NAUTILUS
Minerals

Many Connections. One Focus.

NAUTILUS MINERALS INC. ANNUAL REPORT 2013

After an eventful year, Nautilus Minerals continues to drive forward with a single-minded purpose – to develop the world's first deep sea copper-gold mine and to advance the proposition that deep sea mining is viable, safe and necessary to satisfy the world's demand for much-needed minerals. Nautilus Minerals relies on the support of governments, local communities and on its supplier and partner companies from more than 17 countries around the globe whose experience and expertise is fundamental to the successful development of the Solwara 1 Project. These **Many Connections** have but **One Focus** – to establish Solwara 1 as the premier deep sea project welcoming the dawn of a new frontier in mining.

Many Connections. One Focus.

Regarding Forward-Looking Information

This Annual Report includes forward-looking information, including statements with respect to the estimation of mineral resources and the realization of mineral resource estimates; the terms of the Agreement with the Independent State of Papua New Guinea (the "State") and the satisfaction of its conditions; the timing of development of the seafloor production system; the Bismarck Sea prospects (including Solwara 1) and new deposits; success of exploration and development activities; the design and performance of the PSV, SPTs and RALS (as defined herein) and the procurement of the PSV. 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 implied by the forward-looking statements. Such factors include, among others, the risk of failure to obtain required financing, the risk that the failure to satisfy the conditions of the Agreement with the State will result in a significant further delay in commencing production at Solwara 1; 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; and possible variations in resources, grade or recovery rates; late delivery of the PSV, SPTs, RALS or other equipment, assuming the full development of the seafloor production system is re-commenced; and variations in the cost of the PSV, SPTs, RALS or other equipment. The Company does not intend to complete a pre-feasibility study or feasibility study or define a large, long life resource or reserve before finalizing the construction of equipment and commencing production at Solwara 1.

Such forward-looking statements are current as at the date hereof and are based on numerous material assumptions (that management believes are reasonable) including that any necessary financing will be available on reasonable terms, that the conditions of the Agreement with the State will be satisfied, that the Company will be able to identify and fund a vessel solution, 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 will proceed as expected and that the results of mining are consistent with the Company's resource estimates.

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. As such, the reader is cautioned not to place undue reliance on forward-looking information. Other than as required by applicable laws, the Company does not intend to update forward-looking information.

Chairman's Letter

Having achieved an amicable resolution to our issues with the State of Papua New Guinea, we are now focused on developing the world's first deep sea copper gold project in PNG.

Dear Shareholder

I am extremely pleased to be able to report that after three years of rigorous negotiations, the Nautilus Team, led by our CEO, Mike Johnston, has reached a commercial resolution to the dispute with the Independent State of Papua New Guinea (the State) for its equity participation in the Solwara 1 Project, clearing the way to further advance the Solwara 1 Project.

Our exploration on seafloor massive sulphide deposits started in 1998 in a number of countries, with a concentration on the Solwara 1 Project in Papua New Guinea (PNG). Solwara 1 received its Environment Permit in December 2009 and was awarded a Mining Lease in January 2011, with the State exercising its legal right to take a 30% contributing interest in March 2011.

The terms of the new agreement, resolved with the State in April 2014, allow for an initial 15% equity investment, with Nautilus receiving a non-refundable deposit of US$7 million immediately, and an additional US$113 million placed into escrow to cover the State's pro-rata interest pending the satisfaction by Nautilus of certain conditions. There is also an option for the State to acquire up to a further 15% interest within a specific time frame, which was agreed to satisfy the State's legitimate aspirations to participate as meaningful owners of its natural resources.

With these measures in place and through a joint venture with the subsidiary of State owned enterprise Petromin PNG Holdings Limited (Petromin), Nautilus believes it has reached a winning combination where the State has recognised the significant potential of seafloor mining and Nautilus can get on with generating considerable economic benefits for the people of PNG and the Province of New Ireland, as well as our own shareholders.

Nautilus is naturally delighted to be able to proceed with our Solwara 1 Project in PNG. Many of us have spent much of our lives working and living in PNG on this and earlier projects, and are thankful for the opportunity to continue to participate in such a diverse and vibrant culture. Special thanks must go to our CEO, Mike Johnston and his team, who led the negotiations and I gratefully acknowledge the steadfast support for our project in the National Government, the Provinces of New Ireland and East New Britain and the people of PNG.

2013 was a tough year in world financial markets for non-producing mineral exploration companies. In March 2013, Nautilus undertook a rights offering for C$40 million, issuing 200 million shares. Our shareholder MB Holding Company LLC (MB Holding) provided ongoing support by acting as standby purchaser for the transaction. The offering was successfully closed in June 2013. Following the closing our three strategic shareholders, MB Holding, Metalloinvest and Anglo American held 28.00%, 20.75% and 5.95% of the Company's shares respectively. The financing allowed the ongoing funding of three key contracts for the Seafloor Production System, being the Seafloor Production Tools with Soil Machine Dynamics in Newcastle on Tyne (UK), the Subsea Slurry Lift Pump with GE Hydril (USA) and the Riser and Lifting System by General Marine Contractors (USA). Continuing the building program, despite the stalled negotiations with the State, demonstrated shareholder faith that management would amicably address outstanding issues.

The year 2013 saw further strengthening of our board of directors with Usama Barwani joining his father, Dr Mohammed Al Barwani, as a director. Both are nominees of MB Holding. Usama is also Managing Director of United Business Services and holds board position for a number of companies, including Ahli Bank Oman. Mark Horn, with extensive legal, financial and funds management qualifications replaces Matthew Hammond as Metalloinvest's nominee, and I thank Matthew for his four years of service. Finally, I want to thank the whole team who are creating history as we progress towards making the world's first deep sea mining venture a reality. This includes fellow directors, our management and staff, contractors and suppliers and especially our shareholders who have stayed with the Company during difficult times.

A. Geoffrey Loudon
Chairman, Nautilus Minerals Inc.

Global Diversity

Collecting Machine

Q&A with the CEO

We are pleased to have resolved the commercial dispute with the State of Papua New Guinea and are delighted with their decision to participate in the Solwara 1 Project. Our focus is now on securing a suitable vessel arrangement as we work towards making seafloor mining a reality.

WHAT IS THE CURRENT STATUS OF THE DISPUTE WITH THE STATE OF PAPUA NEW GUINEA (PNG)?

Nautilus is pleased to announce that after long and protracted discussions with representatives from the Independent State of Papua New Guinea (the State), we have resolved the commercial dispute to the satisfaction of all parties.

Under the original State Equity Option Agreement, the State exercised its right to purchase a 30% interest in the Solwara 1 Project (the Project) in 2011.

However, under the terms of the Agreement with the State finalised in April 2014, the initial investment that the State secured has been lowered to 15% with the option to invest up to a further 15% within a specific timeframe. The State has paid Nautilus a non-refundable deposit for its initial 15% interest of US$7,000,000.

The Agreement is conditional upon the State, (through a subsidiary of Petromin PNG Holdings Limited (Petromin)), securing by 31 July 2014, 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$113,000,000 (excluding the deposit). These funds will be 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.

The Project will generate significant economic activity for PNG and the region of West New Ireland and in our view, is precisely the type of small to medium enterprise PNG needs to fuel balanced ongoing economic growth.

On behalf of the Company I wish to thank the State and the Provinces of New Ireland and East New Britain for their support. We look forward to bringing the Project through to commercial production and are confident in the benefits that will accrue to the State as an industry leader in the newest frontier in mining.

HOW HAS THE DISPUTE IMPACTED ON THE TIMELINE?

The dispute has clearly had a negative impact on the Project, with significant delay in moving to commercial production, and resulting increased costs. Despite this ongoing uncertainty we have, however, been able to keep the Project on track by maintaining the three main contracts for the Seafloor Production System and in particular, the Seafloor Production Tools (SPTs) and the Riser and Lifting System (RALS).

The critical factor in the development of the Project remains securing a suitable vessel. Over the past year we have been busy meeting with shipyards and shipbuilders around the world, determining the basic vessel design, and receiving class approval for the basic design.

We intend to secure the arrangements for a vessel by the end of the year, following which we will have a clearer understanding of the ultimate timeline to first production. A revised schedule will be released once funding and development options have been fully considered.

WHAT ARE YOUR PLANS FOR ENSURING THERE WILL BE MINIMAL ENVIRONMENTAL IMPACT AS A RESULT OF THIS PROJECT?

Nautilus has been open and transparent at all stages in its approach to developing a Seafloor Production System to deliver the minerals to the surface with minimal impact on the environment. Nautilus engineered a fully enclosed RALS that ensures that material transported to the surface will not contaminate the water column above 1,200 metres water depth, well below the photic layer where tuna and other pelagic fish stocks occur.

All subsea equipment has been carefully designed to reduce plume generation, noise and light. Computer models allowed us to predict the outcomes of various operating scenarios including plume sediment dispersion.

There are people who say that we know very little of the deep sea. Whilst that may be true for some areas of the deep ocean, the area around Solwara 1 has undergone significant study. Our activities are monitored at all times by multiple underwater cameras, and thousands of hours of video footage is currently held by the State's own independent regulator.

In terms of stakeholder engagement, Nautilus set out with an aim to be open, inclusive and fully transparent in the development of our Environmental Impact Assessment (EIA), and allowing both the State and all stakeholders the opportunity to be part of an informed decision making process.

Let me explain in some detail how we went about this.

One of the early steps in our process was to hold a workshop in Port Moresby, the capital of PNG, in March 2007. The workshops' goals were:

1. to inform stakeholders about the Project and the proposed production methods;
2. to acquire their views on what the perceived and real impacts were;
3. to identify which studies stakeholders considered were required for the EIA; and
4. to identify the list of organizations and individuals who would be best placed to conduct those studies.

The workshop participants were comprised of PNG-based and international non-government organizations (NGOs), scientists (including deep sea and hydrothermal vent ecology experts), researchers, social scientists, anthropologists, oceanographers, environmentalists, students, and others.

In order to achieve transparency, we invited PNG government officials, from various departments (mining, environment, provincial, etc) to attend so they could hear the views of others first hand.

Many of the studies identified internally and confirmed at the March 2007 workshop, involved going to the bottom of the sea to take samples and gather other information to define the physical environment. We saw this as an opportunity to advance scientific knowledge of the deep sea and seafloor environment while also collecting data for our EIA. We engaged with world-renowned experts to conduct the studies and to collaborate with us offshore. At all times the scientists were free to publish, resulting in more than 35 peer-reviewed studies or presentations at international conferences.

Once the EIA studies were complete, we held another workshop in San Diego in April 2008 to discuss mitigations strategies. The participants at this workshop included scientists and consultants involved in the EIA work as well as other experts in different fields of marine science. There were four objectives of this workshop:

1. to review the results of the studies holistically to allow for a detailed understanding of the baseline environment;
2. to identify strategies to minimize impacts of seafloor resource extraction;
3. to develop a series of hypotheses related to system recovery; and
4. to develop the outline for a monitoring program which would allow testing of the mitigation strategies and hypotheses developed regarding mining impact and system recovery.

The suggested impact mitigation strategies included establishing a reference area, setting aside temporary 'refuge' areas within Solwara 1, relocating some animals out of the path of mining and placing them in areas which have not been impacted and, where appropriate, installing artificial substrates to aid in animal population recovery. These strategies were evaluated by Nautilus and each one was agreed to for inclusion and trial in the Environmental Impact Statement (EIS) and its proposed environmental management plans.

The Project has been reviewed by the State and its independent environmental consultant, Cardno, which had access to all the information that we collected. We had a huge amount of environmental data which was entered into various simulations for expected plume characteristics and impacts. Cardno ran the data through their own models and effectively came up with the same outputs as Nautilus. That gave the State confidence that the data provided by Nautilus was sound, and the proposed impacts and strategies were likely sound and reasonable.

In February 2012, a Solwara 1 Environmental Management Plan (EMP) and monitoring program development workshop was held in Utah, USA. The goal of the workshop was to identify the elements required for inclusion in the EMP. Delegates, which included representatives from the Government of PNG, marine scientists, NGOs, the International Seabed Authority, and other scientific and academic groups, were asked to review and identify the goals, data requirements, mitigation and management measures, recovery and rehabilitation options and monitoring requirements for the Solwara 1 Project. The information and feedback obtained is being used in the development of the EMP and monitoring programs for Solwara 1.

The environment at Solwara 1 has been very well studied and it's generally accepted by all of the environmental experts who have been involved in the Project that the impacts will be localised and, with an aggressive rehabilitation program that we plan to implement, the recovery rate will likely be rapid, relative to land based mine sites.

WHAT DO YOU SEE AS BEING THE CHALLENGES FOR THE NEXT YEAR?

Nautilus faces a number of challenges over the next year encompassing the full breadth of our operations. Fundamentally, we need to address our financial situation and secure the necessary funding to allow us to advance the Project, as well as continue with our seafloor massive sulphide exploration programs in the South Pacific and our nodule exploration program in the Clarion Clipperton Fracture Zone in the Eastern Pacific.

The dispute with State created uncertainty for our Company. It was restricting our ability to complete the build of the equipment, affecting our ability to have discussions with potential shipbuilders and partners, and generally reducing the Company's performance. Now with the dispute resolved, we can move forward to securing a vessel solution, fast track completion of the equipment and building our exploration pipeline and resource inventory.

Maintaining the support and confidence of our shareholders and the investment community will be critical to our success, but just as with the dispute with the State, I remain confident in our team's ability to deliver to our plans, and more importantly, I am more convinced than ever of the need for and viability of seafloor resource production and how Nautilus will lead the way for this new industry.

On behalf of the Nautilus team I thank you for your continued interest and support.

Mike Johnston

President and CEO (Interim),
Nautilus Minerals Inc.

Project Development

With the Seafloor Production Tools being over 90% complete, Nautilus Minerals is well on its way to making seafloor mining a reality.

SEAFLOOR PRODUCTION TOOLS

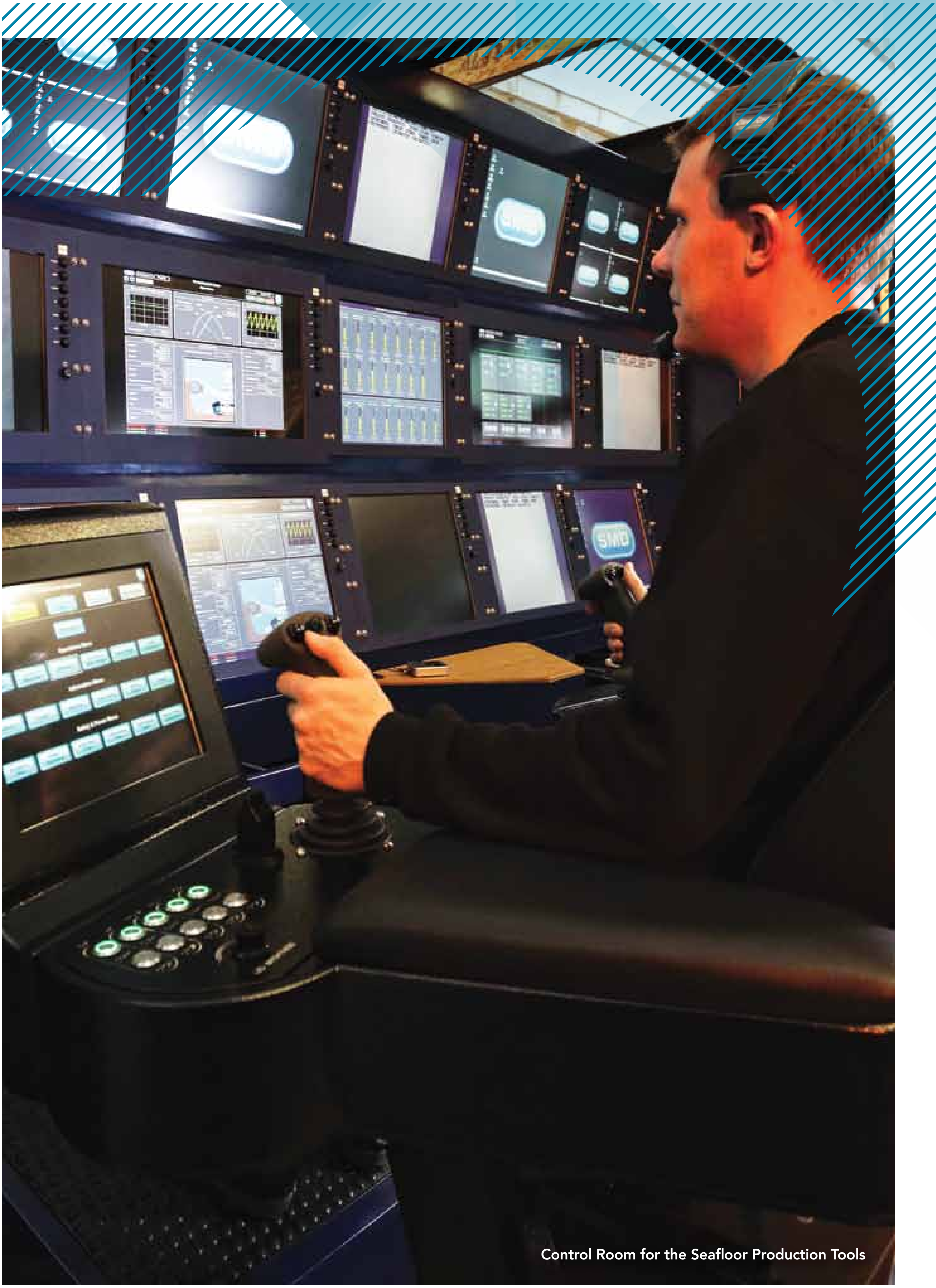
The procurement and manufacture of the components associated with the three Seafloor Production Tools (SPTs) continued through the year. Final mechanical and hydraulic assembly of the Bulk Cutter (BC) was completed in April 2014. The fabrication of the Collecting Machine (CM) and the Auxiliary Cutter (AC) chassis are currently underway with the chassis, CM boom and yoke and AC stabilisers to be completed by June 2014. Final mechanical and hydraulic assembly of the AC and CM are due Q1 2015.

