which differ significantly from the requirements of the United States Securities and Exchange Commission (the "**SEC**") applicable to registration statements and reports filed by United States companies pursuant to the 1933 Act or the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). As such, information contained or incorporated by reference in this prospectus concerning descriptions of mineralization under Canadian standards may not be comparable to similar information made public by United States companies subject to the reporting and disclosure requirements of the SEC.

Mineral resource estimates included in this prospectus and in any document incorporated by reference herein or therein have been prepared in accordance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("**NI 43-101**") and the Canadian Institute of Mining and Metallurgy Classification System, as required by Canadian securities regulatory authorities. In particular, this prospectus and any document incorporated by reference herein, include the terms "measured mineral resource", "indicated mineral resource" and "inferred mineral resource." While these terms are recognized and required by Canadian regulations (under NI 43-101), the SEC does not recognize them. In addition, a document incorporated by reference in this prospectus includes disclosure of "contained ounces" of mineralization. Although such disclosure is permitted under Canadian regulations, the SEC only permits issuers to report mineralization as in place tonnage and grade without reference to unit measures.

The definitions of proven and probable reserves used in NI 43-101 differ from the definitions in SEC Industry Guide 7. Under SEC Industry Guide 7 (under the Exchange Act), as interpreted by the staff of the SEC, mineralization may not be classified as a "reserve" for United States reporting purposes unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Among other things, all necessary permits would be required to be in hand or issuance imminent in order to classify mineralized material as reserves under the SEC standards.

United States investors are cautioned not to assume that any part or all of the mineral deposits identified as a "measured mineral resource", "indicated mineral resource" or "inferred mineral resource" will ever be converted to reserves as defined in NI 43-101 or SEC Industry Guide 7. Further, "inferred mineral resources" have a great amount of uncertainty as to their existence and economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of "inferred mineral resources" may not form the basis of feasibility or other economic studies. U.S. investors are cautioned not to assume that part or all of an inferred mineral resource exists, or is economically or legally mineable.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus and the documents incorporated by reference herein contain "forward-looking statements" or "forward-looking information" within the meaning of applicable securities legislation (together, "forward-looking statements"), which include all statements other than statements of historical fact. These forward-looking statements are made as of the date of this prospectus or, in the case of documents incorporated by reference herein, as of the date of such documents and, except as required under applicable securities legislation, the Company does not intend, and does not assume any obligation, to update these forward-looking statements.

Capitalized terms used and not defined herein are defined in the AIF.

Forward-looking statements include, but are not limited to, statements with respect to the use of proceeds of the Offering, the future price of copper, gold and other metals, the estimation of mineral resources, the realization of mineral resource estimates, the timing and amount of estimated future production, the resolution of the dispute with PNG, the resolution of the change in funding requirements from Harren & Partner, the fulfillment of the obligations under the Tongling sales agreement and the timing and sustainability of such arrangements, costs of production, capital expenditures, costs and timing of the development of the seafloor production system, the Bismarck Sea prospects (including Solwara 1) and new deposits, success of exploration and development activities, permitting time lines, currency fluctuations, requirements for additional capital (including financing to support the production of the PSV), government regulation of exploration operations, completion of acquisitions, the Company's financial position, business strategy, plans and objectives of management for future operations, the design and performance of the PSV, SPTs and RALS, the purchase of the PSV and limitations on insurance coverage. 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 late delivery of the PSV, SPTs, RALS or other equipment and variations in the cost of such equipment; risks related to the completion and integration of acquisitions and actual effects of the acquisitions; risks related to joint venture operations; the risk that the arbitration with the State of PNG will result in a significant delay in commencing production at Solwara 1; the risk of an adverse finding in respect of the arbitration; risks related to the identification of an alternative vessel arrangement; conclusions of future economic evaluations; changes in project parameters as plans continue to be refined; 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; variations in exchange rates; the failure to obtain the required equity funding or to obtain the approval of the TSX; State of PNG, Petromin or Nautilus failing to secure required debt funding; payment default by JV partners or Tongling; 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; and delays in obtaining governmental approvals or financing or in the completion of development or construction activities. Other risks are discussed in this document under "Risk Factors".

Such forward-looking statements are current only as at the date of this prospectus and are based on numerous material assumptions (that management believes were reasonable at the time they are made) regarding the Company's present and future business strategies and the environment in which the Company will operate in the future, including the Company's continued compliance with regulatory requirements, the charter rate for the Company's vessels including the ore-transport barges, the proposed mine plan, the estimated cost and availability of funding for the continued exploration of the Company's tenements, the resolution of the dispute with the State of PNG relating to the State Equity Option Agreement, and the ability of the Company to identify an alternative arrangement with respect to the vessel build. The Company has also assumed that market fundamentals will result in sustained copper and gold demand and prices; that the proposed development of its mineral projects will be viable operationally and economically and proceed as expected; and that any additional financing needed will be available on reasonable terms.

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.

## CURRENCY AND EXCHANGE RATE INFORMATION

This prospectus contains references to United States dollars and Canadian dollars. All dollar amounts referenced, unless otherwise indicated, are expressed in Canadian dollars. References to "**$**" or "**Cdn$**" are to Canadian dollars and references to "**US$**" are to U.S. dollars.

The closing, high, low and average exchange rates for the United States dollar in terms of Canadian dollars for each of the three years ended December 31, 2012, December 31, 2011, and December 31, 2010 as reported by the Bank of Canada, were as follows:

| | **Year Ended December 31** | | |
|---|---|---|---|
| | **2012 (C$)** | **2011 (C$)** | **2010 (C$)** |
| Closing | 0.9949 | 0.9833 | 0.9946 |
| High | 1.0397 | 1.0549 | 1.0778 |
| Low | 0.9683 | 0.9428 | 0.9946 |
| Average(1) | 0.9996 | 0.9891 | 1.0299 |

(1) Calculated as an average of the daily noon rates for each period.

On April 12, 2013, the Bank of Canada noon rate of exchange was C$1.00 = US$0.9868 or US$1.00 = C$1.0134.

The financial statements of the Company incorporated by reference herein are reported in United States dollars and have been prepared in accordance with International Financial Reporting Standards.

## DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in this prospectus from documents filed with securities commissions and similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained upon request without charge from the Corporate Secretary of Nautilus Minerals Inc. at Suite 1400, 400 Burrard Street, Vancouver, British Columbia, V6C 3A6 and are also available electronically at www.sedar.com.

The following documents of Nautilus, filed with securities commissions and similar authorities in Canada, are specifically incorporated by reference into, and form an integral part of, this prospectus:

1) Annual Information Form dated and filed on SEDAR on March 25, 2013 (the "**AIF**");

2) Audited consolidated financial statements of Nautilus in accordance with International Financial Reporting Standards for the years ended December 31, 2012 and December 31, 2011, together with the notes thereto and the auditors' report thereon, which were authorized by the Company's Board of Directors and filed on SEDAR on March 15, 2013;

3) Management Discussion & Analysis for the years ended December 31, 2012 and December 31, 2011 and filed on SEDAR on March 15, 2013 (the "**MD&A**");

4) Material Change Report dated February 1, 2013, with respect to the cancellation of the listing of the Common Shares on the Alternative Investment Market of the London Stock Exchange;

5) Material Change Report dated March 28, 2013 with respect to the announcement of the Offering and the filing of a preliminary prospectus; and

6) Management Information Circular dated May 1, 2012 and filed on SEDAR on May 18, 2012 prepared in connection with Nautilus' annual meeting of shareholders held on June 20, 2012 (the "**AGM Circular**").

Any documents of the Company of the type described in section 11.1 of Form 44-101F1 – Short Form Prospectus filed by the Company with any securities regulatory authorities after the date of this prospectus and prior to the termination of this distribution will be deemed to be incorporated by reference into this prospectus.

**Any statement contained in this prospectus or in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded, for purposes of this prospectus, to the extent that a statement contained in this prospectus or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not, except as so modified or superseded, be deemed to constitute a part of this prospectus.**

## SUMMARY

The following is a summary of the principal features of the Offering and should be read in conjunction with, and is qualified in its entirety by, the more detailed information and financial data and statements contained elsewhere or incorporated by reference in this prospectus. Certain terms used in this summary and in the prospectus are defined elsewhere herein.

