NAUTILUS MINERALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(US dollars, in accordance with International Financial Reporting Standards)

The following Management Discussion and Analysis ("MD&A") has been prepared as at May 7, 2013 for the period ended March 31, 2013. It includes references to United States dollars, Canadian dollars, Papua New Guinea kina, United Kingdom pounds sterling and euros. All dollar amounts referenced, unless otherwise indicated, are expressed in United States dollars and the Canadian dollars are referred to as C$, Papua New Guinea kina are referred to as PGK, United Kingdom pounds sterling are referred to as £ and euros are referred to as €.

The MD&A of Nautilus Minerals Inc. (the "Company", "NMI" or "Nautilus") should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2013, and related notes thereto (the "First Quarter 2013 Financial Statements") which have been prepared in accordance with IAS 34, Interim Financial Reporting. This MD&A should also be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2012, and the related notes thereto (the "2012 Financial Statements"), and the related annual management's discussion and analysis and the Annual Information Form on file with the Canadian provincial and territorial securities regulatory authorities.

This section contains forward-looking statements that involve risks and uncertainties. The Company's actual results may differ materially from those discussed in forward-looking statements as a result of various factors, including, but not limited to those described under "Forward-Looking Information."

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This document includes "forward-looking statements" which include all statements other than statements of historical fact.

Forward-looking statements include, but are not limited to, statements with respect to the use of proceeds of the rights 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 ore 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 complete the rights offering, 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".

OUR BUSINESS

Overview

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

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

2013 Q1 SIGNIFICANT EVENTS

- Update on dispute and arbitration with the State of PNG and impact on build program
- Prospectus filed for C$40M Rights Offering
- Solwara 1 Project advanced

Dispute Process and Arbitration with the State of PNG and impact on build program

On June 1, 2012 Nautilus announced that it was in dispute with the State of PNG as to the parties' obligations to complete the State Equity Option Agreement entered into on 29 March 2011 and that it had initiated the dispute resolution process provided for in such agreement. Subsequently Nautilus announced that the State had issued Nautilus with a Notice of Arbitration in relation to the dispute.

Nautilus considers that the State has a contractual obligation to pay an amount of approximately US$23.5 million in respect of costs incurred in the development of the Solwara 1 Project up to January 2011, and to make pro-rata capital contributions in respect of subsequent Project development costs which, at the end of March 2013 totaled approximately US$65.7 million (excluding interest). The State disputes that it is required to meet such obligations. In order to continue the construction of the Seafloor Production System, Nautilus has been forced to carry the State's share of Project development costs to date.

By November 2012, an agreed commercial resolution with the State had not been achieved and Nautilus concluded that the avenues for achieving such a resolution within the timeframe that Nautilus could reasonably continue to carry the total development costs for the Solwara 1 Project had been exhausted. On November 13, in order to preserve capital, Management and the Board of Directors of Nautilus decided to terminate/suspend the construction of its Seafloor Production System and the Company subsequently terminated a number of non-critical contracts relevant thereto. All of the relevant supplier agreements contain provisions for termination without penalty. The Company was also forced to reduce staff and contractor numbers with approximately 60 positions made redundant. By the end of 2012, all contracts except the three key contracts for the Seafloor Production Tools, the Subsea Slurry Lift Pump and the Riser, had been terminated.

The Company considers that it is essential to continue with the build of its three key contracts related to the Seafloor Production System to ensure the Company is in the best possible position to advance the Solwara 1 Project following resolution of the dispute with the State of PNG. The key contracts include the build of the Seafloor Production Tools by Soil Machine Dynamics Ltd, the supply of the Subsea Slurry Lift Pump by GE Hydril and the procurement of the rigid riser system by General Marine Contractors LLC. The Company has therefore filed a prospectus to complete a C$40M Rights Offering with net proceeds to be used to continue the build of the three key contracts (Refer below for further details regarding the Rights Offering).

While the arbitration process is continuing and an outcome is expected in Q3 2013 (subject to the arbitrator’s timing and other variables outside the company’s control), it has been Nautilus’ preference to resolve the dispute with the State by agreement and with that aim Nautilus has taken steps to meet with senior representatives of the State, including discussions with National Executive Council Ministers. Nautilus continues to engage with the State in an effort to resolve matters amicably.

Prospectus filed for C$40M Rights Offering

On March 28, 2013 the Company filed a preliminary short form prospectus within each province of Canada, other than Quebec, in respect of a rights offering to raise gross proceeds of C$40,000,000 through the issuance of rights to subscribe for an aggregate of 200,000,000 common shares at a subscription price of C$0.20 per common share.

One of the Company's major shareholders, MB Holding Company LLC, through a wholly owned subsidiary, has agreed to act as Standby Purchaser in respect of the full offering and will purchase all of the common shares that are not otherwise subscribed for under the offering, in consideration for a fee of C$2 million.