The Launch and Recovery System (LARS) was built by AxTech on behalf of Soil Machine Dynamics (SMD) and was completed in Q1 2013. The equipment is presently in storage by AxTech awaiting delivery to the Production Support Vessel (PSV).

A temporary power module has been built on the quayside at SMD to house the variable speed drives, switchgear and transformers required to power the machines to allow commissioning and Factory Acceptance Testing (FAT) to be performed. The individual control systems have been incorporated into a temporary control room within the assembly hall at SMD and the power and controls systems are now commissioned.

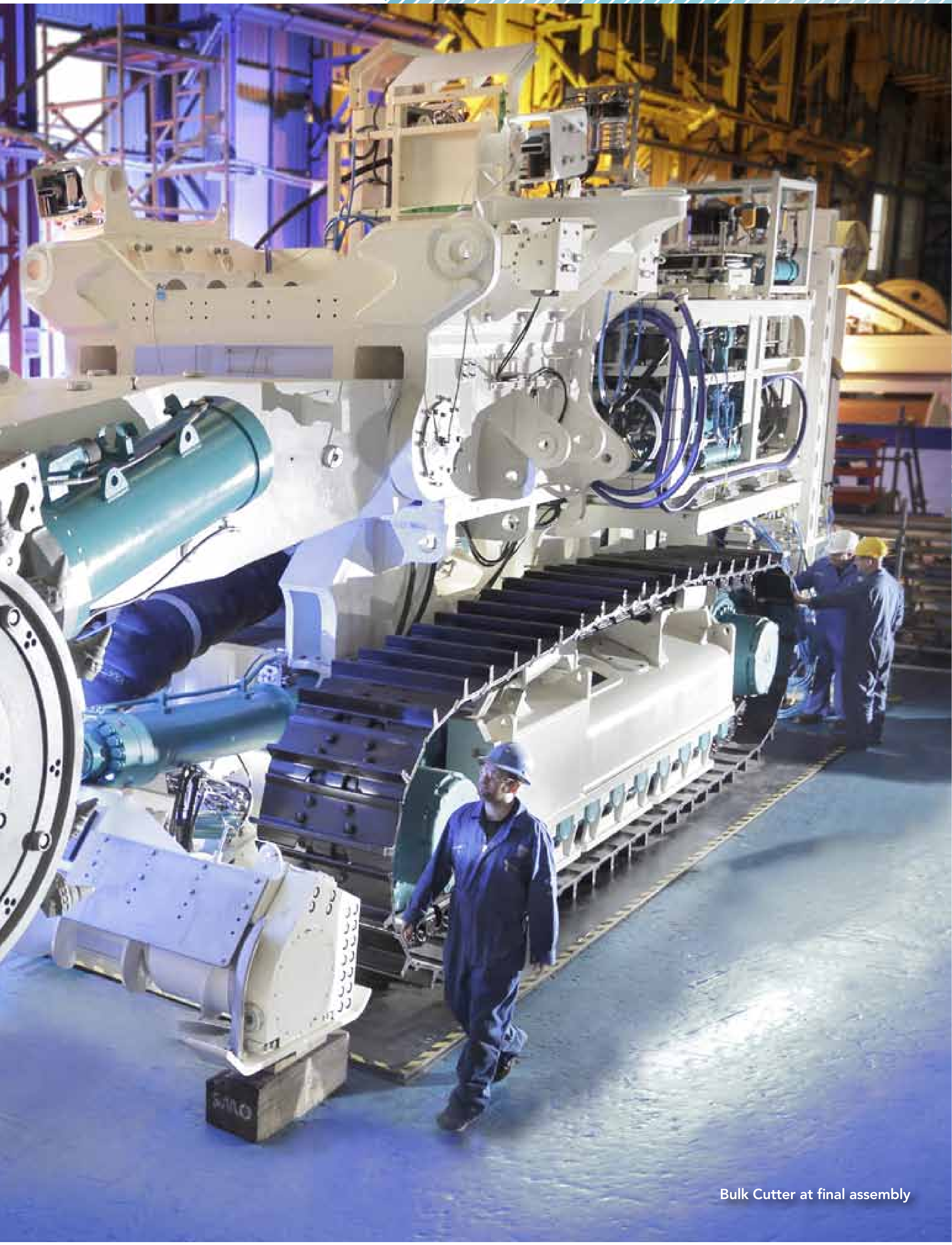
Commissioning of the BC will commence in Q2 2014 to be followed by FAT. As of April 2014, the progress of the SPTs was over 90% complete.

Keith Franklin (SPT Delivery Manager, SMD) and Kevin Cain (VP Projects, Nautilus Minerals)



Control Room for the Seafloor Production Tools

"Having the first of the three production tools assembled is a major milestone for the Company. This achievement brings the Company all the closer to making seafloor mining a reality."
– Mike Johnston, CEO Nautilus Minerals



Bulk Cutter at final assembly


Manifold pipe work for the Subsea Slurry Lift Pump

RISER AND LIFTING SYSTEM

Assembly of the Subsea Slurry Lift Pump (SSLP) was well progressed at the time the Company made the decision on November 13, 2012 to terminate the construction of the equipment for the seafloor production system to manage the Company's cash position. All components which were in assembly have been packed and placed into storage pending access to the production line to complete the assembly. Discussions with GE Hydril suggest a resumption of assembly late 2015 for delivery mid 2016 is well within our anticipated vessel build and delivery dates. Full scale testing of the SSLP pump components took place during 2012 to further demonstrate the capability of the elements of the pump assembly with in excess of 1 million cycles performed. Review of the testing facility, modifications and enhancements have been made during 2013 together with further analysis and investigation into suitable proxy ore materials. Final testing is due to commence Q2 2014. The SSLP that Nautilus Minerals is constructing is similar to Chevron's mud-lift pump which is currently in an offshore testing phase. This Chevron mud-lift pump was also designed by GE Hydril.

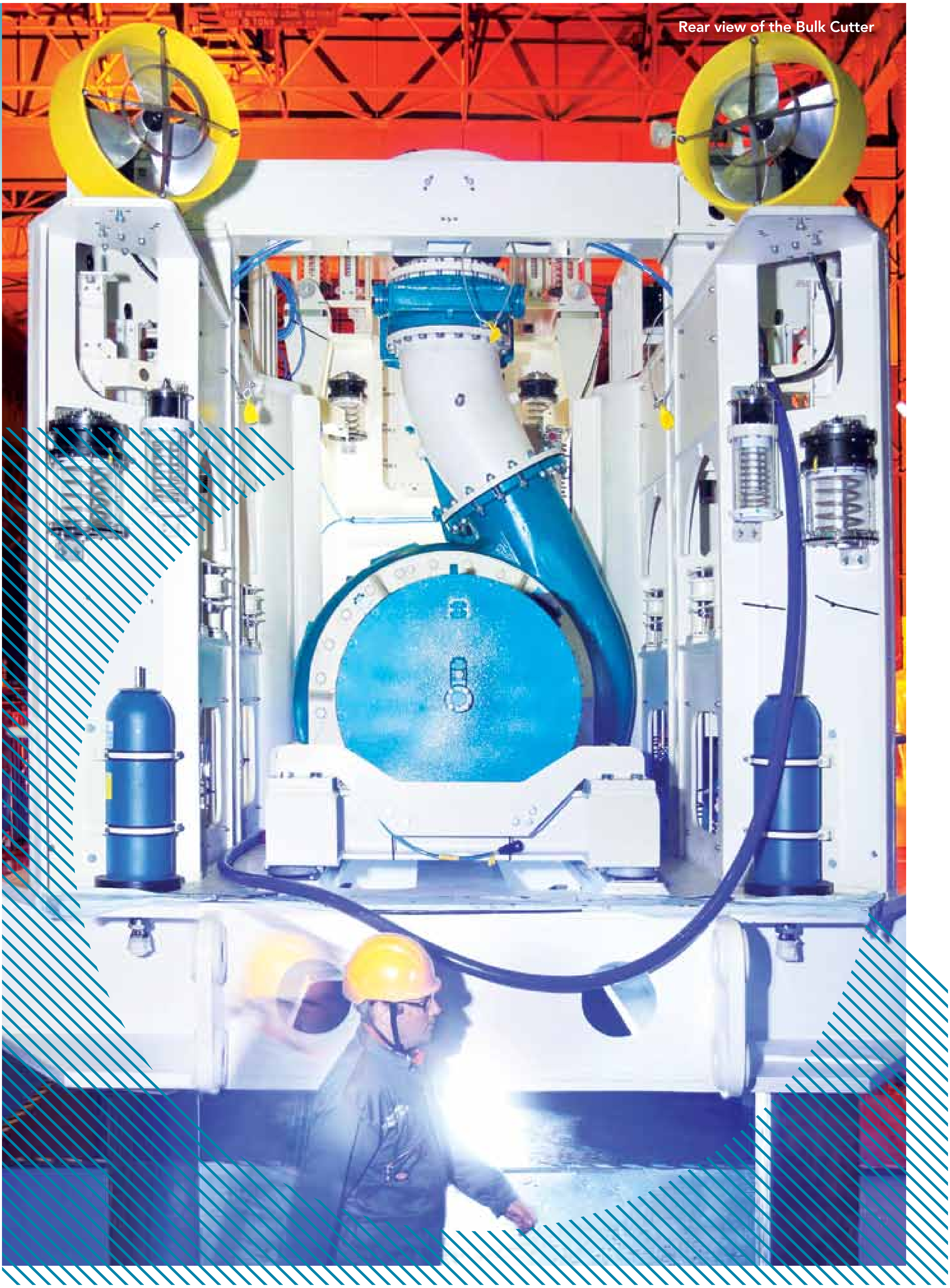
Orders for the various components of the Riser & Lifting System (RALS) derrick and riser handling systems, surface seawater pumps, pull in skids, riser transfer hoses and other ancillary equipment were terminated in November 2012 and will recommence to suit the delivery of the production vessel. The connectors for the SPTs and the SSLP have been fabricated and delivered to Houston by Vector in the UK for incorporation into the SSLP.

Steel pipe and forgings for the rigid riser system were manufactured during 2012 and are in fabrication in Houston USA. Machining of the 8" forging for the water return riser pipes is complete. Weld procedures and qualifications are in preparation for welding to commence. Buoyancy and attachments for the rigid riser was manufactured by Balmoral Offshore in the UK and are presently in storage in Balmoral's facility in the UK. Delivery of the completed riser system is scheduled for late 2014.

PRODUCTION SUPPORT VESSEL

Basic design of the vessel has been completed and approved by American Bureau of Shipping (ABS) for classification as a multi-purpose vessel with a length of 227 m, beam of 40 m, a deadweight capacity of 56,000 tonnes and a transit speed of 12 knots. Power generation remains at 30MW and accommodation for 180 people is included. Model testing and dynamic analysis simulations have been completed which confirm the station keeping and performance characteristics.

Vessel specifications, general arrangement and plan drawings have been completed and tender packages issued. Preliminary discussions have been held with European, Korean and Chinese shipyards to determine the interest to build this vessel. Discussions with potential vessel owners and operators are ongoing to fund vessel build costs. The Company remains on track to have a vessel solution in place by the end of 2014.



Rear view of the Bulk Cutter

SEAFLOOR PRODUCTION SYSTEM

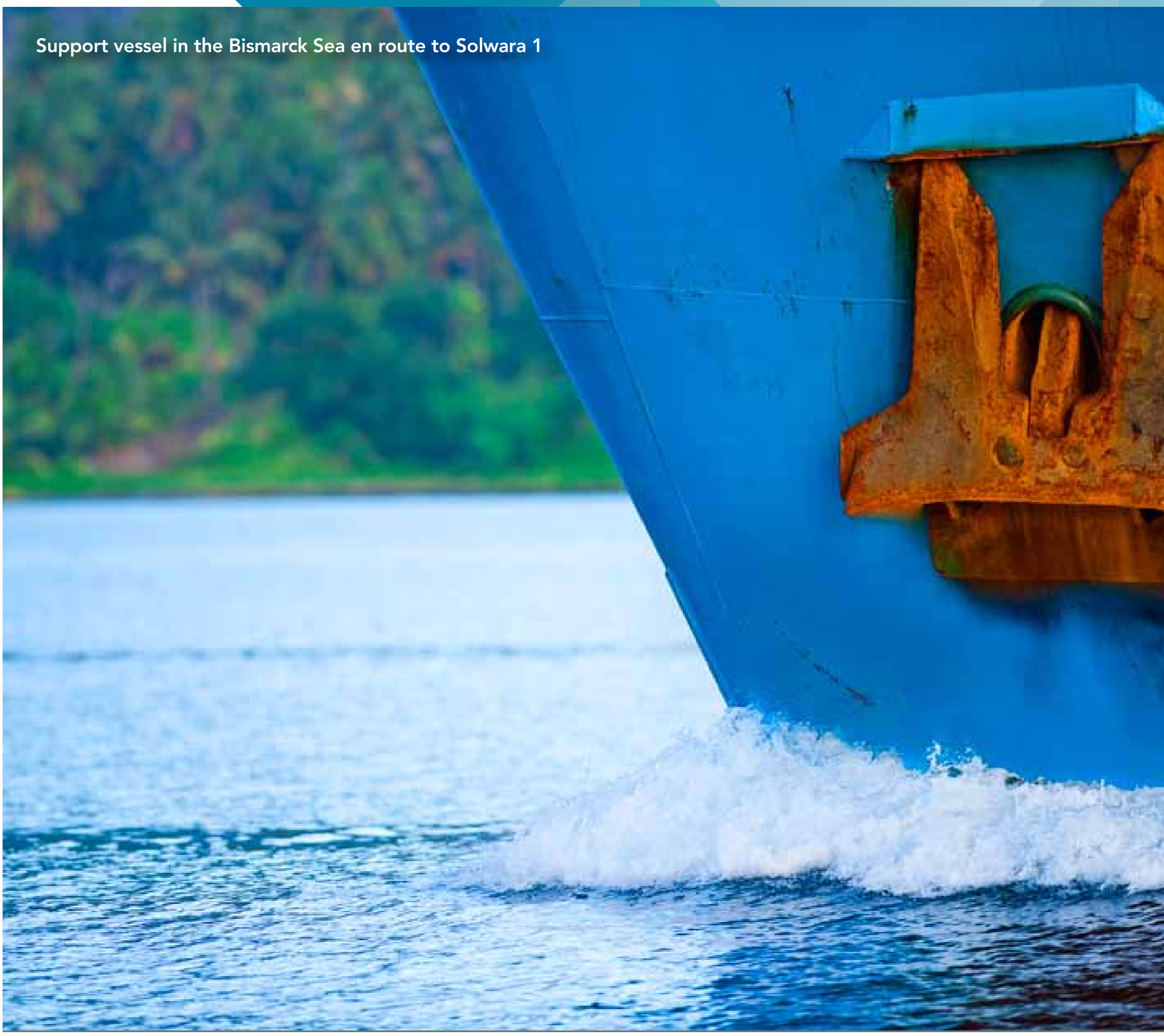
How it will work

Rock is disaggregated on the seafloor by two large robotic machines that excavate material by a continuous cutting process, not unlike coal or other bulk continuous mining machines on land. The AC is a preparatory machine that deals with rough terrain and creates benches for the other machines to work. It will operate on tracks with spud assistance and has a boom mounted cutting head for flexibility.

