NAUTILUS MINERALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(US dollars)

The following Management Discussion and Analysis ("MD&A") has been prepared as at March 27, 2017 for the period ended December 31, 2016.

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 year ended December 31, 2016, and related notes thereto (the "2016 Financial Statements") which have been prepared in accordance with IAS 34, Interim Financial Reporting. This MD&A should also be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2015, and the related notes thereto (the "2015 Financial Statements"), and the related annual management's discussion and analysis and the Annual Information Form on file with the Canadian provincial and territorial securities regulatory authorities.

This MD&A 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 €.

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 viability of its seafloor production system and establishing a pipeline of development projects to maximize the value of mineral licenses and exploration applications that Nautilus holds in various locations in the Pacific Ocean.

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

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

2016 Q4 SIGNIFICANT EVENTS

- Bridge Finance
- Solwara 1 Project advanced
- Production Support Vessel construction advanced
- Staff reductions
- Restructure of Solwara 1 Project delivery

Bridge Finance

On August 21, 2016 (and amended on September 19, 2016) the Company entered into a Subscription Agreement (the "agreement") with the two largest shareholders. The agreement allows for the Company to call for a total of $20mln in equal parts from the two majority shareholders as a private placement, for a maximum of $2mln per month over a 12 month period ending November 2017. The first call for $2mln was made at the end of November 2016 and received in December 2016, meaning that $18mln remains callable on the agreement. This additional bridge financing has allowed the Company to continue to seek further investment alternatives for funding from various interested parties.

Solwara 1 Project advanced

During the last quarter of 2016, the Company continued to advance the Solwara 1 Project in accordance with the bridging finance agreement. The project and operations teams were restructured to reduce operating costs while still maintaining project execution capability.

Seafloor Production Equipment Build Progressed

Work on the Derrick and Draw-works remains suspended with the equipment, which has already been procured, and built being held in storage. Discussions are ongoing with the supplier Sichuan

Hong Hua Petroleum Ltd on re-start timing and options for installation, integration and commissioning.

The Auxiliary Cutter, Bulk Cutter and Collecting Machine remain in storage at Duqm port in Oman. Soil Machine Dynamics (the manufacturer of this equipment) continues to make progress on the final documentation package required to close out the fabrication contract. A Failure Mode Effects and Criticality Analysis workshop was held for the Auxiliary Cutter and negotiation of an operational support agreement is ongoing. A Wet Testing plan has been finalized with this work planned to start in the first half of 2017.

The riser system manufactured by General Marine Contractors remains in storage in Louisiana, while the riser handling tools are being stored in Poland. Factory Acceptance Testing (FAT) of the riser handling tools was completed over the testing period, with all issues being resolved.

The Subsea Slurry Lift Pump remains at GE Hydril's test facility in Houston where minor issues identified during FAT are being rectified, prior to final delivery of the pump in Q1 2017. The FAT has demonstrated that the pump meets or exceeds all required performance criteria. Plans for wet testing of the pump are currently being considered.

The only other major equipment contract that remains to be awarded is for the modular dewatering plant required to separate ore from seawater on the Production Support Vessel. Discussions are ongoing with various suppliers on the timing, cost and preferred construction methodology for this work package. Subject to successful resolution of timing constraints, an award is anticipated in the first half of 2017. Readers should review the Subsequent Events note in the audited consolidated financial statements.

Community Activities

During the quarter Nautilus held meetings with both New Ireland Provincial and National Government representatives to provide updates on project development. Both levels of Government maintain a supportive stance with respect to the Solwara 1 project.

Nautilus completed a water and sanitation program in schools on the west coast of New Ireland with 22 schools having now benefitted from the program. Each school received health and hygiene training, along with new facilities to provide students and teachers with a reliable supply of fresh water and access to sanitation facilities.

Phase one of a medical patrol for communities in the coastal area of benefit on the west coast of New Ireland was completed during the reporting period. This is the first outreach program to be undertaken in conjunction with the New Ireland Provincial Government under a Public Private Partnership agreement on health services. The patrol consists of two doctors holding clinics in every village in selected coastal wards over a 4 to 6 week period in order to generate data on community health. This data will then be used to guide further outreach programs in 2017 and subsequent years. Community response to the program exceeded expectations with 2,326 consultations, ~PGK 30k of medications prescribed and 204 referrals issued for further treatment.