| | |
|---|---|
| **Issuer** | Nautilus Minerals Inc. |
| **The Offering** | The Offering consists of Rights to subscribe for up to approximately 200,000,000 Common Shares. |
| **Eligible Jurisdictions** | All provinces of Canada other than Quebec. |
| **Pre-Approved Jurisdictions** | The Commonwealth of Australia, the Republic of Cyprus and the British Virgin Islands. |
| **Record Date** | April 25, 2013 |
| **Commencement Date** | May 1, 2013 |
| **Expiry Date** | May 31, 2013 |
| **Expiry Time** | 2:00 p.m. (Vancouver time) on the Expiry Date. Rights not exercised at or before the Expiry Time will be void and have no value. |
| **Subscription Price** | $0.20 per Common Share. |
| **Net Proceeds** | Approximately $37,550,000, after deducting the Standby Fee of $2,000,000, being 5% of the gross proceeds of the Offering and estimated expenses of the Offering of approximately $450,000, and assuming exercise in full of the Rights or purchase of Standby Shares by the Standby Purchaser to the extent any Rights are unexercised. |
| **Use of Proceeds** | The Company intends to use the net proceeds of the Offering to assist with the continued funding of three key contracts related to the Seafloor Production System. See "Use of Proceeds". |
| **Basic Subscription Privilege** | Each Right entitles the holder thereof to subscribe for 0.844335 Common Shares upon payment of the Subscription Price. No fractional Common Shares will be issued. See "Description of Offered Securities — Basic Subscription Privilege". |
| **Additional Subscription Privilege** | Holders of Rights who exercise in full the Basic Subscription Privilege for their Rights are also entitled to subscribe pro rata for additional Common Shares, if any, not otherwise purchased pursuant to the Basic Subscription Privilege. See "Description of Offered Securities — Additional Subscription Privilege". |
| **Exercise of Rights** | For all Shareholders whose Common Shares are held in registered form with an address of record in an Eligible Jurisdiction or a Pre-Approved Jurisdiction, a Rights Certificate representing the total number of Rights to which such Shareholder is entitled as at the Record Date will be mailed with a copy of this prospectus to each such Shareholder. In order to exercise the Rights represented by the Rights Certificate, such holder of Rights must complete and deliver the Rights Certificate in accordance with the instructions set out under "Description of Offered Securities — How to Complete the Rights Certificate". For Common Shares held through a CDS Participant, a subscriber in an Eligible Jurisdiction or a Pre-Approved Jurisdiction may subscribe for Common Shares by instructing the CDS Participant holding the subscriber's Rights to exercise all or a specified number of such Rights and forwarding the Subscription Price for each Common |

| | |
|---|---|
| | Share subscribed for in accordance with the terms of this Offering to such CDS Participant. |
| **Holders in Ineligible Jurisdictions** | This Offering is made in all of the Eligible Jurisdictions. No subscription under the Basic Subscription Privilege nor under the Additional Subscription Privilege will be accepted from any person, or such person's agent, who appears to be, or who the Company has reason to believe is, an Ineligible Holder, except that the Company may accept subscriptions in certain circumstances from persons in such jurisdictions if the Company determines that such offering to and subscription by such person or agent is lawful and in compliance with all securities and other laws applicable in the jurisdiction where such person or agent is resident (each, an "**Approved Eligible Holder**"). The Company is treating Shareholders of record on the Record Date in the Commonwealth of Australia, Cyprus and the British Virgin Islands (the "**Pre-Approved Jurisdictions**") as Approved Eligible Holders. No Rights Certificates will be mailed to Ineligible Holders (other than to Shareholders in Pre-Approved Jurisdictions) and Ineligible Holders (other than Shareholders in Pre-Approved Jurisdictions) will not be permitted to exercise their Rights. Registered holders of Common Shares who have not received Rights Certificates but are resident in an Eligible Jurisdiction or a Pre-Approved Jurisdiction or wish to be recognized as Approved Eligible Holders should contact the Subscription Agent at the earliest possible time. Rights of Ineligible Holders will be held by the Subscription Agent until 5:00 p.m. (Vancouver time) on May 24, 2013 in order to provide the beneficial holders outside the Eligible Jurisdictions and Pre-Approved Jurisdictions an opportunity to claim the Rights Certificate by satisfying the Company that the exercise of their Rights will not be in violation of the laws of the applicable jurisdiction. After such time, the Subscription Agent will attempt to sell the Rights of such registered Ineligible Holders on such date or dates and at such price or prices as the Subscription Agent will determine in its sole discretion.<br><br>Holders of Rights who reside outside of the Eligible Jurisdictions and any persons (including any CDS Participants) who have a contractual or legal obligation to forward this document to a jurisdiction outside the Eligible Jurisdictions should read the section entitled "Description of Offered Securities – Ineligible Holders". |
| **Standby Commitment** | Under the Standby Purchase Agreement, the Standby Purchaser has agreed to purchase, at the Subscription Price, as principal and not with a view to resale or distribution, all Common Shares that are not otherwise subscribed for under the Basic Subscription Privilege or the Additional Subscription Privilege, subject to certain limitations. The Standby Purchaser is not engaged as an underwriter in connection with the Offering and has not been involved in the preparation of, or performed any review of, this prospectus in the capacity of an underwriter. The Standby Purchase Agreement may be terminated by the Standby Purchaser prior to the Expiry Time in certain circumstances. In consideration of the agreement of the Standby Purchaser to purchase the Standby Shares as provided in the Standby Purchase Agreement, the Standby Purchaser will be entitled to the Standby Fee, payable at closing of the Offering. See "Standby Commitment". |
| **Listing and Trading** | The Company has received conditional approval to list the Rights, the Common Shares issuable upon exercise of the Rights and the Standby Shares on the TSX. The final approval of such listing will be subject to the Company fulfilling all of the listing requirements of the TSX. |
| **Risk Factors** | An investment in Common Shares is subject to a number of risk factors. See "Risk Factors". |

## SUMMARY DESCRIPTION OF BUSINESS

Nautilus is a seafloor resource exploration company and the first company to commercially explore the ocean floor for copper, gold, silver and zinc seafloor massive sulphide deposits. Nautilus holds tenement licences and exploration applications in various locations in the western and central Pacific Ocean and is establishing a pipeline of prospects for development. The Company's main focus is on developing a seafloor production system that can be used to extract resources from its seafloor prospects.

Nautilus' seafloor production system has the potential to open a new frontier of resource development as land-based mineral deposits continue to be depleted and the cost of development and extraction continue to rise and grades continue to fall.

Nautilus has completed both an independent NI 43-101 resource estimate for its Solwara 1 Project and an independent NI 43-101 system definition and cost study for its seafloor production system. The Company has received both the mining lease and environmental permit for its Solwara 1 Project from the State of PNG.

Nautilus has also released, through one of its 100% owned subsidiaries, an independent NI 43-101 resource estimate in respect of its Clarion-Clipperton Fracture Zone polymetallic nodule project, located within the Central Pacific Ocean.

## CORPORATE INFORMATION

Nautilus Minerals Inc. was incorporated under the laws of the Province of British Columbia, Canada, on January 26, 1987 under the name "Premier Gold Resources Inc." On April 8, 1991, the Company changed its name to "Cryptic Ventures Inc." The Company continued into the Yukon on November 21, 1996 under "Zen International Resources Ltd.", continued to Alberta on March 27, 2002 under "Orca Petroleum Inc." and then continued to British Columbia on April 27, 2006 under "Nautilus Minerals Inc." where the Company continued under the provisions of the Business Corporations Act (British Columbia).

The Common Shares commenced trading on the TSX Venture Exchange (formerly the Vancouver Stock Exchange) on March 6, 1989 and on August 24, 2007 the Company's shares were listed on the TSX. The Common Shares commenced trading on AIM, a market regulated by the London Stock Exchange on February 2, 2007 which listing was subsequently cancelled effective from March 8, 2013. The Company's shares are also quoted on the OTCQX International.

The Company, as it is currently structured, was formed on May 8, 2006 when the Company completed a series of transactions (the "**RTO**") whereby it disposed of substantially all of its oil and gas businesses and assets and acquired Nautilus Minerals Niugini Limited and Nautilus Minerals Oceania Limited. The Company's principal business prior to the RTO was oil and gas exploration in Bolivia, which business was conducted through its wholly owned subsidiaries: Zen International Resources Limited, Orca Energy Corp., Orca International Corp., Compania Petrolera Orca S.A and Orca Petroleo S.A.

The Company's head office is located at Suite 1400, 400 Burrard Street, Vancouver, British Columbia, V6C 3A6. The Company also has a project and operations office located at Level 7, 303 Coronation Drive, Milton, Queensland, Australia 4064, PO Box 1213. The Company's registered and records office is located at 10th Floor, 595 Howe Street, Vancouver, British Columbia, V6C 2T5. The Company also has a corporate office located at Suite 1702, 141 Adelaide Street West, Toronto, Ontario M5H 3L5.

## INTENTION OF INSIDERS TO EXERCISE RIGHTS

The Company, after reasonable inquiry, is uncertain as to the number of rights that will be exercised by insiders other than the Standby Purchaser. It believes that certain insiders of the Company, other than the Standby Purchaser, will be issued Rights to purchase approximately 65,326,950 Common Shares, representing approximately 32.7% of the Offering.

## RISK FACTORS

An investment in the Common Shares is subject to a number of risks. A prospective purchaser of such securities should carefully consider the information and risks faced by the Company described in this prospectus and the documents incorporated by reference including, without limitation, the risk factors set out under the heading "Risk Factors" in each of the AIF and the MD&A.

### Dilution

If a Shareholder does not exercise all of its Rights pursuant to the Basic Subscription Privilege, the Shareholder's current percentage ownership in the Company will be diluted by the issuance of Common Shares upon the exercise of Rights by other Shareholders, as well as the purchase of Standby Shares by the Standby Purchaser.

### Trading Market for Rights

Although the Company expects that the Rights will be listed on the TSX, the Company cannot provide any assurance that an active or any trading market in the Rights will develop or that Rights can be sold on the TSX at any time.

### Negative Cash Flow

The Company has no producing mines and has no source of operating cash flow other than through equity and/or debt financing. As such, it has and it is expected to continue to have negative operating cash flow. To the extent the Company has negative cash flow in future periods, the Company may use a portion of its general working capital to fund such negative cash flow.