The second machine, the BC, has higher cutting capacity but will be limited to working on flatter areas, and benches created by the AC. Both machines leave cut material in temporary positions on the seafloor for collection by the CM. The CM, also a large robotic vehicle, will collect the cut material (sand, gravel, silt) by drawing it in as seawater slurry with internal pumps and pushing it through a flexible pipe to RALS.

The RALS comprises a large pump and rigid riser pipe supported from the vessel which delivers the slurry to the surface. The pump is supported on a solid vertical (riser) pipe suspended beneath the support vessel. The pipe is deployed to the seabed by a derrick and draw works system on board the vessel.

On deck of the production support vessel, the slurry is dewatered. The dewatered solid material is stored temporarily in the PSV's hull, and then discharged to a transportation vessel moored alongside the PSV about every 5 to 7 days. Filtered seawater is pumped back to the seafloor through the riser pipes and provides hydraulic power to operate the RALS pump. Discharge of the return water at the seafloor from where it came eliminates mixing of the water column, and minimizes the environmental impact of the operation.



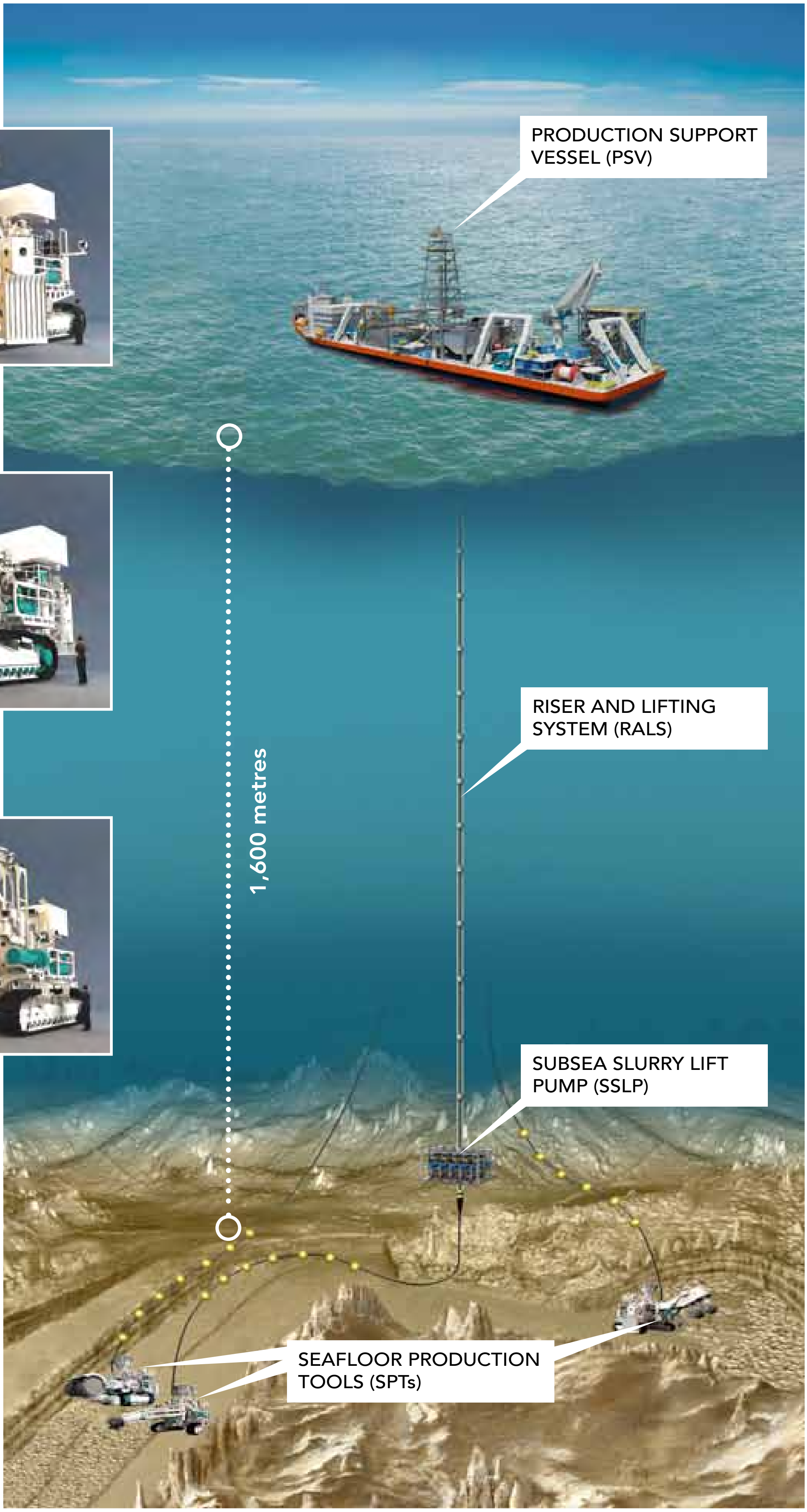
Support vessel in the Bismarck Sea en route to Solwara 1

SEAFLOOR PRODUCTION SYSTEM - HOW IT WILL WORK

Auxiliary Cutter

Bulk Cutter

Collecting Machine



Exploration Overview

Nautilus Minerals' vision is to lead the development of seafloor mineral resource production from the deep ocean. The Company's immediate targets are high grade seafloor massive sulphide systems associated with hydrothermal vents along tectonic plate boundaries in the South Western Pacific, followed by polymetallic nodule resources in the Clarion-Clipperton Fracture Zone in the Central Pacific.

SEAFLOOR MASSIVE SULPHIDES

What are seafloor massive sulphide deposits?

Seafloor Massive Sulphide ("SMS") deposits form on the ocean floor and contain high grades of copper, zinc, gold, silver and other trace metals. They are the modern-day equivalents of ancient 'land-based' Volcanogenic Massive Sulphide ("VMS") deposits such as Kidd Creek and Noronha in Canada. VMS deposits are a major source of the world's copper, zinc, lead, gold and silver

How do SMS deposits form?

SMS deposits form on the seafloor and have been found at a wide range of water depths ranging from less than 1 km to more than 4 kms. They form in areas where new ocean crust is forming, such as seafloor spreading centres. Seawater is drawn down through fractures in the oceanic crust, towards a hot buried magma chamber (molten rock body). The heated seawater transforms into a hot acidic hydrothermal fluid and convection causes the fluid to rise up again towards the seafloor.

The hot acidic hydrothermal fluid leaches metals from the surrounding rocks during transport, and may also interact with other hot fluids rising from the magma chamber. When these hot acidic fluids carrying dissolved metals and sulphur reach the seafloor (up to 400°C and pH2), they encounter cold ambient seawater (typically 2.6°C, pH8.4 at 1500 m water depth). The sudden change in conditions causes metals and sulphur to precipitate out of solution as metal-rich sulphide, forming an accumulation of sulphide material on the seafloor. SMS deposits commonly carry high concentrations of copper (chalcopyrite) and zinc (sphalerite) in addition to gold and silver.

Where are SMS deposits found?

SMS deposits are found along mid-ocean spreading ridges (such as the Mid-Atlantic Ridge and East Pacific Rise), back-arc basins (such as the Manus Basin in Papua New Guinea (PNG) waters) and submarine arc volcanic chains (such as Kermadec Arc in New Zealand waters). The focus for Nautilus Minerals is to capture SMS opportunities in the South Western Pacific where considerable seafloor data is already available.

Exploration of SMS deposits

Exploration for SMS deposits is routinely performed by the marine scientific community, and Nautilus Minerals has applied and refined the commonly used key techniques. Firstly, multibeam sonar is used to compile regional maps of the seafloor morphology, from which structural interpretations are compiled to identify prospective seafloor sites based on nearness to volcanic activity and seafloor spreading structures or faults. Secondly, water chemistry sensor packages are towed through the water column to identify hydrothermal plumes which originate from seafloor vent sites. Detailed seafloor targeting and target testing is then carried out using high resolution sensors from seafloor platforms including Autonomous Underwater Vehicles (AUVs) and Remotely Operated Vehicles (ROVs).

These are unmanned deep sea capable platforms, which either follow a pre-programmed path (in the case of AUVs) or are piloted remotely via an umbilical (ROVs). The high resolution sensors include video and still cameras, sonar (multibeam, sidescan and/or sub-bottom profiler), water chemistry, magnetic and electromagnetic sensors. On discovery of a hydrothermal vent site, sampling of sulphide chimneys or underlying mounds is performed using an ROV's robotic arms, which are known as manipulators. These samples are assayed for economic minerals, and finally, a drill rig is used to assess the thickness and estimate the total tonnage of minerals within any given deposit, as well as perform detailed analysis of drill core for grade and geotechnical parameters.

The SMS deposits of SOLWARA 1 and SOLWARA 12

The SMS deposits at Solwara 1 are associated with high grade polymetallic sulphide systems, which are particularly rich in copper and gold. The viability of the Solwara 1 Project is underpinned by its very high grades.

As reported in the 2011 annual report, Nautilus Minerals' SMS resource estimate was updated resulting in an 18% boost to the total indicated resource at Solwara 1. The resource update also revealed an increase in the contained metal and importantly higher grades from the further high grade ore zones indentified during the 2010/2011 drilling campaign. A maiden inferred resource was also declared at Nautilus Minerals' Solwara 12 deposit located 25km north-west of Solwara 1. See table 1 for details

For further details refer to the NI 43-101 Technical Report dated March 23, 2012 entitled "Mineral Resource Estimate, Solwara Project, Bismarck Sea, PNG" prepared by Golder Associates Pty Ltd, which can be downloaded from the Canadian Securities Administrators database SEDAR (www.sedar.com).

Table 1
Nautilus Minerals Resource 2011, as prepared by Golder Associates Pty Ltd.

Solwara 1	Class	Tonnes (kt)	Cu (%)	Au (g/t)	Ag (g/t)	Zn (%)	Contained Cu (t)	Contained Au (Koz)
2011	Indicated	1,030	7.2	5.0	23	0.4	74,160	165.6
@ 2.6% Cu eq cut off	Inferred	1,540	8.1	6.4	34	0.9	124,740	316.9
Solwara 12								
2011								
@ 2.6% Cu eq cut off	Inferred	230	7.3	3.6	56	3.6	16,790	26.6

Resource Estimate prepared by Ian Lipton, BSc (Hons), FAus IMM, Principal Geologist, Golder Associates Pty Ltd, a qualified person as defined by National Instrument 43-101. Effective Date: March 23, 2012.

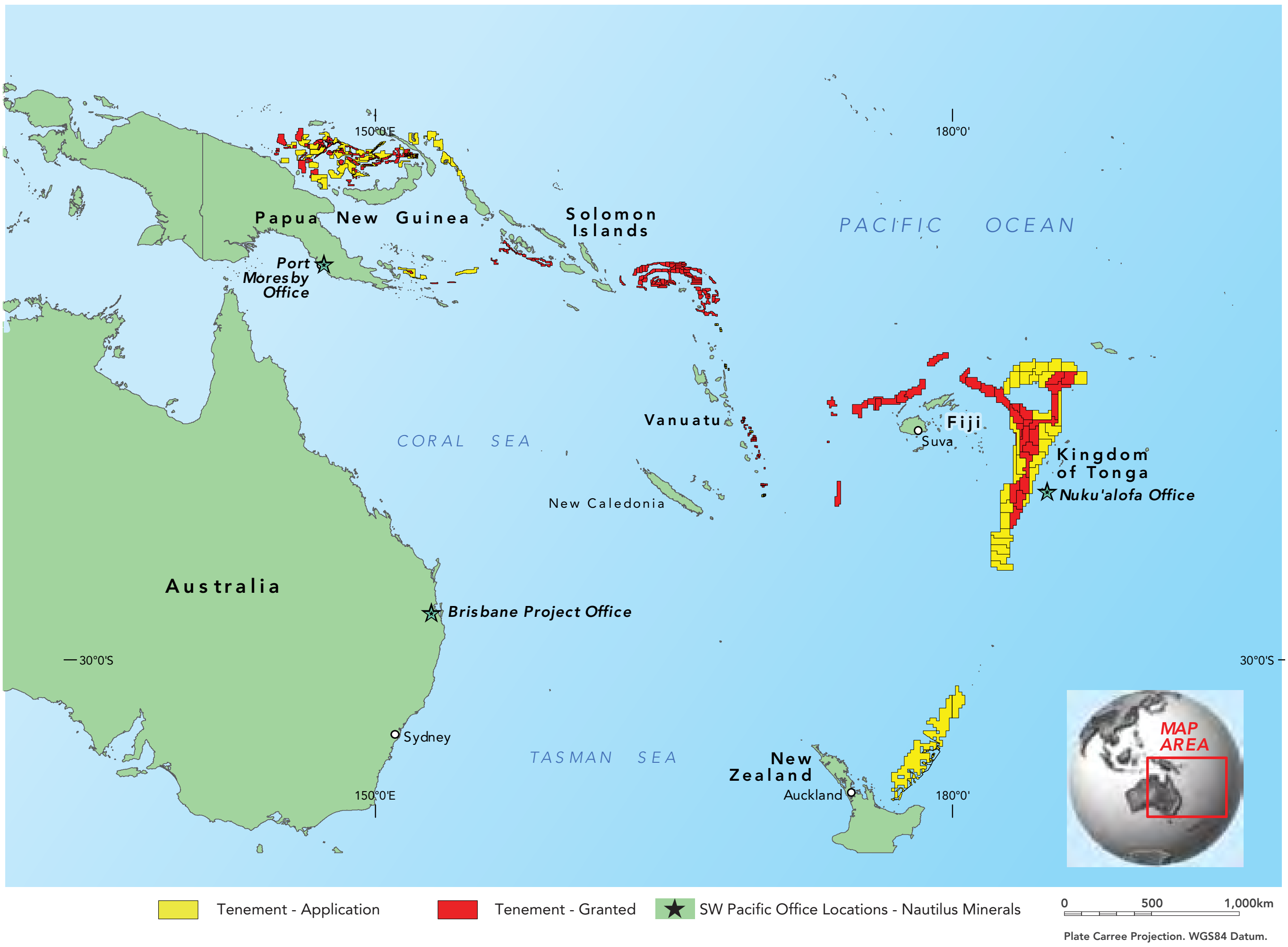
TENEMENT HOLDINGS

Nautilus Minerals holds a significant package of prime exploration tenements (granted and under application) in the territorial waters and Exclusive Economic Zones (EEZs) of Papua New Guinea, Tonga, Solomon Islands, Fiji, Vanuatu,New Zealand and The Area* totalling approximately 478,000 square kilometres.

In 2011 Tonga Offshore Mining Limited (TOML), a subsidiary of Nautilus Minerals, was granted approximately 75,000 km^2 in the highly prospective Clarion Clipperton Zone ("CCZ"), in international waters in the Central Pacific, to the south of Hawaii and west of Mexico.

* The Area refers to TOML's contract area in the CCZ.

