NAUTILUS MINERALS INC.

ANNUAL INFORMATION FORM

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

March 29, 2018

Suite 1400, 400 Burrard Street
Vancouver, British Columbia
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NAUTILUS MINERALS INC.

ANNUAL INFORMATION FORM FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

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INTRODUCTORY NOTES

NOMENCLATURE

In this Annual Information Form, unless the context otherwise dictates, “we”, “Nautilus”, “Nautilus Minerals” or the “Company” refers to Nautilus Minerals Inc. and its subsidiaries.

TECHNICAL AND SCIENTIFIC INFORMATION

All information of a scientific or technical nature in this AIF has been reviewed and approved by Ian Lipton, of AMC Consultants Pty Ltd and a qualified person under NI 43-101.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This document includes “forward-looking statements” or "forward looking information" (hereinafter referred to together as "forward-looking statements") under applicable securities laws, 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 Projects; the construction and delivery of the 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 Seafloor Production System; the Company's SMS (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 the 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 risk of failure to conclude the investigation into the cyber-attack, the inability to reach agreement with 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 failure of MAC to find a suitable purchaser of the PSV and the unknown actions that the shipyard may take as a result of such failure; 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. Other risks are discussed in this document under "Risk Factors".

Such forward-looking statements are current only as at the date of this AIF 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, the estimated cost and availability of funding for the development of the Seafloor Production System and the continued exploration of the Company's tenements. The Company has also assumed that market fundamentals will result in sustained copper and gold demand and prices; that the proposed development of its Seafloor Production System will be viable operationally and economically and proceed as expected; 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 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. Other assumptions are discussed throughout this AIF and, in particular, under "Risk Factors".

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.

The reader is cautioned not to place undue reliance on forward-looking statements.

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

This Annual Information Form contains references to United States dollars, Canadian dollars, Great Britain pounds and Australian dollars. All dollar amounts referenced, unless otherwise indicated, are expressed in US dollars which are referred to as “US$”, with Canadian dollars referred to as "C$" or “Cdn$”, Great Britain pounds referred to as “GBP” and Australian dollars referred to as “A$”.

The closing, high, low and average exchange rates for the US dollar in terms of Canadian dollars for the three years ended December 31, 2017, 2016 and 2015, as reported by the Bank of Canada can be seen in Table 1 below.

Table 1: The closing, high, low and average exchange rates for the US dollar in terms of Canadian dollars for the three years ended December 31, 2017, 2016 and 2015

	Year Ended December 31		
	2017 Cdn$	**2016 Cdn$**	**2015 Cdn$**
Closing	1.2545	1.3427	1.3840
High	1.3743	1.4589	1.3990
Low	1.2128	1.2544	1.1728
Average[(1)]	1.2986	1.3251	1.2787

(1) Calculated as an average of the daily noon rates for the period.

On March 28, 2018, the Bank of Canada closing rate of exchange was Cdn$1.00 = US$0.7751 or US$1.00 = Cdn$1.2902.

CAUTIONARY NOTE TO UNITED STATES INVESTORS

This AIF has been prepared in accordance with the requirements of securities laws in effect in Canada, which differ from the requirements of United States securities laws. In Canada, an issuer is required to provide technical information with respect to mineralization, including reserves and resources, if any, on its mineral exploration properties in accordance with Canadian requirements, which differ significantly from the requirements of the United States Securities and Exchange Commission (the "**SEC**") applicable to registration statements and reports filed by United States companies pursuant to the United States *Securities Act* of 1933, as amended, or the United States *Securities Exchange Act* of 1934, as amended (the "**Exchange Act**"). As such, information contained or incorporated by reference in this AIF concerning descriptions of mineralization under Canadian standards may not be comparable to similar information made public by United States companies subject to the reporting and disclosure requirements of the SEC.

Mineral resource estimates included in this AIF and in any document incorporated by reference herein have been, or will be, prepared in accordance with NI 43-101 and the Canadian Institute of Mining and Metallurgy Classification System, as required by Canadian securities regulatory authorities. In particular, this AIF and any document incorporated by reference herein include or may include the terms "measured mineral resource", "indicated mineral resource" and "inferred mineral resource." While these terms are recognized and required by Canadian regulations (under NI 43-101), the SEC does not recognize them. In addition, this AIF or a document incorporated by reference in this AIF may include disclosure of "contained ounces" of mineralization. Although such disclosure is permitted under Canadian regulations, the SEC only permits issuers to report mineralization as in place tonnage and grade without reference to unit measures.

The definitions of proven and probable reserves used in NI 43-101 differ from the definitions in SEC Industry Guide 7. Under SEC Industry Guide 7 (under the Exchange Act), as interpreted by the staff of the SEC, mineralization may not be classified as a "reserve" for United States reporting purposes unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Among other things, all necessary permits would be required to be in hand or issuance imminent in order to classify mineralized material as reserves under the SEC standards.

United States investors are cautioned not to assume that any part or all of the mineral deposits identified as a "measured mineral resource", "indicated mineral resource" or "inferred mineral resource" will ever be converted to reserves as defined in NI 43-101 or SEC Industry Guide 7. Further, "inferred mineral resources" have a great amount of uncertainty as to their existence and economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of "inferred mineral resources" may not form the basis of feasibility or other economic studies. U.S. investors are cautioned not to assume that part or all of an inferred mineral resource exists, or is economically or legally mineable.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents of Nautilus are specifically incorporated by reference into, and form an integral part of, this Annual Information Form:

1) the technical report dated July 4, 2016 entitled “TOML Clarion Clipperton Zone Project, Pacific Ocean” (the “TOML CCZ Report”) prepared for the Company by Ian Lipton of AMC Consultants Pty Ltd, Matthew Nimmo, an independent consulting geologist, and John Parianos, (then) Chief Geologist of the Company, along with the accompanying certificates of Qualified Persons; and
2) the technical report dated February 27, 2018 entitled "Preliminary Economic Assessment of the Solwara Project, Bismarck Sea, PNG" (“PEA”) prepared by Ian Thomas Lipton and Edward Vincent Gleeson, and Peter Munro of Mineralis Consultants Pty Ltd, along with the accompanying certificates of Qualified Persons.

DEFINITIONS

"Ag"	silver
"AIF" or "Annual Information Form"	this Annual Information Form of the Company in respect of the year ended December 31, 2017
"AMC"	AMC Consultants Pty Ltd, the firm that prepared the PEA
"Au"	gold
"A$" or "AUD"	Australian dollars, the lawful currency of Australia
"Board" or "Directors"	the directors of the Company as at the date of this document
"C$" or "CDN$"	Canadian dollars, the lawful currency of Canada
"CAB"	Coastal Area of Benefit
"CCZ"	Clarion Clipperton Zone
"CCZ Project"	A project within the exploration contract in place between TOML and the ISA as explained in the TOML CCZ Report
"CEPA"	Conservation Environmental Protection Agency of PNG, formally known as the DEC
"Common Shares"	the common shares without par value in the capital of Nautilus
"CRM"	certified reference materials
"Cu"	copper
"DEC"	Department of Environment and Conservation of Papua New Guinea
"DSMF"	Deep Sea Mining Finance Ltd., a private company incorporated in the British Virgin Islands and 50% owned by each of USM Finance Ltd (an affiliate of Metalloinvest) and Mawarid
"DSMF Funding Mandate"	the Funding Mandate Agreement dated October 9, 2017 between Nautilus and DSMF pursuant to which Nautilus engaged DSMF to act as the Company's exclusive financial advisor in respect of the remaining project financing of up to US$350 million to complete the development of the Solwara 1 project. Replaced in January 2018 by the M. Horn & Co Funding Mandate
"DWP"	Dewatering plant
"Earth Economics Report"	the environmental and social benchmarking analysis of the Solwara 1 produced by Earth Economics
"EEZ"	Exclusive Economic Zone
"EGM"	the Extraordinary General Meeting held on October 26, 2016 to approve the completion of the Private Placement Financing
"EIS"	Environmental Impact Statement
"EL"	Exploration Licences
"FAT"	factory acceptance testing
"GE Hydril"	Hydril USA Distribution LLC
"GMC"	General Marine Contractors LLC
"Golder"	Golder Associates Pty Ltd

“Honghua”	Sichuan Honghua Petroleum Equipment Co
“ISA”	International Seabed Authority
“Joint Venture Agreement”	the agreement dated December 11, 2014 among Nautilus, a subsidiary of Nautilus and the State Nominee, in respect of the Solwara 1 Project
"Kumul Minerals"	Kumul Minerals Holdings Limited, a wholly owned company of the State, and which holds the State’s mining and petroleum assets. Was previously Petromin PNG Holdings Limited
“LARS”	launch and recovery system
“M. Horn & Co.”	M. Horn & Co. Ltd, a private company incorporated in England and owned by Mr. Mark Horn.
“M. Horn & Co Funding Mandate”	The Funding Mandate Agreement dated January 8, 2018 between Nautilus and M. Horn & Co. pursuant to which Nautilus engaged M. Horn & Co. to act as the Company’s exclusive financial advisor in respect of the remaining project financing of up to US$350 million to complete the development of the Solwara 1 project. The M. Horn & Co. Funding Mandate replaced the DSMF Funding Mandate
“MAC”	Marine Assets Corporation
“Mawarid”	Mawarid Offshore Mining Ltd, a subsidiary of MB Holding
“Mawei”	Fujian Mawei Shipbuilding Ltd, the builder of the PSV
“Metalloinvest”	Metalloinvest Holding (Cyprus) Limited
"MB Holding"	MB Holding Company LLC, an oil and gas, mineral mining and processing group based in Muscat, Oman
MI 61-101	Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*
"Mining Lease" or "ML 154"	the mining lease granted to the Company by the State of PNG in January 2011 in regards to the Solwara 1 Project for a period of 20 years
“ML”	Mining Lease
“Nautilus” or “Company”	Nautilus Minerals Inc., a company existing under the *Business Corporations Act* (British Columbia) and incorporated in British Columbia, Canada; references to "we", "our" and similar expressions are to Nautilus Minerals Inc.
“NI 43-101”	National Instrument 43-101 *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators
“NMN”	Nautilus Minerals Niugini Limited (formerly Nautilus Minerals Corporation Limited)
“NMO”	Nautilus Minerals Oceania Limited
“PEA”	Preliminary Economic Assessment prepared by AMC and contained in an independent NI 43-101 technical report dated February 27, 2018 entitled "Preliminary Economic Assessment of the Solwara Project, Bismarck Sea, PNG"
“Placer Dome”	Placer Dome Exploration Inc. and Placer Dome Oceania Limited (each being subsidiaries of Barrick Gold Corporation)