Nautilus also progressed an infrastructure improvement program which will see bridges installed in place of wet crossings on the main road on the west coast of New Ireland. A panel bridge for the Pubonom wet crossing was delivered to Kavieng during the reporting period, with a related civil works contract awarded to a local company. The bridge installation is planned to be completed early in the second quarter 2017. The ultimate aim of the program is to provide all weather access between health centres on the west coast and the hospital in Namatanai. Improvements in infrastructure will also be an enabler for business development in the region.

Production Support Vessel construction advanced

Further discussions have been held with Marine Assets Corporation and the Fujian Mawei shipyard to optimise the vessel construction schedule. The Production Support Vessel will now be built in a single dry dock period with basic construction and marine systems competed in early 2017, followed by integration of Seafloor Production Equipment later that year. It is anticipated that the System completion, commissioning, acceptance inspection and sea trials will then be undertaken in 2018 with final delivery expected at the end of the third quarter.

The shipyard continues to make good progress with 96% of basic design drawings issued and 95% of drawings approved by the American Bureau of Shipping classification society. Out of a total of 335 blocks required to complete the vessel, 326 blocks have completed structural assembly and 278 blocks have been lifted into the dry dock. The accommodation block modules are under construction and have been placed on the vessel in the dry dock up to the wheelhouse roof level. The heli-deck is under construction alongside the dry dock. Pre-outfitting of main engines, generators and thrusters continues in accordance with the schedule.

Restructure of Solwara 1 Project Delivery

The Company requires significant funding, in addition to the bridge financing above, in order to complete the build and deployment of the seafloor production system to be utilized at the Solwara 1 Project by the Company and its joint venture partner (as to 15%), the Independent State of Papua New Guinea's nominee.

For the purposes of seeking the additional funding required and in order to continue operating during the Financing Period, being December 1st, 2016 to November 30th, 2017, the Company has implemented a restructuring plan that involves the following:

- Completing the Company's three key equipment contracts and storing that equipment when delivered. This includes the Seafloor Production Tools, the Subsea Slurry Lift Pump and the Riser which have all now passed Factory Acceptance Tests.

- Marine Assets Corporation continuing the construction of the production support vessel at the Fujian Mawei Shipyard.

- Undertaking, with its joint venture partner, the activities necessary to maintain the good standing of the Mining Lease and Environmental Permit for the Solwara 1 Project, including the completion of Environmental Management and Monitoring Plans, as well as the completion of local community projects in the regions of Papua New Guinea closest to the Solwara 1 Project area.

- Reviewing the joint venture's remaining development, testing and operations plans to take account of current market conditions.

The Company previously disclosed that in the event that the required funding is secured and the Company is able to continue development of the Solwara 1 Project, the schedule would be delayed. The Company has now secured the necessary bridge financing to facilitate the time needed to secure that additional required funding. If the additional required funding is secured by June 2017 and subject to ongoing detailed planning, the Company could be in a position to commence the initial deployment and testing operations at the Solwara 1 Project by the end of Q1 2019.

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 and other regulatory approvals, the need to raise capital, resource shortages, lack of revenues, equipment failures and potential disputes with, or delays or other failures caused by third party contractors or joint venture partners. 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. As the Company has not completed an economic study in respect of the Solwara 1 Project, there can be no assurance that the Company's production plans will, if fully funded and implemented, successfully demonstrate that seafloor resource production is commercially viable. Other factors that influence the Company's ability to succeed are more fully described in the Company's 2016 Annual Information Form available on www.sedar.com, under the heading "Risk Factors". See also the factors discussed under "Cautionary Note Regarding Forward Looking Statements" above.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected unaudited quarterly financial information of Nautilus and is derived from unaudited quarterly condensed consolidated interim financial statements prepared by management and expressed in US dollars in accordance with International Financial Reporting Standards ("IFRS") applicable to interim financial reports.

		2015				2016			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	$'M	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Loss for the period	$'M	(4.1)	(7.5)	(8.3)	(5.0)	(3.6)	(3.7)	(4.0)	(2.7)
Basic and diluted loss per share	$/share	(0.01)	(0.02)	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)	(0.004)

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

Q2 2015

The loss for the period reflected a significant increase in exploration expenditure to $3.3 million for the quarter as the Company works to progress exploration work in the Solomon Islands and Tonga.

