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 12, 2014 for the period ended March 31, 2014.

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, 2014, and related notes thereto (the "First Quarter 2014 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, 2013, and the related notes thereto (the "2013 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.

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 €.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

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

Forward-looking statements include, but are not limited to, statements with respect to the future price of copper, gold and other metals; the estimation of mineral resources; the realization of mineral resource estimates; the timing and amount of estimated future production; the fulfillment of the conditions of the Agreement with PNG; 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 including its re-commencement; 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; government regulation of exploration operations; the Company's financial position; business strategy; plans and objectives of management for future operations; the design and performance of the production support vessel ("PSV"), seafloor production tools ("SPTs"); and the procurement of the PSV. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, the risk of failure to obtain required equity or debt funding, the risk that the conditions of the Agreement with PNG are not met which could impair the Company's relationship with the State and have a negative impact on the Company's ability to develop the Project; the risk that material assumptions listed in the paragraph below will not be borne out; risks related to the identification of a vessel solution; changes in project parameters as plans continue to be refined; any additional permitting or licensing requirements associated with any modifications to the scope of the Solwara 1 Project; future prices of copper, gold and other metals being lower than expected; the over-arching risk that the Company will not commence production of mineralized material; and possible variations in resources, grade or recovery rates; late delivery of the PSV and SPTs or other equipment, assuming the full development of the seafloor production system is re-commenced; variations in the cost of the PSV and SPTs or other equipment; variations in exchange rates; the failure to obtain regulatory approval for financings; changes in the cost of fuel and other inflationary factors; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities. Other risks are discussed in this document under "Risk Factors" and “Liquidity and Capital Resources – Outlook and Capital Requirements”.

Such forward-looking statements are current only as at the date of this MD&A and are based on numerous material assumptions (that management believes were reasonable at the time they are made) regarding the Company's present and future business strategies and the environment in which the Company will operate in the future, including the Company's satisfaction of the conditions of the Agreement with PNG, the continued compliance with regulatory requirements, the proposed mine plan, the estimated cost and availability of funding for the continued exploration of the Company's tenements, and the ability of the Company to identify a suitable arrangement with respect to the PSV 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.

OUR BUSINESS

Overview

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

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

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

2014 Q1 SIGNIFICANT EVENTS

- Solwara 1 Project – Nautilus and State of PNG resolve issues and sign agreement
- CEO appointment confirmed
- Solwara 1 Project advanced with Bulk Cutter mechanical and hydraulic assembly complete
- Clarion Clipperton Zone nodule deposit grade and extent confirmed with analysis of samples collected during 2013 exploration program supporting the grade of elements previously reported

Solwara 1 Project – Nautilus and State of PNG resolve issues and sign agreement

On April 24, 2014 it was announced that the Company and the Independent State of Papua New Guinea (the "State") have signed an agreement (the "Agreement"), enabling the Solwara 1 Project (the "Project") to move forward toward production with the full support of the State.

Under the Agreement, the State shall take an initial 15% interest in the Project. The State has the option to take up to a further 15% interest within 12 months of the Agreement becoming unconditional. The State has paid Nautilus a non-refundable deposit for its initial 15% interest of US$7.0 million.

On May 9, 2014, the State (through a subsidiary of Petromin PNG Holdings Limited ("Petromin")) satisfied its obligation under the Agreement to secure the funding for the State's 15% share of the capital required to complete the development phase of the Project up to first production, being US$113.0 million (excluding the deposit). These funds have been placed in escrow until Nautilus satisfies the conditions for their release. The funds will be released to Nautilus, and an unincorporated joint venture between the parties for the ongoing operation of the Project shall be formed, if within 6 months of the funds being placed in escrow Nautilus secures the charter of a Production Support Vessel and secures for the State certain intellectual property rights. After first production, Petromin's subsidiary will contribute funds in proportion to its interest.