### Discretion in the Use of Proceeds

Management will have broad discretion concerning the use of the proceeds of the Offering as well as the timing of their expenditures. As a result, an investor will be relying on the judgment of management for the application of the net proceeds of the Offering. While the Company intends to use the net proceeds as described under "Use of Proceeds", future results from the Company's operations, external events or other sound business reasons may make it desirable for the Company to re-allocate some or all of the net proceeds. Management may use the net proceeds of the Offering in ways that an investor may not consider desirable. The results and the effectiveness of the application of the proceeds are uncertain. If the proceeds are not applied effectively, the Company's results of operations may suffer.

## USE OF PROCEEDS

The net proceeds to be received by the Company from the Offering are estimated to be approximately $37,550,000, after deducting the Standby Fee and estimated expenses of the Offering of approximately $450,000. The net proceeds will be used by the Company to assist with the continued funding of three key contracts related to the Seafloor Production System pending the resolution of the dispute with the State of PNG. The Company believes it is essential to continue with these contracts during this period to ensure it is in the best possible position to advance its Solwara 1 Project following resolution of the dispute with the State of PNG. Specifically, the funding will allow the Company to continue the build of the Seafloor Production Tools which is being carried out by Soil Machine Dynamics Limited, the Subsea Slurry Lift Pump which is being carried out by Hydril USA Distribution LLC (previously referred to by the Company as GE Hydril) and the procurement of the rigid riser system which is being carried out by General Marine Contractors LLC. Each of these contracts are milestone based and payments will be made as and when milestones have been achieved in accordance with the terms of those contracts.

As at the date hereof, the balance to complete the three key contracts is expected to exceed the net proceeds of the Offering by approximately $11.6 million. This figure may change as a result of variation orders agreed between the Company and the applicable suppliers. The Company's decision as to whether it completes the three key contracts and the source of funding should it do so are dependent upon the outcome of the dispute with the State of PNG and/or the availability of sufficient additional funding.

The Company does not generate positive cash flows from operations and is reliant on the Offering and future financing activities for its cash requirements. As noted above, the net proceeds of the Offering will be used to assist with funding the key contracts.

## PRIOR SALES

The following table sets forth for the 12 month period prior to the date of this prospectus details of the price at which securities have been issued or are to be issued by the Company, the number of securities issued at that price and the date on which the securities were issued:

| Date of Issue | Type of Securities | No. of Common Shares | Issue or Exercise Price per Security | Reason for Issue |
|---|---|---|---|---|
| 9 October 2012 | Common Shares | 3,800,000[(1)] | $1.01 | Issuance under Share Loan Plan[(2)] |
| 9 October 2012 | Stock Options | 225,000 | $1.01 | Grant of stock options |
| 2 October 2012 | Common Shares | 200,000 | $0.91 | Issuance under Share Loan Plan[(2)] |
| 2 October 2012 | Stock Options | 900,000 | $0.91 | Grant of stock options |
| 11 September 2012 | Common Shares | 20,632,382 | $0.90 | Private Placement |
| 7 August 2012 | Common Shares | 555,556 | $0.90 | Private Placement |
| 3 August 2012 | Common Shares | 16,485,186 | $0.90 | Private Placement |
| 3 April 2012 | Common Shares | 10,000 | $1.28 | Exercise of stock options |
| 30 March 2012 | Common Shares | 78,000 | $1.28 | Exercise of stock options |
| 30 March 2012 | Common Shares | 40,000 | $1.13 | Exercise of stock options |

(1) Of which 1,225,000 were subsequently cancelled pursuant to the terms of the Share Loan Plan. See "Description of Share Capital – Share Loan Plan".

(2) See "Description of Share Capital – Share Loan Plan".

## TRADING PRICE AND VOLUME

The following table sets forth for the 12 month period prior to the date of this prospectus details of the trading prices and volume on a monthly basis of the Common Shares traded through the facilities of the TSX:

| Period | High | Low | Volume |
|---|---|---|---|
| **2012** | | | |
| March | C$2.90 | C$1.86 | 3,758,202 |
| April | C$2.77 | C$2.22 | 1,664,709 |
| May | C$2.44 | C$2.05 | 1,133,490 |
| June | C$2.01 | C$0.92 | 5,517,873 |
| July | C$1.20 | C$1.00 | 971,650 |
| August | C$1.40 | C$0.96 | 1,451,274 |
| September | C$1.20 | C$0.85 | 3,202,126 |
| October | C$1.01 | C$0.67 | 1,867,865 |
| November | C$0.85 | C$0.33 | 8,895,897 |
| December | C$0.40 | C$0.27 | 8,809,826 |
| **2013** | | | |
| January | C$0.68 | C$0.38 | 15,672,949 |
| February | C$0.50 | C$0.35 | 3,329,202 |
| March | C$0.44 | C$0.225 | 2,425,166 |
| April 1-12 | C$0.32 | C$0.235 | 1,458,325 |

## DIVIDEND POLICY

Nautilus has not declared or paid any dividends on its common shares since the date of formation. Nautilus does not have any current plans to pay dividends; however, Nautilus may pay dividends on its common shares in the future if it generates profits. Any decision to pay dividends on common shares in the future will be made by the board of directors on the basis of the earnings, financial requirements and other conditions existing at such time.

## CONSOLIDATED CAPITALIZATION

As of the date of this prospectus, there have been no material changes in the share and loan capital of the Company since the date of its audited financial statements for the year ended December 31, 2012, being the Company's most recently completed financial period and which are incorporated by reference in this prospectus.

The following table sets forth the consolidated capitalization of Nautilus as at the date indicated, before and after giving effect to the Offering. This table should be read in conjunction with the financial statements of the Company (including the notes thereto) incorporated by reference in this prospectus.

| Description | Outstanding as at December 31, 2012 | Outstanding after giving effect to the issuance of Common Shares under the Offering[(1)(2)] (unaudited) |
|---|---|---|
| Outstanding Common Shares (unlimited number authorized) | 236,947,865 | 436,872,865 |
| Issued Capital | $477,413,919 | $517,413,919 |
| Total Capitalization | $271,747,112 | $311,747,112 |

(1) Assumes that all Rights will be exercised under the Offering or that the Standby Shares are purchased by the Standby Purchaser.

(2) Based on gross proceeds.

## DESCRIPTION OF SHARE CAPITAL

### Authorized Capital

The authorized share capital of Nautilus consists of an unlimited number of Common Shares without par value and an unlimited number of preference shares, issuable in series. As of the date of this prospectus, there are 236,872,865 Common Shares issued and outstanding.

### Common Shares

The holders of Common Shares are entitled to one vote per Common Share at all meetings of shareholders, to receive dividends as and when declared by the directors, and to receive a pro rata share of the remaining property and assets of the Company in the event of liquidation, dissolution or winding up of the Company. The Common Shares have no pre-emptive, conversion, exchange, redemption, retraction, purchase for cancellation or surrender provisions. There are no sinking fund provisions in relation to the Common Shares and they are not liable to further calls or to assessment by the Company. The Company's Articles provide that the rights and provisions attached to any class of shares, in which shares are issued, may not be modified, amended or varied unless consented to by special resolution passed by a majority of not less than 66 2/3% of the votes cast in person or by proxy by holders of shares of that class.

### Loan Shares

Nautilus has in place two equity compensation plans, each of which has been approved by shareholders, being the Stock Option Plan and the Share Loan Plan. As described in detail in the AGM Circular (see "*Documents Incorporated by Reference*"), the Share Loan Plan allows for the issuance of Common Shares to those directors, officers and employees of the Company that are resident in Australia. Such Common Shares (referred to hereinafter as "**Loan Shares**") are subject to restrictions on transfer, among other things, until the applicable loan for the subscription proceeds is paid by the plan participant, being the person to whom the shares are issued. The Share Loan Plan also provides that the holders of Loan Shares who have not repaid the applicable loan will not be entitled to receive, exercise or sell Rights in respect of such Common Shares. As of the date of this prospectus, there were 2,975,000 Loan Shares outstanding.

### Options

As of the date of this prospectus, there were options ("**Stock Options**") outstanding to purchase 4,025,000 Common Shares at exercise prices ranging from $0.91 to $2.91 with expiry dates ranging from June 30, 2013 to April 9, 2016.

### Change of Control Provisions

The outstanding Loan Shares and Stock Options contain certain provisions with respect to a change of control of the Company. The Offering could result in a change of control, as such term is defined in each of the Stock Option Plan and the Share Loan Plan, if the Standby Purchaser or any other person acquires greater than 50% of the outstanding Common Shares, or enough Common Shares to elect a majority of the Board of Directors. In such event, any outstanding unvested Stock Options and Loan Shares shall vest. In the event that the Offering results in a change of control, 1,265,000 Stock Options and 2,815,000 Loan Shares shall vest upon closing of the Offering.

## DESCRIPTION OF OFFERED SECURITIES

### Issue of Rights and Record Date

Shareholders of record at the close of business (Vancouver time) on the Record Date will receive Rights on the basis of one Right for each Common Share held at that time. The Rights permit the holders thereof (provided that such holders are in an Eligible Jurisdiction or are Approved Eligible Holders) to subscribe for and purchase from the Company up to an aggregate of 200,000,000 Common Shares, assuming exercise in full of the Rights issued hereunder. The Rights are transferable in Canada by the holders thereof. See "*Sale or Transfer of Rights*".