Q3 2015
The loss for the period reflected a significant increase in exploration expenditure to $3.9 million for the quarter as the Company completed exploration work in the Solomon Islands and commenced resource evaluation and environmental baseline field work in the CCZ.

Q4 2015
The loss for the period reflected a significant decrease in exploration expenditure to $1.5 million dollars for the quarter as the Company completed the resource evaluation and environmental baseline field work in the CCZ.

Q1 2016
The loss for the period reflected a decrease in exploration expenditure to $0.7 million with current exploration campaigns completed in Q4 2015. No new campaigns were undertaken in Q1 2016. G&A expenditure decreased to $2.2 million due to a decrease in professional fees and travel expenses.

Q2 2016
There were no significant matters to discuss in this quarter.

Q3 2016
The loss for the period reflected a decrease in expenditure across exploration, corporate social responsibility and development, relative to Q1 & Q2 2016. This reduced expenditure was offset by a significant increase in corporate costs due to employee termination costs resulting from the restructure of the Solwara 1 project delivery.

Q4 2016
The loss for the period reflected a decrease in expenditure across exploration, general and administration and development, relative to Q1, Q2 & Q3 2016. The reduced expenditure was a direct result of the restructure of the Solwara 1 project delivery.

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, 2016, 2015 and 2014. The information set out below should be read in conjunction with this MD&A and the 2016 Financial Statements. Amounts are expressed in US dollars unless otherwise indicated.

	2016	2015	2014
Sales	$Nil	$Nil	$Nil
Loss for the year	$14,033,618	$24,882,330	$13,750,240
Loss per share (basic and diluted)	$0.02	$0.06	$0.03
Total assets	$314,727,408	$311,633,986	$339,567,591
Total long-term liabilities	$54,008,585	$53,667,658	$65,146,077
Dividends declared	$Nil	$Nil	$Nil

Loss for the year

Expenditure decreased in 2016 to $14.0 million (2015 - $24.9 million), the decrease was due to the restructure of the project timing resulting in staff reductions; a large reduction in the exploration activities and a foreign exchange gain in 2016 compared to 2015.

Total assets

Total assets for the year ended December 31, 2016 increased to $314.7 million (2015 - $311.6 million). Capital was raised in a rights issue during the year and utilized for investment in non-current assets as per the project budget, hence there is a corresponding increase in assets.

Long-term liabilities

Long-term liabilities increased to $54.0 million (2015 - $53.7 million). Whilst accounts payable and accruals reduced compared to 2015, the project partner contribution liability (being the non-current unearned amount of the State's equity contribution for the Solwara 1 JV) increased in line with delayed budgeted project expenditures, resulting in the small change.

<u>TRANSACTIONS WITH RELATED PARTIES</u>

Nautilus Minerals Inc (NMI) is the TSX listed entity and parent of related companies within the Nautilus Minerals group.

All subsidiaries are wholly owned companies and are in various locations such as Australia, Papua New Guinea, Singapore and Tonga. All subsidiaries are ultimately funded by NMI.

All transactions have occurred in the normal course of the Company's operations and have been measured at their fair value.

Protection Group International Ltd, trading as PGI Strontium Ltd ("PGI") is a company based in the United Kingdom which provides integrated, intelligence-led risk management solutions with respect to the protection of assets. PGI is a privately owned company of which 51% is owned by United Engineering Services LLC ("UES"), a wholly owned subsidiary of MB Holding Company LLC ("MB Holding"), one of the Company's major shareholders. PGI provided risk assessment and training related services to the Company in the normal course of business and on an arm's length basis. For the year ended December 31, 2016 the Company incurred costs of $98,055 (2015 - $1,019,988) for services provided by PGI.

On January 18, 2016, the Company announced that it had signed agreements with UES to provide support services associated with wet testing the Company's seafloor production equipment and storing the equipment as it is delivered from various suppliers prior to integration onto the Production Support Vessel.

For the year ended December 31, 2016 the Company incurred costs of $1,456,465 (2015 – nil) for services provided by UES.