FIGURE 1 SOUTH WEST PACIFIC REGION TENEMENT MAP



POLYMETALLIC NODULES

Polymetallic Nodule Program in the Clarion Clipperton Zone

During 2013, Tonga Offshore Mining Limited (TOML), a wholly-owned subsidiary of Nautilus Minerals, completed a successful polymetallic nodule exploration program in the Clarion Clipperton Zone (CCZ) of the Central Pacific Ocean. The work was carried out over TOML's wholly-owned contract area granted by the International Seabed Authority (ISA).

The 54-day program conducted aboard the RV Mt Mitchell vessel successfully utilised multibeam sonar to map approximately 64,000 km^2 of bathymetry. Results define the distribution of nickel, copper, cobalt and manganese rich polymetallic nodules therein. This is an important milestone that enables the Company to focus future work to better defining the resource estimate and will enable the commencement of detailed engineering and environment studies around mine planning (recovery, hoisting, and materials handling) and logistics. Nodule samples were also recovered using an epi-benthic sled. These samples are being used for characterisation studies and preliminary metallurgical test work. Sub-samples have been assayed. TOML also undertook preliminary environmental observations at several sites in preparation for future studies.

Preliminary engineering studies and metallurgical review work is currently underway with tangible progress made towards defining pragmatic and cost effective materials handling solutions; as well as building the Company's understanding of marketing and processing options for the product.

Background Information on Granting of Exploration Contract

In January 2012 TOML formally signed an agreement with ISA for exploration tenements in the Central Pacific. The ISA, which is the international authority responsible for administering activity on the seafloor in areas beyond national jurisdiction, granted the approximately 75,000 km^2 licence to TOML in July 2011 for an area of the Central Pacific, between Hawaii and Mexico, in the CCZ (see Figure 2).

The agreement gives TOML exclusive rights to conduct commercial exploration within the contract area, which holds major deposits of polymetallic nodules. These nodules are rich in nickel, copper, manganese, molybdenum and cobalt and are found at depths generally between 4000 and 6000 metres. They also contain relatively high concentrations of Rare Earth Elements (REEs). The formal grant of the exploration licence confirms Nautilus Minerals (via TOML) as the first publicly listed company to be granted exploration territory in international waters by the ISA. The licence is for an initial period of 15 years from January 2012 and is sponsored by the Kingdom of Tonga.

Publication of a Maiden Mineral Resource Estimate prepared in accordance with NI 43-101

In September 2012 TOML released an independent Technical Report for a maiden mineral resource estimate for the CCZ polymetallic nodule property located within the Central Pacific Ocean. This was the first resource estimate prepared in accordance with NI 43-101 to be published from this world class terrain. An updated version was released in March 2013. The updated report provided additional information on methodology, data verification and mineralisation, as well as several additional maps and figures. The resource remains unchanged from the original report per Table 2.

This maiden mineral resource estimate for TOML's property in the CCZ highlights the enormous potential of seafloor resources. The advance in processing and offshore technologies over the last 20 years has helped to make the extraction of these significant resources technically conceivable. The reduced environmental and social disturbance associated with deep sea mineral production, plus the development of a strong regulatory framework by the ISA since 1994 are key elements that set this project apart from large land based resource developments.

For further details please refer to the Technical Report dated March 20, 2013 entitled "Updated NI 43-101 Technical Report, Clarion-Clipperton Zone Project, Pacific Ocean", prepared by Golder Associates Pty Ltd. This can be downloaded from the Canadian Securities Administrators database SEDAR (www.sedar.com).

FIGURE 2 - TOML TENEMENT MAP AND MULTIBEAM SURVEY AREAS

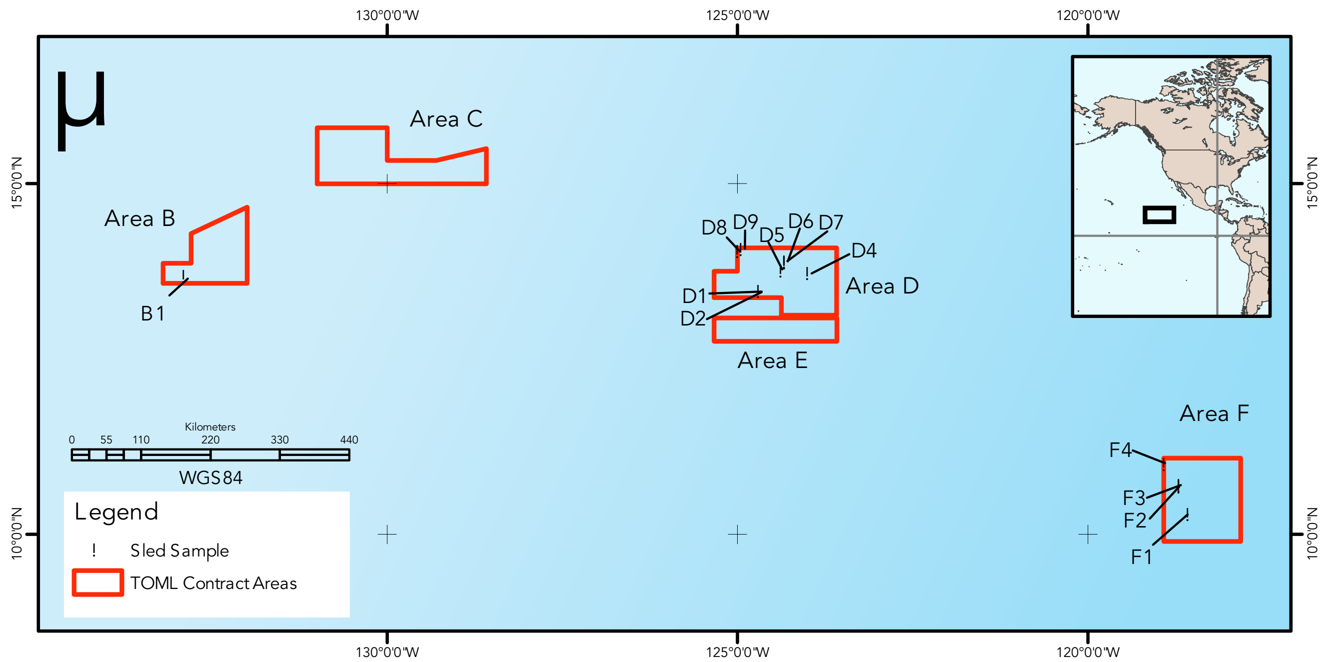


TABLE 2: INFERRED MINERAL RESOURCE ESTIMATE FOR THE TOML AREAS A-D WITHIN THE CCZ AT A SERIES OF NODULE ABUNDANCE CUT-OFFS

Abundance Cut-off (wet kg/m^2)	Abundance (wet kg/m^2)	Ni (%)	Co (%)	Cu (%)	Mn (%)	Polymetallic Nodules (x106 wet t)
4	8.9	1.2	0.24	1.1	26.9	440
5	9.1	1.2	0.24	1.1	26.9	420
6	9.4	1.2	0.24	1.1	26.9	410
7	9.8	1.2	0.24	1.1	26.8	370
8	10.4	1.2	0.24	1.0	26.7	310

NOTE 1: Resource estimates prepared by Mr Matthew Nimmo, Principal Geologist, Golder Associates Pty Ltd, Milton, Queensland, Australia. Mr Nimmo is a Member of the Australian Institute of Geoscientists, a full time employee of Golder, and fulfils the requirements to be a "qualified person" for the purposes of NI 43-101.
NOTE 2: The resource is classified as inferred. As the nodules effectively form a single layer on the seafloor "abundance" (kg/m^2) is used rather than volume to define the mineral resource tonnage.

"The completion of this successful exploration program represents a key step for us in advancing TOML's CCZ project. The high quality, detailed multibeam data has been interpreted to enable us to focus our next sampling program for the purpose of upgrading the resource estimate, and commence design and prefeasibility work."


Polymetallic Nodules

Corporate Social Responsibility

Nautilus CARES is a program launched in 2007 that governs the way we work at Nautilus Minerals. CARES is part of our value system and it's about being Community Accountable, Responsible Environmentally and Safe in every decision we make and in every action we take.

COMMUNITY ENGAGEMENT

The Company conducts regular engagements with Papua New Guinea (PNG) and Tongan stakeholders with interactive briefings in which participants are updated on current and future Nautilus Minerals activities as well as providing stakeholders the opportunity to ask Nautilus Minerals staff questions they have regarding its projects.

New Ireland Community Fairs

Nautilus Minerals is committed to transparency and knowledge sharing. Last year, Nautilus Minerals held two 'Deep Sea Minerals Fairs' in New Ireland Province, PNG. The fairs, which took place in Kavieng and Namatanai, informed and educated community members about the deep sea minerals industry and also the current and proposed work that Nautilus Minerals is undertaking at Solwara 1, located 30 km off the coast of New Ireland Province. Community members were encouraged to ask questions and share their ideas.

Fair goers experienced a journey which followed the path Nautilus Minerals has taken to develop the Solwara 1 Project which included learning about exploration techniques and environmental studies, the technology involved with exploration and mining, and the CARES program. Using an array of posters, flyers, information brochures, factsheets and videos Nautilus Minerals employees shared their experiences as it related to their individual areas of expertise.

New Ireland and Nautilus Minerals Working Closely Together

It was a momentous occasion in July 17, 2013 when representatives of the New Ireland Government and Nautilus Minerals signed a Memorandum of Understanding (MOU). This MOU will aid in clarifying the future working relationship between Nautilus Minerals and the New Ireland Provincial Government (NIPG) and in establishing a New Ireland-Nautilus Minerals Working Group.

PROJECT COMMUNITY ENGAGEMENT PROGRAM - PNG

"Demonstrating our ongoing commitment to improving the health and welfare of communities nearest to the Solwara 1 Project site, Nautilus Minerals engaged a local doctor to accompany the Nautilus Minerals community engagement team to villages along the West Coast of New Ireland Province."

– Mike Johnston, CEO Nautilus Minerals

This working group will act as the focal point to facilitate the exchange of information, meetings, consultation with local communities, work programs and other activities related to the Solwara 1 Project.This is the beginning of a positive working relationship between New Ireland (NI) Provincial Government and Nautilus Minerals.

Plans going forward for New Ireland include:

- Local infrastructure – Nautilus Minerals has committed to assist the development of two new bridges in West Coast NI, in areas closest to the site of the proposed offshore mine. The bridges will greatly assist the local population and the Company, by allowing all weather access to villages along a large portion of the coast, currently cut off every time they get a modest downpour.
- Medical - Nautilus Minerals is working with the NI Provincial Government to complete a health needs assessment of West Coast NI, medical facilities in the region.
- Working with the National Fisheries Authority, shark callers and others to improve understanding of fish stocks, and our limited impacts on the natural and social environment.

Other Community Initiatives

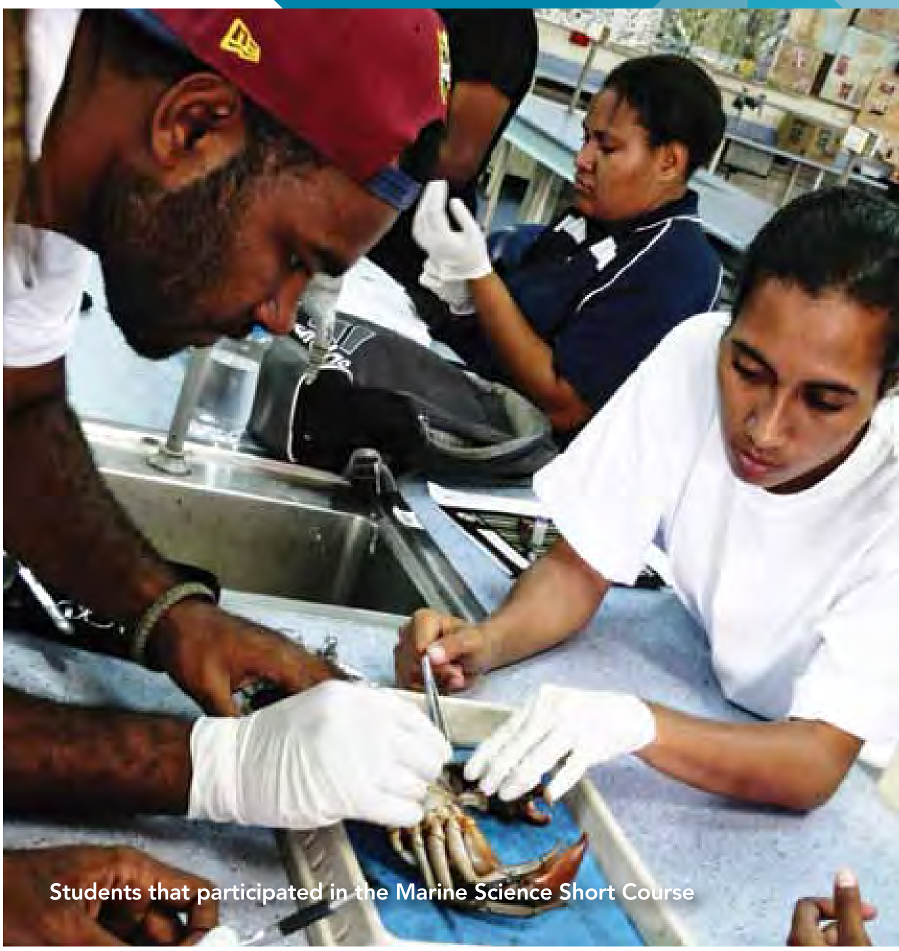
Nautilus Minerals has several community programs in PNG and Tonga which are aimed at supporting education, health and skill building. Some highlights of the 2013 community initiatives include:

Marine Science Short Course

"Building capacity in Marine Science throughout the Pacific"

Twenty-one students from South Pacific nations, including Papua New Guinea, Tonga and Fiji, were given the opportunity to complete a week-long intensive training program in marine science at the University of Papua New Guinea. This exciting new initiative was made possible by a partnership between the University of Papua New Guinea, Duke University and Nautilus Minerals.

Working alongside a researcher from the world-renowned Duke Marine Lab, participants learned about the biology of invertebrates that live in the marine environment, including the deep sea, and also gained some insight into the seafloor environment and sampling procedures. Students expressed great satisfaction for the opportunity to attend such an intensive training program.



Students that participated in the Marine Science Short Course

> "I am really grateful and I am so happy that I was given this opportunity to undertake this training. It was highly intense and yet interesting and exciting."

– A third-year marine science student at the University of Papua New Guinea


Stakeholder briefing for students from Queen Salote College, Nuku'alofa, Tonga

EcoCARES

In partnership with EcoCARES Pacific Trust, Nautilus Minerals continues to support the study of science in Tongan schools by sponsoring the annual National High School Science Competition. A key aim of the event is to promote and encourage further education. Nautilus Minerals has proudly sponsored this event since 2009 and will continue its support in 2014.

Youth in Business (YiB)

Working alongside the Tonga Chamber of Commerce, Nautilus Minerals is encouraging young Tongan Nationals to study and progress a career in business by supporting the Youth in Business (YiB) Challenge in Tonga. The YiB is a competition for secondary schools and for tertiary & vocational institutes in Tonga that aims to increase interest in business among youth by developing a spirit of entrepreneurship and business awareness. Nautilus Minerals supports this initiative by assisting with the purchases of computers and business equipment for the winner of the secondary school draw as well as being one of the YiB sponsors. Nautilus Minerals has been assisting this initiative since 2011 and will continue its support in 2014.

Port Moresby City Mission

Nautilus Minerals continues to provide funding to support the work of the Port Moresby City Mission. Under a five year program launched in 2009 Nautilus Minerals made a donation of $US100,000 to assist in improving the opportunities for disadvantaged youths and young adults through accommodation services and job training and assistance.

In 2013 the Company replaced the main electrical switch board at Haus Ruth, the Mission's women's shelter in Port Moresby.

SAFETY

Nautilus Minerals' goal is "zero incidents, zero injuries." Everyone at Nautilus Minerals is committed to this goal and in 2013 the Company continued to develop initiatives to maintain its safety record.

