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 19, 2018 for the period ended December 31, 2017.

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, 2017, and related notes thereto (the "2017 Financial Statements") which have been prepared in accordance with International Financial Reporting Standards. This MD&A should also be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2016, and the related notes thereto (the "2016 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.

2017 Q4 SIGNIFICANT EVENTS

- Bridge Finance
- Solwara 1 Project advanced
- Production Support Vessel construction advanced

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 $20million in equal parts from the two majority shareholders as a private placement, for a maximum of $2million per month over a 12 month period ending November 2017. As at 30 September 2017 $8million remained callable on the agreement. This additional bridge financing allowed the Company to continue to seek further investment alternatives for funding from various interested parties. The agreement was subsequently terminated with the mutual agreement of the parties on October 11, 2017 – please see the Liquidity and Capital Resources section on page 11.

Solwara 1 Project advanced

During the fourth quarter of 2017, the Company continued to advance the Solwara 1 Project.

Seafloor Production Equipment Build Progressed

Sichuan Honghua Petroleum Ltd (Honghua) continues to progress fabrication of the derrick, draw-works at their yard in Chengdu, Honghua have also completed and delivered the derrick substructure to the Mawei shipyard in preparation for installation on the Production Support Vessel (PSV). This equipment which supports the deployment and operation of the Subsea Slurry Lift Pump (SSLP) and riser will be delivered to the Mawei shipyard in three lots in early 2018 for assembly and installation on the PSV.

The Honghua Qidong yard continues to fabricate the Dewatering Plant (DWP) modules consisting of structural steel, plate-work, tanks, piping and cable tray, which is planned to be shipped to Mawei for installation on the production support vessel in early 2018. The DWP process equipment, cabling and instrumentation will then be installed during the post-launch integration and commissioning period. The DWP separates the mineralized material from the seawater on the production support vessel, and is the last major equipment package required to complete the project.

The Seafloor Production Tools (SPTs) consisting of the Auxiliary Cutter, Bulk Cutter, and Collecting Machine remained in PNG during the quarter undergoing submerged trials at a facility near Port Moresby. The objective of these trials is to demonstrate the equipment meets functional performance specifications with respect to stability, cutting efficiency, collection efficiency, and visualization technology. The Auxiliary cutter trials were successfully completed indicating that the machine can perform to design specifications with no serious issues or fatal flaws emerging. The submerged trials for the Bulk Cutter commenced during the quarter. Papua New Guineans engaged to operate and maintain the SPTs have been gaining invaluable operating experience during the trials for which the supplier, Soil Machine Dynamics is providing vendor support.

The riser system manufactured by General Marine Contractors remains in storage near the port of Houston ready to be shipped to China in 2018.

The Subsea Slurry Lift Pump (SSLP) remains at GE Hydril's test facility in Houston until early 2018 when it will be shipped to China to undergo submerged trials. Contract negotiation with Chinese test facilities is on-going for the submerged trial of the SSLP in 2018.

Community Activities

CSR Project Development activities were advanced during the year. The Steering Committee for the Public Private Partnership (PPP) on Health between Nautilus and the New Ireland Provincial Government (NIPG) had a follow up meeting with a member of the Lihir Medical Centre. It was agreed that Nautilus would partner with a team to deliver a Mass Drug Administration program for two skin diseases in the Coastal area of benefit villages.

An education Baseline Study Workshop was organized in Kavieng during Q4 2017 to review an education baseline study prepared by consultants Montrose earlier in the year. The workshop was attended by various Provincial and District Government Education officers as well as representatives from Nautilus and Montrose. The study measured gaps in education service provision in the coastal area of benefit in order to establish areas of focus for future Nautilus education programs. The objective of the workshop was to get stakeholder input on these areas of focus and jointly agree a way forward. An in principle agreement was reached to support all elementary schools in the coastal area of benefit with teacher training and text books aligned with a new curriculum.

Production Support Vessel construction advanced

The Mawei shipyard continues to progress construction of the production support vessel. Block design and fabrication are ostensibly complete, with only four deck blocks remaining to be installed in the dry dock. Piping systems are complete to 71%, Equipment and machinery installation is 85% complete, Outfitting is 38% complete, Electrical & instrumentation work is 55% is complete , Painting is 30% complete, Accommodation & fit-out is 58% complete, and

Commissioning is 6% complete. The overall PSV progress at the end of the reporting period is 76% complete.

Assembly and installation work for the SPT launch and recovery systems is ongoing. Agreement was reached with Mawei to delay launch of Production Support Vessel until the 25th of March 2018 to allow completion of the cargo handling systems, Installation of Lifting and Recovery Systems (LARS), and Derrick and Substructure installation while the vessel is still in dry dock. Commissioning and sea trials will then be completed prior to final deliver of the vessel in 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 a prefeasibility or feasibility 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 2017 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.

		2016				2017			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	$'M	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Loss for the period	$'M	(3.6)	(3.7)	(4.0)	(2.7)	(2.4)	(2.7)	(2.5)	(2.0)
Basic and diluted loss per share	$/share	(0.01)	(0.01)	(0.01)	(0.004)	(0.004)	(0.004)	(0.004)	(0.003)

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.

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.

Q1 2017
The loss for the period reflected an increase in expenditure across exploration due to the target generation cruise in the Bismarck Sea that took place during the quarter. This increase was offset by a reduction in general and administration expenditure. This was due to reduced travel, professional services and salary and wages for the period.