On August 21, 2016, the Company announced that it signed a subscription agreement (the "Subscription Agreement") with Mawarid Offshore Mining Ltd. ("Mawarid") and Metalloinvest Holding (Cyprus) Limited ("Metallo", and together with Mawarid, the "Purchasers") under which the Purchasers agreed to purchase such number of common shares of the Company that is expected to raise gross proceeds of up to US$20 million.

Pursuant to the Subscription Agreement, the shares will be purchased on a private placement basis and is expected to close in tranches, on a monthly basis, during the period from December 1, 2016 through to November 30, 2017 (the "Financing Period"), at the election of the Company.

The Company will determine the amount of funds to be raised under each tranche during each month of the Financing Period, subject to the limitations of receiving maximum subscription proceeds of US$2.0 million per month and an aggregate maximum total amount of US$20 million during the entire Financing Period.

Shares will be issued under each tranche at a price that is equal to the volume weighted average trading price of the Company's common shares on the Toronto Stock Exchange (the “TSX”) for the 5-day period immediately prior to the date the Company issues the Purchasers a notice that the tranche will proceed

RESULTS OF OPERATIONS – FOR THE THREE MONTHS ENDED DECEMBER 31, 2016

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

Loss for the period

For the three months ended 31 December, 2016, the Company recorded a loss of $2.7 million ($0.004 loss per share) compared to a loss of $5.0 million ($0.01 loss per share) for the same period in 2015. The primary variances were as follows:

Exploration
Exploration expense decreased to $0.4 million (2015 - $1.5 million). Geological services decreased as no exploration campaigns were undertaken in the current quarter, compared to the previous year, which included costs for the CCZ campaign in Q4 2015. Salary and wages were also lower for the quarter, in line with the reduced staff numbers.

	Nodule Exploration Three months ended December 31,		SMS Exploration Three months ended December 31,		Total Exploration Three months ended December 31,	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
General and administration	-	-	15,041	60,795	15,041	60,795
Geological services	1,817	648,834	211,660	56,507	213,477	705,341
Mineral property fees	-	-	(9,015)	59,020	(9,015)	59,020
Professional services	15,963	72,946	839	77,687	16,802	150,633
Travel	(3,851)	42,392	24,217	46,096	20,366	88,488
Salary and wages	9,036	132,448	147,335	299,610	156,371	432,058
Total exploration expenditure	**22,965**	896,620	**390,077**	599,715	**413,042**	1,496,335

General & Administration

General & Administration expenditure decreased to $1.7 million (2015 - $2.5 million). Salary and wages expense and travel expenditure decreased due to reduced staff numbers resulting from the restructure of the Solwara 1 project delivery, coupled with cost saving measures resulting in less travel during the quarter. Professional fees decreased due to reduced work in relation to network monitoring and investigation of the cyber-attack that occurred in Q4 2014.

	Three months ended December 31, 2016	**Three months ended December 31, 2015**
Office and general	499,684	470,214
Professional services	372,400	584,130
Salary and wages	540,985	1,050,156
Shareholder related costs	73,277	73,067
Travel	95,394	260,875
Depreciation	85,164	81,203
Total general and administration expenditure	**1,666,904**	**2,519,645**

Corporate Social Responsibility

Corporate Social Responsibility remained consistent at $0.4 million (2015 - $0.4 million) for the quarter.

Development

Development expenses reduced during Q4 2016 due to staff reduction, reduced staff travel and a reduction in PSSV consultancy. A reversal of stock based compensation resulting from the termination of executive employees resulted in a gain during the quarter of $0.02 million (2015 - $0.4 million loss).

Foreign exchange

A foreign exchange loss of $0.2 million was recorded during the quarter (2015 – $0.1 million loss). The foreign exchange gain consists of realized gains and losses on actual cash transactions during the period and unrealized gains and losses on non US dollar denominated assets and liabilities at period end. The Company holds a “basket of currencies” to act as a natural hedge against its expected cash outflows and can therefore experience unrealized fluctuations at period end when cash balances are converted to US dollars for reporting purposes, as experienced during the current quarter.

Interest income

Interest income earned on cash and cash equivalents held during the period was $0.001 million (2015 - $0.06 million). 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 $2.8 million for the three months ended December 31, 2016, compared to $5.1 million for the corresponding period in 2015. When adjusting the current period operating loss for the respective foreign currency exchange movements, the actual operating loss was $2.6 million (2015 - $4.9 million).