These include:

- Ongoing hazard and behavioural observation and reporting;
- Hazard and operability analysis training and information sessions on various safety issues (e.g. malaria prevention);
- Risk and hazard workshops.

Board of Directors

1 GEOFF LOUDON
(CHAIRMAN AND NON-EXECUTIVE DIRECTOR)

Mr. Geoff Loudon is a New Zealand based resource professional with qualifications in geology and engineering. His extensive international experience covers resource exploration, development and production as well as investment banking. Mr. Loudon has worked worldwide including Australasia, Asia, the Americas and Europe.

Mr. Loudon is Executive Chairman of the private New Zealand based L&M Group of minerals and energy companies. He is a director of the Papua New Guinea based PNG City Mission.

Mr. Loudon was founder and Chairman of Niugini Mining Limited, discoverer of the Lihir gold deposit in PNG which was developed by Rio Tinto in 1995. Mr. Loudon was a founding director of Lihir Gold Limited from inception in 1995 until it was taken over in 2010.

Professional affiliations include Fellow of the Society of Economic Geologists, Fellow of the Australasian Institute of Mining and Metallurgy, Member of the Canadian Institute of Mining and Member of the American Institute of Mining and Exploration.

2 RUSSELL DEBNEY
(NON-EXECUTIVE DIRECTOR)

Mr. Debney was Chairman of the Board of Directors of Nautilus Minerals Niugini Limited and Nautilus Minerals Oceania Limited prior to the acquisition of those companies by Nautilus. He has been actively involved in Nautilus' development strategy, almost since inception. He is based in Sydney, Australia and is a commercial and corporate lawyer as well as a Director of a number of companies in the mining and resources industry.

Mr. Debney has extensive experience in the management, financing and structuring of resource projects, particularly in the offshore environment. He was a Director and Senior Vice President of the Global Engineering Group, a world leading offshore oil and gas engineering company for almost 15 years. Mr. Debney is currently Managing Director and Chief Executive Officer of Direct Nickel Limited, an ASX-listed mining company.

3 CYNTHIA THOMAS
(NON-EXECUTIVE DIRECTOR)

Ms. Thomas joined the Board of Directors in June 2010. She has over 30 years of banking and mine finance experience, and currently acts as Principal of Conseil Advisory Services Inc. ("Conseil"), an independent financial advisory firm specialising in the natural resource industry which she founded in 2000. Prior to founding Conseil, Ms. Thomas worked with Bank of Montreal, Scotiabank and ScotiaMcLeod in the corporate and investment banking divisions. Ms. Thomas holds a Bachelor of Commerce degree from the University of Toronto and a Masters in Business Administration from the University of Western Ontario. Ms. Thomas was formerly a Director of PolyMet Mining Corp. and a Director and Chair of the Audit Committee for Ferrinov Inc., a private corporation. She is currently a Director and Chair of Victory Nickel Inc., and a Director of KWG Resources Inc.

4 DR. MOHAMMED AL BARWANI
(NON-EXECUTIVE DIRECTOR)

Dr. Mohammed Al Barwani joined the Board in September 2012. He is founder and Chairman of MB Holding Co. LLC (MB Group), has a Bachelor's Degree in Science from Miami University, Ohio, USA, and has a Master's Degree and PhD in Petroleum Engineering from Herriott-Watt University, Edinburgh, UK.

Dr. Al Barwani worked as a petroleum engineer for Petroleum Development Oman from 1976 to 1986. He founded MB Petroleum Services in 1986, Petrogas in 1999, Mawarid Mining in 1987, acquired United Engineering Services in 2007 and Oceanco in 2010. Dr. Al Barwani is also the Chairman of Musstir, a property, hotels and resorts development company.

Dr. Al Barwani is non-executive Chairman of two publicly listed companies, Transgulf Holding and Al Madina Insurance, and is a member of the Board of Oman Air (the national airline), formerly was a member of Boards of National Bank of Oman (1986-2005), Shell Oman Marketing Company (1987- 2005) and Taageer Leasing Company (2001-2006). He is the Honorary Consul of the Republic of Poland to the Sultanate of Oman and he is a member of the International SeaKeepers Society, a group dedicated to the protection of Ocean's ecosystems and its environment.

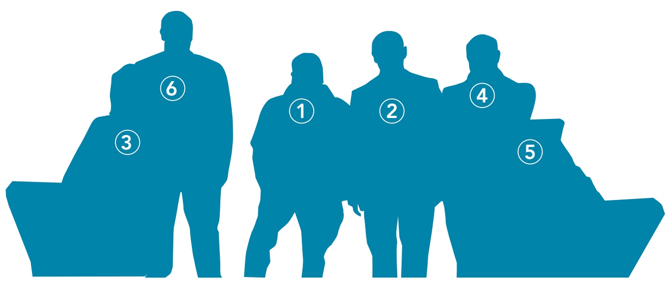
Dr. Al Barwani was conferred "COMMANDEUR" IN DE ORDE VAN ORANGE-NASSAU by Her Majesty the Queen of The Netherlands in January, 2012.

5 USAMA BARWANI
(NON-EXECUTIVE DIRECTOR)

Mr. Barwani is the Director (Business Development) and a shareholder of MB Holding Company LLC, Nautilus Minerals' largest shareholder. He is also Managing Director of United Engineering Services, the MB group's manufacturing and engineering arm and holds board positions for a number of companies including Ahli Bank Oman, one of the fastest growing banks in Oman. He has a Bachelor of Science in Engineering from the University of Tulsa (USA) and a Master of Science in Energy, Trade and Finance from Cass Business School (UK).

6 MARK HORN
(NON-EXECUTIVE DIRECTOR)

Mr. Horn has worked as an international fund manager, financial analyst and corporate financier, and has extensive international experience in the resources and technology sectors. Mr. Horn was nominated by Metalloinvest, which is Nautilus Minerals' second largest shareholder.



Financial Contents

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 March 28, 2014 for the period ended December 31, 2013.

The MD&A of Nautilus Minerals Inc. (the "Company", "NMI" or "Nautilus") should be read in conjunction with the Company's audited consolidated financial statements for the full year ended December 31, 2013, and related notes thereto (the "2013 Financial Statements") which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Amounts for the full year ended December 31, 2013 and 2012 have been presented in accordance with IFRS. Unless otherwise indicated, all amounts in this MD&A are in accordance with IFRS.

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 final resolution of the dispute 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 purchase 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.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(US dollars, in accordance with International Financial Reporting Standards)

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 Project in the Bismarck Sea. The Solwara 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.

2013 SIGNIFICANT EVENTS

- Favourable decision on arbitration with the Independent State of PNG
- C$40M Rights Offering completed
- Solwara 1 Project advanced with SPT build now 90% complete
- Clarion Clipperton Zone nodule exploration program completed with analysis of samples collected supporting the grade of elements previously reported
- Changes to the Board of Directors

Solwara 1 Project – Favourable decision on arbitration with the Independent State of PNG

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 March 29, 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 considered that the State had 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 December 2013 totaled approximately US$70.8 million (excluding interest). The State disputed that it was required to meet such obligations at that time. 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, 2012, in order to preserve capital, Management and the Board of Directors of Nautilus decided to terminate a number of non-critical contracts relevant to the construction of its Seafloor Production System. 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 considered it 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, or alternatively to allow for the re-deployment of the equipment to other jurisdictions. 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 therefore completed a C$40 million Rights Offering in June 2013, with net proceeds being used to continue the build of the equipment under the three key contracts.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(US dollars, in accordance with International Financial Reporting Standards)

On October 3, 2013 Nautilus announced that the arbitrator had issued an award in Nautilus' favour in respect of the issues that were the subject of the Notice of Arbitration initiated by the Independent State of Papua New Guinea. The arbitrators' award included an order that the State is required to comply with its obligations under the agreement to complete the purchase of the 30% interest in the Solwara 1 project and 30% of all the project expenditure incurred to date within a reasonable time of the award.

Nautilus issued the State with a notice requiring completion to occur by October 23, 2013. Nautilus estimated the total amount payable by the State at October 23, 2013 to be approximately $118.2 million (including interest). Nautilus continued discussions with the State following the expiration of the date to complete, however on February 13, 2014, in the absence of the State completing the purchase of its 30% stake in the Project, the Company announced the cancellation of the Agreement with the State in accordance with the Agreement signed in March 2011 by the parties.

While the cancellation of the Agreement allows the Company to pursue damages, it remains Nautilus' preference to resolve these matters amicably with the State.

C$40M Rights Offering completed

The offering (the "Rights Offering") announced on March 28, 2013 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 closed on June 11, 2013, with full proceeds received.

Over 75% of the total shares on offer were subscribed for under the offering and one of the Company's major shareholders, MB Holding Company LLC (a related party under IFRS), through a wholly owned subsidiary, fulfilled its obligations as Standby Purchaser in respect of the full offering and purchased the 49,377,527 unsubscribed shares. MB Holdings Company LLC were paid a fee of C$2,000,000 for undertaking the role of Standby Purchaser for the transaction.

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

Solwara 1 Project advanced

During 2013, 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 nearing completion. The Bulk Cutter chassis is now in final assembly at SMD premises in Newcastle, England. Assembly and fit out of this machine is approximately 90% complete.

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 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. More detailed discussions are intended to take place with shipyards and potential financiers.

Community Activities

During 2013, Nautilus conducted a wide range of community engagements and initiatives in Papua New Guinea. The engagements were mainly focused along the west coast of New Ireland Province particularly the Namatanai region which is closest to the Solwara 1 site. Nautilus also held two 'Deep Sea Minerals Fairs' for the communities of Kavieng and Namatanai in New Ireland Province. These events provided the community with the opportunity to speak directly with Company employees about the Solwara 1 Project, Nautilus and generally about the deep sea minerals industry.

In partnership with Duke University and the University of Papua New Guinea, Nautilus held a Marine Science Short Course for university students from the South Pacific. Over 20 students from throughout the region were offered a scholarship to attend this course which gave them the opportunity to learn start-of-the-art techniques from a representative from Duke University's Marine Laboratory, one the most highly respected marine laboratories in the world.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(US dollars, in accordance with International Financial Reporting Standards)

Clarion Clipperton Zone Nodule Exploration Program Completed

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.

Changes to the Board of Directors

On September 24, 2013 the Company announced changes to its board of directors with the appointment of Usama Barwani and Mark Horn, and the resignation of Matthew Hammond. The appointment of Mr Barwani and Mr Horn to the Board recognizes the continued support of the Company's two largest shareholders.

Following the resignation of Mr Hammond and the appointment of Mr Barwani and Mr Horn, the members of the Company's Board of Directors are as follows:

A. Geoffrey Loudon (Chairman and Non-Executive Director)

Dr. Mohamed Al Barwani (Non-Executive Director)

Russell Debney (Non-Executive Director)

Cynthia Thomas (Non-Executive Director)

Usama Barwani (Non-Executive Director)

Mark Horn (Non-Executive Director)

Mr Usama Barwani

Mr Barwani is the Director (Business Development) and a shareholder of MB Holding Company LLC, Nautilus' largest shareholder. He is also Managing Director of United Engineering Services, the MB group's manufacturing and engineering arm, and holds board positions for a number of companies including Ahli Bank Oman, one of the fastest growing banks in Oman. He has a Bachelor of Science in Engineering from the University of Tulsa (USA) and a Master of Science in Energy, Trade and Finance from Cass Business School (UK).

Mr Mark Horn

Mr Horn has worked as an international fund manager, financial analyst and corporate financier, and has extensive international experience in the resources and technology sectors. Mr Horn was nominated by Metalloinvest, which is Nautilus' second largest shareholder.

Options and Loan Shares issued

The Company has granted 1,800,000 options and issued 400,000 loan shares to its non-executive directors as part of their remuneration for 2013. The Company has also granted 450,000 options and issued 4,100,000 loan shares to its employees, including officers, as part of the Company's retention plan for employees.

The options and loan shares were granted under the Company's Stock Option Plan and Share Loan Plan which were approved by shareholders and limit the total number of shares under the two plans to a combined maximum of 10% of the Company's issued capital.

The options and loan shares were granted to the non-executive directors at an exercise price of C$0.22, vesting as to 20% commencing on January 1, 2014 and 20% every six months thereafter and expiring on July 1, 2016.

The options and loan shares were granted to the employees, including officers, at an exercise price of C$0.24, vesting as to 40% on January 1, 2015 and 60% on January 1, 2016 and expiring on July 1, 2016.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(US dollars, in accordance with International Financial Reporting Standards)

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".

SELECTED ANNUAL INFORMATION

The following table sets out selected annual financial information of Nautilus and is derived from the Company's audited consolidated financial statements for the years ended December 31, 2013, 2012 and 2011. The information set out below should be read in conjunction with this MD&A and the 2013 Financial Statements. Amounts are expressed in US dollars unless otherwise indicated.

	2013	2012	2011
Sales	$Nil	$Nil	$Nil
Loss for the year	$22,339,674	$40,982,142	$34,045,323
Loss per share (basic and diluted)	$0.06	$0.19	$0.20
Total assets	$283,816,470	$271,747,112	$282,553,450
Total long-term liabilities	10,693,538	$7,544,171	$5,155,666
Dividends declared	$Nil	$Nil	$Nil

Loss for the year

There was a decrease in the overall level of expenditure in 2013, remaining below initial budget expectation as the Company looked to preserve cash during 2013 while working to resolve the dispute with the PNG government.

Total assets

Total assets for the year ended December 31, 2013 increased to $283.8 million (2012 - $271.7 million) as the capital raised from the rights issue was used to progress the build of equipment.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(US dollars, in accordance with International Financial Reporting Standards)

RESULTS OF OPERATIONS – FOR THE YEAR ENDED DECEMBER 31, 2013

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

Loss for the year

For the full year ended December 31, 2013, the Company recorded a loss of $22.3 million ($0.06 loss per share) compared to a loss of $41.0 million ($0.19 loss per share) for the same period in 2012. The primary variances were as follows:

Exploration

Exploration expense decreased to $4.9 million (2012 - $6.8 million) with the impact of the measures taken in Q4 2012 to preserve cash being fully reflected in the current year, while also completing a $2.3 million exploration campaign over our nodule tenements in the Clarion Clipperton zone.

	Nodule Exploration		SMS Exploration		Total Exploration	
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2013	2012	2013	2012	2013	2012
Boat charter and fuel	1,668,130	-	-	1,748,526	1,668,130	1,748,526
General and administration	37,737	1,691	37,713	205,800	75,150	207,491
Geological services	454,214	70,614	11,049	328,888	465,263	399,502
Mineral property fees	-	-	594,465	965,578	594,465	965,578
Professional services	111,724	-	181,464	82,354	293,188	82,354
Travel	88,007	327	127,821	309,951	215,828	310,278
Salary and wages	517,966	227,790	1,054,151	2,880,329	1,572,117	3,108,119
Total exploration expenditure	**2,877,778**	**300,422**	**2,006,363**	**6,521,426**	**4,884,141**	**6,821,848**

General & Administration

General & Administration expense decreased to $13.1 million (2012 - $18.0 million) reflecting a reduction in salary and wages, office and general, and travel expenditure in line with the Company's strategy to preserve cash pending resolution of the dispute with the PNG government.

	Year Ended December 31, 2013	Year Ended December 31, 2012
Office and general	2,919,845	4,039,442
Professional services	2,927,343	2,684,032
Salary and wages	4,897,588	8,702,784
Shareholder related costs	493,242	587,676
Travel	637,604	1,107,773
Depreciation	1,187,051	899,555
Total general and administration expenditure	**13,062,673**	**18,021,262**

Management's Discussion and Analysis of Financial Condition and Results of Operations

(US dollars, in accordance with International Financial Reporting Standards)

Corporate Social Responsibility

Corporate Social Responsibility expense increased to $1.4 million (2012 - $0.9 million) with an expanded remit from the previous year. In addition to the environmental expenditure the current year also included $0.3 million for the maintenance and upkeep of the Lassul Bay site in PNG that was previously reported as development expenditure.

Technology

Technology expense decreased to $0.3 million (2012 - $2.7 million) reflecting the Company's strategy to preserve cash, with the current year expenditure limited to maintaining patents and patent applications.