“PNG” or “the State of PNG” or “the State”	Independent State of Papua New Guinea
"PNG Equity Agreement"	the agreement between the State and the Company dated April 24, 2014, as amended on October 31, 2014, under which the State has taken a 15% interest in the Solwara 1 Project
“PNG Licences”	the exploration licences and ML granted in the PNG Territory and (as the context may require) the further exploration licences applied for in the PNG Territory
“PNG Territory”	means sub-sea, seafloor and sub-seafloor within the coast waters, territorial waters, exclusive economic zone and continental shelf of PNG
“Private Placement Financing”	the private placement financing pursuant to which the Company has the right to issue common shares to Mawarid and Metalloinvest in accordance with the terms of the Subscription Agreement
“Projects” or “Tenements”	collectively, the tenements described in the PEA and the TOML CCZ Report
"PSV"	Production Support Vessel
“Purchasers”	Mawarid and Metalloinvest as purchasers of Common Shares of the Company pursuant to the Subscription Agreement entered into to give effect to the Private Placement Financing
“Qualified Person”	as defined in NI 43-101, a “Qualified Person” means an individual who is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these, has experience relevant to the subject matter of the mineral project, and is a member in good standing of a professional association
“RALS”	riser and lifting system
“Rights Offering”	the rights offering pursuant to the Company's final short form prospectus dated February 23, 2016 (available on the SEDAR website), described under "General Development of the Business of the Company – Three Year History – 2016 – Rights Offering"
“RTO”	the series of transactions undertaken by the Company in May 2006 whereby it disposed of substantially all of its oil and gas business and assets and acquired NMN and NMO
“ROV”	remotely operated vehicle
“Seafloor Production System”	the Company's seafloor production system described under "General Development of the Business of the Company – Overview of Business – Products, Services and Components"
“Shipbuilding Contract”	the contract between MAC and Fujian Mawei Shipbuilding Limited to design and construct the PSV in accordance with Nautilus' instructions
“Shipyard”	the shipyard, located at Fuzhou City, Fujian Province, China and operated by Fujian Mawei Shipbuilding Limited, where the PSV is being constructed
“SMD”	Soil Machine Dynamics Ltd
“SMS”	seafloor massive sulphide
“Solwara 1" or “Solwara 1	a prospect within the Mining Lease, as described in this AIF and in the

Project”	PEA
“Solwara 12”	a prospect within the exploration licence (EL1374) granted to NMN in the PNG Territory
“SPTs” or "Seafloor Production Tools"	the seafloor production tools described under "General Development of the Business of the Company – Overview of Business – Products, Services and Components"
“SRK”	SRK Consulting (Australasia) Pty Ltd
“SRM”	Secondary reference material
"SSLP"	subsea slurry lift pump
"State Equity Option Agreement"	the State Equity Option Agreement dated March 29, 2011 between Nautilus and the State of PNG
"State Nominee"	Eda Kopa (Solwara) Limited, a company incorporated under the laws of PNG, being a subsidiary of Kumul Minerals Holdings and the nominee of the State of PNG pursuant to the PNG Equity Agreement
“Subscription Agreement’	the Subscription Agreement between the Company, Mawarid and Metalloinvest dated August 21, 2016, as amended by the Amendment to Subscription Agreement dated September 19, 2016
“TOML”	Tonga Offshore Mining Limited, a wholly-owned subsidiary of the Company
“TOML CCZ Report”	the technical report dated July 4, 2016 entitled “TOML Clarion Clipperton Zone Project, Pacific Ocean” prepared for the Company by Ian Lipton of AMC Consultants Pty Ltd, Matthew Nimmo, an independent consulting geologist, and John Parianos, (then) Chief Geologist of the Company, along with the accompanying certificates of Qualified Persons
"Tongling"	Tongling Nonferrous Metals Group Co. Ltd
“Tongling Sales Agreement”	The Master Ore Sales and Processing Agreement between NMN and Tongling dated December 11, 2015
“tpd”	Tonnes per day
“TSX”	the Toronto Stock Exchange
UES	United Engineering Services LLC
“UK”	the United Kingdom of Great Britain and Northern Ireland
“US” or “USA”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“US$” or “USD”	US dollars, the lawful currency of the US

CORPORATE STRUCTURE

NAME, ADDRESS AND INCORPORATION

Nautilus Minerals Inc. was incorporated under the laws of the Province of British Columbia, Canada, on January 26, 1987 under the name "Premier Gold Resources Inc." On April 8, 1991, the Company changed its name to "Cryptic Ventures Inc." The Company continued into the Yukon on November 21, 1996 under "Zen International Resources Ltd.", continued to Alberta on March 27, 2002 under "Orca Petroleum Inc." and then continued to British Columbia on April 27, 2006 under "Nautilus Minerals Inc." where the Company continued under the provisions of the *Business Corporations Act* (British Columbia).

The Common Shares commenced trading on the TSX Venture Exchange (formerly the Vancouver Stock Exchange) on March 6, 1989 and on August 24, 2007 the Common Shares were listed on the Toronto Stock Exchange. The Common Shares commenced trading on OTCQX International on April 27, 2012, and ceased trading on OTCQX International on December 31, 2016.

The Company, as it is currently structured, was formed on May 8, 2006 when the Company completed a series of transactions undertaken by the Company whereby it disposed of substantially all of its oil and gas business and assets and acquired Nautilus Minerals Niugini Limited and Nautilus Minerals Oceania Limited (the reverse takeover, or the **RTO**). The Company's principal business prior to the RTO was oil and gas exploration in Bolivia, which business was done through its wholly owned subsidiaries: Zen International Resources Limited, Orca Energy Corp., Orca International Corp., Compania Petrolera Orca S.A and Orca Petroleo S.A.

The Company is a seafloor resource exploration and development company and the first publicly listed company to commercially explore the ocean floor for copper, gold, silver and zinc SMS deposits and for manganese, nickel, copper and cobalt nodule deposits. The Company conducts its operations primarily through its direct and indirect wholly-owned subsidiaries. The Company's registered and records office is located at 10th Floor, 595 Howe Street, Vancouver, British Columbia, V6C 2T5 Canada.

INTERCORPORATE RELATIONSHIPS

Nautilus Minerals Niugini Limited (**NMN**) was organized under the laws of PNG on October 9, 1995. NMN has been reviewing research data on SMS deposits in PNG since 1997, and during 2005/2006 with Placer Dome conducted sampling work on the seafloor of the Bismarck Sea. All activities undertaken to date by the Company in PNG have been undertaken by NMN or other subsidiaries domiciled in PNG. Each of the PNG Licences are held by NMN or other subsidiaries domiciled in PNG and the applications for further exploration licences in PNG have been made in the name of NMN and the other subsidiaries domiciled in PNG.