RESULTS OF OPERATIONS – FOR THE YEAR ENDED DECEMBER 31, 2016

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

Loss for the period

For the year ended December 31, 2016, the Company recorded a loss of $14.0 million ($0.02 loss per share) compared to a loss of $24.9 million ($0.06 loss per share) in 2015. The primary variances were as follows:

Exploration
Exploration expense decreased to $2.4 million (2015 - $9.2 million) for the year ended December 31, 2016. No exploration campaigns were undertaken in the current period, compared to the previous year, which included bathymetry mapping and plume hunting activities in the Solomon Islands and the CCZ resource evaluation cruise conducted in Q3 and Q4 2016. Salary and wages were lower due to reduced staff numbers as a result of the restructure of the Solwara 1 project delivery in Q3 2016.

	Nodule Exploration Twelve months ended December 31,		SMS Exploration Twelve months ended December 31,		Total Exploration Twelve months ended December 31,	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
General and administration	-	-	41,886	110,317	41,886	110,317
Geological services	190,505	3,184,858	517,845	3,108,121	708,350	6,292,979
Mineral property fees	47,186	47,000	106,834	114,885	154,020	161,885
Professional services	49,416	260,784	94,395	246,024	143,811	506,808
Travel	28,704	150,675	79,719	221,490	108,423	372,165
Salary and wages	275,067	483,450	959,618	1,308,764	1,234,685	1,792,214
Total exploration expenditure	**590,878**	**4,126,767**	**1,800,297**	**5,109,601**	**2,391,175**	**9,236,368**

General & Administration
General & Administration expenditure decreased to $9.4 million (2015 - $11.6 million) for the year ended December 31, 2016. The majority of the reduced expenditure was in professional fees, due to a significant reduction in work relating to network monitoring and investigation of the cyber-attack that occurred in Q4 2014, the decrease in office and general reflects the reduced office lease costs under the new lease that was effective July 1, 2015. Salary and wages expense increased due to employee termination payments made in Q3 2016, as a result of the restructure of the Solwara 1 project delivery. Depreciation expense has decreased due to the full depreciation of leasehold improvements in the prior year.

	Twelve months ended December 31, 2016	Twelve months ended December 31, 2015
Office and general	2,140,660	2,599,979
Professional services	1,212,919	2,652,712
Salary and wages	4,796,791	4,299,948
Shareholder related costs	474,624	479,808
Travel	394,243	808,680
Depreciation	332,389	807,222
Total general and administration Expenditure	**9,351,626**	**11,648,349**

Corporate Social Responsibility
Corporate Social Responsibility expense decreased to $1.2 million (2015 - $1.6 million) for the year ended December 31, 2016. Expenditure was greater in the prior period due to preliminary design work associated with infrastructure projects in New Ireland province.

Development
Development expenses decreased to $1.3 million (2015 - $1.5 million) for the year ended December 31, due to reduced stock based compensation costs. The reduced costs resulted from termination of loan shares previously held by project senior management.

Foreign exchange
A foreign exchange gain of $0.3 million was recorded during the year ended December 31, 2016 (2015 – $0.9 million loss). The foreign exchange gain consists of realized gains and losses on actual cash transactions during the period and unrealized gains and losses on non US dollar denominated assets and liabilities at period end. The Company holds a "basket of currencies" to act as a natural hedge against its expected cash outflows and can therefore experience unrealized fluctuations at period end when cash balances are converted to US dollars for reporting purposes, as experienced during the current period.

Interest income
Interest income earned on cash and cash equivalents held during the year ended December 31, 2016 was $0.1 million (2015 - $0.2 million). 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 $14.3 million for the year ended December 31, 2016, compared to $25.3 million for the corresponding period in 2015. When adjusting the current period operating loss for the respective foreign currency exchange movements, the actual operating loss was $14.3 million (2015 $24.0 million), with the major impact coming from the reduced exploration expenditure and reduced professional service fees in relation to network monitoring and investigation of the cyber-attack that occurred in Q4 2014.

Cash flows

Operating activities
Cash used in operating activities was $14.7 million for the year ended December 31, 2016 compared to $21.7 million for the corresponding period in 2015, largely reflecting the decrease in exploration expenditures and reduced professional service fees in the period.