Q2 2017
The loss for the period reflected an increase in general and administration expenditure. This increase related primarily to professional services and directors fees paid during the quarter. This expenditure was offset by a reduction in exploration costs.

Q3 2017
The loss for the period reflected a decrease in CSR, general and administration and exploration expenditure. This decrease related primarily to the completion of the health patrol and New Ireland infrastructure projects that took place during quarter 2 2017. This reduced expenditure was offset by an increase in development costs resulting from PSV related costs.

Q4 2017
The loss for the period reflected an increase in general and administration expenditure for the quarter. These related primarily to professional services. This was offset by a gain in PSV related expenditure. This was due to the capitalisation of costs in Q4 2017 that had been expensed in Q3 2017. The gain in Q4 2017 reflects the reversal of these costs.

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, 2017, 2016 and 2015. Amounts are expressed in US dollars unless otherwise indicated.

	2017	**2016**	**2015**
Sales	$Nil	$Nil	$Nil
Loss for the year	$9,505,238	$14,033,618	$24,882,330
Loss per share (basic and diluted)	$0.01	$0.02	$0.06
Total assets	$317,224,010	$314,727,408	$311,633,986
Total long-term liabilities	$38,689,989	$54,008,585	$53,667,658
Dividends declared	$Nil	$Nil	$Nil

Loss for the year

Expenditure decreased in 2017 to $9.5 million (2016 - $14.0 million), the decrease was due to lower costs associated with and reduced salary and wages resulting from the Solwara 1 project restructure, and a reduction in development – PSV management expenditure.

Total assets

Total assets for the year ended December 31, 2017 increased to $317.2 million (2016 - $314.7 million). Capital was raised through private placements 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 decreased to $38.7 million (2016 - $54.0 million). The decrease is the result of non-current liabilities in 2016 becoming current in 2017, as well as a decrease in the non-current project partner contribution liability (being the non-current unearned amount of the State's equity contribution for the Solwara 1 JV) due to increased forecast project related expenditure in 2017.

TRANSACTIONS WITH RELATED PARTIES

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, 2017 the Company incurred costs of $6,861 (2016 - $98,055) 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, 2017 the Company incurred costs of $306,016 (2016 – $1,456,465) 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 $20 million.

Pursuant to the Subscription Agreement, the shares were purchased on a private placement during the period from December 1, 2016 through to November 30, 2017 (the "Financing Period"), at the election of the Company.

The Company determined 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 $2.0 million per month and an aggregate maximum total amount of $20 million during the entire Financing Period.

Shares were issued under each tranche at a price that was 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 issued the Purchasers a notice that the tranche will proceed.

On October 11, 2017 Metallo and Mawarid entered into an agreement to terminate the subscription agreement among the Company, Metallo and Mawarid dated August 21, 2016, as amended (the "Bridge Financing Agreement"). As a result, no further amounts may be drawn by the Company under the Bridge Financing Agreement. The Company issued a total of 78,247,462 common shares for gross proceeds of $12,000,000 under the Bridge Financing Agreement.

In replacement of the Bridge Financing Agreement on January 8, 2018 the Company announced that it had arranged to receive up to $7 million in bridge loans from Deep Sea Mining Finance Ltd. ("DSMF") and entered into a Funding Mandate Agreement with M. Horn & Co. Ltd. to assist in advancing the development of the Company's Solwara 1 Project. The bridge loans are expected to form part of a larger secured structured credit facility of up to $34 million provided by DSMF, subject to applicable regulatory and shareholder approvals. As at March 19, 2018 an amount of $6.65 million has been drawn down against this facility and, in conjunction therewith, the

Company has issued a total of 28,565,291 share purchase warrants to DSMF, each exercisable to purchase one common share of the Company at a price of C$0.17 for a period of five years from the date of issuance of the warrant.

RESULTS OF OPERATIONS – FOR THE THREE MONTHS ENDED DECEMBER 31, 2017

Loss for the period

For the three months ended 31 December, 2017, the Company recorded a loss of $2.0 million ($0.003 loss per share) compared to a loss of $2.7 million ($0.004 loss per share) for the same period in 2016. The primary variances were as follows:

Exploration

Exploration expense decreased to $0.3 million (2016 - $0.4 million). Geological services decreased as no exploration campaigns were undertaken in the current quarter, compared to the previous year, which had costs related to the Bismarck target generation cruise.

	Nodule Exploration Three months ended December 31,		**SMS Exploration Three months ended December 31,**		**Total Exploration Three months ended December 31,**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
General and administration	-	-	7,564	15,041	7,564	15,041
Geological services	7,833	1,817	26,333	211,660	34,166	213,477
Mineral property fees	-	-	16,464	(9,015)	16,464	(9,015)
Professional services	15,336	15,963	2,443	839	17,779	16,802
Travel	6,350	(3,851)	13,845	24,217	20,195	20,366
Salary and wages	1,294	9,036	153,198	147,335	154,492	156,371
Total exploration expenditure	**30,813**	**22,965**	**219,847**	**390,077**	**250,660**	**413,042**

General & Administration

General & Administration expenditure remained consistent at $1.7 million (2016 - $1.7 million). Increased professional fees were offset by a reduced travel and shareholder related costs.