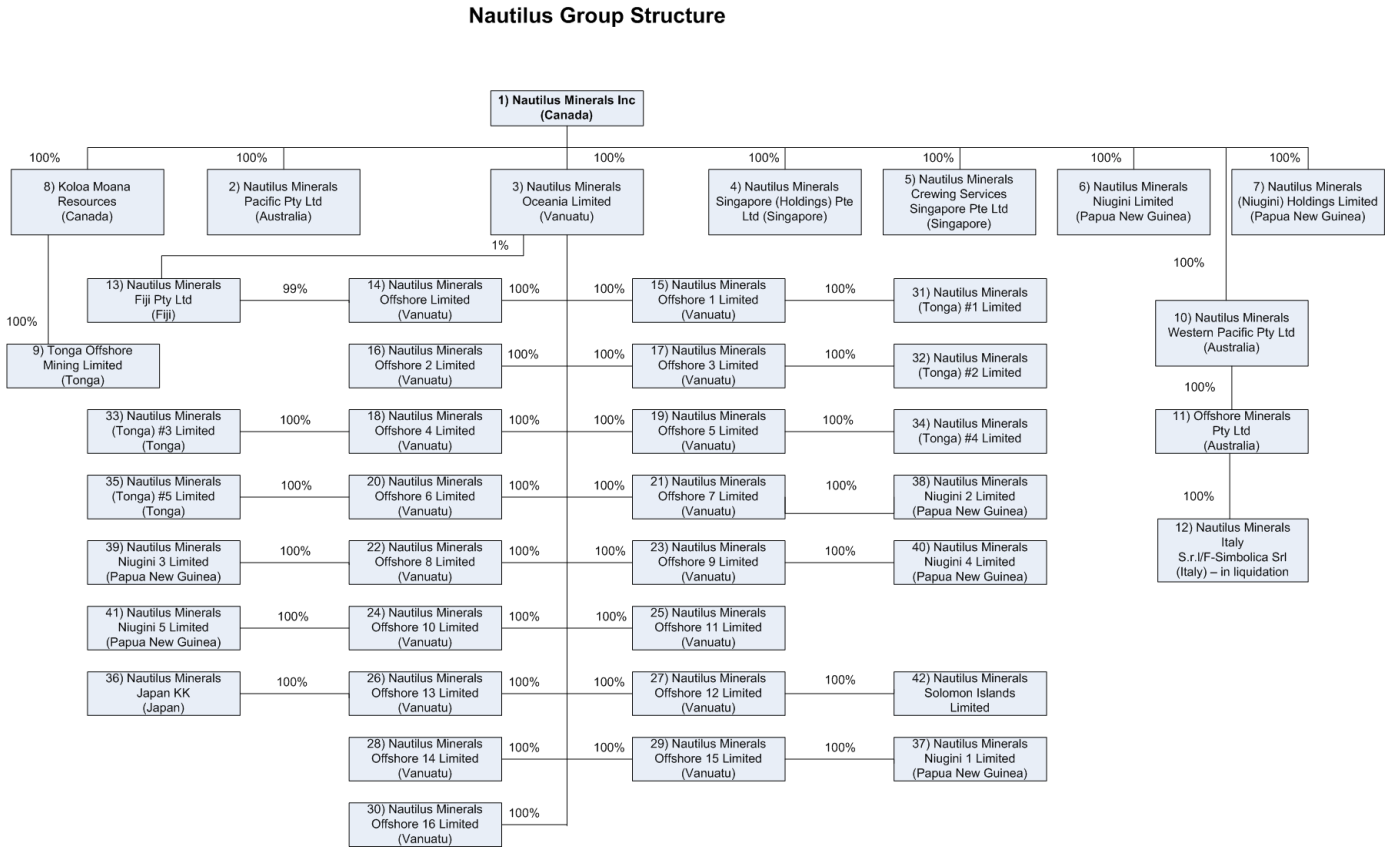
Nautilus Minerals Oceania Limited (**NMO**) was incorporated under the laws of Vanuatu on June 17, 2002. NMO currently acts as a holding company for the various subsidiaries shown in the Company's structure below. These various subsidiaries have made applications and in some instances been granted prospecting licences within the 1887 Proclamation Area of the Kingdom of Tonga, Solomon Islands, Fiji, Vanuatu and New Zealand.

Nautilus Minerals Pacific Pty Ltd (**NMP**) was incorporated in Australia on April 18, 2006 and provides various administrative services to the Company.

Tonga Offshore Mining Limited (**TOML**) was incorporated under the laws of Tonga on March 7, 2008 and holds the Company's exploration licences granted by the ISA in the CCZ.

Figure 1 illustrates the Company's corporate structure, as at the date of this Annual Information Form, listing each of its subsidiaries, together with the jurisdiction of incorporation of each subsidiary and the percentage of voting securities beneficially owned or over which control or direction is exercised by the Company.

Figure 1: Nautilus Group Structure



GENERAL DEVELOPMENT OF THE BUSINESS OF THE COMPANY

THREE YEAR HISTORY

The following section reports on how the Company's business has developed over the last three completed financial years including events and conditions that have influenced the general development of the business. It also discusses changes in the Company's business that are expected to occur during the current financial year.

2015

Continued development of the Seafloor Production System

Over 2015, the construction of the three main components of the seafloor production system progressed significantly.

Seafloor Production Tools

The Seafloor Production Tools (**SPTs**) were built by Soil Machine Dynamics (**SMD**) in Newcastle upon Tyne, UK. During 2015, commissioning of the key components of the SPTs – the Auxiliary Cutter, Bulk Cutter and Collecting Machine – continued at SMD's premises in Newcastle-upon-Tyne, England, including undertaking and completing Factory Acceptance Testing (**FAT**). The three umbilical winches that store and manage the power and control umbilicals were designed procured and assembled at SMD's facilities and successfully completed FAT in March 2015.

Production Support Vessel

The Production Support Vessel (**PSV**) is being built for the Company through a vessel procurement and charter arrangement with Dubai based Marine Assets Corporation (**MAC**). MAC specializes in the delivery of new build support vessels for the offshore oil and gas, and construction industries. Under the charter arrangement, MAC provides marine management of the PSV allowing Nautilus to focus on the mining operation.

After Nautilus and MAC agreed to these arrangements in November 2014, MAC then contracted Fujian Mawei Shipbuilding Ltd (**Mawei**) in Fuzhou City, Fujian Province, China to design and construct the PSV in accordance with Nautilus' specifications.

For the PSV, progress continued in 2015 on procurement of all major equipment packages. In February 2015, a contract was placed with Rolls Royce of Norway to supply the main engines, azimuth and thruster packages for the vessel's dynamic positioning system. At the same time, Bedeschi SPA in Italy was awarded the contract for the cargo handling equipment which will store and recover the mined material from the PSV holds and then transfer this on to Handimax vessels for transshipment to the Company's processing partner in China, Tongling Nonferrous Metals Group Company, Limited (see "Nautilus and Tongling signed new offtake agreement for Solwara 1" below).

In April 2015, two other long lead item contracts were awarded. The first was awarded to MacGregor Norway AS, headquartered in Kristiansand, Norway, for the vessel deck mounted cranes. The 2,500 metre heave compensated main crane will provide critical lifting support for the subsea mining equipment, while the deck crane will provide lifting support on deck. The second contract was awarded to Siemens International Trading (Shanghai) Ltd., a wholly owned subsidiary of Siemens AG, for the supply of the entire electrical installation for the PSV.

Physical construction of the PSV commenced on schedule in September 2015 at the Fujian Mawei Shipyard with the first steel being cut.

Riser and Lifts System

Also during 2015, General Marine Contractors in Houston continued with fabrication of the rigid riser whilst GE Hydril continued with the assembly of the Subsea Slurry Lift Pump (**SSLP**). These are the two main components of the Riser and Lifts Systems (**RALS**).

Cyber-attack

In early 2015, the Company and MAC were the victims of a cyber attack that resulted in the Company paying a deposit of $10M owing to MAC under the vessel charter agreement to a bank account which the Company believed to be MAC's, but which MAC subsequently advised was not its account. The Company and MAC continue to work cooperatively on seeking a resolution to this incident.

Changes to the Board of Directors

On May 6, 2015, the Company announced changes to its board of directors with the appointment of Mr. Tariq Al Barwani and the resignation of Mr. Usama Al Barwani. Mr. Tariq Al Barwani is a nominee of MB Holding, the Company's largest shareholder, and is Chief Executive of Mawarid Mining LLC, a wholly owned subsidiary of MB Holding Company.

Exploration programs undertaken

During 2015, the Company completed two exploration programs: (a) a 43 day campaign to the 100% owned exploration licences in the Solomon Islands; and (b) a 3 month Mineral Resource evaluation and environmental baseline campaign to the 100% owned TOML nodule licence areas in the CCZ.

The 43 day MV Duke 2015 campaign was completed during the third quarter of 2015. Amongst its achievements were the discoveries of two natural hydrothermal plumes which required further work to assess their mineralization potential. Approximately 550 line km of Tow-Yo plume hunting and approximately 31,000km^2 of state-of-the-art multibeam bathymetry/backscatter mapping were completed.

The results from the MV Duke 2015 cruise allowed the Company to significantly rationalize the large tenement position in the Solomon Islands.

The 3 month RV Yuzmorgeologiya 2015 Mineral Resource evaluation, geotechnical and environmental baseline campaign to the TOML license area in the CCZ exceeded all stretch targets with respect to data and sample collection. The analysis and interpretation of the considerable amount of geological data, resource samples and environmental baseline data/samples collected during the campaign lead to the issuance of an updated and upgraded NI 43-101 technical report and Mineral Resource estimate the following year.

In addition to the above mineral exploration cruises, the Company acquired environmental baseline data and the deployment of long term environmental baseline monitoring equipment over the 100% owned Solwara 12 prospect in the Bismarck Sea.

Earth Economics' independent Environmental and Social Benchmarking Analysis released

On May 31, 2015, Earth Economics released its independent Environmental and Social Benchmarking Analysis of Nautilus' Solwara 1 Project (the **Earth Economics Report**), based on a natural capital accounting methodology of assessment. The Earth Economics Report concluded that the Solwara 1 Project has the potential to significantly reduce social and environmental impacts of mining commonly associated with large surface terrestrial copper mines.

Earth Economics had been commissioned by Nautilus to conduct an independent, objective environmental and social benchmarking analysis comparing the proposed deep sea Solwara 1 Project with terrestrial copper mines. Earth Economics was selected to conduct the research because it is an independent, non-partisan, non-profit organization dedicated to research and economic, environmental and social solutions and it houses the most comprehensive database of natural capital valuation studies in the world.

The Earth Economics Report compared the social and environmental impacts of the proposed Solwara 1 Project with three terrestrial mines: Bingham Canyon (Utah, USA), Prominent Hill (South Australia, Australia) and Intag (a proposed mine in Intag Province, Ecuador).