The net proceeds from the offering will be used by the Company to continue funding its three key contracts related to the Seafloor Production System.

The offering is subject to certain conditions including, but not limited to, the receipt of all necessary regulatory approvals, including the acceptance of the Toronto Stock Exchange.

Solwara 1 Project advanced

Despite the setbacks in 2012, the Company has continued to advance the Solwara 1 Project and in particular, its three key contracts.

Project Build Progressed

Progress on the development of the SPTs advanced during the first quarter of 2013. While no major milestones were reached during the quarter, focus was on progress to the chassis's for the Auxillary Cutter "AC" and Collecting Machine "CM", and completion of the track assemblies. Preliminary details have also been received for the proposed pre-delivery testing regime for the SPT's and is currently being reviewed for comment.

During the quarter GMC successfully completed full scale testing of the riser pin and box connectors, with machining of the riser connectors to commence next quarter.

The formal notice of the suspension impact and restart costs are expected from GE Hydril during Q2 2013. Testing activities are expected to re-commence late Q2/early Q3 2013.

In relation to the decision to terminate some contracts during the final quarter of 2012, work was ongoing throughout the first quarter of 2013 to finalise the costs payable for work completed prior to the termination. Deeds of release have been summarily agreed in the majority of cases, with finalisation expected during the second quarter of 2013. The Company has entered into discussions with some contractors to finalise agreements in the event that construction is re-started following the resolution of the dispute with the State of PNG.

Bismarck Exploration Program completed

Interpretation of the Solwara 1 3D seismic data in conjunction with drilling and electromagnetic datasets is ongoing.

RISK FACTORS

Nautilus' ability to generate revenues and achieve a return on shareholders' investment must be considered in light of the early stage nature of the Solwara 1 deposit and seafloor resource production in general. The Company is subject to many of the risks common to early stage enterprises, including personnel limitations, financial risks, metals prices, permitting, the need to raise capital, resource shortages and lack of revenues. Substantial expenditures are required to discover and establish sufficient resources and to develop the mining and processing facilities and infrastructure at any site chosen for mining. There can be no assurance that the Company will be able to raise sufficient financing to facilitate this development. The Company's existing funds may not be sufficient to bring the Solwara 1 Project into production and there can be no assurance that additional sources of finance will be available to the Company. Other factors that influence the Company's ability to succeed are more fully described in the Company's 2012 Annual Information Form available on www.sedar.com under the heading "Risk Factors".

SUMMARY OF QUARTERLY RESULTS (unaudited)

The following table sets out selected unaudited quarterly financial information of Nautilus and is derived from unaudited quarterly condensed consolidated interim financial statements prepared by management and expressed in US dollars.

		2011			2012				2013
		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Revenue	$'M	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Loss for the period	$'M	(4.8)	(11.4)	(9.2)	(3.4)	(11.6)	(4.4)	(21.5)	(4.9)
Basic and diluted loss per share	$/share	(0.03)	(0.07)	(0.05)	(0.02)	(0.06)	(0.02)	(0.09)	(0.02)

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

Q2 2012

The quarterly expenditure included costs related to a Multibeam Echo Sounding ("MBES") exploration program on Bismarck Sea tenements outside of Solwara 1.

Q4 2012

The quarterly expenditure includes a $12.9 million impairment charge for prepayments made in relation to the vessel build.

RESULTS OF OPERATIONS

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

For the three months ended March 31, 2013

Loss for the period

For the three months ended March 31, 2013, the Company recorded a loss of $4.9 million ($0.02 loss per share) compared to a loss of $3.4 million ($0.02 loss per share) for the same period in 2012.

Exploration expense
Exploration expense decreased to $0.4 million (2012 - $1.3 million) with the impact of the measures taken in Q4 2012 to preserve cash being fully reflected in the current quarter.

General & Administration expense
General & Administration expense decreased to \$3.5 million (2012 - \$4.7 million) reflecting a reduction in salary and wages and travel expenditure in line with the company's strategy to preserve cash pending resolution of the dispute with the PNG government.

Corporate Social Responsibility
Corporate Social Responsibility expense increased to \$0.2 million (2012 - \$0.1 million) with current year salaries and wages expensed, while prior year costs were capitalised to the Solwara 1 project, and an expanded remit from the previous year which only covered environment expense.

Technology expense
Technology expense decreased to \$0.1 million (2012 - \$0.4 million) reflecting the company's strategy to preserve cash, with the current year expenditure limited to maintaining patent and patent applications.

Development expense
Development expenses remained consistent at \$0.1 million (2012 - \$0.1 million) with maintenance expense related to upkeep of Lassul Bay site in PNG.