	Three months ended December 31, 2017	**Three months ended December 31, 2016**
Office and general	437,649	499,684
Professional services	577,468	372,400
Salary and wages	546,058	540,985
Shareholder related costs	11,455	73,277
Travel	14,817	95,394
Depreciation	67,431	85,164
Total general and administration expenditure	**1,654,878**	**1,666,904**

Corporate Social Responsibility

Corporate Social Responsibility decreased to $0.2 million (2016 - $0.4 million) for the quarter. Expenditure was lower due to reduced program activities compared to prior period, which included the health patrol and infrastructure improvement program on the west coast of New Ireland.

Development – PSV Management
A gain of $0.3 million was recognised for Development – PSV management during the quarter (2016 - $0.02 million gain). This was due to the capitalisation of costs in Q4 2017 that had been expensed in Q3 2017. The gain in Q4 2017 reflects the reversal of these costs.

Foreign exchange
A foreign exchange loss of $0.2 million was recorded during the quarter (2016 – $0.2 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.

Interest and other income
Interest income earned on cash and cash equivalents held during the quarter was $0.001 million (2016 - $0.1 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 $2.3 million for the three months ended December 31, 2017, compared to $2.8 million for the corresponding period in 2016.

RESULTS OF OPERATIONS – FOR THE YEAR ENDED DECEMBER 31, 2017

Loss for the period

For the year ended December 31, 2017, the Company recorded a loss of $9.5 million ($0.01 loss per share) compared to a loss of $14.0 million ($0.02 loss per share) in 2016. The primary variances were as follows:

Exploration
Exploration expense decreased to $1.8 million (2016 - $2.4 million) for the year ended December 31, 2017. The reduction is due primarily to reduced Salary and wages were lower due to reduced staff numbers in 2017.

	Nodule Exploration Twelve months ended December 31,		**SMS Exploration Twelve months ended December 31,**		**Total Exploration Twelve months ended December 31,**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
General and administration	-	-	50,893	41,886	50,893	41,886
Geological services	28,073	190,505	625,771	517,845	653,844	708,350
Mineral property fees	47,000	47,186	46,448	106,834	93,448	154,020
Professional services	97,861	49,416	25,793	94,395	123,654	143,811
Travel	17,677	28,704	87,400	79,719	105,077	108,423
Salary and wages	32,829	275,067	744,747	959,618	777,576	1,234,685
Total exploration expenditure	**223,440**	**590,878**	**1,581,052**	**1,800,297**	**1,804,492**	**2,391,175**

General & Administration
General & Administration expenditure decreased to $5.8 million (2016 - $9.4 million) for the year ended December 31, 2017. Salary and wages decreased by $2.6 million due to the reduced staff numbers resulting from the restructure of the Solwara 1 project delivery. Shareholder related

costs were lower at December 31, 2017 as no rights issue took place during the period, compared to the period ending 31 December 2016.

	Twelve months ended December 31, 2017	**Twelve months ended December 31, 2016**
Office and general	1,719,149	2,140,660
Professional services	1,279,470	1,212,919
Salary and wages	2,190,477	4,796,791
Shareholder related costs	126,842	474,624
Travel	201,098	394,243
Depreciation	286,326	332,389
Total general and administration Expenditure	**5,803,362**	**9,351,626**

Corporate Social Responsibility

Corporate Social Responsibility expense increased to $1.5 million (2016 - $1.2 million) for the year ended December 31, 2017. The increase in expenditure during the period relates to the completion of the first phase of an infrastructure improvement program, which will see bridges installed in the west coast of New Ireland. Nautilus also completed a medical patrol for communities in the coastal area of benefit on the west coast of New Ireland during the reporting period.

Development – PSV management
Development expenses decreased to $0.2 million (2016 - $1.3 million) for the year ended December 31, 2017. Expenditure was lower for the twelve months ended 2017 compared to 2016, due to lower contractor costs associated with the oversight of the PSV build in China.

Foreign exchange
A foreign exchange loss of $0.3 million was recorded during the year ended December 31, 2017 (2016 – $0.3 million gain). 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.

Interest income
Interest income earned on cash and cash equivalents held during the year ended December 31, 2017 was $0.001 million (2016 - $0.1 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 $9.7 million for the year ended December 31, 2017, compared to $14.3 million for the corresponding period in 2016, with the major impact coming from the and reduced salary and wages resulting from the Solwara 1 project restructure

Cash flows

Operating activities
Cash used in operating activities was $8.3 million for the year ended December 31, 2017 compared to $14.7 million for the corresponding period in 2016, largely reflecting the decrease in exploration expenditures and reduced salary and wages during the period.

Investing activities
Cash used in investing activities was $28.5 million for the year ended December 31, 2017, including $10.3 million in relation to the SPT's, $12.1 million for the riser and lifting system, $2.7 million in relation to the dewatering plant and $2.7 million in relation to exploration and evaluation assets, compared to $37.3 million for the year 2016.

Financing activities
Cash flow from financing activities was $10.0 million for the year ended December 31, 2017, compared to $23.5 million for the year 2016. Funds were raised through an equity drawdown facility.

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, 2017	**December 31, 2016**
Working Capital (Deficit)*	($19.7 million)	$14.2 million
Cash and Cash Equivalents	$0.2 million	$26.8 million

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

*Note, project partner contribution omitted.