If the conditions of the Agreement are satisfied and the State completes the purchase of its 15% interest in the Project, then the Arbitration concerning Nautilus' claim for damages related to the termination of the State Equity Option Agreement dated March 29, 2011, shall be dismissed. If the State does not complete the purchase, then the position the parties were in prior to signing the Agreement is reinstated.

CEO appointment confirmed

Mr Michael Johnston continues to have the support of the Board of Directors of Nautilus with his interim role as President and Chief Executive Officer having now been made permanent as of April 24, 2014.

Solwara 1 Project advanced

During Q1 2014, the Company continued to advance the Solwara 1 Project and in particular, the three key equipment contracts. Significant focus has also remained on securing the PSV build contract.

Project Build Progressed

Progress on the development of the SPTs continued to advance. Fabrication assemblies for the Auxillary Cutter and Collecting Machine are complete, with assembly to commence in Q2 2014. The Bulk Cutter mechanical and hydraulic assembly is now complete and awaiting factory acceptance testing at Soil Machine Dynamics ("SMD") premises in Newcastle, England.

General Marine Contractors ("GMC") in Houston is well advanced with machining of the auxiliary riser pin and box connectors. Preparations for weld procedure qualification testing and associated fatigue testing are underway for the main line connectors. All buoyancy components have been completed at Balmoral Offshore Engineering in Aberdeen, Scotland.

GE Hydril has completed refurbishment of the test loop facilities and testing activities are expected to re-commence by the end of Q2 2014.

Following the termination of some contracts during the final quarter of 2012, the Company has made arrangements with some contractors to allow the resurrection of some of the terminated contracts in the event that construction is re-started following the execution of a PSV contract.

Vessel Activities

The project has finalized the basic design of the PSV along with Classification Society interim approval of these basic arrangements and details. Using this information, various shipyards and other parties have been engaged to provide budgetary quotations and deliveries, with the Company recently issuing an Invitation to Tender for the construction of the PSV. More detailed discussions are intended to take place with shipyards and potential financiers.

Community Activities

In March, Nautilus Minerals commenced the 2014 Community Engagement Program. The first trip, which ran for two weeks, focused on communities located along the West Coast of New Ireland Province. The community engagement team met with five villages in West Coast Central and West Coast Namatanai Local Level Governments. These meetings are important to ensure the company hears and understands community concerns, and is able to provide the community with factual information and to deal with any misconceptions, and/or misunderstandings.

Demonstrating our commitment to communities in which we operate, Nautilus Minerals funded a PNG National doctor to accompany the team on this trip to New Ireland. The doctor provided treatment for ailments such as minor body aches, fever, cold and flu and chest infections. In addition to providing treatment, the doctor also offered advice on good hygiene practices, cleanliness and ways to prevent curable diseases like tuberculosis and malaria which are amongst the highest causes of death in the country. At the end of the program the doctor submitted a report on the standard of health care facilities and the main causes of illness in the region. This report will help Nautilus Minerals develop plans and make recommendations to and work with the

Provincial Government to improve health care services and ultimately the health of the people along the West Coast of New Ireland.

Clarion Clipperton Zone nodule deposit grade and extent confirmed

Tonga Offshore Mining Ltd, a 100% Nautilus owned entity, completed a 54 day exploration campaign to its license area located in the Clarion Clipperton Zone, in the eastern Pacific Ocean. Work was completed by the oceanographic survey vessel '*R/V Mt Mitchell*', which departed from Seattle, Washington on August 22, 2013. The work program comprised 64,000km^2 of multibeam mapping and the collection of 2,090 wet kilograms of polymetallic nodules.

It was part of a two stage multi-beam and sampling program designed to upgrade a significant portion of the current 410 million wet tonne inferred resource* to an indicated status, to allow for preliminary engineering and metallurgy studies.

On March 19, 2014, the Company announced that it had processed the data and received analytical results from the samples collected during the exploration program and that such data and results support the grade of elements reported in the March 2013 NI 43-101 technical report*.