Foreign exchange loss
A foreign exchange loss of \$0.6 million was recorded during the period (2012 – foreign exchange gain of \$2.9 million). The foreign exchange loss consists of realized gains and losses on actual cash transactions during the period and unrealized gains and losses of cash denominated in different currencies at the period end. The Company holds a "basket of currencies" to act as a natural hedge against its expected cash outflows and can therefore experience unrealized fluctuations at period end when cash balances are converted to US dollars for reporting purposes, as experienced during the current quarter.

Interest income
Interest income earned on cash and cash equivalents held during the period was \$0.1 million (2012 - \$0.2 million). The decrease is reflective of the lower average cash balance for the current quarter. The Company maintains its cash and cash equivalents with banks with an S&P rating of A+ or better.

Operating Losses
Overall, Nautilus' operating loss increased to \$4.9 million for the three months ended March 31, 2013, compared to \$3.4 million for the same period in 2012. When adjusting the current quarter operating loss for the respective foreign currency exchange movements the actual operating loss was \$4.3 million (2011 \$6.3 million) reflecting the commitment to reducing expenditure in line with managements' decision taken in November 2012 to preserve cash while working to resolve the dispute with the PNG government.

Cash flows

Operating activities
Cash used in operating activities was \$2.1 million for the quarter ended March 31, 2013 compared to \$7.8 million for the quarter ended March 31, 2012, with the current year reflecting the commitment to reducing expenditure in line with management's decision taken in November 2012 to preserve cash while working to resolve the dispute with the PNG government.

Investing activities
Cash used in investing activities for the quarter ended March 31, 2013 was $18.4 million as compared to $15.4 million for the quarter ended March 31, 2012. Milestone payments for the construction of subsea production equipment were $19.5 million (2012 - $10.2 million) and capitalized mineral property costs were $0.5 million (2012 - $5.2 million). The current quarter also reflects a cash inflow of $1.5 million with the cancellation of a cash backed letter of credit that was held by Technip USA.

Financing activities
Cash from financing activities for the quarter ended March 31, 2013 was nil, compared to March 31, 2012, when the company raised $0.3 million from the exercise of stock options.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial objective is to ensure that it has sufficient liquidity in the form of cash and/or debt capacity to finance its ongoing requirements to support the Company's strategy of becoming the first company to commercially extract copper, gold, silver and zinc from the seafloor.

Key financial measures

The Company uses the following key financial measures to assess its financial condition and liquidity:

	March 31 2013	**December 31 2012**
Working Capital	$30.7 million	$46.8 million
Cash and Cash Equivalents	$36.6 million	$57.8 million

Under the Company's Investment Policy, cash cannot be invested for more than 90 days and must be held on deposit with banks with an S&P credit rating of A+ or better.

Outlook and capital requirements

The Company's known contractual obligations at March 31, 2013, are quantified in the table below:

	March 31 2013 $
Non-cancellable operating leases	
Not later than 1 year	1,133,384
Later than 1 year and not later than 2 years	1,133,384
Later than 2 years and not later than 3 years	338,051
Later than 3 years and not later than 4 years	36,213
Later than 4 years and not later than 5 years	16,510
Total Commitments	2,657,543

The Company is involved in mineral exploration which is a high risk activity and relies on results from each exploration program to determine if areas justify any further exploration and the extent and method of appropriate exploration to be conducted.

The Company has no source of revenue and has significant cash requirements to be able to meet its administrative overhead and maintain its property interests. In order to be able to resume the construction contracts and advance the development of its mineral property interests, the Company will be required to raise additional financing. Until that time, certain discretionary expenditures may be deferred and measures to reduce operating costs will be taken in order to preserve working capital.

Following the termination of non-critical contracts and reduction in staff numbers, Nautilus expects that cash and cash equivalents will be sufficient to pay for capital expenditure commitments and general and administrative costs for the next 12 months. Depending upon future events, the rate of expenditures and other general and administrative costs could increase or decrease. The Company continues to evaluate a range of alternative options available to it to access capital to fund future expenditures.

Nautilus' opinion concerning liquidity and its ability to avail itself in the future of the financing options mentioned above are based on currently available information. To the extent that this information proves to be inaccurate, future availability of financing may be adversely affected. Factors that could affect the availability of financing include Nautilus' performance (as measured by various factors including the progress and results of its exploration work), the timely resolution of the dispute with the State of PNG, the state of international debt and equity markets, investor perceptions and expectations of past and future performance, the global financial climate, metal and commodity prices, political events in the south Pacific, obtaining operating approvals from the PNG government for the Solwara 1 Project, drilling and metallurgical testing results, results from environmental studies, engineering studies and detailed design of equipment.