Outlook, capital requirements and going concern

The Company's known commitments at December 31, 2017, are quantified in the table below:

	December 31 2017
Non-cancellable commitments	
Not later than 1 year	6,068,584
Later than 1 year and not later than 2 years	19,149,472
Later than 2 years and not later than 3 years	73,970,805
Later than 3 years and not later than 4 years	73,678,973
Later than 4 years and not later than 5 years	68,167,253
Later than 5 years	90,564,228
Total Commitments	**331,599,315**

The non-cancellable commitments as at December 31, 2017 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, 2019.

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 continues 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.

On October 11, 2017 Metalloinvest Holding (Cyprus) Limited ("Metallo") and Mawarid Offshore Mining Ltd ("Mawarid") entered into an agreement to terminate the subscription agreement among the Company, Metallo and Mawarid dated August 21, 2016, as amended (the "Bridge Financing Agreement"). As a result, no further amounts may be drawn by the Company under the Bridge Financing Agreement. The agreement allowed for the Company to call for a total of $20 million of which $8 million remained callable as at September 30, 2017 and the Company had issued a total of 78,247,462 common shares for gross proceeds of $12million received under the Bridge Financing Agreement.

[In replacement of the Bridge Financing Agreement on October 11, 2017 the Company announced that it has entered into a Funding Mandate Agreement (the "Agreement") with Deep Sea Mining Finance Ltd. ("DSMF") pursuant to which DSMF will seek to leverage the international expertise and financial relationships of Nautilus' two major shareholders to assist in advancing the development of the Company's Solwara 1 Project. The Agreement allows for funding of up to $34 million (where $18 million is subject to shareholder approval). As at March 19, 2018 an amount of $6.65 million has been drawn down against this facility and, in conjunction therewith, the Company has issued a total of 28,565,291 share purchase warrants to DSMF, each exercisable to purchase one common share of the Company at a price of C$0.17 for a period of five years from the date of issuance of the warrant**.**

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 was in the early stages of development and not entering into any new construction contracts until further additional funding required is secured. Failure to secure project financing may result in the Company taking further 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 any transaction will be subject to all necessary stock exchange and, if applicable, shareholder approvals as well as compliance with all other regulatory requirements.

The Company previously disclosed that the construction and development of the entire seafloor production system for initial deployment and testing operations at the Solwara 1 Project, was scheduled to occur during the first quarter of 2018 based on the Company's project timetable and subject to securing additional project funding. Since, as indicated above, the necessary additional project funding has not been secured, the Company now believes that, in the event that the required funding is secured on a timely basis and the Company is able to continue development of the Solwara 1 Project, the schedule would be delayed to the third quarter of 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.

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 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. Current market conditions, the Company's history, current financial position of the Company, combined with the Company's contractual obligations as stated in the commitments above, give rise to a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and, therefore, its ability to realize its assets and discharge its liabilities in the normal course of business.

These consolidated financial statements do not reflect the adjustments to the carrying values of the assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumptions deemed to be inappropriate. These adjustments could be material.

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. As at December 31, 2017 the Company held all of its cash in USD.

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.

SUMMARY OF ASSETS

1) Shares – parent entity and subsidiaries

The NMI group consists of the Canadian TSX listed parent entity Nautilus Minerals Inc. ("NMI") with subsidiary entities in various jurisdictions. NMI was listed on the TSX in 2006 as a result of a reverse take-over of a company called Orca Petroleum Inc. All subsidiaries are wholly owned and have been set up to enable the group to operate in, or explore, various locations.

The main operations are in Brisbane, Australia, and in New Ireland Province, in Papua New Guinea (PNG). The PNG subsidiary entities own the majority of the physical assets, as well as the mining license (ML) which allows NMI to mine the Solwara 1 location in the Bismarck Sea off the coast of New Ireland Province in PNG.

On 6 November 2014, Nautilus Minerals Singapore Holding Pte Ltd (NMS) entered into a Vessel Procurement Agreement with MAC Goliath Ltd (MAC). This agreement is a BIMCO Supply time Charter agreement for 5 years.

On 6 November 2014, Nautilus Minerals Crewing Services Singapore Pte Ltd (NMSH), entered into a Crewing Agreement with MAC Goliath Ltd (MAC) as Crew Managers. This is to crew the vessel noted above.