Key findings of the Earth Economics Report included:

- World demand for copper continues to rise, with increasing global economic development, expanding renewable energy supplies (wind, hydro, wave geothermal, tidal power) and growing copper plumbing, electronics and communications sectors.
- Recycling is likely limited to around 35% of the supply of copper.
- Copper ore grades are declining.
- Environmental and social impacts of terrestrial copper mining are rising.
- There is an urgent need to meet world copper demand while reducing waste by-products, fresh water use and contamination, damaging impacts to communities, mine footprints and CO_2 emissions from copper mining.
- Seafloor mining has the potential to minimize the impact of copper mining by producing more copper with fewer natural capital inputs, fewer damaging outputs and a smaller area of impact.
- The proposed Solwara 1 Project, when compared to the terrestrial mines, entails far less environmental and social impact and less short and long-term risks.
- Terrestrial mines have significant impacts. Measured on the basis of impacts per ton of copper, the Solwara 1 Project would outperform terrestrial mines:
    - People will not be displaced by the proposed Solwara 1 Project
    - There will be no impact on food production
    - There will be no impact on surface or groundwater fresh water supplies
    - There will be no significant risk of disaster (e.g. mine tailing inundation of communities)
    - There will be no impact to pollination, soil formation, erosion, historic and cultural values
- The monetary damages (measured in terms of USD/year) resulting from terrestrial mines is estimated to be significantly more than that of the proposed Solwara 1 Project (4 to 13 times per ton of copper produced for the three mines used in the comparison).

The Earth Economics Report does not contain any economic analysis of the Solwara 1 Project and Nautilus has not completed a preliminary economic assessment or other economic study on the Solwara 1 Project.

Nautilus and Tongling signed new offtake agreement for Solwara 1

In December 2015, the Company signed the Tongling Sales Agreement for the sale of the product extracted from the Company's Solwara 1 deposit, with the first delivery expected at the end of Q1 of 2019 (subject to project financing – see "2016 – Private Placement Financing and Restructuring Plan" below). The Tongling Sales Agreement was filed on SEDAR on December 11, 2015.

The agreement is structured as a conventional take-or-pay material sales agreement where Tongling will pay Nautilus for a fixed proportion of copper, gold and silver in the mineralised material.

The copper payment will be for 95% of recoverable copper as determined by locked cycle testwork on samples of shipments. The gold payment is fixed at 50% of the contained gold in the mineralised material. Payment for silver is fixed at 30% of contained silver in the mineralised material. The Asian international copper concentrate benchmark will be used as the basis for smelter treatment and refining charges related to the recoverable copper.

From Tongling's perspective, the Tongling Sales Agreement offers flexibility over the design and operation of a concentrator to be built specifically for the processing of Solwara 1 material. The construction of the concentrator will initially be financed by Tongling, with these costs recovered through a fixed plant capital fee payable by Nautilus monthly over the term of the Tongling Sales Agreement. Nautilus will provide Tongling with a bank guarantee covering 50% of the concentrator capital cost. Tongling has the exclusive right to market or process any pyrite concentrates produced from the Solwara 1 material.

The State Nominee elected not to exercise option

In December 2015, the State Nominee, the Company's joint venture partner in the Solwara 1 Project, elected not to exercise its option to take up a further 15% interest in the Solwara 1 Project in addition to its existing 15% interest.

2016

Seafloor Production Tools Progress

Fabrication of the SPTs was completed by SMD in early 2016. Each of the three units (the Auxiliary Cutter, the Bulk Cutter and the Collection Machine) successfully completed FAT at SMD's Newcastle facility, before being shipped to Duqm Port in Oman. The Company entered into an agreement with United Engineering Services LLC (**UES**) to provide storage and preservation maintenance services while the SPTs remained in Oman.

UES is a wholly-owned subsidiary of MB Holding, which holds, directly or indirectly, approximately 28% of the outstanding Common Shares and has two nominee directors sitting on the Company's board (Dr. Mohammed Al Barwani and Tariq Al Barwani).

Accordingly, the support services and equipment storage contracts with UES constitute a "related party transaction" of the Company under Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* (**MI 61-101**).

The board of directors of the Company, excluding the two interested directors, unanimously approved the contracts with UES, and determined that the transaction was exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 in reliance on the exemptions set forth in

sections 5.5(a) and 5.7(1)(a) of MI 61-101, on the basis that, at the time the transaction was agreed to, neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the transaction exceeded 25% of the Company's market capitalization.

As well as providing a storage and preservation maintenance solution for the SPTs, options for submerged trials of the equipment at Duqm were evaluated by the Company. However in the absence of a viable option, it was decided to defer submerged trials until 2017 when an alternative location could be identified.

The Launch and Recovery System for the SPTs, completed in the previous year, remained in storage in various locations in Europe (Norway, Poland, UK and Italy) and the Far East (Korea) awaiting shipment to the Fujian Mawei shipyard for installation on the PSV in 2017. A consolidation and preservation maintenance program was established for this equipment.

Recovery and Lift System Progress

Fabrication of the SSLP by GE Hydril continued through-out 2016 with final assembly and factory acceptance testing commencing late in the year. The factory acceptance testing demonstrated that the SSLP met all of the key performance criteria with respect to nominal and maximum flow rates. Rectification of minor issues identified through factory acceptance testing continued into early 2017 with final delivery of the pump anticipated in the first half of the year.

Fabrication of the Rigid Riser by GMC was completed in 2016, with the completed riser remaining in storage in Louisiana awaiting final delivery. GMC also completed fabrication and factory acceptance testing of riser handling tools in Poland during the year.

Production Support Vessel Progress

Progress continued to be made on the building of the PSV at the Fujian Mawei shipyard. A keel laying ceremony was held in June 2016, when the first completed blocks were lifted into the dry dock to commence assembly of the vessel. By the end of the year, basic and detailed design was ostensibly complete with 100% of 335 block drawings issued, and 278 blocks lifted into the dry dock. As such, the hull was complete to deck level, with the accommodation block and bridge in place.

TOML CCZ Report

On May 26, 2016, the Company announced an upgraded Mineral Resource estimate for its TOML polymetallic nodule project to include portions in the Inferred, Indicated and Measured categories. The total is over 685 million wet tones of nodules (see "Mineral Projects – Clarion-Clipperton Zone Project – Summary of the TOML CCZ Report" for details of the Mineral Resource estimate). This follows on from the successful completion of exploration campaigns in the CCZ in the Central Pacific in 2013 and late 2015. The Company subsequently filed the TOML CCZ Report containing this Mineral Resource estimate.

Rights Offering

On February 23, 2016, the Company announced that it had filed a final short form prospectus within each province of Canada, other than Quebec, in respect of a Rights Offering. The Rights Offering included an additional subscription privilege under which holders of rights who fully exercised their rights were entitled to subscribe for additional Common Shares, if available, that were not otherwise subscribed for under the Rights Offering. The Company also registered the offer and sale of the shares issuable on exercise of

the rights within the United States with the SEC on a registration statement on Form F-7 under the U.S. *Securities Act* of 1933, as amended.

The Rights Offering was made to all existing shareholders in eligible jurisdictions, as disclosed in the final prospectus.

On completion of the Rights Offering, the Company received gross proceeds of C$28,263,829.65 through the issuance of an aggregate of 188,425,531 common shares at the subscription price of C$0.15 per share**,** representing approximately 27% of the total shares on offer.

The Company's largest shareholder, MB Holding participated in the Rights Offering, through its subsidiary Mawarid, by partially exercising its basic subscription privilege. MB Holding, together with its affiliates, held approximately 27% of the Company's outstanding shares on completion of the Rights Offering. The Company's second largest shareholder, Metalloinvest, together with its affiliates, did not participate in the offering.

The net proceeds from the Rights Offering were used by the Company to advance the construction and development of the Seafloor Production System and for general working capital requirements.

Private Placement Financing and Restructuring Plan

In August 2016 the Company entered into the Subscription Agreement with Mawarid and Metalloinvest (together, the **Purchasers**) under which the Purchasers agreed to purchase such number of common shares of the Company that will raise gross proceeds of up to US$20 million pursuant to the Private Placement Financing.

The Company requires significant additional funding 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. The gross proceeds available under the Subscription Agreement will provide the bridge financing necessary to enable the Company to operate and to carry on the project as described in detail below, while it continues to explore additional financing, joint ventures or other transactions that provide the funding required in order to complete the development of the Solwara 1 Project. There can be no assurances that the Company will be successful in securing any such transactions.

Pursuant to the Subscription Agreement, the shares will be purchased on a private placement basis and will 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 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 TSX for the 5-day period immediately prior to the date the Company issues the Purchasers a notice that the tranche will proceed.

As the Purchasers are related parties to the Company, MI 61-101 and the rules of the TSX required that shareholder approval be obtained in order for the issuance of shares in the Private Placement Financing to exceed 25% of the Company's market capitalization or 10% of the Company's current number of outstanding shares.

At the EGM, the Company obtained the necessary shareholder approvals of the Private Placement Financing. Further information regarding the terms of the Private Placement Financing and the relationship between the Company and the Purchasers are included in the Company's information circular dated September 19, 2016 which was filed on SEDAR on September 27, 2016.