Development

Development expenses decreased to $0.8 million (2012 - $1.1 million) with $0.6 million of expenditure on preliminary PSV design and procurement.

Foreign exchange

A foreign exchange loss of $2.8 million was recorded during the period (2012 – $0.6 million gain). 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 year to date.

Impairment of vessel prepayment

An impairment charge of $12.9 million being the full amount of the prepayment in relation to the PSV build contract was booked in 2012, there was no further impairment in 2013.

Interest income

Interest income earned on cash and cash equivalents held during the period was $0.4 million (2012 - $0.9 million).

The decrease is reflective of the lower average cash balance for the current 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 $23.3 million for 2013, compared to $29.0 million for 2012. When adjusting the annual operating loss for the respective foreign currency exchange movements the actual operating loss was $20.5 million (2012 $29.6 million) 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, offset by increased expenditure for the nodule exploration program of $2.2 million and PSV development expenditure of $0.6 million.

Cash flows

Operating activities

Cash used in operating activities was $15.9 million for 2013 compared to $29.8 million for 2012, with the current year reflecting the commitment to reduce expenditures.

Investing activities

Cash used in investing activities for 2013 was $35.2 million as compared to $97.2 million for 2012. Milestone payments for the construction of subsea production equipment were $34.2 million (2012 - $86.5 million) and capitalized mineral property costs were $2.7 million (2012 - $10.7 million). The current year 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 2013 was $36.7 million due to the closing of the Rights Offering, compared to 2012, when the company raised $34.5 million through a private placement of shares and the exercise of stock options.

The net proceeds from the Rights Offering have been used by the Company to continue funding its three key contracts related to its Seafloor Production System, intended to be used at the Company's Solwara 1 Project and cash and cash equivalents on hand for the year ended December 31, 2013. The net proceeds raised through the private placement in 2012 have been applied to the build of the seafloor production equipment, exploration activities, general corporate expenditure and cash and cash equivalents on hand for the year ended December 31, 2012.

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:

	December 31, 2013	December 31, 2012
Working Capital	$36.2 million	$46.8 million
Cash and Cash Equivalents	$40.6 million	$57.8 million

Management's Discussion and Analysis of Financial Condition and Results of Operations

(US dollars, in accordance with International Financial Reporting Standards)

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 December 31, 2013, are quantified in the table below

	December 31,2013 $
Non-cancellable operating leases	
Not later than 1 year	1,026,698
Later than 1 year and not later than 2 years	513,744
Later than 2 years and not later than 3 years	32,796
Later than 3 years and not later than 4 years	18,741
Later than 4 years and not later than 5 years	14,056
Total Commitments	**1,606,035**

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 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 December 31, 2013 the Company held its cash in the following currencies:

Currency Denomination	% of total cash in US$ terms held
USD	44
GBP	14
AUD	19
EUR	1
CAD	22
	100

Interest rate risk

The Company holds cash and cash equivalents which earn interest at variable rates as determined by financial institutions. As at December 31, 2013, 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.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(US dollars, in accordance with International Financial Reporting Standards)

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. The Rights Offering for C$40 million was completed in June 2013. Given the measures being taken by the Company to terminate contracts, reduce employee numbers and the Rights Offering, 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 other long lived assets as at December 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 conducted an assessment of impairment indicators specific to the Solwara 1 Project, which falls under the scope of IFRS 6, Exploration and evaluation of mineral resources (IFRS 6), at December 31, 2013 and concluded that there were none. The Company's market capitalization was less than its net asset value as at December 31, 2013, which is an impairment indicator under IAS 36. Accordingly we performed an assessment of whether any of the long-lived assets of the Company were impaired at December 31, 2013. Based on that assessment we have not recorded any impairment charge at December 31, 2013.

OUTSTANDING SHARE DATA

The following is a summary of the Company's outstanding share data as of March 28, 2014.

Common shares

A total of 440,772,865 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 3,275,000 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$0.84. All stock options entitle the holders to purchase common shares of the Company.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(US dollars, in accordance with International Financial Reporting Standards)

INTERNAL CONTROLS

Internal control over financial reporting

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of Nautilus' disclosure controls and procedures. Based on the results of that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as at December 31, 2013, the Company's disclosure controls and procedures were effective in providing reasonable assurance that the information required to be disclosed by the Company in reports it files are recorded, processed, summarized and reported within the appropriate time periods and forms.

The Company's management is responsible for establishing and maintaining an adequate system of internal controls, including internal controls over financial reporting. Nautilus' internal controls include policies and procedures that (1) pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, the transactions related to acquisition, maintenance and disposition of assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and receipts are recorded and expenditures are incurred only in accordance with authorization of management and directors; and (3) provide reasonable (but not absolute) assurance of compliance with regulatory matters and to safeguard reliability of the financial reporting and its disclosures. Having assessed the effectiveness of the Company's internal controls over financial reporting, the Chief Executive Officer and Chief Financial Officer believe that: (1) the internal controls over financial reporting are effective and provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS; and (2) that no material failings in the reporting were discovered in the period ended December 31, 2013. 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.

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitation in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any system of control also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatement due to error or fraud may occur and not be detected.

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.

Management's Responsibilty for Financial Reporting

The preparation and presentation of the accompanying consolidated financial statements, Management Discussion and Analysis ("MD&A") and all financial information in the Annual Report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Financial statements, by nature, are not precise since they include certain amounts based upon estimates and judgements. When alternative methods exist, management has chosen those it deems to be the most appropriate in the circumstances.

Management, under the supervision of and the participation of the President and Chief Financial Officer, have a process in place to evaluate disclosure controls and procedures and internal control over financial reporting as required by Canadian securities regulations. We, as President and Chief Financial Officer, will certify our annual filings with the CSA as required in Canada by National Instrument 52-109.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee which is independent from management.

The Audit Committee is appointed by the Board of Directors and reviews the consolidated financial statements and MD&A; considers the report of the external auditors; examines the fees and expense for audit services; and recommends to the Board the independent auditors for appointment by the shareholders. The independent auditors have full and free access to the Audit Committee and meet with the Audit Committee to discuss their audit work, the Company's internal control over financial reporting and financial reporting matters. The Audit Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders.

Michael Johnston
President and Chief Executive Officer

Shontel Norgate

Shontel Norgate
Chief Financial Officer

Independent Auditor's Report

March 28, 2014

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Nautilus Minerals Inc.

We have audited the accompanying consolidated financial statements of Nautilus Minerals Inc., which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012, the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform our audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nautilus Minerals Inc. as at December 31, 2013 and December 31, 2012 and its financial performance and its cash flows for the years ended then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants

PricewaterhouseCoopers LLP
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T: +1 604 806 7000, F: +1 604 806 7806
"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Consolidated Statements of Financial Position

(expressed in US Dollars)

	December 31, 2013 $	December 31, 2012 $
ASSETS		
Current assets		
Cash and cash equivalents (Note 6)	**40,617,963**	57,806,465
Prepaid expenses and advances	**558,677**	675,991
	41,176,640	58,482,456
Non-current assets		
Restricted cash (Note 9)	**658,323**	2,319,663
Property, plant and equipment (Note 11)	**198,533,059**	170,166,331
Exploration and evaluation assets (Note 10)	**43,448,448**	40,778,662
	242,639,830	213,264,656
TOTAL ASSETS	**283,816,470**	271,747,112
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**5,117,410**	11,677,480
Non-current liabilities		
Accounts payable and accrued liabilities (Note 7)	**8,896,457**	5,747,090
Joint venture contribution (Note 2)	**1,797,081**	1,797,081
	10,693,538	7,544,171
TOTAL LIABILITIES	**15,810,948**	19,221,651
Equity		
Share Capital (Note 13)	**514,123,985**	477,413,919
Contributed Surplus	**47,647,463**	46,537,794
Deficit	**(293,765,926)**	(271,426,252)
Total Equity	**268,005,522**	252,525,461
TOTAL LIABILITIES AND EQUITY	**283,816,470**	271,747,112

Approved by the Board of Directors

Russell Debney

Cynthia Thomas

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

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2013 and 2012 (expressed in US Dollars)

	December 31, 2013 $	December 31, 2012 $
OPERATING EXPENSES		
Exploration costs (Note 14)	**4,884,141**	6,821,848
General and administration (Note 15)	**13,062,673**	18,021,262
Corporate social responsibility	**1,433,424**	927,887
Technology	**341,945**	2,734,041
Development	**796,656**	1,096,862
Foreign exchange (gains)/losses	**2,810,639**	(608,530)
Operating loss	**23,329,478**	28,993,370
Impairment of vessel prepayment (Note 5)	**-**	12,933,620
Interest income	**(404,909)**	(918,858)
Rent and other income	**(584,895)**	(25,990)
Loss and comprehensive loss for the year	**22,339,674**	40,982,142
Weighted average number of shares outstanding, basic and diluted	**350,074,988**	210,312,649
Loss per share		
Basic and diluted	**0.06**	0.19

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2013 and 2012 (expressed in US Dollars)

	December 31, 2013 $	December 31, 2012 $
OPERATING ACTIVITIES		
Loss for the year	**(22,339,674)**	(40,982,142)
Adjustments for:		
Depreciation and amortization	**1,187,050**	899,552
Impairment of vessel prepayment	**-**	12,933,620
Unrealized foreign exchange losses/(gains)	**2,801,167**	(941,939)
Share-based payments	**1,109,669**	973,946
Changes in non-cash working capital		
Prepaid expenses and advances	**117,314**	88,069
Accounts payable and accrued liabilities	**1,200,324**	(2,774,010)
Net cash used in operating activities	**(15,924,150)**	(29,802,904)
INVESTING ACTIVITIES		
Restricted cash	**1,661,340**	(48,708)
Purchase of plant and equipment	**(34,155,001)**	(86,496,110)
Exploration and evaluation assets	**(2,679,591)**	(10,686,418)
Net cash used in investing activities	**(35,173,252)**	(97,231,236)
FINANCING ACTIVITIES		
Issuance of shares for cash – net of issue costs	**36,710,066**	34,450,872
Net cash generated from financing activities	**36,710,066**	34,450,872
Effect of exchange rate changes on cash and cash equivalents	**(2,801,166)**	941,939
Decrease in cash and cash equivalents	**(17,188,502)**	(91,641,329)
Cash and cash equivalents – Beginning of year	**57,806,465**	149,447,794
Cash and cash equivalents – End of year (Note 6)	**40,617,963**	57,806,465

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

Consolidated Statements of Changes in Equity

(expressed in US Dollars)

	Share capital				
	Number of shares	Amount $	Contributed Surplus $	Deficit $	Total equity $
Balance January 1, 2012	**196,181,741**	**442,832,443**	**45,694,452**	**(230,444,110)**	**258,082,785**
Exercise of share options	243,000	302,844	-	-	302,844
Issue of shares in Share Loan Plan	2,850,000	-	-	-	-
Issue of shares in private placement	37,673,124	34,148,028	-	-	34,148,028
Share-based payments	-	-	973,946	-	973,946
Transfer of value on exercise of share options	-	130,604	(130,604)	-	-
Loss for the year and comprehensive loss	-	-	-	(40,982,142)	(40,982,142)
Balance December 31, 2012	236,947,865	477,413,919	46,537,794	(271,426,252)	252,525,461
Exercise of shares through rights issue	200,000,000	36,710,066	-	-	36,710,066
Issue of shares in Share Loan Plan	4,500,000	-	-	-	-
Forfeited loan shares	(675,000)	-	-	-	-
Share-based payments	-	-	1,109,669	-	1,109,669
Loss for the year and comprehensive loss	-	-	-	(22,339,674)	(22,339,674)
Balance December 31, 2013	**440,772,865**	**514,123,985**	**47,647,463**	**(293,765,926)**	**268,005,522**

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (expressed in US Dollars)

1 CORPORATE INFORMATION

Nature of Operations

Nautilus Minerals Inc. (the "Company", "Nautilus" or "NMI") is a company whose common shares are listed on the Toronto Stock Exchange and quoted on OTCQX International.

Nautilus is engaged in the exploration and development of the ocean floor for copper and gold rich seafloor massive sulphide deposits. To date the Company has not earned any revenues from operations and is considered to be in the exploration stage. The Company has one segment being mineral property exploration in Australasia. The exploration activity involves the search for deepwater copper and gold rich seafloor massive sulphides in the western Pacific Ocean. The Company's main focus is the Solwara 1 Project in Papua New Guinea (PNG) in the western Pacific Ocean. The proposed principal operations of the Company subject to permitting will be the extraction of copper, zinc, gold and silver deposits where there are economically viable discoveries. The Company's consolidated financial statements and those of its controlled subsidiaries ("consolidated financial statements") are presented in US Dollars.

Nautilus is a company incorporated in British Columbia, Canada. The registered office, head office and principal offices of the Company are located at:

Registered Office (Vancouver, Canada)

Nautilus Minerals Inc.
Floor 10
595 Howe St
Vancouver, BC, V6C 2T5
Canada

Head Office (Vancouver, Canada)

Nautilus Minerals Inc.
Suite 1400
400 Burrard Street
Vancouver, BC, V6C 3A6
Canada

Corporate Office (Toronto, Canada)

Nautilus Minerals Inc.
Suite 1702,
141 Adelaide Street West
Toronto, Ontario M5H 3L5
Canada

Operations (Brisbane, Australia)

Nautilus Minerals Inc.
Level 7,
303 Coronation Drive
Milton Queensland, 4064
Australia

2 STATUS OF STATE OF PNG'S PARTICIPATION IN SOLWARA 1 PROJECT AND LIQUIDITY RISK

State of PNG Participation in Solwara 1 Project

On March 29, 2011, the Company announced that the Independent State of PNG ("State" or "State of PNG") had signed the State Equity Option Agreement (the "Agreement") and exercised its option to acquire a 30% stake in Nautilus' Solwara 1 Project in the Bismarck Sea.

The Agreement contemplated the formation of an unincorporated joint venture to hold the mining assets of the Solwara 1 Project, with Nautilus to retain a 70% holding and the State of PNG to acquire a 30% share (the "Mining JV"). The State's interest in the Mining JV was to be held through Petromin PNG Holdings Limited ("Petromin"), a wholly owned company of the State, which holds the State's mining and petroleum assets.

On June 1, 2012, Nautilus announced that it was in dispute with the State of PNG as to the parties' obligations to complete the Agreement and that it had initiated the dispute resolution process provided for in the Agreement. Subsequently Nautilus announced that the State had issued Nautilus with a Notice of Arbitration in relation to the dispute, with the hearing of the arbitration to commence on August 26, 2013.

On October 3, 2013, Nautilus announced that the arbitrator had issued an award in Nautilus' favour in respect of the issues that were subject to the Notice of Arbitration initiated by the State. The arbitrators' award included an order that the State comply with its obligations under the agreement to complete the purchase of the 30% interest in the Solwara 1 project and to pay 30% of all the project expenditure incurred to date within a reasonable time of the award.

Nautilus issued the State with a notice requiring completion to occur by October 23, 2013. Nautilus estimated the total amount payable by the State at October 23, 2013 to be approximately $118.2 million (including interest). Nautilus continued discussions with the State following the expiration of the date to complete, however on February 13, 2014, in the absence of the State completing the purchase of its 30% stake in the Project, the Company announced the termination of the Agreement with the State.

While the termination of the Agreement allows the Company to pursue damages, it remains Nautilus' preference to resolve these matters amicably with the State.

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (expressed in US Dollars)

Liquidity Risk

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

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 complete the ongoing sub-sea equipment construction contracts and advance the development of its mineral property interests, the Company will need to raise additional funding. Until that time, certain discretionary expenditures may be deferred and measures to reduce operating costs will be taken in order to preserve working capital. A rights offering for net proceeds of $36.7 million was completed on June 11, 2013.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

3.1 Basis of measurement

The consolidated financial statements of Nautilus Minerals Inc. have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the financial assets and financial liabilities at fair value through profit or loss.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as at December 31, 2013, and were approved as of March 28, 2014, the date of the Audit Committee of the Board of Directors approved the statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.14.