The Rights will be represented by the Rights Certificates that will be issued in registered form. For Shareholders who hold their Common Shares in registered form, a Rights Certificate evidencing the number of Rights to which a holder is entitled as at the Record Date and the number of Common Shares which may be obtained on exercise of those Rights will be mailed with a copy of this prospectus to each such registered Shareholder as of the close of business on the Record Date. See "*Rights Certificate — Common Shares Held in Registered Form*".

Shareholders that hold their Common Shares through a CDS Participant will not receive physical certificates evidencing their ownership of Rights. On the Record Date, a global certificate representing such Rights will be issued in registered form to, and in the name of, CDS or its nominee. See "*Rights Certificate — Common Shares Held Through CDS*".

### Subscription Basis

For each Right held, the holder thereof is entitled to subscribe for 0.844335 Common Shares at the Subscription Price of $0.20 per Common Share. This Subscription Price was determined by negotiation between the Company and the Standby Purchaser. Any subscription for Common Shares will be irrevocable once submitted.

Fractional Common Shares will not be issued upon the exercise of Rights. Where the exercise of Rights would appear to entitle a holder of Rights to receive fractional Common Shares, the holder's entitlement will be reduced to the next lowest whole number of Common Shares. CDS Participants that hold Rights for more than one beneficial holder may, upon providing evidence satisfactory to the Company, exercise Rights on behalf of its accounts on the same basis as if the beneficial owners of Common Shares were holders of record on the Record Date.

**Commencement Date and Expiry Date**

The Rights will be eligible for exercise following May 1, 2013 (the "**Commencement Date**"). The Rights will expire at the Expiry Time on the Expiry Date. Shareholders who exercise the Rights will become holders of Common Shares issued through the exercise of the Rights on the completion of the Offering, which is expected to occur on or before the second business day following the seventh day after the Expiry Date. **RIGHTS NOT EXERCISED PRIOR TO THE EXPIRY TIME ON THE EXPIRY DATE WILL BE VOID AND OF NO VALUE.**

**Basic Subscription Privilege**

Each Shareholder at the close of business on the Record Date is entitled to receive one Right for each Common Share held. For each Right held, the holder (other than an Ineligible Holder) is entitled to acquire 0.844335 Common Shares under the Basic Subscription Privilege at the Subscription Price by subscribing and making payment in the manner described herein prior to the Expiry Time on the Expiry Date. A holder of Rights that subscribes for some, but not all, of the Common Shares pursuant to the Basic Subscription Privilege will be deemed to have elected to waive the unexercised balance of such Rights and such unexercised balance of Rights will be void and of no value unless the Subscription Agent is otherwise specifically advised by such holder at the time the Rights Certificate is surrendered that the Rights are to be transferred to a third party or are to be retained by the holder. Holders of Rights who exercise in full the Basic Subscription Privilege for their Rights are also entitled to subscribe for the Additional Shares, if any, that are not otherwise subscribed for under the Offering on a *pro rata* basis, prior to the Expiry Time on the Expiry Date pursuant to the Additional Subscription Privilege. See "*Additional Subscription Privilege*". Fractional Common Shares will not be issued upon the exercise of Rights. CDS Participants that hold Rights for more than one beneficial Shareholder as at the Record Date may, upon providing evidence satisfactory to the Company and the Subscription Agent, exercise Rights on behalf of their accounts on the same basis as if the beneficial owners of Common Shares were holders of record on the Record Date.

For Common Shares held in registered form, in order to exercise the Rights represented by a Rights Certificate, the holder of Rights must complete and deliver the Rights Certificate to the Subscription Agent in accordance with the terms of this Offering in the manner and upon the terms set out in this prospectus and pay the aggregate Subscription Price. All exercises of Rights are irrevocable once submitted.

For Common Shares held through a CDS Participant, a holder (other than an Ineligible Holder) may subscribe for Common Shares by instructing the CDS Participant holding the subscriber's Rights to exercise all or a specified number of such Rights and forwarding the Subscription Price for each Common Share subscribed for in accordance with the terms of this Offering to such CDS Participant. Subscriptions for Common Shares made in connection with the Offering through a CDS Participant will be irrevocable and subscribers will be unable to withdraw their subscriptions for Common Shares once submitted.

The Subscription Price is payable in Canadian funds by certified cheque, bank draft or money order drawn to the order of the Subscription Agent. In the case of subscription through a CDS Participant, the Subscription Price is typically payable by certified cheque, bank draft or money order drawn to the order of such CDS Participant, by direct debit from the subscriber's brokerage account or by electronic funds transfer or other similar payment mechanism. The entire Subscription Price for Common Shares subscribed for must be paid at the time of subscription and must be received by the Subscription Agent at the Subscription Office prior to the Expiry Time on the Expiry Date. Accordingly, a subscriber subscribing through a CDS Participant must deliver its payment and instructions sufficiently in advance of the Expiry Date to allow the CDS Participant to properly exercise the Rights on its behalf.

Payment of the Subscription Price will constitute a representation to the Company and, if applicable, to the CDS Participant, by the subscriber (including by its agents) that: (a) either the subscriber is not a citizen or resident of an Ineligible Jurisdiction or the subscriber is an Approved Eligible Holder; and (b) the subscriber is not purchasing the Common Shares for resale to any person who is a citizen or resident of an Ineligible Jurisdiction.

**Additional Subscription Privilege**

Each holder of Rights who has exercised in full the Basic Subscription Privilege for its Rights may subscribe for Additional Shares, if available, at a price equal to the Subscription Price for each Additional Share. The number of Additional Shares will be the difference, if any, between the total number of Common Shares issuable upon exercise of Rights and the total number of Common Shares subscribed and paid for pursuant to the Basic Subscription Privilege at the Expiry Time on the Expiry Date. Subscriptions for Additional Shares will be received subject to allotment only and the number of Additional Shares, if any, that may be allotted to each subscriber will be equal to the lesser of: (a) the number of Additional Shares that such subscriber has subscribed for; and (b) the product (disregarding fractions) obtained by multiplying the number of Additional Shares available to be issued by a fraction, the numerator of which is the number of Rights previously exercised by the subscriber and the denominator of which is the aggregate number of Rights previously exercised under the Offering by all holders of Rights that have subscribed for Additional Shares. If any holder of Rights has subscribed for fewer Additional Shares than such holder's *pro rata* allotment of Additional Shares, the excess Additional Shares will be allotted in a similar manner among the holders who were allotted fewer Additional Shares than they subscribed for.

To apply for Additional Shares under the Additional Subscription Privilege, each registered holder of Rights must forward their request to the Subscription Agent at the Subscription Office prior to the Expiry Time on the Expiry Date. Beneficial owners holding Rights through a CDS Participant should comply with the timing requirements of their CDS Participant. Payment for Additional Shares, in the same manner as required upon exercise of the Basic Subscription Privilege, must accompany the request when it is delivered to the Subscription Agent or a CDS Participant, as applicable. Any excess funds will be returned by mail by the Subscription Agent or credited to a subscriber's account with its CDS Participant, as applicable, without interest or deduction. Payment of such price must be received by the Subscription Agent prior to the Expiry Time on the Expiry Date, failing which the subscriber's entitlement to such Additional Shares will terminate. Accordingly, a subscriber subscribing through a CDS Participant must deliver its payment and instructions to its CDS Participant sufficiently in advance of the Expiry Time on the Expiry Date to allow the CDS Participant to properly exercise the Additional Subscription Privilege on its behalf.

**Subscription and Transfer Agent**

The Subscription Agent has been appointed the agent of the Company to receive subscriptions and payments from holders of Rights Certificates, to act as registrar and transfer agent for the Common Shares and to perform certain services relating to the exercise and transfer of Rights. The Company will pay for the services of the Subscription Agent. Subscriptions and payments under the Offering should be sent to the Subscription Agent as follows:

***By Mail***

P.O. Box 7021
31 Adelaide Street East
Toronto, Ontario
M5C 3H2
Attention: Corporate Actions

***By Registered Mail, Hand or by Courier to the attention of Corporation Actions as follows:***

**Toronto**:

100 University Ave.
8th Floor
Toronto, Ontario
M5J 2Y1

**Vancouver**:

510 Burrard Street
2nd Floor
Vancouver, British Columbia
V6C 3B9

**Inquiries**

Toll Free: 1-800-564-6253 (North America)
Phone: 1-514-982-7555 (Overseas)
E-mail: corporateactions@computershare.com

**Rights Certificate — Common Shares Held in Registered Form**

For all Shareholders with an address of record in an Eligible Jurisdiction whose Common Shares are held in registered form, a Rights Certificate representing the total number of Rights to which each such Shareholder is entitled as at the Record Date and the number of Common Shares which may be obtained on exercise of those Rights will be mailed with a copy of this prospectus to each such Shareholder. In order to exercise the Rights represented by the Rights Certificate, such holder of Rights must complete and deliver the Rights Certificate in accordance with the instructions set out under "How to Complete the Rights Certificate". Rights not exercised by the Expiry Time on the Expiry Date will be void and of no value.

**Rights Certificate — Common Shares Held Through CDS**

For all Shareholders who hold their Common Shares through a securities broker or dealer, bank or trust company or other CDS Participant with an address of record in an Eligible Jurisdiction in the book based system administered by CDS, a global certificate representing the total number of Rights to which all such Shareholders as at the Record Date are entitled will be issued in registered form to CDS and will be deposited with CDS on the Commencement Date. The Company expects that each beneficial Shareholder will receive a confirmation of the number of Rights issued to it from its CDS Participant in accordance with the practices and procedures of that CDS Participant. CDS will be responsible for establishing and maintaining book-entry accounts for CDS Participants holding Rights.