For the purposes of the additional funding required and in order to continue operating during the Financing Period, the Company implemented a restructuring plan involving the following:

- Completing the Company's three key equipment contracts and storing that equipment when delivered, which includes:
    - the SPTs and associated equipment being supplied by SMD;
    - the Riser Pipe being supplied by GMC; and
    - the SSLP being supplied by GE Hydril.
- MAC continuing the construction of the production support vessel at the Fujian Mawei Shipyard up to the completion of the hull, with further construction dependent upon the Company securing additional funding.
- Undertaking, with the Company's joint venturer, 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 PNG closest to the Solwara 1 Project area.
- Terminating other contracts for the construction of any seafloor production equipment that are in the early stages of development and not entering into any new construction contracts until additional funding is secured.
- Reviewing the joint venture's remaining development, testing and operations plans to take account of current market conditions.
- Reducing Company staff numbers by approximately 60% to maintain the key resources required to implement the above activities, whilst ensuring project and corporate knowledge is retained. In this regard, the remaining members of the Company's executive management team, who will be responsible for implementing the restructuring plan, are Mike Johnston, President & CEO and Adam Wright, Vice President – PNG Operations.
- Staff reductions, including the departure of the following members of the Company's executive management team:
    - Shontel Norgate, Chief Financial Officer;
    - Kevin Cain, Vice President – Projects;
    - Jonathan Lowe, Vice President – Strategic Development and Exploration; and
    - Karen Hauff, General Counsel / Company Secretary

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 Private Placement Financing allowed the Company to secure the necessary bridge financing to facilitate the time required to secure that additional required funding. The Company continues its efforts to raise additional funds and subject to raising the required funds as well as 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 Q2 2019.

There can be no assurances that the Company will be able to obtain the necessary project financing on acceptable terms or at all. 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 Solwara 1 Project, and engaging in various transactions including, without limitation, asset sales, joint

ventures and capital restructurings. The Company will provide updates as circumstances warrant. Any transaction(s) will be subject to all necessary stock exchange and, if applicable, shareholder approvals, as well as compliance with all other regulatory requirements. See "Risk Factors – Exploration, Development and Operating Risks – Financial resources" and "Risk Factors – Exploration, Development and Operating Risks – Future funding requirements and risk" in this AIF.

On December 13, 2016, pursuant to the Subscription Agreement the Company issued an aggregate of 15,539,080 common shares to the Purchasers (allocated equally between them) at an issue price of C$0.174 per share for aggregate proceeds to the Company of US$2,000,000.

Stock Options and Loan Shares

In December 2016, the Company issued 600,000 loan shares and 1,200,000 stock options, at an issue price or exercise price, as the case may be, of C$0.17 per share, to certain directors of the Company in accordance with the provisions of the Company's share loan plan and stock option plan. The securities vested as to 20% on January 1, 2017 and will vest as to 20% every six months thereafter, with an expiry date of July 1, 2019.

Management and Director Changes

Mr. A. Geoffrey Loudon retired as Chairman and director of the Company effective June 1, 2016 and the Company's board of directors appointed Mr. Russell Debney as interim Chairman, effective from June 1, 2016.

In October 2016 the board appointed Mr. Glenn Withers as acting Chief Financial Officer and Mr. Stuart MacKenzie as Company Secretary and Legal Counsel.

Effective December 7, 2016, Ms. Cynthia Thomas resigned as a director of the Company, with the remaining directors of the Company being:

- Russell Debney
- Mark Horn
- Dr. Mohammed Al Barwani
- Tariq Al Barwani

Following the resignation of Ms. Thomas, the Company's audit committee was comprised of Russell Debney, Mark Horn and Tariq Al Barwani.

Exploration Program

In mid December 2016, the Company commenced a 3.5 month seabed sampling and deep tow programme in the Bismarck Sea covering an extensive area near the Solwara 1 Project. Design and fabrication of a scout drill rig commenced.

2017

Additional Draw-Downs under the Private Placement Financing

Pursuant to the Subscription Agreement with Mawarid and Metalloinvest, the Company delivered a number of financing notices (Table 2) to the Purchasers over the first 7 months of 2017 (see "General

Development of the Business of the Company – Three Year History - 2016 – Private Placement Financing and Restructuring Plan" above).

Table 2: 2017 Financing Notices Delivered

Date of Financing Notice	Date of issue of Common Shares	Number of Common Shares issued[1]	Issue Price (C$)	Proceeds to Company (US$)
February 17, 2017	March 9, 2017	16,221,118	0.161	2,000,000.00
March 22, 2017	April 10, 2017	12,507,042	0.213	2,000,000.00
April 19, 2017	May 11, 2017	11,197,488	0.239	2,000,000.00
July 21, 2017	August 4, 2017	11,761,682	0.214	2,000,000.00

1. Allocated equally between the Purchasers.

The Company issued a total of 78,247,462 common shares for gross proceeds of US$12,000,000 under the Subscription Agreement.

The Company and the Purchasers agreed to terminate the Subscription Agreement as a component of a funding mandate agreed with the major shareholders (see “General Development of the Business of the Company – Three Year History – 2017 – DSMF Funding Mandate” below).

Submerged trials of Seafloor Production Tools

In April 2017, the SPTs arrived in PNG to undertake submerged trials at a facility on Motukea Island near Port Moresby. The tests were conducted by Nautilus staff and key contractors, with support from Curtain Brothers, Papua New Guinea.

The submerged trials of the Collecting Machine and the Auxiliary Cutter were completed in 2017, with the submerged trial of the Bulk Cutter taking place in early 2018 (see “General Development of the Business of the Company – Three Year History – Recent developments in 2018 – Completion of submerged trials”).

Analysis of the results indicates that the SPTs can perform to design specifications with the machine components all functioning as designed in submerged conditions. The cutting performance of the Auxiliary Cutter was particularly positive, with the Auxiliary Cutter cutting approximately 770 tonnes of material during trails. The Nautilus site team assessed the material at the trial site as being at least three times harder than the mineralized material at Solwara 1, even allowing for the hyperbaric effect on material located at seafloor depths.

The positive results are seen by the Company as significantly de-risking the project, and provided the Company the opportunity to look at operating enhancements.

Progress on Production Support Vessel

The construction of the PSV continued at Mawei's Shipyard over 2017.

The Launch and Recovery System (**LARS**) was delivered to the Shipyard in May 2017 marking the start of the program to install and integrate the Company's equipment into the PSV. It consists of equipment including very large A-frames and lift winches and will be used to launch and stabilize the SPTs during deployment from the PSV down to the seafloor and during retrieval from the seafloor back to the PSV. Installation is being supervised by the supplier, AXTech.

The 100T/200T cranes were delivered to the ship yard in August 2017. The crane pedestals were completed in Nov 2017 and the cranes were installed in Dec 2017. The supplier is Macgregor Norway AS.

The Sichuan Honghua Petroleum Equipment Co. (**Honghua**) continued to make good progress over 2017 with the fabrication of the derrick and associated substructure. This equipment, which is required for the deployment of the Subsea Slurry Lift Pump and riser, underwent trial assembly at Honghua's fabrication facility in Chengdu before being shipped to the Shipyard in February 2018. Installation on the PSV commenced in February. Honghua commenced fabrication of the dewatering plant structural steel modules at their Qidong yard in February 2018, following procurement of the required steel.

In December 2017, the Company announced that Mawei, the owner of the Shipyard where the PSV is being built, had notified the Company that MAC Goliath Pte Ltd, a subsidiary of MAC and the buyer of the PSV, had failed to pay the third instalment of the purchase price under the shipbuilding contract (see "General Development of the Business of the Company – Three Year History – 2015 – Continued development of the Seafloor Production System"). Nautilus has been in, and continues to be in, discussions with Mawei, MAC and third parties with respect to the default and potential remedies.

Changes in Board and Management

On October 5, 2017, Mr. Mark Horn resigned as a Director. Mr. Horn had been a director since September 20, 2013 and resigned in order to create, manage and lead Deep Sea Mining Finance Ltd (**DSMF**), an entity set up as a joint venture between the two major shareholders (Metalloinvest and MB Holding) and duly mandated by the Company to raise funds for the project (see – "General Development of the Business of the Company – Three Year History – 2017 – DSMF Funding Mandate" below).

Mr. John McCoach was appointed as a Director (and the Chairman of the Audit Committee) on October 19, 2017.

On December 27, 2017, Mr. Russell Debney resigned as Chairman and director of the Company and as director and officer, as applicable, of the Company's operating subsidiaries.

DSMF Funding Mandate

Over 2017, the Company continued to explore financing opportunities in order to maintain the development of the Solwara 1 Project and the Company's operations. As previously disclosed, the Company requires significant additional funding 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. Over the course of 2017, the Company issued announcements disclosing its cash position, budget and funding requirements for, among other things, meeting its contractual commitments in relation to certain of the equipment forming

part of the Seafloor Production System. The Company also reported on its discussions with various parties involved in the manufacture of the Seafloor Production System with respect to the Company deferring some of its immediate cash flow requirements.

In early October 2017, the Company announced that it was in discussions with DSMF concerning the potential engagement of DSMF as Nautilus' financial advisor to implement a financing strategy for Nautilus, by leveraging the international expertise and financial relationships of Nautilus' two major shareholders (Metalloinvest and MB Holding). On October 11, 2017, the Company announced that it had entered into a Funding Mandate Agreement (the **DSMF Funding Mandate**) with DSMF pursuant to which DSMF would 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.

DSMF is incorporated as a private company in the British Virgin Islands and is 50% owned by each of: (i) USM Finance Ltd, a wholly owned subsidiary of USM Holdings Ltd, an affiliate of Metalloinvest; and (ii) Mawarid, a wholly owned subsidiary of MB Holding. As previously disclosed, Mark P. M. Horn will lead DSMF.