3.2 Consolidation

The financial statements of the Company consolidate the accounts of Nautilus Minerals Inc and its subsidiaries. All intercompany transactions, balances and any unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are all entities (including structured entities) over which Nautilus Minerals Inc has control. We control an entity when we are exposed to, or have rights to, variable returns from its involvement with the entity and have the ability to affect those returns through our power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date which control is transferred to us until the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

These consolidated financial statements include the accounts of the Company which is incorporated in Canada and all of its subsidiaries. The Company's significant subsidiaries include Nautilus Minerals Niugini Limited (Papua New Guinea), Nautilus Minerals Pacific Proprietary Limited (Australia), Nautilus Minerals (Tonga) #1 Limited, Tonga Offshore Mining Limited (Tonga), Nautilus Minerals Singapore Limited and Koloa Moana Resources Inc (Canada), all of which are wholly owned subsidiaries.

3.3 Foreign currency translation

a) Functional and presentational currency

The consolidated financial statements are presented in United States Dollars, which is the functional and presentational currency of Nautilus Minerals Inc. Items included in the financial statements of each consolidated entity in the Nautilus Minerals group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency for all significant entities within the consolidated group is United States Dollars.

b) Transactions and balances

Foreign currency transactions are accounted for at the rates of exchange at the date of the transaction. Monetary assets and liabilities are translated at year-end exchange rates. Gains and losses arising on settlement of such transactions and from the translation of foreign currency monetary assets and liabilities are recognized in the statement of loss.

3.4 Cash and cash equivalents

The Company considers cash and cash equivalents to comprise amounts held in banks and highly liquid investments with maturities at time of purchase of 90 days or less.

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (expressed in US Dollars)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial assets

a) Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All of the Company's financial assets are currently classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise restricted cash and cash and cash equivalents. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

b) Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognises an impairment loss as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

3.6 Property, plant and equipment

Equipment is recorded at cost less accumulated depreciation. The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Depreciation is calculated over the estimated useful life of the assets on a straight-line basis as follows:

	Estimated useful life (in years)
Leasehold improvements	3
Plant and equipment	3 – 15
Office equipment	1 – 20
Motor vehicles	6 – 8

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

3.7 Exploration and evaluation assets

All costs directly related to the acquisition of rights to explore for minerals are capitalized.

Once the right to explore has been obtained, the Company will incur exploration and evaluation expenditures to advance an area of interest. Such expenditures include:

- Exploratory drilling;
- Geological, geochemical and geophysical studies;
- Sampling;
- The depreciation of equipment used in the above activities, and
- Activities involved in evaluating the technical feasibility and commercial viability of extracting mineral resources.

The Company expenses all exploration and evaluation expenditures until management conclude that a future economic benefit is more likely than not to be realized. In evaluating if expenditures meet this criterion to be capitalized, management considers the following:

- The extent to which reserves or resources, as defined in National Instrument 43-101 have been identified in relation to the project in question;
- The status of cost assessments or scoping studies;
- The status of environmental permits, and
- The status of mining leases or permits.

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (expressed in US Dollars)

Once the Company considers that a future economic benefit is more likely than not to be realized from an area of interest, all subsequent costs directly relating to the advancement of the related area of interest are capitalized. Capitalized costs are considered to be tangible assets as they form part of the underlying mineral property and are recorded within 'exploration and development assets' at cost less impairment charges, if applicable. No amortization is charged during the exploration and evaluation phase because the asset is not available for use. When the Company considers that the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, capitalized exploration and evaluation costs are reclassified to mineral properties.

3.8 Impairment of non-financial assets

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 impairment 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. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Fair value is determined as the amount that would be obtained by the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value of mineral assets is generally determined as the present value of the estimated cash flows expected to arise from the continued use of the asset, including any expansion projects.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and from its ultimate disposal.

Impairment is normally assessed at the level of CGUs, which are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets.

Non-financial assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed. When a reversal of a previous impairment is recorded, the reversal amount is adjusted for depreciation that would have been recorded had the impairment not taken place.

3.9 Share based payments

The cost of equity-settled and cash settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the relevant vesting period.

The company grants either stock options or loan shares as remuneration for directors and as a part of a long term incentive plan for certain employees. Where the shared based payment is for remuneration they generally vest over 2.5 years (20% every six months) and expire after three years. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Where the share based payment is as part of a long term incentive plan they generally vest in a single tranche 2.5 years from issue and expire after 3.5 years. In both instances the fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model.

At each period end, before vesting, the cumulative expense is calculated based on management's best estimate of the number of equity instruments that will ultimately vest. The movement in this cumulative expense is recognised in the income statement, with a corresponding entry in equity.

The proceeds from the exercise of stock options in addition to the carrying value attributable to those options exercised are recorded as share capital.

3.10 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (expressed in US Dollars)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Income tax

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is measured at tax rates that are expected to apply in periods in which the temporary differences reverse based on tax rates and law enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

3.12 Share capital

Incremental external costs directly attributable to the issue of new common shares are deducted from share capital.

3.13 Loss per share

Basic loss per share is computed by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion or exercise of securities only when such conversion or exercise would have a dilutive effect on earnings per share. The dilutive effect of outstanding stock options and their equivalents is reflected in diluted earnings per share by application of the treasury stock method which assumes that any proceeds from the exercise of share options would be used to purchase common shares at the average market price during the period. During years when the Company has generated a loss, the potential shares to be issued from the assumed exercise of options are not included in the computation of diluted per share amounts because the result would be anti-dilutive.

3.14 Significant accounting judgements and estimates

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 estimates is contained in the accounting policies and notes to the financial statements.

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

In considering whether any impairment indicators occurred in respect of the Company's long lived assets as at December 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 was required to be recognized at December 31, 2013 in respect of the Solwara 1 project and the subsea equipment currently under construction.

4 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards adopted by the Company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after January 1, 2014 that would be expected to have a material impact on the Company.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013. The company has reviewed the disclosure requirements of changes in IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosures of interests in other entities' and IFRS 13 'Fair value measurement', however this does not currently require any changes to disclosures within the financial statements of the Company.

5 IMPAIRMENT EXPENSE

The current year impairment expense was nil, however in 2012 the Company recognised an impairment charge for the full carrying amount of the prepayment related to the construction of a production support vessel of $12,933,620 following notification that the shipyard had entered administration.

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (expressed in US Dollars)

6 CASH AND CASH EQUIVALENTS

	December 31, 2013 $	December 31, 2012 $
Cash	**2,191,787**	7,306,529
Term Deposits	**38,426,176**	50,499,936
	40,617,963	57,806,465

7 NON-CURRENT ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The non-current creditor of $8,896,457 (2012 – $5,747,090) represents the contractual retention from payments to SMD to be paid on completion of the contract. These amounts are considered non-current as payment is not due within the next 12 months.

8 INCOME TAX

a) A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	December 31, 2013 $	December 31, 2012 $
Loss before income taxes	**(22,339,673)**	(40,982,142)
Canadian statutory tax rate	**25.50%**	25.00%
Income tax recovery based on the above rates	**(5,696,617)**	(10,245,536)
Increase/(decrease) due to:		
Non-deductible expenses and other	**4,447,281**	2,310,196
Effect of change in Canadian and foreign future tax rates	**(812,631)**	(47,489)
Tax effect of tax losses and temporary differences not recognized	**2,061,967**	7,982,829
Income tax expense/(recovery)	**-**	-

b) The significant components of the Company's future income tax assets and liabilities are as follows:

	December 31, 2013 $	December 31, 2012 $
Future income tax assets		
Non-capital losses	**32,071,075**	30,365,106
Capital losses	**3,560,661**	3,202,641
Unamortized share issue costs	**710,174**	185,605
Unrealized foreign exchange losses and other	**10,845,992**	12,700,960
Mineral properties and property, plant and equipment	**40,882,432**	39,554,055
Total future income tax assets	**88,070,334**	86,008,367
Less: Tax benefits not utilised	**(88,070,334)**	(86,008,367)
Net future income tax assets/(liabilities)	**-**	-

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (expressed in US Dollars)

8 INCOME TAX (CONTINUED)

c) The Company has non-capital loss carry forwards of $115,429,842 that may be available for tax purposes. The loss carry forwards expire as follows:

	Canada $	Australia and Tonga $
2018	-	-
2019	-	-
2020	-	-
2021	-	-
2022	-	-
2023	254,000	-
2024	382,579	-
2025	217,280	-
2026	2,839,864	-
2027	5,473,752	-
2028	206,839	-
2029	6,451,153	-
2030	6,581,393	-
2031	6,041,739	-
2032	2,042,162	-
2033	5,705,651	-
Not limited	-	79,233,430
Total non-capital losses	36,196,412	79,233,430

9 RESTRICTED CASH

$658,323 (December 31, 2012 - $2,319,663) has been provided as security for leases, tenements held in Papua New Guinea and Fiji. During the first half of 2013 an outstanding Letter of Credit for $1.5 million was returned, with both Technip USA and Nautilus agreeing to release their respective Letters of Credit given the contract was suspended.

10 EXPLORATION AND EVALUATION ASSETS

In 2006, the Company through its 100% owned subsidiary Nautilus Minerals Niugini Ltd acquired a 100% interest in certain PNG subsea exploration licenses by issuing common shares with an estimated historical fair value of $12,213,367 to Barrick Gold Inc., following its acquisition of Placer Dome.

Following the grant of the mining lease (ML154) for the Solwara 1 deposit on January 13, 2011 the Company determined that an economic benefit is more likely than not to be recovered from the Solwara 1 deposit and, accordingly, has commenced capitalizing exploration and evaluation costs associated with the Solwara 1 deposit.

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (expressed in US Dollars)

10 EXPLORATION AND EVALUATION ASSETS (CONTINUED)

	December 31, 2013 $	December 31, 2012 $
Opening balance	**40,778,662**	**30,906,586**
Boat charter and fuel	**-**	2,028,093
Engineering services	**498,168**	1,417,987
Environmental consulting	**15,958**	304,394
Project management and oversight	**2,037,129**	5,672,004
Geological services and field expenses	**90,380**	431,677
Mineral property fees	**28,151**	17,921
	2,669,786	9,872,076
Closing balance	**43,448,448**	**40,778,662**

Although the Company has taken steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee a clear title. Property title may be subject to unregistered prior agreements and regulatory requirements. The Company is not aware of any disputed claim of title.

11 PROPERTY, PLANT AND EQUIPMENT

	Year ended December 31, 2013					
	Opening Cost Balance $	Additions $	Disposals $	Closing Cost Balance $	Accum Dep'n $	Closing Carrying Value $
Leasehold improvements	2,760,475	68,409	-	2,828,884	(1,415,713)	1,413,171
Plant and equipment	770,807	7,974	-	778,781	(507,510)	271,271
Office equipment	3,197,843	7,526	-	3,205,369	(2,642,385)	562,984
Motor vehicles	165,562	-	-	165,562	(92,428)	73,134
Land	466,969	-	-	466,969	-	466,969
Subsea equipment under construction	166,275,661	29,469,869	-	195,745,530	-	195,745,530
Total property, plant & equipment	173,637,317	29,553,778	-	203,191,095	(4,658,036)	198,533,059

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (expressed in US Dollars)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Year ended December 31, 2012					
	Opening Cost Balance $	Additions $	Disposals $	Closing Cost Balance $	Accum Dep'n $	Closing Carrying Value $
Leasehold improvements	813,415	2,468,024	(520,964)	2,760,475	(578,723)	2,181,752
Plant and equipment	767,484	3,323	-	770,807	(411,376)	359,431
Office equipment	2,758,787	439,056	-	3,197,843	(2,408,399)	789,444
Motor vehicles	165,562	-	-	165,562	(72,488)	93,074
Land	466,969	-	-	466,969	-	466,969
Subsea equipment under construction	84,350,615	81,925,046	-	166,275,661	-	166,275,661
Total property, plant & equipment	89,322,832	84,835,449	(520,964)	173,637,317	(3,470,986)	170,166,331

12 COMPENSATION OF KEY MANAGEMENT

Key management includes the company's directors and members of the Executive Committee that includes the CEO, CFO, VP Projects, VP Strategic Development & Exploration and VP Corporate Social Responsibility. Compensation awarded to key management included:

	December 31, 2013 $	December 31, 2012 $
Salaries and short-term employee benefits	**2,050,613**	4,159,319
Redundancy and annual leave paid on termination	**-**	915,949
Stock based compensation	**807,433**	858,161
Superannuation payments	**130,880**	230,619
	2,988,926	6,164,048

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (expressed in US Dollars)

13 EQUITY

a) Common shares issued

Net proceeds of $36.7 million were raised 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, with the offer closing on June 11, 2013, with full proceeds received.

Over 75% of the total shares on offer were subscribed for under the offering and one of the Company's major shareholders, MB Holding Company LLC, through a wholly owned subsidiary, fulfilled its obligations as Standby Purchaser in respect of the full offering and purchased the 49,377,527 unsubscribed shares. MB Holdings Company LLC received a fee of C$2,000,000 under the agreement to act as standby purchaser for the transaction.

In 2012 a total of 37,673,124 common shares were issued in two tranches of a private placement with an issue price of C$0.90. Total net proceeds of $34.1 million were received.

b) Loan shares

The Company's share loan plan (the "Loan Plan") was approved by the Company's shareholders at the Annual General Meeting in July 2011. The Loan Plan provides for security-based compensation in a manner similar to a stock option plan by enabling participants to acquire an equity interest in the Company using a limited recourse loan provided by a subsidiary of the Company.

The Loan Plan provides for loans to be made to eligible employees who will apply the proceeds toward a subscription for shares. The loans will be made by a subsidiary of the Company and the shares issued by Nautilus will be registered in the name of an administrative agent for the benefit of the applicable employee.

The loans will not bear interest, and the Lender's recourse will be limited to the value of the shares. If the employee elects to sell the shares, the proceeds will be used to repay the loan and any brokerage and other fees, and the employee will be entitled to any remaining balance.

Employees can only elect to sell the shares if the then-current market price is greater than the subscription price paid for those shares, such that the net proceeds of the sale will equal or exceed the outstanding loan balance in respect the shares being sold.

An employee may, during the term of the loan, elect to repay the loan and become the registered holder of the shares. If an employee ceases to be eligible to participate in the Loan Plan or if the term of the loan expires before the loan is repaid, the administrative agent will return the shares to the Company, and both the loan and the shares will be cancelled.

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (expressed in US Dollars)

13 EQUITY (CONTINUED)

Outstanding share options

	Share options	Weighted average exercise price C$
At January 1, 2012	8,634,000	2.87
Granted	1,125,000	0.93
Exercised	(243,000)	1.26
Forfeited	(621,000)	1.61
Expired	(4,695,000)	5.17
At December 31, 2012	**4,200,000**	**1.77**
Granted	2,250,000	0.22
Expired	(2,375,000)	1.83
At December 31, 2013	**4,075,000**	**0.88**

Information relating to share options outstanding at December 31, 2013 is as follows:

Price range C$	Outstanding share options	Vested stock options	Weighted average exercise price of outstanding options C$	Weighted average exercise price of vested options C$	Weighted average remaining life of outstanding options (months)
0.00 – 0.99	3,150,000	360,000	0.42	0.91	27.5
1.00 – 1.99	225,000	-	1.01	-	27.3
2.00 – 2.99	700,000	560,000	2.91	2.91	8.1
	4,075,000	920,000	0.88	2.13	24.1

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (expressed in US Dollars)

13 EQUITY (CONTINUED)

Outstanding loan shares

	Loan shares	Weighted average exercise price C$
At January 1, 2012	200,000	2.91
Granted	4,000,000	1.00
Forfeited	(1,150,000)	1.01
At December 31, 2012	**3,050,000**	**1.13**
Granted	4,500,000	0.24
Forfeited	(675,000)	1.01
At December 31, 2013	**6,875,000**	**0.56**

No loan shares were purchased during the year ended December 31, 2013 or for the year ended December 31, 2012.