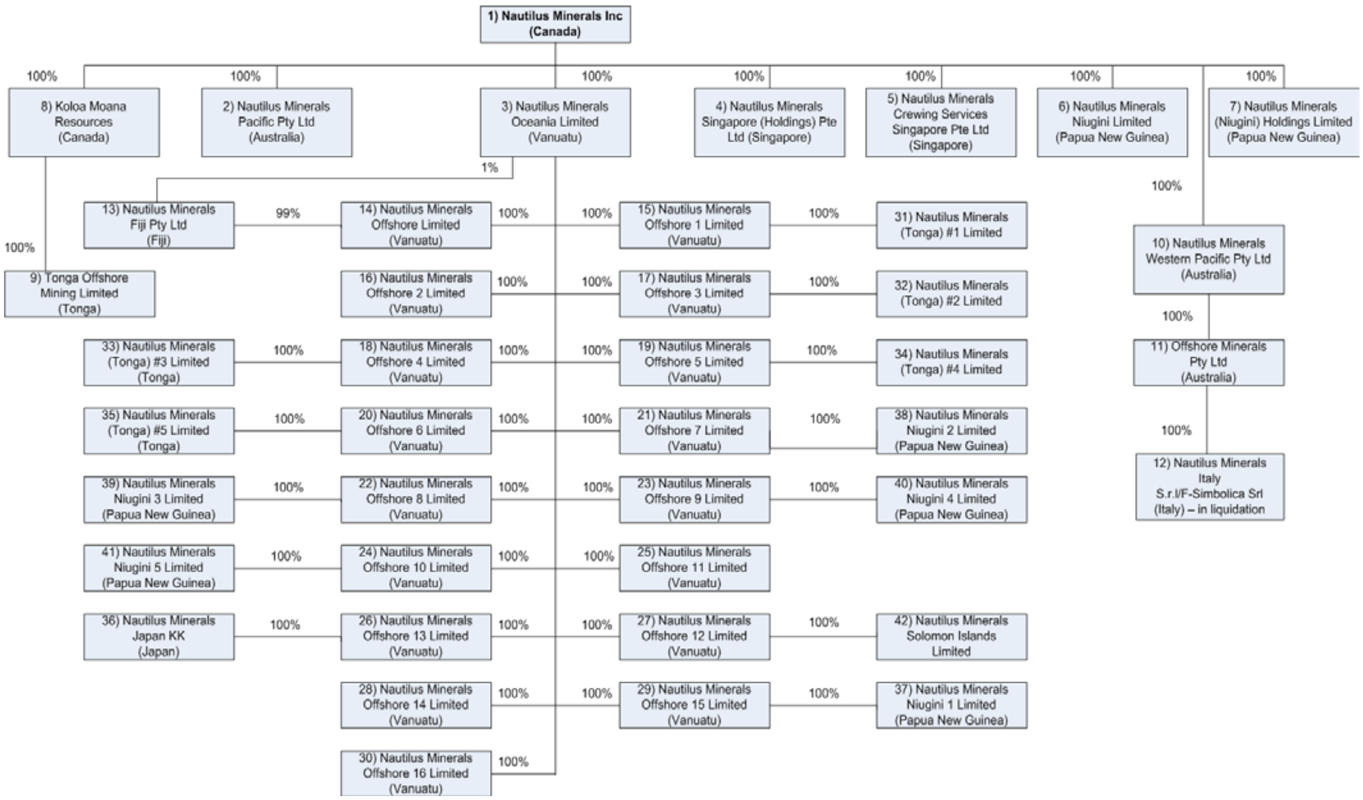
On 6 November 2014, NMN, Eda Kopa (Solwara) Ltd and MAC entered into a Recognition of Rights Agreement whereby the Rights of the parties in the Vessel Procurement Agreement were noted and agreed. This calls for the 15% JV partner's rights to be recognized, as well as NMN's rights in the equipment that is integrated onto the vessel owned by MAC.

On 11 December 2014, the NMI group (through a subsidiary called Nautilus Minerals Niugini Ltd NMN) entered into a Joint Venture Agreement (JV) with Eda Kopa (Solwara) Limited, a nominee entity of the PNG government. This JV entitles the PNG nominee entity to a 15% share in the JV assets.

On 11 December 2015, NMN entered into a Master Ore Sales and Processing Agreement with Tongling Nonferrous Metals Group Ltd (Tongling).

As part of the Promissory Notes issued to Deep Sea Mining Finance (DSMF) in early 2018, DSMF has the right to put a charge over the shares of all subsidiaries and over all the assets of NMI and its subsidiaries.

Nautilus Minerals Inc Corporate Structure Chart



2) Plant and equipment

The Plant and Equipment (P&E) forms the bulk of the physical assets for the group. The sub-sea equipment consisting of 3 Sea-floor Production Tools (SPT's), a solid Riser System (Riser), and the Sub-sea Slurry Lift Pump (SSLP), have all been fabricated, and operational trials for this equipment are underway.

The SSLP, together with the riser, was manufactured by GE Hydrill in the USA, using technology from the oil and gas industry. The SPT's have been manufactured in the UK (with contributions from other countries in Europe) by Soil Machine Dynamics (SMD), a world leader in sub-sea trench digging equipment and related underwater Remote Operated Vehicle (ROV) manufacture.

"Other equipment" is all on deck and above sea level, and it consists of a Derrick with sub-structure, a De-Watering Plant (DWP), and A-frames that form part of the Lifting and Riser System (LARS) that is being fabricated by Sichuan Honghua Petroleum Equipment Co, Ltd (Honghua) in China. This is to be integrated into the shipping vessel that is currently being constructed at the Mawei shipyard in Fuzhou, China.

3) Shipping Vessel

On 6 November 2014, Nautilus Minerals Singapore Holding Pte Ltd (NMS), entered into a Vessel Procurement Agreement with MAC Goliath Ltd (MAC). This agreement is a BIMCO Supply time Charter agreement for 5 years.

The vessel currently being constructed at the Mawei shipyard is not owned by NMI. The NMI group, through a wholly owned Singapore subsidiary (Nautilus Minerals Singapore Pte), have entered into a 5 year Charter agreement with the vessel owner. This agreement has annual options to purchase the vessel from year 5. However, equipment required for the mining process has to be integrated onto the vessel, and hence NMI owned assets will form part of the vessel (known as Charterer's supplies).

The vessel construction is moving forward and it is due to leave dry-dock (launch) at the end of March 2018. The vessel will then undergo fit-out, commissioning and integration of Charterer's supplies, before delivery of the vessel after sea trials, in January 2019. On-going integration of Charterer's supplies will be required at a 3rd party yard before the vessel is commissioned to the mine site in May 2019. Subject to financing, initial mining operations are, therefore, now expected to commence in August 2019, with an 18 month ramp up program to follow.