Investing activities
Cash used in investing activities was $37.3 million for the year ended December 31, 2016, including $8.8 million in relation to the SPT's, $20.6 million for the riser and lifting system, $2.3 million for project services and operations mobilisation and $5.4 million in relation to exploration and evaluation assets, compared to $39.5 million for the corresponding period in 2015.

Financing activities
Cash flow from financing activities was $23.5 million for the year ended December 31, 2016 and was nil for the corresponding period 2015. Funds were raised through a rights offering that closed April 2016 and an equity drawdown facility in December 2016.

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.

Key financial measures

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

	December 31, 2016	**December 31, 2015**
Working Capital	$8.6 million	$31.4 million
Cash and Cash Equivalents	$26.8 million	$56.5 million

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

Outlook, capital requirements and going concern

The Company's known commitments at December 31, 2016, are quantified in the table below:

	December 31 2016
Non-cancellable commitments	
Not later than 1 year	594,735
Later than 1 year and not later than 2 years	24,951,005
Later than 2 years and not later than 3 years	73,502,532
Later than 3 years and not later than 4 years	73,456,957
Later than 4 years and not later than 5 years	72,967,150
Later than 5 years	121,545,280
Total Commitments	**367,017,659**

The non-cancellable commitments as at December 31, 2016 include the payments to be made under the charter party arrangement with MAC for the PSV with an amended commencement date no later than September, 2018.

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 requires significant additional funding to be able to complete the build and deployment of the seafloor production system to be utilized at the Solwara 1 Project by the Company and its joint venture partner (as to 15%), the Independent State of Papua New Guinea's nominee.

In view of the Company's funding requirements, the Company continued to consider alternatives for securing immediate bridge financing to facilitate the time required to secure the significant additional project funding that is needed and/or to explore alternative transactions aimed at maximizing shareholder value.

As a result of the above activities, on August 21, 2016 (and amended on September 19, 2016) the Company entered into a Subscription Agreement (the "agreement") with its two largest shareholders. The agreement allows for the Company to call for a total of US$20 million in equal parts from the two majority shareholders as a private placement, for a maximum of US$2 million per month over a 12 month period ending November 2017. The first call for US$2 million was made at the end of November 2016 and was received in December 2016, meaning that US$18 million remains callable on the agreement. This additional bridge financing has allowed the Company to continue to seek further investment alternatives for funding from various interested parties.

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

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

As mentioned above, the Company has now secured the necessary bridge financing to facilitate the time required to secure possible additional required funding to complete the development of the Solwara 1 Project. If the additional required funding is secured by June 2017 and subject to ongoing detailed planning, the Company could be in a position to commence the initial deployment and testing operations at the Solwara 1 Project by the end of Q1 2019.

While the Company has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future. Nautilus' opinion concerning liquidity and its ability to avail itself in the future of the financing options mentioned above are based on currently available information. To the extent that this information proves to be inaccurate, future availability of financing may be adversely affected.

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

Factors that could affect the availability of funding include Nautilus' performance (as measured by various factors including the progress and results of its exploration work), the Company's ability to meet the conditions necessary to close the Private Placement, the state of international debt and equity markets, investor perceptions and expectations of past and future performance, the global financial climate, metal and commodity prices, political events in the south Pacific, obtaining operating approvals from the PNG government for the Solwara 1 Project, drilling and metallurgical testing results on the Company's tenements, ongoing results from environmental studies, engineering studies and detailed design and delivery of equipment.

Foreign currency exchange rate risk

The Company's operations are located in several different countries, including Canada, Australia, PNG, Tonga and Solomon Islands and require equipment to be purchased from several different countries. Nautilus has entered into key contracts in United States dollars 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, 2016 the Company held its cash in the following currencies:

Currency Denomination	**% of total cash in US$ terms held**
USD	46
GBP	2
CAD	49
AUD	2
EUR	1
	100

Interest rate risk

The Company holds cash and cash equivalents which earn interest at variable rates as determined by financial institutions.

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.

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 areas of judgment that have the most significant effect on the amounts recognized in these consolidated financial statements is the review of asset carrying values and impairment assessment and Going Concern.