Neither the Company nor the Subscription Agent will have any liability for: (a) the records maintained by CDS or CDS Participants relating to the Rights or the book-entry accounts maintained by them; (b) maintaining, supervising or reviewing any records relating to such Rights; or (c) any advice or representations made or given by CDS or CDS Participants with respect to the rules and regulations of CDS or any action to be taken by CDS or CDS Participants.

The ability of a person having an interest in Rights held through a CDS Participant to pledge such interest or otherwise take action with respect to such interest (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

Shareholders who hold their Common Shares through a CDS Participant must arrange purchases or transfers of Rights through their CDS Participant. It is anticipated by the Company that each such purchaser of a Common Share or Right will receive a customer confirmation of issuance or purchase, as applicable, from the CDS Participant through which such Right is issued or such Common Share is purchased in accordance with the practices and policies of such CDS Participant.

**How to Complete the Rights Certificate**

1. *Form 1 — Basic Subscription Privilege*. The maximum number of Rights that may be exercised pursuant to the Basic Subscription Privilege is shown in the box on the upper right hand corner of the face of the Rights Certificate. Form 1 must be completed and signed to exercise all or some of the Rights represented by the Rights Certificate pursuant to the Basic Subscription Privilege. If Form 1 is completed so as to exercise some but not all of the Rights represented by the Rights Certificate, the holder of the Rights Certificate will be deemed to have waived the unexercised balance of such Rights, unless the Subscription Agent is otherwise specifically advised by such holder at the time the Rights Certificate is surrendered that the Rights are to be transferred to a third party or are to be retained by the holder.

2. *Form 2 — Additional Subscription Privilege*. Complete and sign Form 2 on the Rights Certificate only if you also wish to participate in the Additional Subscription Privilege. See "Additional Subscription Privilege".

3. *Form 3 — Transfer of Rights*. Complete and sign Form 3 on the Rights Certificate only if you wish to transfer the Rights. Your signature must be guaranteed by a Schedule I bank, a major trust company in Canada, or a member of an acceptable Medallion Signature Guarantee Program, including STAMP, SEMP, and MSP. Members of STAMP are usually members of a recognized stock exchange in Canada or members of the Investment Industry Regulatory Organization of Canada. The guarantor must affix a stamp bearing the actual words "Signature Guaranteed". It is not necessary for a transferee to obtain a new Rights Certificate to exercise the Rights, but the signatures of the transferee on Forms 1 and 2 must correspond in every particular with the name of the transferee (or the bearer if no transferee is specified) as the absolute owner of the Rights Certificate for all purposes. If Form 3 is completed, the Subscription Agent will treat the transferee as the absolute owner of the Rights Certificate for all purposes and will not be affected by notice to the contrary.

4. *Form 4 — Dividing or Combining*. Complete and sign Form 4 on the Rights Certificate only if you wish to divide or combine the Rights Certificate, and surrender it to the Subscription Agent at the Subscription Office. Rights Certificates need not be endorsed if the new Rights Certificate(s) are issued in the same name. The Subscription Agent will then issue a new Rights Certificate in such denominations (totalling the same number of Rights as represented by the Right(s) Certificates being divided or combined) as are required by the Rights Certificate holder. Rights Certificates must be surrendered for division or combination in sufficient time prior to the Expiry Time to permit the new Rights Certificates to be issued to and used by the Rights Certificate holder.

5. *Payment*. Enclose payment in Canadian funds by certified cheque, bank draft or money order payable to the order of "Computershare Investor Services Inc.". The amount of payment will be $0.20 per Common Share. Payment must also be included for any Additional Shares subscribed for under the Additional Subscription Privilege.

6. *Deposit*. Deliver or mail the completed Rights Certificate and payment in the enclosed return envelope addressed to the Subscription Agent so that it is received by the Subscription Office listed above before the Expiry Time on the Expiry Date. If mailing, registered mail is recommended. Please allow sufficient time to avoid late delivery. The signature of the Rights Certificate holder must correspond in every particular with the name that appears on the face of the Rights Certificate.

Signatures by a trustee, executor, administrator, guardian, attorney, officer of a corporation or any person acting in a fiduciary or representative capacity should be accompanied by evidence of authority satisfactory to the Subscription Agent. All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any subscription will be determined by the Company in its sole discretion, and any determination by the Company will be final and binding on the Company and its security holders. Upon delivery or mailing of the completed Rights Certificate to the Subscription Agent, the exercise of the Rights and the subscription for Common Shares is irrevocable. The Company reserves the right to reject any subscription if it is not in proper form or if the acceptance thereof or the issuance of Common Shares pursuant thereto could be unlawful. The Company also reserves the right to waive any defect in respect of any particular subscription. Neither the Company nor the Subscription Agent is under any duty to give any notice of any defect or irregularity in any subscription, nor will they be liable for the failure to give any such notice. **Any holder of Rights that fails to complete their subscription in accordance with the foregoing instructions prior to the Expiry Time on the Expiry Date will forfeit their Rights under the Basic Subscription Privilege and the Additional Subscription Privilege attaching to those Rights.**

**Undeliverable Rights**

Rights Certificates returned to the Subscription Agent as undeliverable will not be sold by the Subscription Agent and no proceeds of sale will be credited to such holders.

**Sale or Transfer of Rights**

Holders of Rights (other than Ineligible Holders) in registered form in Canada may, instead of exercising their Rights to subscribe for Common Shares, sell or transfer their Rights to any person that is not an Ineligible Holder by completing Form 3 on the Rights Certificate and delivering the Rights Certificate to the transferee. See "How to Complete the Rights Certificate — 3. Form 3 — Transfer of Rights". A permitted transferee of the Rights of a registered holder of a Rights Certificate may exercise the Rights transferred to such permitted transferee without obtaining a new Rights Certificate. If a Rights Certificate is transferred in blank, the Company and the Subscription Agent may thereafter treat the bearer as the absolute owner of the Rights Certificate for all purposes and neither the Company nor the Subscription Agent will be affected by any notice to the contrary.

Holders of Rights (other than Ineligible Holders) through CDS Participants in Canada who wish to sell or transfer their Rights must do so in the same manner in which they sell or transfer Common Shares. See "Rights Certificate – Common Shares Held Through CDS".

**Persons interested in selling or purchasing Rights should be aware that the exercise of Rights by holders who are not located in an Eligible Jurisdiction or a Pre-Approved Jurisdiction will not be permitted unless the person exercising the Rights meets the conditions and satisfies the procedures described under "Ineligible Holders" below.**

**Dividing or Combining Rights Certificates**

A Rights Certificate may be divided, exchanged or combined. See "How to Complete the Rights Certificate — Form 4 — Dividing or Combining".

**Reservation of Shares**

The Company will, at all times, reserve sufficient unissued Common Shares as will permit the exchange of all the outstanding Rights for Common Shares during the period beginning on the Commencement Date and ending on the Expiry Date at the Expiry Time.

**Dilution to Existing Shareholders**

If a Shareholder does not exercise all of its Rights pursuant to the Basic Subscription Privilege, the Shareholder's current percentage ownership in the Company will be diluted by the issuance of Common Shares upon the exercise of Rights by other Shareholders, as well as the purchase of Standby Shares by the Standby Purchaser. Shareholders should be aware that the Standby Purchaser has agreed to exercise its Rights under the Basic Subscription Privilege and the Additional Subscription Privilege in full pursuant to the Standby Purchase Agreement and to purchase the Standby Shares. See "Standby Commitment".

**Ineligible Holders**

This Offering is made only in the Eligible Jurisdictions. Accordingly, neither a subscription under the Basic Subscription Privilege nor under the Additional Subscription Privilege will be accepted from any person, or such person's agent, who appears to be, or who the Company has reason to believe is an Ineligible Holder, except that the Company may accept subscriptions in certain circumstances from an Approved Eligible Holder.

Rights Certificates will not be issued and forwarded by the Company to Ineligible Holders who are not Approved Eligible Holders. Ineligible Holders will be presumed to be resident in the place of their registered address unless the contrary is shown to the satisfaction of the Company. Registered Ineligible Holders other than registered Shareholders in Pre-Approved Jurisdictions will be sent a cover letter with this Prospectus advising them that their Rights Certificates will be issued to and held on their behalf by the Subscription Agent and a form of investor representation letter (the "**Representation Letter**"). The Representation Letter will set out the conditions required to be met, and procedures that must be followed, by Ineligible Holders wishing to participate in the Offering. Rights Certificates in respect of Rights issued to registered Ineligible Holders will be issued to and held by the Subscription Agent as agent for the benefit of Ineligible Holders. The Subscription Agent will hold the Rights until 5:00 p.m. (Vancouver time) on May 24, 2013 in order to provide Ineligible Holders an opportunity to claim a Rights Certificate by satisfying the Company that the issue of Common Shares pursuant to the exercise of Rights will not be in violation of the laws of the applicable jurisdiction. Following such date, the Subscription Agent, for the account of registered Ineligible Holders (including Ineligible Holders with an address of record in the United States), will, prior to the Expiry Time on the Expiry Date, attempt to sell the Rights of such registered Ineligible Holders represented by Rights Certificates in the possession of the Subscription Agent on such date or dates and at such price or prices as the Subscription Agent determines in its sole discretion.