Pursuant to the DSMF Funding Mandate, the Company appointed DSMF as its exclusive financial advisor in respect of the remaining project financing of up to US$350 million to complete the development of the Solwara 1 Project. The DSMF Funding Mandate provided for the Company to pay the following to DSMF:

- an initial retainer fee of US$75,000 upon DSMF securing certain interim financing (which DSMF was unable to secure), and an additional fee of US$30,000 to be made following the initial six month period in advance of each three month period during the term of the Agreement (the “Retainer Fees”);
- subject to DSMF securing the interim financing (which, as noted above, DSMF was unable to secure), a lump sum payment of US$350,000 as reimbursement for costs and expenses of DSMF incurred in connection with the interim financing (the “Expense Reimbursement”), and reimbursement for all of DSMF’s reasonable costs and expenses which may be incurred in connection with subsequent financings;
- a cash fee on the aggregate consideration received by the Company in a funding transaction equal to 6% in respect of equity financings, or 5% in respect of any debt financing, trade financing or other form of funding transaction during the term of the DSMF Funding Mandate, and for a period of twelve months following its cancellation in respect of investors introduced to the Company by DSMF (the “Finder Fees”, with no fees being payable in respect of any funds provided by DSMF or its affiliates (including Metallo and Mawarid)); and
- a cash fee equal to 1.0% of the amount raised by the Company in a funding transaction arising from an unsolicited investment proposal received from a third party pursuant to the terms of the DSMF Funding Mandate (together with the Finder Fees, the “Financing Fees”).

Under the DSMF Funding Mandate, DSMF had a right of first refusal in respect of matching any unsolicited investment proposals.

As DSMF is controlled by two insiders of the Company, DSMF is a "related party" of the Company and the transactions contemplated by the DSMF Funding Mandate constitute a "related party transaction" of the Company under MI 61-101 *Protection of Minority Security Holders in Special Transactions*. The independent committee of directors of the Company, consisting of Russell Debney, determined that entering into the DSMF Funding Mandate was exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 in reliance on the exemptions set forth in sections 5.5(a) and

5.7(1)(a) of MI 61-101, on the basis that, at the time the transaction was agreed to, neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the DSMF Funding Mandate including the Retainer Fees and the Expense Reimbursement (but excluding the Financing Fees), exceed 25% of the Company's market capitalization.

Payment of Financing Fees by the Company to DSMF remain subject to receipt of all necessary shareholder approvals in compliance with the requirements of MI 61-101 and/or TSX rules in the context of a specific future financing transaction which may trigger the requirement to pay Financing Fees pursuant to the DSMF Funding Mandate.

A copy of the DSMF Funding Mandate is available under the Company's profile on the SEDAR website (www.sedar.com).

In January 2018, the DSMF Funding Mandate was replaced by the M. Horn & Co. Funding Mandate (see "General Development of the Business of the Company – Three Year History – Recent Developments in 2018 – Bridge loans and new funding mandate").

Termination of the Subscription Agreement

In conjunction with entering into the DSMF Funding Mandate, the Company, Metallo and Mawarid entered into an agreement to terminate the Subscription Agreement among the Company, Metallo and Mawarid dated August 21, 2016, as amended (see "General Development of the Business of the Company – Three Year History – 2016 – Private Placement Financing and Restructuring Plan"). As a result, no further amounts could be drawn by the Company under the Subscription Agreement. The Company issued a total of 78,247,462 common shares for gross proceeds of US$12,000,000 under the Subscription Agreement.

2017 Exploration Program

In March 2017, the Company completed the 3.5 month seabed sampling and deep tow programme in the Bismarck Sea. Additional geophysical and geochemical targets of interest were discovered and summarized in a press release on February 9 2018. In late 2017 the scout drill rig fabrication was completed and the machine entered a testing phase.

In late 2017 the Company completed a short environmental science expedition to its TOML contract area in the CCZ.

Recent developments in 2018

Bridge loans and new funding mandate

In early January 2018, the Company replaced the DSMF Funding Mandate (see "General Development of the Business of the Company – Three Year History – 2017 – DSMF Funding Mandate" above) with the following arrangements:

- DSMF commenced providing Nautilus with bridge loans which are expected to form part of a larger secured structured credit facility of up to US$34 million to be provided by DSMF as lender; and
- Nautilus and M. Horn & Co. Ltd (**M. Horn & Co.**) entered into a funding mandate agreement (the **M. Horn & Co. Funding Mandate**).

Bridge Loans

The bridge loans, which the Company expects to be in the amount of up to US$7 million, will assist the Company's immediate working capital requirements and facilitate payments required to continue the development of the Company's seafloor production system to be first utilized at the Company's Solwara 1 Project. The loans bear interest at 8% per annum, payable bi-annually in arrears with a one year maturity date.

The Company will be entitled to pre-pay each loan prior to maturity, by paying 108% of the outstanding principal of the loan plus accrued and unpaid interest. Each loan will be represented by a promissory note and will initially be secured against the assets of the Company through a general security agreement. DSMF, as lender, may subsequently require the loan to be guaranteed by the Company's material operating subsidiaries and secured against the assets of such subsidiaries.

The bridge loans are expected to form part of a larger secured structured credit facility of up to US$34 million to be provided by DSMF to the Company, on terms currently being negotiated between DSMF and the Company. There can be no assurance that the Company will be successful in concluding the larger credit facility transaction or that any further funding will be secured by the Company.

In conjunction with advances under the bridge loans, the Company issues to DSMF warrants of the Company (the **Warrants**),. Each Warrant entitles DSMF 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.

To March 29, 2018, the Company has received US$6,650,000 in loans and issued 22,565,291 Warrants as follows:

Table 3: Date and number of warrants issued to DSMF

	Date	Amount of bridge loan	Warrants issued to DSMF
1.	January 8, 2018	US$750,000	3,221,649
2.	January 11, 2018	US$2,000,000	8,591,065
3.	February 8, 2018	US$2,000,000	8,591,065
4.	March 2, 2018	US$1,900,000	8,161,512
	Total	**US$6,650,000**	**22,565,291**

As noted above, DSMF is an entity set up as a joint venture between the two major shareholders (Metalloinvest and MB Holding) (see – “General Development of the Business of the Company – Three Year History – 2017 – DSMF Funding Mandate” above). As DSMF is controlled by two insiders of the Company, DSMF is a "related party" of the Company and the loan transaction constitutes a "related party transaction" of the Company under MI 61-101 *Protection of Minority Security Holders in Special Transactions*. The transactions comprising the bridge loans and the Warrants will be exempt from the formal valuation and minority shareholder approval requirements of MI 61-101. The independent committee of directors of the Company, consisting of Russell Debney and John McCoach, approved, prior to Mr. Debney's resignation, the bridge loans and the M. Horn & Co. Funding Mandate.

M. Horn & Co. Funding Mandate

Pursuant to the M. Horn & Co. Funding Mandate, M. Horn & Co has been appointed as the Company's exclusive financial advisor, for a period of one year, in respect of the remaining project financing of up to US$350 million required to complete the development of the Solwara 1 Project. The M. Horn & Co Funding Mandate replaces the existing funding mandate agreement dated October 9, 2017 between the Company and DSFM (see see – "General Development of the Business of the Company – Three Year History – 2017 – DSMF Funding Mandate" above).

M. Horn & Co, a private company controlled by Mark Horn, is a corporate finance business authorized in the United Kingdom by the Financial Conduct Authority. Mr. Horn is a previous director of the Company (see – "General Development of the Business of the Company – Three Year History – 2017 – Changes in Board and Management" above).

Under the M. Horn & Co Funding Mandate, the Company will pay the following to M. Horn & Co:

- a cash fee (the "Commission") on the aggregate consideration received by the Company in a funding transaction equal to 6% in respect of equity financings, or 5% in respect of any debt financing, trade financing or other form of funding transaction during the term of the M. Horn & Co. Funding Mandate, and for a period of twelve months following its cancellation in respect of investors introduced to the Company by M. Horn & Co. The Commission will be payable on the bridge loans and other financings provided by DSMF; and
- a cash fee equal to 1.0% of the amount raised by the Company in a funding transaction arising from an unsolicited investment proposal received from a third party pursuant to the terms of the M. Horn & Co Funding Mandate.

DSMF will have a right of first refusal in respect of matching any unsolicited investment proposals.

The M. Horn & Co Funding Mandate will remain in effect for a period of one year, or until terminated earlier by: (a) mutual agreement; (b) automatically upon the closing of funding transactions of US$350 million; or (c) upon a sale of the Company.

A copy of the M. Horn & Co Funding Mandate is available under the Company's profile on the SEDAR website (www.sedar.com).

Changes in Board and Management

Mr. Tariq Al Barwani was appointed non-executive Chairman of the Board on January 16, 2018. On the same date, Dr Mohamed Al Barwani was appointed as a member of the Audit Committee.

In January, 2018, the Company's VP of PNG Operations, Mr. Adam Wright, tendered his resignation. Mr. Wright's last day was February 26, 2018. The Company appointed Mr. Wayne Knott as Chief Operating Officer to replace Mr. Wright. Mr. Knott has been appointed from March 19, 2018. Mr. Knott is a metallurgist with over 30 years of mining industry experience with particular expertise in dredging, operational start-ups and reviews (see "Directors and Officers").