The vessel is owned by a company called Marine Assets Corporation (MAC) based in Dubai. MAC is actively seeking a new purchaser for the vessel and is in negotiations with an interested party, and the Mawei shipyard. It is our understanding that the current contracts in place will be novated, substantially in their current form, to the new owner should a deal be agreed. It should be noted that Nautilus have the absolute right to reject any deal proposed.

In February 2018, the NMI Board decided to name the vessel "New Era" based on the Company slogan "New Vision, New World, New Resources".

4) Land and buildings

A PNG subsidiary - Nautilus Minerals Niugini Ltd (NMN) - owns various adjacent parcels of land at Lassul Bay in East New Britain, PNG. The land is unencumbered, and it is the only property owned within the NMI group. It was purchased on 28 September 2008 with the intention of building a smelter at that location.

The group rents 2 properties in Brisbane (the main office and a warehouse for storage of core samples), 1 office in Tonga and 1 office with accommodation in PNG.

5) Portfolio of Intellectual Property Assets

The NMI group has consistently applied for patents on the equipment and the mine process in order to protect the first mover advantage in sea-bed mining. Some patents are wholly owned, whilst some are part-owned with our partners who assisted in the research and development of the equipment. On-going costs in relation to maintenance of the patents differs depending on location, as well as on the status of the application. Most applications are in the final phases, where annual maintenance costs are not too onerous

Trade Marks have been applied for in the jurisdictions that the NMI group operate in, as well as in those jurisdictions where we may operate in future. These are managed by trade mark attorneys. Similar to patents, most trademarks are either granted, and in maintenance mode, or are in the final stages of the application process.

6) Mining Licences and Exploration licenses

The NMI group has mining, exploration or prospecting licenses in PNG, Tonga, Kiribati and the Azores.

Papua New Guinea

PNG is the location of the Solwara 1 mine site, and other prospects that are being evaluated. These are all Seafloor Massive Sulphide (SMS) deposits which primarily contain Copper, Gold, Zinc and Silver. The NMI group has a very good and close working relationship with PNG, both at a government level, as well as a local level in the Coastal Areas of Benefit, which are the closest land base to the Solwara 1 mine site. The extensive Community Social Responsibility (CSR) program that has been in place for several years, has allowed the NMI group to have a significant positive social licence to operate in PNG. This CSR program has provided: fitting toilets into rural village schools; building roads and bridges to improve the infrastructure and connectivity of these rural villages to larger urban centres; medical patrols with GP's to visit rural areas and provide medical care and attention to the local peoples; and, school books and education allowances / assistance for children both in PNG as well as Australia. These programs are on-going as they are vital to the local communities, as well as the on-going social license.

Kiribati

These holdings are also an exploration for SMS deposits containing Copper, Gold, Zinc and Silver. The NMI group have applied for various prospecting licences in Kiribati which are pending.

Tonga

The ground in Tonga consists of exploration activities for both Super-Massive Sulphide (SMS) deposits and polymetallic nodules. The nodule licence is held in an entity called Tonga Offshore Mining Ltd (TOML) – this license is current and up to date.

Other Tonga interests and exploration licences have been granted but no fees have been paid – this is due to the fact the government increased fees and changed the funding structure in 2015. NMI is in negotiation with the government of Tonga to resolve the issue.

The Azores

Similar to Kiribati, these applications are to explore for SMS deposits. None of the prospecting licences have been issued and there is no spend on these items until such time as the applications are accepted and granted.

Japan

NMI has also lodged applications for ground in Japan. The applications have not been registered due to a moratorium by the government in Japan. We expect the moratorium to be lifted later in 2018, upon which we will investigate the status of these lodged applications.

7) Other assets

Ocean Floor Geophysics: A subsidiary - Nautilus Minerals Singapore Pte Ltd (NMS) - owns 15% of an unlisted investment in a Canadian based company called Ocean Floor Geophysics Inc (OFG). OFG do ocean floor surveys and assist the NMI group with exploration activities. The investment was purchased in a debt for equity agreement on 29 December 2010 and whilst a CAD15k dividend was received in 2015, the investment is currently fully impaired.

Drill rig: In September 2015, Nautilus Minerals Pacific (NMP) purchased a drill rig for use in exploration at a cost of $100k. The Company has since spent $570k on upgrading and adapting the drill rig for the particular terrain that is encountered in the areas that are explored. The drill rig is, therefore, a unique piece of equipment that will complement the existing exploration program. The drill rig is in the final stages of being tested to ensure it meets the design parameters. The drill rig has an estimated market value of $1million.

Vehicles: 6 vehicles owned in PNG and 1 vehicle owned in Tonga. All are fully paid for.

Other assets: pertain to IT equipment; office furniture and smaller peripherals such as phones, laptops and printers; and items as detailed below. The Brisbane office has 2 photocopier / printers that are on operating lease from Toshiba which terminates in September 2020. These assets are not part of JV assets.

8) Security over assets:

Until the end of 2017, the only debt within the NMI group is a credit card facility with Commonwealth Bank in Australia. This is fully cash backed. All assets were unencumbered.

In order to raise additional funds, beginning in 2018 NMI entered into a mandate with DSMF to raise debt in the form of a Secured Structured Facility (SSF). This SSF has raised $6,650,000 as at March 19, 2018 and has an interest rate of 8%pa. The SFF is currently secured by a fixed and floating charge over all the assets of NMI and may be extended to cover assets owned by NMI's various subsidiaries.