Foreign currency exchange rate risk

The Company's operations are located in several different countries, including Canada, Australia, PNG, Tonga, Solomon Islands, Fiji and New Zealand and require equipment to be purchased from several different countries. Nautilus has entered into key contracts in United States dollars, British pounds sterling and euros. Future profitability could be affected by fluctuations in foreign currencies. The Company has not entered into any foreign currency contracts or other derivatives to establish a foreign currency protection program but may consider such actions in the future.

Foreign exchange risk is mitigated by the Company maintaining its cash in a "basket" of currencies that reflect its current and expected cash outflows. As at March 31, 2012 the Company held its cash in the following currencies:

Currency Denomination	**% of total cash in US$ terms held**
USD	43
GBP	16
AUD	13
EUR	1
CAD	27
	100

Interest rate risk

The Company holds cash and cash equivalents which earn interest at variable rates as determined by financial institutions. As at March 31, 2013, with other variables unchanged, a 0.1% increase (decrease) in the interest rate would have no significant effect on other comprehensive income.

Credit risk

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

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

Liquidity risk

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

The Company has no source of revenue and has significant cash requirements to be able to meet its administrative overhead and maintain its property interests. In order to be able to resume the construction contracts and advance the development of its mineral property interests, the Company will be required to raise additional financing. Until that time, certain discretionary expenditures may be deferred and measures to reduce operating costs will be taken in order to preserve working capital. As noted above, a rights offering for C$40M is currently being undertaken, with a standby purchaser in place.

Given the measures being taken by the Company to terminate contracts, reduce employee numbers and the rights offering currently being undertaken, the Company's exposure to liquidity risk is currently considered to be low.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity of IFRS requires the use of judgements and estimates that affect the amount reported and disclosed in the consolidated financial statements and related notes. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies and notes to the financial statements, and the key areas are summarized below.

The area of judgment that has the most significant effect on the amounts recognized in these consolidated financial statements is the:

- review of asset carrying values and impairment assessment

Key sources of estimation uncertainty that have the most significant effect on the amounts recognized in these consolidated financial statements are:

- Review of asset carrying values and impairment assessment; and
- Determination of the fair values of share-based compensation.

Each of these judgements and estimates is considered in more detail below.

Review of asset carrying values and impairment assessment
Property, plant and equipment and mineral properties are considered for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If an indicator is identified, the asset's recoverable amount is calculated and compared to the carrying amount. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or "CGUs"). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The determination of fair value less costs to sell and value in use requires management to make estimates and assumptions about expected production, sales volumes, commodity prices, mineral resources, operating costs and future capital expenditures. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these assumptions, which may impact the recoverable amount of the assets.

In Q2 of 2012, Harren advised the Company that they would not be contributing the amount of capital to the Vessel JV to the extent originally intended. As a result, the Company has taken the opportunity to consider alternative vessel options. Subsequently, the shipyard that received $12.9 million in prepayments from the Company to enter into contracts for long lead items has entered administration. As a result of this, the Company has written off the prepayments for the vessel, with a resultant impairment charge of $12.9 million recorded in 2012.

In considering whether any impairment indicators occurred in respect of the Company's other long lived assets as at March 31, 2013, management took into account a number of factors such as metal prices, projected costs to operate equipment, availability and costs of finance, cost and state of completion of subsea equipment construction, exploration successes in other areas, the existence and terms of binding off-take agreements and the Company's market capitalization compared to its net asset value. Management has concluded, based on this analysis that no impairment indicators existed at March 31, 2013 in respect of the Solwara 1 project costs and the subsea equipment currently under construction.

Determination of the fair value of share-based compensation
The fair value of share options and other forms of share-based compensation granted is computed to determine the relevant charge to the statement of Loss. In order to compute this fair value the Company uses option pricing models that require management to make various estimates and assumption in relation to the expected life of awards, volatility, risk-free interest rates, and forfeiture rates.

OUTSTANDING SHARE DATA

The following is a summary of the Company's outstanding share data as of May 7, 2013.

Common shares

A total of 236,872,865 common shares are outstanding including 2,975,000 restricted shares.

Restricted shares

A total of 2,975,000 restricted shares are issued and outstanding under the Company's share loan plan, with loan expiry dates ranging from September, 2013 through to April, 2016. The weighted average issue price for the restricted shares is C$1.13.

Stock Options

A total of 4,025,000 stock options are issued and outstanding, with expiry dates ranging from June, 2013 through to April, 2016. The weighted average exercise price for all stock options is C$1.75. All stock options entitle the holders to purchase common shares of the Company.

INTERNAL CONTROLS

Internal control over financial reporting

There have been no material changes in the Company's internal control over financial reporting since the year ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

ADDITIONAL SOURCES OF INFORMATION

Additional information regarding Nautilus Minerals Inc. is available on SEDAR at www.sedar.com and on the Company's website www.nautilusminerals.com.