* Nimmo, 2013 – "Updated NI43-101 Technical Report Clarrion-Clipperton Zone Project, Pacific Ocean", dated effective March 20, 2013.

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 are not sufficient to bring the Solwara 1 Project into production and there can be no assurance that additional sources of finance will be available to the Company. Other factors that influence the Company's ability to succeed are more fully described in the Company's 2013 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 in accordance with International Financial Reporting Standards ("IFRS").

		2012			2013				2014
		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Revenue	$'M	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Loss for the period	$'M	(11.6)	(4.4)	(21.5)	(4.9)	(6.1)	(5.2)	(6.2)	(3.6)
Basic and diluted loss per share	$/share	(0.06)	(0.02)	(0.09)	(0.02)	(0.02)	(0.01)	(0.01)	(0.01)

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

Q2 2012

The quarterly expenditure included $1.5 million related to a Multibeam Echo Sounding ("MBES") exploration program on Bismarck Sea tenements outside of Solwara 1.

Q4 2012

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

RESULTS OF OPERATIONS – FOR THE THREE MONTHS ENDED MARCH 31, 2014

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

Loss for the period

For the three months ended March 31, 2014, the Company recorded a loss of $3.6 million ($0.01 loss per share) compared to a loss of $4.9 million ($0.02 loss per share) for the same period in 2013. The primary variances were as follows:

Exploration
Exploration expense was consistent at $0.4 million (2013 - $0.4 million).

	Nodule Exploration Three months ended March 31,		**SMS Exploration Three months ended March 31,**		**Total Exploration Three months ended March 31,**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Geological services	8,174	-	1,785	46,014	9,959	46,014
Mineral property fees	47,000	-	10,000	45,643	57,000	46,643
Professional services	31,447	7,241	(16,628)	3,497	14,819	10,738
Travel	-	1,301	5,791	12,973	5,791	14,274
Salary and wages	100,621	94,247	243,190	235,677	343,811	329,924
Total exploration expenditure	**187,242**	**102,789**	**244,138**	**343,804**	**431,380**	**446,593**

General & Administration

General & Administration expense decreased to $2.6 million (2013 - $3.5 million) reflecting a reduction in professional services expenditure of $0.6 million following the completion of the arbitration with the State. Decreases in AUD denominated office and general expenditure and salary and wages expenditure have been driven by a favourable 14% movement in the foreign exchange rate for the corresponding periods.

	Three months ended March 31, 2014	**Three months ended March 31, 2013**
Office and general	644,346	723,530
Professional services	362,579	938,100
Salary and wages	993,866	1,217,251
Shareholder related costs	132,307	178,894
Travel	173,965	170,927
Depreciation	289,254	302,660
Total general and administration expenditure	**2,596,317**	**3,531,362**

Corporate Social Responsibility

Corporate Social Responsibility expense decreased to $0.1 million (2013 - $0.2 million) with lower salary and wages costs.

Technology

Technology expense was consistent at $0.1 million (2013 - $0.1 million).

Development

Development expenses increased to $0.4 million (2013 - $0.1 million) with $0.4 million spent on PSV design and procurement in the current quarter.

Foreign exchange

A foreign exchange loss of $0.1 million was recorded during the quarter (2013 – $0.6 million). The foreign exchange loss consists of realized gains and losses on actual cash transactions during the period and unrealized gains and losses on cash denominated in different currencies at the period end. The Company holds a "basket of currencies" to act as a natural hedge against its expected cash outflows and can therefore experience unrealized fluctuations at period end when cash balances are converted to US dollars for reporting purposes, as experienced during the current quarter.