The Company appointed two new independent Directors in March 2018. Mr. Jay Layman was appointed on March 21, 2018 and Mr. Jonathan Whitworth was appointed on March 23, 2018. Both gentlemen bring extensive skills and experience to the Board

New Exploration Licences granted

On February 9, 2018, the Company announced that it had been granted a 2 year exploration licence by the Government of Papua New Guinea to explore an area of the southeast Bismarck Sea. Exploration Licence EL2537 "Su Su" covers 2,558km^2 and allows the Company to conduct exploration activities over an area believed to have the same prospective geology that hosts the Solwara 1 deposit. This area was identified as a result of the successful exploration cruise done in 2017. A summary map of geological, geophysical and geochemical exploration targets was included in a press release at the time.

Completion of submerged trials

On February 12, 2018, the Company announced that it had successfully completed the underwater trials of the Seafloor Production Tools at Motokea Island in Port Moresby PNG. All three machines had been tested to ensure they meet their design specifications. Submerged trials of the Collecting Machine and the Auxiliary Cutter were completed in 2017 (see "General Development of the Business of the Company – Three Year History – 2017 – Submerged trials of Seafloor Production Tools") with the submerged trials of the Bulk Cutter taking place in early 2018. Analysis of the test results indicate that the SPTs can perform to design specifications with the machine components all functioning as designed in submerged conditions. A full report is expected at the end of Q2 2018.

The trials allowed the Nautilus team to work closely on the ground with the PNG people, government representatives and our JV partner Kumul Minerals Holdings Ltd.

Continued progress on Production Support Vessel

Mawei has informed Nautilus that the build of the PSV has now surpassed 75%.

The in-hold cargo handling systems have all been fabricated, assembled and installed in the four holds of the vessel. This has allowed for the installation of deck blocks and close out of the deck of the PSV in preparation for the derrick installation.

Honghua has made good progress with the fabrication of the derrick and associated substructure. This equipment is required for the deployment of the Subsea Slurry Lift Pump (**SSLP**) and riser. The derrick substructure has now been installed. The derrick tower has been fully assembled at the Shipyard with installation to occur on the PSV after Chinese New Year, and just prior to the vessel being launched from the dry dock. The riser storage and handling system is due to be delivered to the yard towards the end of February, for assembly and subsequent installation prior to vessel launch in late March 2018.

Progress continues on marine systems with all the ship's engines run and load tested in December. The installation of electrical equipment and transformers for the Seafloor Production Tools is ongoing. The 200T and 100T ship's cranes have now been installed on the deck, along with one of the SPT's maintenance cranes.

Preliminary Economic Assessment

On February 27, 2018, the Company announced the results of a Preliminary Economic Assessment (**PEA**) for the development of the Solwara 1 Project. The PEA was prepared by AMC Consultants Pty Ltd (**AMC**) and is contained in an independent NI 43-101 technical report entitled "Preliminary Economic Assessment of the Solwara Project, Bismarck Sea, PNG". Readers of this Annual Information Form are advised to read the PEA available on our website.

The PEA details the proposed production system and methodology, and provides estimates of operating costs, CAPEX to completion, metal production, and cash flows.

Highlights include:

- Solwara 1 is fully permitted;
- the PNG Government is a 15% partner through Eda Kopa (Solwara) Limited's joint venture interest;
- 15 month ramp up to "steady state" production (~3,200 tonnes/day (**t/d** or **tpd**));
- steady-state payable metal production per quarter ~ 20 kt Cu and 29 koz Au;
- C1 costs*
    - US$1.36/lb Cu for the entire deposit (which would be in the lower half of the cost curve, and includes the 15 month ramp up period);
    - US$0.80/lb Cu when at projected "steady state" (3,200 t/d) (which would be in the lower half of the first quartile of the production curve);
- undiscounted post-tax net cash flow of US$179 million;
- discounted net cash flow, discounting at 15% per annum, of US$56 million;
- IRR base case 28%*, rising to 40% using average forward curve metal prices for copper and gold during the production period (as at the PEA's effective date);
- ~US$243 million of CAPEX remaining to be raised (subject to financing) and spent until production commences; and
- taxes and royalty payments from Solwara 1 are estimated to be more than USD$100 million over the 3 year project life (including ramp-up).

The PEA models first production starting in Q3 2019, and also shows that the Project has a high fixed cost component (~52%), largely vessel related, and is highly leveraged to metal grade, metal prices, equipment utilization and production rates. The maximum capacity of the production system is designed at ~6,000 tpd. AMC believes that if a steady-state production rate of 4,500 tpd is achieved - not an unreasonable target in their assessment - then C1 costs would be expected to be lowered to around USD$0.63/lb Cu (net of by-products), which would be well in the lower half of the first quartile of the world copper production curve.

The Nautilus business model is based on using the capital, IP, and know how that Nautilus has developed for the Solwara 1 Project, and applying it to future discoveries at minimal additional CAPEX cost, and with a much reduced "ramp up curve" for subsequent projects (see – "Overview of Business – Nautilus' Strategy").

The PEA's effective date is January 1, 2018. Metal prices used in the PEA's base case were $7,319/t Cu, $1,200/Oz Au, $18.00/Oz Ag. The upside case used copper and gold prices averaged over the forward curve for the proposed production period (out to Q2 2022), on the effective date (January 1, 2018), and were estimated by AMC using US$7,981/tonne Cu, and US$1,391/Oz Au prices. All other cost and production parameters are detailed in the PEA.

As noted above, the PEA is based on a first production date of Q3 2019. The Company is currently forecasting a Q2 2019 first production date (subject to financing), but this is also subject to finalizing the ship build contract delivery date between Mawei and MAC, and finalizing the integration philosophy and methodology (due early Q2 2018).

The production systems on which the PEA is based are currently under construction (see – Overview of Business – Products, Services and Components").

The PEA is based on the existing mineral resource estimate at the Solwara 1 Project. The Company cautions that the PEA is preliminary in nature, that it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized. A pre-feasibility study has not been undertaken. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The results of the PEA represent forward-looking information that are subject to a number of risks, uncertainties and other factors that may cause results to differ materially from those presented herein. Completion of the production system and initiation of mining operations at the Solwara 1 Project are also dependent on the Company raising the remaining capital required, and there can be no assurances that this can be achieved. See "Risk Factors – Exploration, Development and Operating Risks".

Forward plans

Set forth below is a summary of the principal remaining steps required to complete the construction and development of the entire Seafloor Production System for initial deployment and testing operations at the Solwara 1 Project, which could occur during Q3 of 2019, as defined in the PEA, and subject to obtaining additional funding required.

- Complete minor rectification and enhancement work on the SPT's, and deliver the equipment to the Shipyard for integration onto the PSV.
- Install the LARS for the SPTs onto the PSV.
- Complete minor rectification works on the SSLP resulting from factory acceptance testing and conduct submerged trials and endurance testing in the second and third quarters of 2018.
- Once completed, deliver the SSLP equipment together with the rigid riser and riser handling tools to the Shipyard for integration onto the PSV.
- Finish building the PSV, launch from the dry dock and complete integration, commissioning and sea trials at the Shipyard.
- Award Contracts for the fabrication of the DWP and have this equipment installed on the PSV.
- Develop and implement an operational readiness plan consisting of all necessary recruitment, training, systems development and materials procurement required for commissioning of the Solwara 1 project and the subsequent ramp-up of operations.

As indicated, Nautilus will need to raise additional equity, debt and/or joint venture partner funding in order to fund its costs associated with completion of the steps listed above (see "2016 – Private Placement Financing and Restructuring Plan", "2017 – DSMF Funding Mandate" and "Recent developments in 2018 – Bridge loans and new funding mandate" above). Nautilus currently anticipates that its costs associated with such steps, including project management, will be approximately US$250 million. This is a rough approximation and is subject to change as the development of the Seafloor Production System progresses, based on, among other things, final design specifications, negotiation of additional contracts, integration methodology, vessel hire requirements, consideration of various financing alternatives and prevailing market conditions.

There can be no assurance that Nautilus will be able to secure, on terms acceptable to Nautilus or at all, the additional funding required to complete the Seafloor Production System and commence seafloor operations. See "Risk Factors – Exploration, Development and Operating Risks – Financial resources"

and "Risk Factors – Exploration, Development and Operating Risks – Future funding requirements and risk" in this AIF.

During 2018, the Company will be focused on:

- securing additional funding to allow it to complete the build and testing of the sea floor production system, and support the building launch, and testing of the PSV; and
- completing additional exploration programmes to build a pipeline of projects for the company's production system.

OVERVIEW OF BUSINESS

General

Nautilus, as it is currently structured, was formed on May 8, 2006 when the Company acquired all of the issued and outstanding shares of NMN (formerly Nautilus Minerals Corporation) and NMO, by issuing 30,519,541 Common Shares to the shareholders of NMN and NMO. Since the shareholders of NMN and NMO acquired in excess of 90% of the outstanding Common Shares, the transaction was accounted for as a reverse takeover.

The Company's main geographic focus at this point is the western and central Pacific Ocean.

Summary

Nautilus is a seafloor resource exploration and development 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. Nautilus holds tenement licences and exploration applications in various locations in the western and central Pacific Ocean and is establishing a pipeline of prospects for development. The Company's goal is to develop a Seafloor Production System that can be used to extract resources from its seafloor prospects.

Nautilus' Seafloor Production System, once developed, has the potential to open a new frontier of resource development as land-based mineral deposits continue to be depleted and the cost of development and extraction continue to rise and grades continue to fall, and environmental and social footprints continue to grow.

Nautilus has completed an independent NI 43-101 Mineral Resource estimate for its Solwara 1 Project (see "Risk Factors – No pre-feasibility study or feasibility study"). The Company has received both the mining lease and environmental permit for its Solwara 1 Project from the State of PNG.