Eda Kopa (Solwara) Limited, as the nominee of the PNG government, and the JV partner, has a lien over 15% of all the JV assets. The JV assets are in turn, owned by the wholly owned subsidiary NMN. The table in Appendix A sets out the ownership claims on the specific assets.

Apart from commercial terms wherein a supplier has a lien over an asset until it is fully paid for, there are no other claims. Therefore, items fully paid for have no lien.

Funds Reconciliation Statement

NMI has been fully equity funded up to the end of 2017, and only started to obtain debt funding with the Structured Finance Facility in 2018. The only additional source of funds was the $120million JV contribution from the PNG government nominee entity Eda Kopa (Petromin). The table below shows the source of funds, main timelines and the use of those funds since the inception of the Company in 2006.

Funds raised				Historical Use of Funds					
Shares in issue	USD raised	ave price	**Year**	General and Admin costs	Exploration	Assets	CSR	Other	Total
82,355,912	126,257,367	1.53	**2006**	3,294,711	3,280,937	240,131	-	7,084,723	13,900,502
63,567,559	205,149,226	3.23	**2007**	6,130,628	40,876,742	1,153,598	-	(40,624,022)	7,536,946
9,635,413	12,192,108	1.27	**2008**	9,404,529	38,712,903	13,829,807	-	29,070,212	91,017,451
-	-	-	**2009**	9,293,764	20,371,730	5,915,082	-	(13,775,840)	21,804,736
20,000	36,884	1.84	**2010**	21,307,414	17,523,935	6,978,915	449,649	(2,016,898)	44,243,015
40,402,857	99,196,858	2.46	**2011**	17,949,858	14,212,789	62,049,692	393,099	20,276,561	114,881,999
37,916,124	34,581,476	0.91	**2012**	20,878,219	6,821,848	97,182,528	927,887	412,323	126,222,805
200,000,000	36,710,066	0.18	**2013**	13,091,605	4,884,141	36,834,592	1,433,424	(2,345,194)	53,898,568
80,000	25,833	0.32	**2014**	13,170,464	3,581,282	15,405,606	974,949	8,741,361	41,873,662
40,000	12,023	0.30	**2015**	12,067,228	9,236,368	39,607,224	1,621,232	(206,715)	62,325,337
203,964,611	23,464,678	0.12	**2016**	10,825,843	2,391,175	37,106,101	1,177,790	1,576,631	53,077,540
62,788,382	10,015,602	0.16	**2017**	6,083,654	1,804,492	28,427,298	1,462,640	(1,159,160)	36,618,924
700,770,858	547,642,121	0.78							
JV contribution 2014	120,000,000								-
Total funds	667,642,121			143,497,917	163,698,342	344,730,574	8,440,670	7,033,982	667,401,485

Notes

Included in the table above are additional GAAP subtotals. These items (including ”General and Admin costs”, “Assets” and “Other” are intended to simplify the table above by subtotaling items included within the financial statements; and attempt to explain how the funds raised by the Company have been used historically.

General and Admin (G&A) costs represents general and administration, technology and development operating expenses less share based payments expense. CSR costs were included in G&A costs up to 2009.

Assets represent cash flows for purchases of plant and equipment, exploration and evaluation assets and charterers guarantee payment.

Other represents foreign exchange, interest income and rent and other income and the removal of non-cash costs eg: depreciation.

<u>PROPOSED USE OF FUNDS</u>

NMI and related entities require significant funding to complete the Solwara 1 project to mine copper and gold from the Sea Floor Massive Sulphide deposits (SMS deposits) on the sea floor in the Bismarck Sea off the coast of New Ireland Province in Papua New Guinea (PNG).

Requirement & Funding Strategy

NMI seeks to raise $325million for the Solwara 1 project. These funds would be applied to completing the fabrication of certain equipment (as detailed in the Summary of Assets above); the integration of that equipment onto the vessel being built in China and the related G&A costs for this operation.

As part of the funding strategy, NMI engaged in mandates with Horn & Co (a corporate advisory firm) as well as Deep Sea Mining Finance Ltd (DSMF), which is a 50/50 JV entity set up by the two largest shareholders of NMI in early 2018.

The funding strategy involves immediate funding being provided through a Structured Finance Facility for a maximum of $34million through DSMF to cover existing operational expenditure. The funding strategy includes rolling the $34 million in to a larger financing of approximately $ 100 million in the form of secured convertible debentures or similar form of financing. There can be no assurances that any such financings will be completed within the time required or at all.

Subsequent funding needs will be sought from a variety of potential sources, including an investment from a strategic industry investor, and / or a bond / rights issue arranged by a global bank.