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 dispose and its value in use (being the present value of the expected future pre-tax cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

In considering whether any impairment indicators occurred in respect of the Company's long lived assets as at December 31, 2016, management took into account a number of factors such as metal prices, projected costs to operate equipment, availability and costs of finance, cost and state of completion of subsea equipment construction, exploration successes in other areas, the existence and terms of binding off-take agreements and the Company's market capitalization compared to its net asset value.

Management has concluded that there is no impairment required relating to the Company's long-lived assets as at December 31, 2016.

FUTURE ACCOUNTING CHANGES

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after January 1, 2017 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, 2017. The company has reviewed the disclosure requirements of changes in IFRS 8 'Operating Segments', IFRS 9 'Financial Instruments: Classification and Measurement' (effective January 1, 2018) and IFRS 7 'Financial Instruments:

Disclosure' (effective January 1, 2018), however these standards did not currently require any changes to disclosures within the financial statements of the Company.

IFRS 15 Revenue from Contracts with Customers deals with revenue recognition and establishes principles of reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when the customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The Standard replaces IAS 18 Revenue, and IAS 11 Construction Contracts and related interpretations. IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. This standard will not have any impact on the Company's financial position or results when it is adopted.

IFRS 16 Leases will be effective for accounting periods beginning on or after January 1, 2019. Early adoption will be permitted, provided the Company has adopted IFRS 15 Revenue from Contracts with Customers. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The Company is in the process of assessing the impact on the financial statements of this new standard.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on our consolidated financial statements.

OUTSTANDING SHARE DATA

The following is a summary of the Company's outstanding share data as of March 27, 2017.

Common shares

A total of 657,653,594 common shares are outstanding including 3,450,000 restricted shares.

Restricted shares

A total of 3,450,000 restricted shares are issued and outstanding under the Company's share loan plan, with loan expiry dates ranging from July 2017 through to July 2019. The weighted average issue price for the restricted shares is C$0.48.

Stock Options

A total of 3,550,000 stock options are issued and outstanding, with expiry dates ranging from July 2017 through to July 2019. The weighted average exercise price for all stock options is C$0.38. All stock options entitle the holders to purchase common shares of the Company.

INTERNAL CONTROLS

Disclosure controls and procedures

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, 2016, 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 under securities legislation are recorded, processed, summarized and reported within the appropriate time periods and forms specified in the securities legislation.

Internal control over financial reporting

The Company's management is responsible for establishing and maintaining an adequate system of internal controls, including internal controls over financial reporting. The Company's internal control over financial reporting (ICFR) is in accordance with criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations (COSO) framework. 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 weaknesses in the reporting were discovered as at December 31, 2016.

There have been no material changes in the Company's ICFR since the year ended December 31, 2015 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.

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; plans for establishing or expanding mineral resource estimates on the Company’s projects; the construction and delivery of the Production Support Vessel (“PSV”); the fulfillment of the obligations under the Tongling sales agreement and the timing and sustainability of such arrangements; costs and timing of the development of the Company’s seafloor production system; the Company’s seafloor massive sulphide (“SMS”) 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 PSV and Seafloor Production Tools (“SPTs”); and the procurement of the PSV. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, the risk of failure to obtain required equity or debt funding; the risk that material assumptions listed in the paragraph below will not be borne out; 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; possible variations in resources, grade or recovery rates;, the inability to reach agreement with Marine Assets Corporation (“MAC”) as to the deposit under the vessel charter agreement, the insolvency of MAC or the applicable shipyard and other events which may cause a delay to the delivery of the PSV; the risk that the obligations under the Tongling sales agreement are not fulfilled; late delivery of the PSV and SPTs or other equipment; 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.

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 continued compliance with regulatory requirements and the estimated cost and availability of funding for the continued exploration of the Company's tenements and the development of the Seafloor Production System. 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, subject to funding; and that any additional financing needed will be available on reasonable terms. With respect to the arrangement with MAC, the Company is assuming that the parties will observe their obligations, that the investigation into the cyber-attack will reach a timely conclusion and that MAC and the Company can agree how to proceed in relation to the payment of the deposit under the vessel charter agreement.

Although the Company has attempted to identify important factors that could cause actual results to differ materially, the assumptions made may not prove to be correct or there may be unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Except as may be required by applicable laws, the Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based.

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.