CDS Participants receiving Rights on behalf of Ineligible Holders will be instructed by CDS not to permit the exercise of such Rights unless the holder is an Approved Eligible Holder. After May 24, 2013, CDS Participants should attempt to sell the Rights of Ineligible Holders for the accounts of such holders and should deliver any proceeds of sale to such holders.

Beneficial owners of Common Shares registered in the name of a resident of an Ineligible Jurisdiction, who are not themselves resident in an Ineligible Jurisdiction, who wish to be recognized as an Approved Eligible Holder and who believe that their Rights Certificates may have been delivered to the Subscription Agent, should contact their broker at the earliest opportunity and in any case in advance of 5:00 p.m. (Vancouver time) on May 24, 2013 to request to have their Rights Certificates mailed to them.

The Rights and the Common Shares issuable on the exercise of the Rights and the Standby Shares have not been qualified for distribution in any Ineligible Jurisdiction and, accordingly, may only be offered, sold, acquired, exercised or transferred in transactions not prohibited by applicable laws in Ineligible Jurisdictions. Notwithstanding the foregoing, persons located in certain Ineligible Jurisdictions may be able to exercise the Rights and purchase Common Shares provided that they furnish the Representation Letter satisfactory to the Company on or before May 24, 2013. The form of Representation Letter will be available from the Company or the Subscription Agent upon request. Beneficial owners of Rights or Common Shares should contact their broker to obtain the Representation Letter. The Company has confirmed that the Standby Purchaser is an Approved Eligible Holder. In addition, the Company is treating Shareholders in Pre-Approved Jurisdictions as Approved Eligible Holders. A holder of Rights in an Ineligible Jurisdiction holding on behalf of a person resident in an Eligible Jurisdiction may be able to exercise the Rights provided the holder certifies in the investor letter that the beneficial purchaser is resident in an Eligible Jurisdiction and satisfies the Company that such subscription is lawful and in compliance with all securities and other applicable laws.

No charge will be made for the sale of Rights by the Subscription Agent except for a proportionate share of any brokerage commissions incurred by the Subscription Agent and the costs of or incurred by the Subscription Agent in connection with the sale of the Rights. Registered Ineligible Holders will not be entitled to instruct the Subscription Agent in respect of the price or the time at which the Rights are to be sold. The Subscription Agent will endeavour to effect sales of Rights on the open market and any proceeds received by the Subscription Agent with respect to the sale of Rights net of brokerage fees and costs incurred and, if applicable, the Canadian tax required to be withheld, will be divided on a *pro rata* basis among such registered Ineligible Holders and delivered by mailing cheques (in Canadian funds) of the Subscription Agent therefor as soon as practicable to such registered Ineligible Holders at their addresses recorded on the books of the Company. Amounts of less than $10.00 will not be remitted. The Subscription Agent will act in its capacity as agent of the registered Ineligible Holders on a best efforts basis only and the Company and the Subscription Agent do not accept responsibility for the price obtained on the sale of, or the inability to sell, the Rights on behalf of any registered Ineligible Holder. Neither the Company nor the Subscription Agent will be subject to any liability for the failure to sell any Rights of registered Ineligible Holders or as a result of the sale of any Rights at a particular price or on a particular day. **There is a risk that the proceeds received from the sale of Rights will not exceed the costs of or incurred by the Subscription Agent in connection with the sale of such Rights and, if applicable, the Canadian tax required to be withheld. In such event, no proceeds will be remitted.**

**Holders of Rights who are not resident in Canada should be aware that the acquisition and disposition of Rights or Common Shares may have tax consequences in the jurisdiction where they reside, which are not described herein. Accordingly, such holders should consult their own tax advisors about the specific tax consequences in the jurisdiction where they reside of acquiring, holding and disposing of Rights or Common Shares.**

*Australia*

This prospectus does not constitute a disclosure document under Part 6D.2 of the Corporations Act 2001 of the Commonwealth of Australia (the "**Corporations Act 2001 (Cth)**"). It does not necessarily contain all of the information a prospective investor would expect to be contained in an offer document or which he/she may require to make an investment decision. The Offering to which this prospectus relates is being made in Australia in reliance on Class Order 00/183 ("**Foreign rights issue**") issued by the Australian Securities and Investments Commission (as amended). This prospectus only constitutes an offer in Australia for the issue of the Rights and/or Common Shares to persons who are recorded as holders of Common Shares on the Record Date. Accordingly, Australian resident Shareholders as at the Record Date will be treated by the Company as Approved Eligible Holders.

As any offer for the issue of the Rights and/or Common Shares under this short form prospectus will be made without disclosure in Australia under Part 6D.2 of the Corporations Act 2001 (Cth), the offer of those Rights and/or Common Shares for resale in Australia within 12 months of their issue may, under section 707(3) of the Corporations Act 2001 (Cth), require disclosure to investors under Part 6D.2 of the Corporations Act 2001 (Cth).

*British Virgin Islands*

The securities offered hereunder may not be offered in the British Virgin Islands ("**BVI**") unless the Company or the person offering the securities on its behalf is licensed to carry on business in the BVI. The securities may be offered to BVI business companies or BVI resident individuals from outside the BVI without restriction. A BVI business company is a company formed under or otherwise governed by the *BVI Business Companies Act, 2004* (British Virgin Islands) (as amended). Accordingly, BVI business companies and BVI resident individuals as at the Record Date will be treated by the Company as Approved Eligible Holders.

It is expected that Part II of the *Securities and Investment Business Act, 2010* ("**SIBA**") will be brought into force and become law in the BVI in the near future. Upon Part II of SIBA coming into force, the securities offered hereunder may not be, and will not be, offered to the public or to any person in the BVI for purchase or subscription by or on behalf of the Company. The securities may continue to be offered to BVI business companies, but only where the offer will be made to, and received by, the relevant BVI company entirely outside of the BVI. The securities may also be offered to persons located in the BVI who are "qualified investors" for the purposes of SIBA.

This prospectus has not been registered with the Financial Services Commission of the BVI and will not be so registered upon Part II of SIBA coming into force. No registered prospectus has been or will be prepared in respect of the securities for the purposes of SIBA.

*Cyprus*

Shareholders resident in Cyprus as at the Record Date will be treated by the Company as Approved Eligible Holders. This prospectus has not been approved by and will not be submitted for approval to the Cyprus Securities and Exchange Commission ("**CySEC"**) and this prospectus and the Rights and Common Shares do not constitute an offer to the public within the meaning of law for the Conditions for Making an Offer to the Public of Securities, on the Prospectus to be Published when Securities are Offered to the Public or Admitted to Trading on a Regulated Market and other Incidental Matters, Law 114(I)/2005 of the statute laws of Cyprus, as amended from time to time.

The contents of this document have not been reviewed by any regulatory authority in Cyprus. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

This document has not been approved or registered by the Department of Official Receiver and Registrar of Companies in Cyprus, the Central Bank of Cyprus or the CySEC.

*United Kingdom*

With respect to the United Kingdom, the securities being offered hereunder are only available to: (i) persons outside the United Kingdom; or (ii) persons in the United Kingdom who are: (a) a "qualified investor" within the meaning of Section 86(7) of FSMA, acting as principal or in circumstances where Section 86(2) FSMA applies; and (b) also within the categories of persons referred to in Article 19 (investment professionals) or Article 49 (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order (all such persons together being referred to as "relevant persons"). The securities being offered hereunder are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons.

Any person who is not a relevant person should not act or rely on this document or any of its contents. This document contains no offer of transferable securities to the public in the United Kingdom within the meaning of sections 85(1) and 102B FSMA. This document is not a prospectus for the purposes of Section 85(1) FSMA. Accordingly, this document has not been examined or approved as a prospectus by the FSA under Section 87A FSMA or by the London Stock Exchange and has not been filed with the FSA pursuant to the United Kingdom Prospectus Rules nor has it been approved by a person authorized under FSMA, for the purposes of Section 21 FSMA.

*Hong Kong*

Holders of Rights resident in Hong Kong should note the following:

> **WARNING**
>
> The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.
>
> This document has not been registered by the Registrar of Companies in Hong Kong pursuant to the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (the "**CO**").
>
> Accordingly, this document must not be issued, circulated or distributed in Hong Kong and the Rights and Common Shares will not be offered or distributed in Hong Kong, other than (1) to "professional investors" as defined in the Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong (the "**SFO**") and any rules made under that Ordinance, (2) to persons and in circumstances which do not result in this document being a "prospectus" as defined in section 2(1) of the CO or which do not constitute an offer to the public within the meaning of the CO or an invitation to the public within the meaning of the SFO or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFO and the CO.

*Switzerland*

The Rights as well as the Common Shares issuable upon exercise of the Rights and the Standby Shares may not be publicly offered, distributed or redistributed in or from Switzerland and will not be listed on the SIX Swiss Exchange ("**SIX**") or any other stock exchange or regulated trading facility in Switzerland. This document and any other offering or marketing material relating to the Offering neither constitutes a listing prospectus according to the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland nor an issue prospectus according to Art. 652a and/or Art. 1156 of the Swiss Code of Obligations ("**CO**"), and, therefore, it has been prepared without regard to the disclosure standards for issuance prospectuses under Art. 652a or Art. 1156 CO or the disclosure standards for listing prospectuses under Art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. This document as well as any other offering or marketing material relating to the Offering is personal and confidential and does not constitute an offer to any other person. Neither this document nor any other offering or marketing material relating to the Offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the Company or the Offering have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed, and the Offering will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA), and the Offering has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("**CISA**"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Rights or the Common Shares issuable upon exercise of the Rights or the Standby Shares.