Interest income

Interest income earned on cash and cash equivalents held during the period was $0.1 million (2013 - $0.1 million). This is consistent with the prior year. 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 decreased to $3.7 million for the three months ended March 31, 2014, compared to $5.0 million for the same period in 2013. When adjusting the current quarter operating loss for the respective foreign currency exchange movements the actual operating loss was $3.6 million (2013 $4.3 million) with the major impact being reduced legal fees with the completion of the arbitration and the favourable impact on the AUD denominated expenditure with a 14% reduction in the exchange rate.

Cash flows

Operating activities
Cash used in operating activities was $3.9 million for the quarter ended March 31, 2014 compared to $2.2 million for the corresponding period in 2013, with the current year reflecting the payment of $0.8 million in retention bonuses related to 2013.

Investing activities
Cash used in investing activities for the quarter ended March 31, 2014 was $2.1 million as compared to $18.4 million for the corresponding period in 2013. The reduction is due to limited equipment construction milestones being met during the first quarter of 2014.

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 2014	**March 31 2013**
Working Capital	$31.8 million	$36.2 million
Cash and Cash Equivalents	$34.5 million	$40.6 million

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

Outlook and capital requirements

The Company's known contractual obligations at March 31, 2014, are quantified in the table below:

	March 31 2014 $
Non-cancellable operating leases	
Not later than 1 year	1,051,242
Later than 1 year and not later than 2 years	286,135
Later than 2 years and not later than 3 years	32,776
Later than 3 years and not later than 4 years	14,654
Later than 4 years and not later than 5 years	14,654
Total Commitments	1,399,461

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.

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 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 and British pounds sterling. Future profitability could be affected by fluctuations in foreign currencies. The Company has not entered into any foreign currency contracts or other derivatives to establish a foreign currency protection program but may consider such actions in the future.

Foreign exchange risk is mitigated by the Company maintaining its cash in a “basket” of currencies that reflect its current and expected cash outflows. As at March 31, 2014 the Company held its cash in the following currencies:

Currency Denomination	% of total cash in US$ terms held
USD	47
GBP	15
AUD	13
EUR	1
CAD	24
	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, 2014, with other variables unchanged, a 0.1% increase (decrease) in the interest rate would have no significant effect on comprehensive loss.

Credit risk

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

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

Liquidity risk

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

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. Given the measures being taken by the Company to minimize expenditures leading up to signing the Agreement with the State and the measures that will continue to be taken, 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 knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the financial statements.

Information about such judgements and estimation is contained in the accounting policies and notes to the financial statements, and the key areas are summarized below.

The area of judgment that has the most significant effect on the amounts recognized in these consolidated financial statements is the review of asset carrying values and impairment assessment.

Review of asset carrying values and impairment assessment
Property, plant and equipment and exploration and evaluation assets are considered for impairment when events or changes in circumstances indicate that their carrying amounts may not be recoverable. If an indicator is identified, the asset's recoverable amount is calculated and compared to the carrying amount. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or "CGUs"). The recoverable amount is the higher of an asset's fair value less costs to 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 considering whether any impairment indicators occurred in respect of the Company's long lived assets as at March 31, 2014, 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 that there are no impairment indicators relating to the Company's long-lived assets as at March 31, 2014.

OUTSTANDING SHARE DATA

The following is a summary of the Company's outstanding share data as of May 12, 2014.

Common shares

A total of 440,852,865 common shares are outstanding including 6,875,000 restricted shares.

Restricted shares

A total of 6,875,000 restricted shares are issued and outstanding under the Company's share loan plan, with loan expiry dates ranging from September 2014 through to July 2016. The weighted average issue price for the restricted shares is C$0.56.

Stock Options

A total of 3,195,000 stock options are issued and outstanding, with expiry dates ranging from September 2014 through to July 2016. The weighted average exercise price for all stock options is C$0.85. 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, 2013 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

ADDITIONAL SOURCES OF INFORMATION

Additional information regarding Nautilus Minerals Inc., including its Annual Information Form, is available on SEDAR at www.sedar.com and on the Company's website www.nautilusminerals.com.