Information relating to loan shares outstanding at December 31, 2013 is as follows:

Price range C$	Outstanding share loan shares	Vested loan shares	Weighted average exercise price of outstanding loan shares C$	Weighted average exercise price of vested loan shares C$	Weighted average remaining life of outstanding loan shares (months)
0.00 – 0.99	4,700,000	80,000	0.27	0.91	29.6
1.00 – 1.99	1,975,000	-	1.01	-	27.3
2.00 – 2.99	200,000	160,000	2.91	2.91	8.1
	6,875,000	240,000	0.56	2.24	28.3

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (expressed in US Dollars)

13 EQUITY (CONTINUED)

The fair value of the share options and loan shares granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Options granted in 2013	Options granted in 2012
Expected dividend yield	**Nil**	Nil
Expected stock price volatility	**93.76%**	76.33%
Risk-free interest rate	**1.35%**	1.16%
Expected life of options in years	**3**	3

The weighted average fair value of the options granted was C$0.22 (2012 – C$0.93).

	Loan shares granted in 2013	Loan shares granted in 2012
Expected dividend yield	**Nil**	Nil
Expected stock price volatility	**93.76%**	74.17%
Risk-free interest rate	**1.35%**	1.22%
Expected life of loan shares in years	**3**	3

The weighted average fair value of the loan shares granted was C$0.24 (2012 – C$1.00).

The Black-Scholes pricing models used to price options and loan shares require the input of highly subjective assumptions including the estimate of the share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

14 EXPLORATION EXPENDITURES

	Year ended December 31,	
	2013 $	2012 $
Boat charter and fuel	**1,668,130**	1,748,526
General and administration	**75,150**	207,491
Geological services and field expenses	**465,263**	399,502
Mineral property fees	**594,465**	965,578
Professional services	**293,188**	82,354
Travel	**215,828**	310,278
Wages and salaries	**1,572,117**	3,108,119
Total exploration expenses	**4,884,141**	6,821,848

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (expressed in US Dollars)

14 EXPLORATION EXPENDITURES (CONTINUED)

In order to maintain the exploration leases, licenses and permits in which the Company is involved, the Company is expected to fulfil the minimum annual expenditure conditions under which the tenements are granted. These obligations may be varied from time to time, subject to approval, and are expected to be fulfilled in the normal course of operations of the Company. The exploration commitments are based on those exploration tenements that have been granted and may increase or decrease depending on whether additional applications are granted, relinquished or form joint ventures in the future. Based on tenements granted at December 31, 2013, total rental commitments are $4.7 million and total expenditure commitments are $41.4 million over the life of the licenses, which in the majority of cases extend to a maximum of two years, with the exception of the CCZ tenements where expenditure commitments extend to 5 years.

15 GENERAL AND ADMINISTRATION EXPENDITURES

	Year ended December 31,	
	2013 **$**	**2012** **$**
Office and general	**2,919,845**	4,039,442
Professional services	**2,927,343**	2,684,032
Salary and wages	**4,897,588**	8,702,784
Shareholder related costs	**493,242**	587,676
Travel	**637,604**	1,107,773
Depreciation	**1,187,051**	899,555
Total general and administration expenses	**13,062,673**	18,021,262

16 CONTINGENCIES AND COMMITMENTS

a) Non-cancellable commitments

	December 31 2013 **$**
Non-cancellable operating leases	
Not later than 1 year	**1,026,698**
Later than 1 year and not later than 2 years	**513,744**
Later than 2 years and not later than 3 years	**32,796**
Later than 3 years and not later than 4 years	**18,741**
Later than 4 years and not later than 5 years	**14,056**
Total Commitments	**1,606,035**

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (expressed in US Dollars)

16 CONTINGENCIES AND COMMITMENTS (CONTINUED)

b) Cancellable commitments

In order to maintain the exploration leases, licenses and permits in which the Company is involved, the Company is committed to fulfil the minimum annual expenditure conditions under which the tenements are granted. These obligations may be varied from time to time, subject to approval, and are expected to be fulfilled in the normal course of operations of the Company. The exploration commitments are based on those exploration tenements that have been granted and may increase if applications are granted in the future.

The Company has entered into various contracts for the design and build of the seafloor production system. As at December 31, 2013, the committed value of the contracts is $39.6 million (equivalent). During 2012, a number of contracts were terminated to allow the Company to preserve cash while the dispute with the PNG government is resolved, and contracts with SMD, GE Hydril and General Marine Corporation were continued at reduced rates of progress. The committed value of $39.6 million reflects ongoing milestone payments for continuing contracts. The contracts are cancellable by the Company at any time, however, in the event of cancellation, the Company is liable for any costs incurred up to that point, with an estimate of costs for terminated contracts included in the accrued costs at year end. No other penalties or cancellation fees are payable under these contracts.

17 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: foreign exchange risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out under policies approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

a) Capital Management

The Company's objectives in the managing of the liquidity and capital are to safeguard the Company's ability to continue as a going concern and provide financial capacity to meet its strategic objectives. The capital structure of the Company consists of equity attributable to common shareholders, comprising of issue share capital, contributed surplus and deficit.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets to facilitate the management of its capital requirements. The Company prepares annual expenditure budgets that are updated as necessary depending upon various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. As at December 31, 2013 the Company does not have any long-term debt and is not subject to any externally imposed capital requirements. The Company has sufficient funds to meet its current operating and exploration and development obligations.

b) Foreign exchange risk

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (expressed in US Dollars)

17 FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign exchange risk is mitigated by the Company maintaining its cash and cash equivalents in a "basket" of currencies that reflect its current and expected cash outflows. As at December 31, 2013 the Company held its cash and cash equivalents in the following currencies:

Currency Denomination	% of total cash in US$ terms held
USD	44
GBP	14
AUD	19
EUR	1
CAD	22
	100

c) Credit Risk

The company places its cash and cash equivalents only with banks with an S&P credit rating of A+ or better. Our maximum exposure to credit risk at reporting date is the carrying value of cash and cash equivalents and other receivables.

d) 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 exposure of the Company to liquidity risk is considered to be minimal.

18 SUBSEQUENT EVENT

On February 13, 2014 the Company announced that contrary to the arbitrator's award of October 2, 2013, the State has not completed the purchase of its 30% interest in the Solwara 1 Project.

In accordance with the State Equity Option Agreement signed by the parties in March 2011, Nautilus has terminated the Agreement and will now claim damages.

Although the Agreement has been terminated, Nautilus continues to seek an amicable resolution to the dispute with the State and is still intending to move forward with the Solwara 1 Project.

Executive Committee

MICHAEL JOHNSTON
President and CEO (Interim)

SHONTEL NORGATE
Chief Financial Officer

Mr Michael Johnston, Nautilus' CEO joined the Company in 2006 as the Vice President for Strategic Development and Exploration. He was initially appointed interim President and CEO in October 2012 and confirmed as President and CEO in April 2014. During his time with Nautilus, Mr Johnston has been instrumental in the Company developing its extensive land position in the SW Pacific, delivering the first resource in accordance with NI 43-101 for a seafloor massive sulphide system, and in obtaining the first licence granted to a publicly listed company by the International Seabed Authority.

With more than 25 years of experience in the mining industry, 11 of which were with Placer Dome, and a further 6 years with Nautilus, Mr Johnston, brings to Nautilus a strong knowledge of the mining industry, people, decision makers, and laws throughout PNG and the Asia-Pacific region. He also has extensive ore reserve and project evaluation experience, a track record of finding ore bodies, and a strong understanding of all aspects of deep sea mining, through his management of Placer Dome's involvement in the Solwara Projects.

Ms Shontel Norgate joined Nautilus Minerals in 2006 as Chief Financial Officer. Prior to this, Ms Norgate was the financial controller of Macarthur Coal Ltd., which is a publicly-listed coal mining company on the Australian Securities Exchange. Before joining Macarthur, Ms Norgate was the financial controller of a listed exploration company for seven years and commenced her career as an auditor with a predecessor firm of PricewaterhouseCoopers in Australia.

Ms Norgate is a qualified Chartered Accountant and a member of the Chartered Secretaries of Australia. She has over 15 years commercial experience in the resources industry including debt and equity finance, financial reporting, project management, corporate governance, commercial negotiations and business analysis

KAREN HAUFF
General Counsel and Company Secretary

KEVIN CAIN
VP – Projects

Prior to joining Nautilus in 2010, Ms Karen Hauff was the General Counsel and Company Secretary of then ASX listed mineral sands mining company, Bemax Resources Limited, after having spent 6 years at international legal firm, Norton Rose (formerly Deacons) as a Senior Associate in its Commercial Dispute Resolution group. Ms Hauff is an admitted solicitor of the Supreme Court of Queensland and the Federal and High Courts of Australia with 14 years experience in legal practice, including in the areas of risk management, compliance and corporate governance. In addition to her legal qualifications, Ms Hauff holds a Bachelor of Commerce (Accounting) and serves as Deputy Chairman on the Board of charitable organisation, CHI.L.D. - The Association for Childhood Language and Related Disorders.

Mr Kevin Cain joined Nautilus as Project Director for Solwara 1 Project in May 2010. Mr Cain has over 35 years experience in the offshore oil and gas industry with experience in the North Sea, Middle East, South East Asia and Australasia. Mr Cain's experience covers shallow and deep water projects and FEED to development of offshore projects. Prior to joining Nautilus, Mr Cain was the Vice President Marine Construction and Fabrication for Clough Limited with assets located in the Gulf of Mexico, Thailand, Australia and South East Asia. Prior to joining Clough, Mr Cain was Project Director for Technip Oceania.

SAMANTHA SMITH
VP – Corporate Social Responsibility

JONATHAN LOWE
VP – Strategic Development and Exploration

Dr Samantha Smith joined Nautilus in 2006 as Manager – Environment and later became Manager – Environment and Community before being promoted to Vice President – Corporate Social Responsibility. Dr Smith has more than 17 years experience conducting environmental assessments with experience in Mexico, Canada, UK and Papua New Guinea. Prior to joining Nautilus, Dr Smith lectured at the University of Bristol and the University of Toronto and worked as a consultant to Placer Dome Gold. Dr Smith also served as an Officer (President-elect) of the International Marine Minerals Society and was a steering committee member of the European Union/Secretariat of the Pacific Community Deep Sea Minerals Assessment Project.

Mr Jonathan Lowe joined Nautilus in January 2007 as Chief Geophysicist. He was appointed as Exploration Manager in September 2008 and VP Strategic Development and Exploration in January 2013. During this time he has been a driving force behind the company's successful exploration programs and exploration technologies. Prior to joining Nautilus Minerals, Mr Lowe worked for BHP Billiton where he gained 12 years of global exploration experience, initially as a geophysicist and then as a business development manager.

Mr Lowe is a Fellow and Chartered Professional of AusIMM, and a member of the Society of Economic Geologists. He has a BSc(hons) in Geophysics from Curtin University, an MBA in Technology Management from Latrobe University and is a graduate of the Australian Institute of Company Directors.

MEL TOGOLO
PNG Country Manager

PAUL TAUMOEPEAU
Tonga Country Manager

Mr Mel Togolo has over 30 years of experience in senior roles, working for industry and government in Papua New Guinea and abroad. He was President of the Business Council of Papua New Guinea for six years and continues to remain an Executive on the Council.

Mr Togolo has represented industry at the board level, including roles at Westpac Bank PNG Limited, Highlands Gold Limited and Bougainville Copper Limited, and was also Deputy Chairman of the Investment Promotion Authority of Papua New Guinea. He is Chairman of the Board of National Superannuation Fund Limited.

In January of 2004, Mr Togolo was appointed Commander of the Most Excellent Order of the British Empire (CBE) for his services to commerce and industry. Prior to his appointment at Nautilus he worked for ten years as the General Manager of Corporate Affairs at Placer Dome Niugini Limited.

Mr Paul Taumoepeau grew up in Tonga, before going overseas to pursue academic studies. He returned to Tonga in 1992 working firstly in the public sector before moving to the private sector. Mr Taumoepeau spent 13 years with the National Reserve Bank of Tonga, where he filled numerous positions, setting up domestic market and corporate services systems. Prior to his appointment at Nautilus he worked for Leiola Group Limited, where he was the General Manager in his last two years. Mr Taumoepeau is Vice President of the Tonga Chamber of Commerce & Industry and is also the chair of PIPSO (Pacific Islands Private Sector Organisation).

Corporate Governance

Nautilus is committed to the pursuit of high standards of corporate governance, reflecting not only applicable legal and regulatory requirements but also having regard to global developments in relation to corporate governance best practice. We have adopted an approach of continuous improvement to review and develop appropriate policies and supporting systems to ensure transparency and the integrity of our business practices.

Mandate of the Board of Directors

- Setting Nautilus' strategic objectives;
- Evaluating corporate risks and opportunities;
- Approving annual budgets;
- Monitoring performance against such budgets;
- Promoting ethical and responsible corporate conduct;
- Addressing succession planning;
- Evaluating Board needs and performance; and
- Fostering a system of effective, accurate and timely public disclosure.

OVERVIEW OF COMMITTEE MANDATES

Specific responsibilities have been delegated to two Board Committees which have access to independent expertise at the Company's expense.

AUDIT COMMITTEE

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities with respect to the Company's financial reporting and continuous disclosure; the Company's systems of internal controls and financial reporting processes; and the review and appraisal of the performance and independence of the Company's external auditors.

The Audit Committee operates in accordance with Terms of Reference adopted by the Board. The Audit Committee consists of three Board members who are all independent.

These Board members are:

- Geoff Loudon
- Russell Debney
- Cynthia Thomas

GOVERNANCE NOMINATION AND REMUNERATION COMMITTEE

The primary function of the Governance, Nomination and Remuneration Committee is to assist the Board in fulfilling its oversight responsibilities with respect to evaluating the effectiveness and performance of the Board and its Committees; ensuring the observation of good corporate governance practices; key compensation and human resources policies; executive management compensation, succession and development; and directors' compensation, succession and development.

The Governance, Nomination and Remuneration Committee operates in accordance with Terms of Reference adopted by the Board. The Governance, Nomination and Remuneration Committee consists of three Board members who are all independent.

These Committee members are:

- Geoff Loudon
- Russell Debney
- Cynthia Thomas

Corporate Information

Board of Directors

Geoff Loudon, Chairman

Russell Debney, Director

Cynthia Thomas, Director

Dr. Mohammed Al Barwani, Director

Usama Barwani, Director

Mark Horn, Director

Officers and Management

Michael Johnston, Chief Executive Officer

Shontel Norgate, Chief Financial Officer

Kevin Cain, VP Projects

Samantha Smith, VP Corporate Social Responsibility

Jonathan Lowe, VP Strategic Development and Exploration

Karen Hauff, General Counsel and Company Secretary

Mel Togolo, Papua New Guinea Country Manager

Paul Taumoepeau, Tonga Country Manager

Transfer Agent and Registrar

The transfer agent and registrar for the shares of the Company is Computershare, its offices are located at:

9th Floor, 100 University Avenue
Toronto, ON M5J 2Y1 Canada

Annual Information Form

The Company prepares an Annual Information Form ("AIF") which is filed with the securities commission in Canada. Copies of the AIF, annual and quarterly reports are available from the Canadian Securities Administrators database SEDAR (www.sedar.com).

For Shareholder Accounts

Inquiries in Canada:

Telephone: 1.800.564.6253 (toll free in North America)

International: +514.982.7555

e-mail: service@computershare.com

Inquiries in the U.S:

U.S Investment bank Cowen and Company, serves as Nautilus Minerals' Principal American Liaison (PAL) on the OTCQX International.

Cowen and Company
599 Lexington Avenue
New York, NY 10022

Email: otcqxrequest@cowen.com

Investor Relations Contact

Institutional and individual investors seeking financial information about the Company are invited to contact the Investor Relations team:

Telephone: 1.416.551.1100

E-mail: investor@nautilusminerals.com

Web: www.nautilusminerals.com

Stock Exchange Listing and Symbols

The Company's shares are listed on the Toronto Stock Exchange (TSX) under the symbol NUS and the OTCQX International under the ticker NUSMF.

Auditors

PricewaterhouseCoopers LLP

Bankers

Canadian Imperial Bank of Commerce

ANZ Banking Corporation

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This Annual Report is printed with the environment in mind using FSC® certified paper containing 10% post consumer recycled content and certified fiber, it's the optimal environmental choice.

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