*Luxembourg*

The terms and conditions relating to this prospectus have not been approved by and will not be submitted for approval to the Luxembourg Financial Services Authority (Commission de Surveillance du Secteur Financier) for purposes of a public offering or sale in the Grand Duchy of Luxembourg and this prospectus shall not constitute an offer to the public within the meaning of the Luxembourg law of July 10, 2005 on prospectuses for securities, as amended from time to time. Accordingly, the Rights and Common Shares shall not be offered or sold to the public in the Grand Duchy of Luxembourg, directly or indirectly, and neither this prospectus nor any other circular, offering memorandum, form of application, advertisement or other material shall be distributed, or otherwise made available in or from, or published in the Grand Duchy of Luxembourg which could qualify as a public offering in the above sense.

*United States*

Rights held or acquired by any Approved Eligible Holders who are in, or who are residents of, the United States, and any Common Shares issued to Approved Eligible Holders who are in, or who are residents of, the United States pursuant to the exercise of such Rights will be "restricted securities" under the 1933 Act and, in the absence of certain limited exemptions, may be transferred only in a transaction outside of the United States in accordance with Regulation S under the 1933 Act. Regulation S permits the resale of the Rights and any Common Shares by persons through the facilities of the TSX, provided that the offer is not made to a person in the United States, neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States, and no "directed selling efforts", as that term is defined in Regulation S, are conducted in the United States in connection with the resale. Certain additional conditions are applicable to the Company's "affiliates", as that term is defined under the 1933 Act.

## PLAN OF DISTRIBUTION

Each Shareholder on the Record Date will receive one Right for each Common Share held.

The Company has received conditional approval to list the Rights, the Common Shares issuable on the exercise of the Rights and the Standby Shares on the TSX. The final approval of such listing will be subject to the Company fulfilling all of the listing requirements of the TSX.

This prospectus qualifies the distribution of the Rights as well as the Common Shares issuable upon exercise of the Rights and the Standby Shares in each of the Eligible Jurisdictions. The Rights as well as the Common Shares issuable upon the exercise of the Rights and the Standby Shares are not qualified under the securities laws of, or being distributed or offered in, any Ineligible Jurisdiction and, except under the circumstances described herein, Rights may not be exercised by or on behalf of an Ineligible Holder. This prospectus is not, and under no circumstances is to be construed as, an offering of any Rights or Common Shares for sale in any Ineligible Jurisdiction or a solicitation therein of an offer to buy any securities. Rights Certificates will not be sent to Shareholders with addresses of record in any Ineligible Jurisdiction (other than the Pre-Approved Jurisdictions). Instead, such Ineligible Holders will be sent a letter advising them that their Rights Certificates will be held by the Subscription Agent, who will hold such Rights as agent for the benefit of all such Ineligible Holders. See "Description of Offered Securities — Ineligible Holders".

The Rights and the Common Shares issuable on exercise of the Rights have not been and will not be registered under the 1933 Act, or under the securities laws of any state of the United States, and, subject to certain exceptions, may not be offered or sold within the United States, or to or for the account or benefit of a person in the United States or a U.S. person. Further, the Rights may not be exercised in the United States, or for the account or benefit of a person in the United States or a U.S. person, absent an exemption from federal and state registration requirements. “United States” and “U.S. person” are as defined in Regulation S under the 1933 Act.

## STANDBY COMMITMENT

Subject to the terms of the Standby Purchase Agreement, the Company has agreed to sell to the Standby Purchaser at the Subscription Price and on the closing of the Offering (the "**Closing**"), all of the Common Shares that were not otherwise subscribed for and taken up under the Offering by Holders of Rights pursuant to their Basic Subscription Privilege and their Additional Subscription Privilege, if any, and the Standby Purchaser has agreed to purchase at the Subscription Price such number of Common Shares (the "**Standby Commitment**"). In consideration for the Standby Commitment, the Standby Purchaser will be entitled to a cash fee at the Closing of $2 million being 5% of the gross proceeds of the Offering.

The number of Common Shares that the Standby Purchaser will be required to purchase pursuant to the Standby Commitment will depend in part on the number of Rights that are exercised by holders of Rights other than the Standby Purchaser. If no Rights are exercised (other than by the Standby Purchaser), the Standby Purchaser would be required to purchase 200,000,000 Common Shares under the Standby Commitment. To the extent that other holders of Rights exercise Rights, the number of Common Shares that the Standby Purchaser will be required to purchase under the Standby Commitment will be reduced accordingly.

The Standby Purchaser, together with its affiliates, currently owns 39,441,497 Common Shares, representing approximately 16.7% of the outstanding Common Shares. If no Rights are exercised by persons other than the Standby Purchaser, following the Closing the Standby Purchaser, together with its affiliates, could own up to 239,441,497 Common Shares, representing up to approximately 54.81% of the issued and outstanding Common Shares.

The Company has determined that the Standby Purchaser is an Approved Eligible Holder.

The obligations of the Standby Purchaser under the Standby Purchase Agreement may be terminated at the discretion of the Standby Purchaser in certain circumstances, including (but not limited to) if: (a) any Material Adverse Change (as defined in the Standby Purchase Agreement) occurs; (b) Nautilus fails to obtain final approval from the TSX to the listing of the Rights, the Common Shares issuable on the exercise thereof and the Standby Shares, subject only to documents to be delivered following Closing at least two days prior to the date named as the Record Date; (c) Nautilus is in material default of its obligations under the Standby Purchase Agreement and fails to remedy such breach on or before the earlier of the date that is 15 days following the date upon which the Standby Purchaser has provided written notice of such breach and June 12, 2013; (d) certain customary conditions precedent set forth in the Standby Purchase Agreement are not satisfied on or before June 14, 2013; or (e) the Offering is otherwise terminated or cancelled or the Closing has not occurred on or before June 14, 2013.

The full text of the Standby Purchase Agreement is available on the Company's profile page on SEDAR at www.sedar.com.

**The Standby Purchaser is not engaged as an underwriter in connection with the Offering and has not been involved in the preparation of, or performed any review of, this prospectus in the capacity of an underwriter.**

In considering and approving the Offering, the board of directors of the Company noted that, under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"), the Offering and the payment of the Standby Fee are "related party transactions" insofar as the Standby Purchaser is, by reason of its shareholding in the Company, a related party of the Company.

Under MI 61-101, related party transactions are, with certain limited exceptions, subject to formal valuation and minority shareholder approval requirements unless exemptions from those requirements are available.

The board of directors concluded that the payment of the Standby Fee is exempt from the formal valuation and minority shareholder approval requirements of MI 61-101, based on a good faith determination by the board of directors that the Standby Fee does not exceed 25% of the Company's market capitalization as of February 28, 2013. The Offering (excluding the Standby Fee) is not a transaction to which the formal valuation and minority shareholder approval requirements of MI 61-101 apply.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Thorsteinssons LLP, special Canadian tax counsel to the Company, the following is, as the date of this Prospectus, a general summary of the principal Canadian federal income tax considerations concerning the Rights issuable under the Offering and Common Shares issuable on the exercise of Rights. This summary is only applicable to Shareholders who, for the purposes of Tax Act, are residents or deemed to be residents of Canada, deal at arm's length with and are not affiliated with the Company, and will hold the Rights and the Common Shares issued pursuant to the exercise of the Rights, as a capital property.

This summary is based on the current provisions of the *Income Tax Act* (the "**Tax Act**"), the regulations thereunder (the "**Regulations**") in force as of the date hereof, and counsel’s understanding of the current published administrative practices of the Canada Revenue Agency (the "**CRA**"). This summary also takes into account all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**") and assumes the Tax Proposals will be enacted in the form proposed, although no assurance can be given that the Tax Proposals will be enacted in their current form or at all. This summary does not otherwise take into account any changes in law or in the administrative policies or assessing practices of the CRA whether by legislative, governmental or judicial decision or action nor does it take into account or consider any provincial, territorial or foreign income tax considerations, which considerations may differ significantly from the Canadian Federal income tax considerations discussed in this summary, but does not otherwise take into account or anticipate any changes in the law, whether by legislative, governmental or judicial action, or the CRA’s published administrative practices.

Rights issued under the Offering and the Common Shares issuable on the exercise of Rights will constitute capital property of a Shareholder unless such Rights or Common Shares are held in the course of carrying on a business of trading or dealing in securities or otherwise as part of a business of buying and selling securities, or are acquired in a transaction or transactions considered to be an adventure in the nature of trade. Certain holders that are resident in Canada for the purposes of the Tax Act whose Common Shares issuable on the exercise of Rights might not otherwise be considered to be capital property may be eligible to make an irrevocable election under the Tax Act to have such Common Shares and every "Canadian security" (as defined in the Tax Act) owned by such Shareholder in the taxation year of the election and all subsequent years deemed to be capital property. Shareholders should consult their own tax advisors with respect to whether this election is available or advisable in their particular circumstances.