The table below shows timing of potential sources of funding against the project plan as well as the project budget. At the date of this report, $6,650,000 had been raised as part of the Structured Finance Facility. **None of the funding sources have been secured at this time and there can be no assurances that the financings, either in the planned or alternative forms, will be completed within the time required or at all.**

Source of funds	USD (million)	Timing	**Use of Funds - project budget**	USD (million)
Structured Finance Facility	34	Q1 2018	Fabrication & integration	30
Secured Convertible	66	Q2 2018	Fabrication & integration	23
Strategic investor/s	100	Q3 2018	Fabrication & integration	35
		Q4 2018	Fabrication & integration	50
Rights Issue	80	Q1 2019	Fabrication & integration	38
Debt for working capital	45	Q2 2019	Sea trials & integration	71
		Q3 2019	Commissioning / operational mobilisation	64
	325			313

Critical Path for Finance

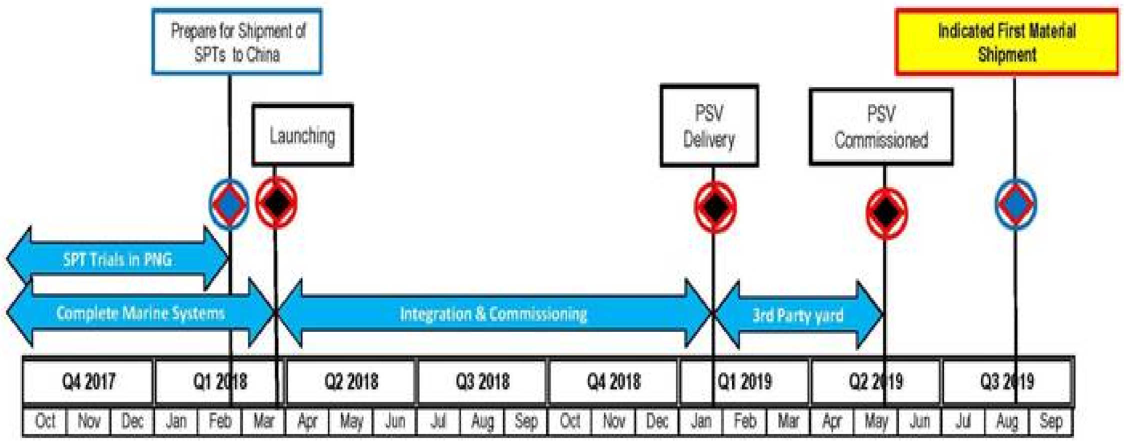
The critical path is the finance required for Q1 and Q2 2018 for a total of $100million. This is made up from the Structured Finance Facility and the potential Secured Convertible. Thereafter, the $100million in the plan to be raised from a strategic investor and/or bond can be in Q3 or Q4 of 2018.

A potential Rights Issue for $80million is planned for Q1 2019 as the first quarter of the year is recognized historically as the best time for such a capital raise. The plan shows this timing can be accommodated.

Working capital financing in Q2 2019 would suit the timing of the project as we go to commission the production support vessel (PSV).

Project Plan

Note that the project is dependent on the construction timetable for the vessel being built in China – therefore the vessel construction is the critical path for finance. NMI does not own the vessel, but has a 5 year Charter Agreement in place with the vessel owner. The project plan below ties in with the table on funding above.



The funds raised will principally be used for the fabrication of the equipment, its integration onto the vessel, and spares. All the equipment required sub-sea has been fabricated (although some of the funds raised will be used to pay the final retention amounts on some of these assets, namely the Sea-floor production Tools (SPT's) and the Riser and Lifting System (RALS).

Exploration

As the resource at Solwara 1 is estimated to be fully mined within a 3 year period (see the technical report entitled "Preliminary Economic Assessment of the Solwara Project, Bismarck Sea, PNG" dated February 27, 2018 available at www.sedar.com), the NMI group continues with exploration activities in order to have a pipeline of opportunities. The significant advantage of a subsea mining is the mobile and reusable capex, the equipment and vessel will simply move to the next identified mine site and continue the extraction of mineralized material. Exploration is therefore vital to identify the next site. These activities may include exploration cruises (using hired vessels) as well as the possibility of sharing resources with other parties. Budgeted exploration activity for the period 2018 to 2020 is $9.0million.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity of IFRS requires the use of judgments and estimates that affect the amount reported and disclosed in the consolidated financial statements and related notes. These judgments 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 judgments 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 Property plant and equipment and exploration and evaluation assets as at December 31, 2017, management took into account a number of factors such as long term 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. Based on the factors above, no impairment indicators were observed. As a result, management has concluded that no impairment was required to be recognized at December 31, 2017 in respect of the exploration and evaluation assets and the subsea equipment currently under construction.

Management has concluded that there is no impairment required relating to the Company's long-lived assets as at December 31, 2017.

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, 2018 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, 2018. The company has reviewed the disclosure requirements of changes in IFRS 2 'Share based payments', IFRS 9 'Financial Instruments: Classification and Measurement' and IFRS 7 'Financial Instruments: Disclosure', however this does not currently require any changes to disclosures within the financial statements of the Company.

IFRS 9, Financial Instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option to present fair value changes in other comprehensive income. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

The completed version of IFRS 9 is effective for annual periods beginning on or after January 1, 2018. This standard is not expected to have any material 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. 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 19, 2018.

Common shares

A total of 701,770,858 common shares are outstanding including 1,000,000 restricted shares

Restricted shares

A total of 1,000,000 restricted shares are issued and outstanding under the Company's share loan plan, with loan expiry dates ranging from July 2018 through to July 2019. The weighted average issue price for the restricted shares is C$0.28.

Stock Options

A total of 1,600,000 stock options are issued and outstanding, with expiry dates ranging from July 2018 through to July 2019. The weighted average exercise price for all stock options is C$0.31. 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, 2017, 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, 2017.

There have been no material changes in the Company's ICFR since the year ended December 31, 2016 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, funding strategy and proposed use of proceeds; 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 MAC Goliath Pte Ltd (“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.