This summary does not apply to a Shareholder that is (i) a "financial institution" or "specified financial institution" as defined for purposes of the Tax Act; (ii) a taxpayer an interest in which is a tax shelter investment for the purposes of the Tax Act; (iii) a holder that has made a functional currency reporting election under the Tax Act; and (iv) a corporation resident in Canada, and is, or becomes, controlled by a non-resident corporation for the purposes of the "foreign affiliate dumping" rules in section 212.3 of the Tax Act. Such Shareholders should consult their own tax advisors.

**This summary is of general nature only and does not take into account or consider the tax laws of any province or territory or any jurisdiction outside Canada. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular Shareholder, and no representations concerning the tax consequences to any particular Shareholder are made. Shareholders should consult their own tax advisors regarding the income tax considerations applicable to them having regard for their particular circumstances.**

**Receipt of Rights**

No amount will be required to be included in computing the income of a Shareholder as a consequence of being issued Rights under the Offering, on the basis that all Shareholders are given the right to acquire Rights, all Rights are identical and Rights are issued with respect to each Common Share. The cost to a Shareholder of a Right received under the Offering will be nil. A right to acquire Common Shares acquired by a Shareholder otherwise than pursuant to the Offering will be regarded as identical to every other Right held by the Shareholder as capital property at that time provided its characteristics are identical. For the purpose of determining the adjusted cost base of each Right held by a Shareholder, the cost of Rights so acquired must be averaged with the adjusted cost base to the Shareholder of all other identical rights held as capital property immediately prior to such acquisition.

**Exercise of Rights**

The exercise of Rights will not constitute a disposition of property for purposes of the Tax Act and, consequently, no gain or loss will be realized upon the exercise of Rights. A Common Share acquired by a Shareholder upon the exercise of Rights will have a cost to the Shareholder equal to aggregate of the Subscription Price for such Common Share and the adjusted cost base to the Shareholder of the Rights so exercised. The adjusted cost base of a Common Share acquired by a Shareholder upon the exercise of Rights will be averaged with the adjusted cost base to the Shareholder of all other Common Shares held at that time as capital property to determine the adjusted cost base of each such Common Share to the Shareholder.

**Disposition of Rights or Common Shares**

A Shareholder who disposes of or is deemed to dispose of Rights or Common Shares, will realize a capital gain (or a capital loss) equal to the amount, if any, by which the proceeds of disposition exceed (or are exceeded by) the aggregate of the Shareholder's adjusted cost base of the security so disposed of immediately before disposition and any reasonable costs of disposition. Upon the expiry of a Right, the holder will realize a capital loss equal to the amount, if any, of the Shareholder's adjusted cost base thereof.

A Shareholder will be required to include in income one-half of any capital gain (a "**taxable capital gain**") realized on a disposition or deemed disposition of a Right or Common Share. Subject to and in accordance with the provisions of the Tax Act, a Shareholder must deduct against taxable capital gains realized in the year one-half of any capital loss (an "**allowable capital loss**") realized on the disposition or expiry of Rights or the disposition of Common Shares. Excess allowable capital losses generally may be carried back three years and forward indefinitely and applied against taxable capital gains realized in those years.

The amount of any capital loss realized on the disposition or deemed disposition of Common Shares by a Shareholder that is a corporation may be reduced by the amount of dividends received or deemed to have been received by it on such shares or shares substituted for such shares to the extent and in the circumstance specified by the Tax Act. Similar rules may apply where a Shareholder that is a corporation is a member of a partnership or beneficiary of a trust that owns such shares or that is itself a member of a partnership or a beneficiary of a trust that owns such shares.

A Shareholder that is a "Canadian-controlled private corporation", as defined in the Act, may be liable to pay an additional refundable tax of 6 2/3 % on its "aggregate investment income" for the year which will include taxable capital gains. This tax generally will be refunded to a corporate Shareholder at the rate of $1 for every $3 of taxable dividends paid while it is a private corporation.

**Dividends**

Dividends received or deemed to be received on the Common Shares will be included in computing a Shareholder's income. In the case of an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules applicable in respect of taxable dividends received from taxable Canadian corporations (as defined in the Tax Act). An enhanced dividend tax credit will be available to individuals in respect of "eligible dividends" designated by the Company to the Shareholder in accordance with the provisions of the Tax Act.

Dividends received or deemed to be received by a corporation that is a Shareholder on the Common Shares must be included in computing its income but generally will be deductible in computing its taxable income.

"Private corporations" (as defined in the Tax Act) and certain other corporations controlled by or for the benefit of an individual (other than a trust) or related group of individuals (other than trusts) generally will be liable to pay a 33 1/3% refundable tax under Part IV of the Tax Act on dividends to the extent such dividends are deductible in computing taxable income. This refundable tax generally will be refunded to a corporate Shareholder at a rate $1 of every $3 of taxable dividends paid while it is a private corporation.

**Minimum Tax**

In general terms, a Shareholder that is an individual or trust, other than certain types of specified trusts, that received or is deemed to receive taxable dividends on Common Shares or realizes a capital gain on the disposition or deemed disposition of Common Shares, may realize an increase in the Shareholder's liability for minimum tax. Holders should consult their own tax advisors with respect to application of the tax minimum.

## ELIGIBILITY FOR INVESTMENT

In the opinion of Thorsteinssons LLP, special Canadian tax counsel to the Company, provided the Common Shares are listed on a "designated stock exchange" as defined in the Tax Act (which includes the TSX) at the particular time, the Rights and the Common Shares issued on the exercise of such Rights will, at that particular time, be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan ("**RRSP**"), a registered retirement income fund ("**RRIF**"), a deferred profit sharing plan, a registered education savings plan and a tax-free savings account ("**TFSA**") (each, a "**Registered Plan**"), provided, in the case of Rights, the Company deals at arm's length for the purposes of the Tax Act with each person who is an annuitant, a beneficiary, an employer, or a subscriber under, or a holder of, the Registered Plan.

Notwithstanding the foregoing, the holder of a TFSA or the annuitant of a RRSP or RRIF will be subject to a penalty tax in respect of Common Shares or Rights held in the TFSA, RRSP or RRIF if such security is a "prohibited investment" under the Tax Act. The Common Shares or Rights will not be a "prohibited investment" for a particular trust governed by a TFSA, an RRSP, or a RRIF unless the holder of the TFSA or annuitant of the RRSP or RRIF, as the case may be, (i) does not deal at arm's length with the Company for purposes of the Tax Act, (ii) has a "significant interest" as defined in the Tax Act in the Company or (iii) has a "significant interest" as defined in the Tax Act in a corporation, partnership or trust with which the Company does not deal at arm's length for the purposes of the Tax Act. Proposed amendments to the Tax Act released on December 21, 2012 (the "**December 2012 Proposals**") propose to delete condition (iii) above. In addition, pursuant to the December 2012 Proposals, the Common Shares will generally not be a "prohibited investment" if the Common Shares are "excluded property" as defined in the December 2012 Proposals for trusts governed by a TFSA, RRSP or RRIF.

Prospective investors who intend to hold Common Shares or Rights in a TFSA, RRSP or RRIF should consult their own tax advisors to ensure the Common Shares and Rights would not be a prohibited investment in their particular circumstances.

## AUDITORS, TRANSFER AGENT AND REGISTRAR

The Company's auditors are PricewaterhouseCoopers LLP, Chartered Accountants, of Suite 700, 250 Howe Street, Vancouver, British Columbia, V6C 3S7.

The registrar and transfer agent for the Company's common shares is Computershare Investor Services Inc. at its principal offices in Vancouver, British Columbia and Toronto, Ontario. Its affiliate, Computershare Trust Company Inc., located in Bristol, UK is acting as UK co-transfer agent.

PricewaterhouseCoopers LLP has advised the Company that it is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

## EXPERTS

The following is a list of persons or companies named as having prepared or certified a statement, report or valuation in this prospectus either directly or in a document incorporated by reference and whose profession or business gives authority to the statement, report or valuation made by the person or company:

1) Phil Jankowski;

2) Golder Associates Pty Ltd, Ian Lipton and Matthew Nimmo;

3) Davey Banning, an independent consulting geologist;

4) Mineralurgy Pty Ltd and Peter Munro;

5) Planning Solutions Inc. and Charles Morgan;

6) James Jonathan Lowe, Vice President of Strategic Development and Exploration, Nautilus; and

7) Thorsteinssons LLP.

Based on information provided by the experts, none of the experts named above, when or after they prepared the statement, report or valuation, has received any registered or beneficial interests, direct or indirect, in any securities or other property of the Company or of one of the Company's associates or affiliates, other than James Jonathan Lowe who, as noted, is a Vice President of the Company.

## PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities, which right includes the right to withdraw from an agreement to subscribe for the Common Shares underlying the Rights. This right may only be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment thereto. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or damages if the prospectus and any amendment thereto contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

## CERTIFICATE OF NAUTILUS

Dated: April 15, 2013

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all provinces of Canada other than Quebec.

| | | | |
|---|---|---|---|
| (Signed) | **MICHAEL JOHNSTON**<br>Chief Executive Officer | (Signed) | **SHONTEL NORGATE**<br>Chief Financial Officer |

**On behalf of the Board of Directors**

| | | | |
|---|---|---|---|
| (Signed) | **CYNTHIA THOMAS**<br>**DIRECTOR** | (Signed) | **RUSSELL DEBNEY**<br>**DIRECTOR** |