Nautilus has also released, through one of its 100% owned subsidiaries, Tonga Offshore Mining Limited, an independent NI 43-101 Mineral Resource estimate in respect of its Clarion-Clipperton Fracture Zone polymetallic nodule project, located within the Central Pacific Ocean (**CCZ Project**).

In February 2018 Nautilus released a Preliminary Economic Assessment (**PEA**) of its Solwara 1 Project in PNG. The PEA details the proposed production system and methodology, and provides estimates of operating costs, CAPEX to completion, metal production, and cash flows.

Highlights include:

- Solwara 1 is fully permitted
- PNG Government is a 15% partner
- 15 month ramp up to "steady state" production (~3,200 t/mth)
- Steady-state payable metal production per quarter ~ 20 kt Cu and 29 koz Au
- C1 costs*
    - US$1.36/lb Cu for the entire deposit
    - US$0.80/lb Cu when at projected "steady state" (3,200 t/d)
- Undiscounted post-tax net cash flow of US$179 million
- Discounted net cash flow, discounting at 15% per annum, of US$56 million

- IRR base case 28%, rising to 40% using average forward curve metal prices for copper and gold during the production period (as at the PEA's effective date)
- ~US$243 million of CAPEX remaining to be raised (subject to financing) and spent until production commences
- Taxes and royalty payments from Solwara 1 are estimated to be more than USD$100 million over the 3 year project life (including ramp-up)

The PEA models first production starting Q3 2019, and also shows that the Project has a high fixed cost component (~52%), largely vessel related, and is highly leveraged to metal grade, metal prices, equipment utilization and production rates. The maximum capacity of the production system is designed at ~6,000 tpd. AMC believes that if a steady-state production rate of 4,500 tpd is achieved, not an unreasonable target in their assessment, then C1 costs would be expected to be lowered to around USD$0.63/lb Cu (net of by-products), well in the lower half of the first quartile of the world copper production curve.

Nautilus' Strategy

Nautilus' business model is based on the concept of ongoing resource accumulation from its prospective tenements and aggregation of numerous high grade SMS systems for sequential development using a vessel-based floating production system. The concept is in keeping with land-based volcanic hosted massive sulphide systems that occur in camps and has been supported by Nautilus' strong record of discovery of new SMS systems in the Bismarck Sea and the waters of Tonga.

In addition, Nautilus plans to undertake further development programs in respect of its CCZ Project.

The Company has four key elements to its strategy:

- Identify prospective exploration territory and secure licences;
- Demonstrate that seafloor resource development is commercially viable and environmentally sustainable subject to the risks as described under "Risk Factors";
- Undertake further exploration to identify additional mineral resources and create a project pipeline; and
- Add value for shareholders by expanding operations and bringing on stream duplicated Seafloor Production Systems.

Development Plan for Bismarck Sea Prospects

Nautilus intends to develop its Bismarck Sea prospects, which includes the Solwara 1 Project.

The Solwara 1 deposit is situated in the Bismarck Sea off the coast of the New Ireland Province of PNG at latitude 3.789° S, longitude 152.094° E. The site is approximately 50 km north of the deepwater port of Rabaul (East New Britain Province), approximately 40 km west of the town of Namatanai (New Ireland Province), and approximately 30 km from the nearest coast at a water depth of approximately 1,600 m. The proposed project does not require large-scale site preparation or construction of complex support facilities on land, and there are no issues with respect to the surface rights of individual landowners or occupants. The area proposed for extraction operations is relatively small, approximately 0.1km^2**,** and the mineralized material sits exposed or under minimal cover on the seafloor.

Nautilus' development plan involves the development of a Seafloor Production System that can be used for the Solwara 1 Project and can be relocated for production at other SMS systems. To achieve this, Nautilus intends to maximize the use of existing technology and leverage the expertise of contractors with market experience in the sector. Nautilus will prioritize work and cash spend on the development of the Seafloor Production System which involves the design, construction, integration, commission and operation of the Seafloor Production System comprising the following elements:

1) Seafloor Production Tools (**SPTs**)
2) Riser and Lifting System (**RALS**), including the Subsea Slurry Lift Pump (**SSLP**)
3) Production Support Vessel (**PSV**) with Launch and Recovery System (**LARS**) and the Dewatering Plant (**DWP**)
4) Load-out and transportation to a third party processing facility for toll treatment or direct sales.

Nautilus intends to extract mineralized material from the seafloor by using three remotely operated SPTs to cut rock and pump the mineralized material to temporary stockpiles on the seafloor. Mineralized material gathered by the SPTs is then pumped to the PSV as slurry via the RALS. At the surface, the mineralised material will be dewatered on the PSV where it will be stored prior to transfer to an export vessel to be shipped for final processing. The Solwara 1 Project's footprint at the sea surface will be limited to the presence of the PSV and attendant support vessels.

On November 6, 2014, the Company entered into an agreement with MAC for the charter of a PSV to be first deployed for use at the Solwara 1 Project and MAC subsequently entered into the Shipbuilding Contract (see "General Development of the Business of the Company – Three Year History – 2015 – Seafloor Production Tools").

On December 11, 2014, the Company announced that the unincorporated joint venture between Nautilus and the State Nominee in respect of the Solwara 1 Project had been formed. The joint venture is governed by the Joint Venture Agreement among the parties to the PNG Equity Agreement, a copy of which is appended to the PNG Equity Agreement, which was filed on SEDAR on May 2, 2014. In order to continue the development of the Solwara 1 Project, the Company will need to source sufficient funds to complete the build of the Seafloor Production System.

On December 11, 2015 the Company signed the Tongling Sales Agreement for the sale of the product extracted from the Company's Solwara 1 deposit (see "Three Year History – 2015 – Nautilus and Tongling signed new offtake agreement for Solwara 1").

The other main components of the Seafloor Production System are largely complete with fabrication of the SPTs (including launch and recovery systems), derrick, SSLP, and RALS all complete. The only major component of the production system remaining to be built is the DWP.

Other Bismarck Sea Prospects

In addition to Solwara 1, Nautilus Minerals Bismarck Sea Property contains another 16 separate SMS prospects and two sulfate-rich prospects. The location and geological setting for each prospect is summarised in the Table 4 below.

Table 4: Summary of location and geological setting of Nautilus's Bismarck Sea prospects (from Jankowski, 2011)

Solwara Prospect	Prospect type	Water depth (m BSL)	Distance (km) and bearing from Rabaul		Nautilus Licence	Geological Setting	Brief Description
2	SMS	2470-2500	240	NW	EL1383	On the Manus spreading centre	Two chimney areas (2a and 2b) with volcanic substrate.
3	SMS	2560-2590	236	NW	EL1383	On the Manus spreading centre	Chimney area with Fe-Mn oxides and lesser sulfides.
4	SMS	1654-1800	77	NW	EL1196	On the Pual Ridge	Six SMS chimney occurrences (4a, b, c, d, e, f) of varying size. Extensively sampled by research drilling and dredging.
5	SMS	1635-1680	48	NNW	EL1196	Northwest of North Su	SMS chimney area is approximately 250 m by 170 m with significant sediment cover. Surrounded by outcrops of felsic to intermediate-mafic volcanic rocks.
6	SMS	1730-1775	75	NW	EL1196	On the Pual Ridge	SMS chimney area is approximately 50 m by 50 m with individual chimneys up to several metres in height. Sediment cover is present.
7	SMS	1755-1815	77	NW	EL1196	On the Pual Ridge	SMS chimney area is approximately 200 m by 20 to 25 m wide. Solwara 7 extension is a 10x10m area of chimneys 220m NW along strike from Solwara 7.
8	SMS	1654-1800	76	NW	EL1196	On the Pual Ridge	SMS chimney area immediately adjacent to Solwara 4e and 4c; possibly part of the Solwara 4 hydrothermal system.
9	SMS	1680	44	NNW	EL1196	On the SW flank of North Su Caldera.	Comprises two SMS chimney areas (9a and 9b) approximately 220m and 180m long respectively with a width averaging 40m.
10	SMS	2240	251	NW	EL1383	On the Manus Spreading Centre	SMS area approximately 680 m by 30 to 270m wide (averaging around 110m wide).
11	SMS	1390-1450	566	WNW	EL1647	In the Willaumez Spreading Centre	Solwara 11 comprises at least four SMS chimney areas (Solwara 11a, e, f, i) and associated iron-manganese oxide and silica-iron zones (Solwara 11b, c, d, g, h) covering an area of approximately 2.8km by 2km.
12	SMS	1850	65	NW	EL1374	On the SE rim of the Desmos Caldera	Inactive SMS chimney area is approximately 180m by 170m comprising chimneys up to 10m high
13	SMS	2000	70	NW	EL1374	Southwest end of the Yuam Ridge	SMS chimney area is approximately 200m by 150m, comprising chimneys up to 20m high.

Solwara Prospect	Prospect type	Water depth (m BSL)	Distance (km) and bearing from Rabaul		Nautilus Licence	Geological Setting	Brief Description
14	SMS	2240	252	NW	EL1383	On the Manus spreading centre.	Solwara 14a SMS chimney area is approximately 150m by up to 20m wide. The chimneys are up to 14 m high. Solwara 14bSMS chimney area is slightly smaller and less continuous than Solwara 14a.
15*	SMS	2215	252	NW	EL1383	On the Manus spreading centre	The SMS chimney area comprises two small clusters (15a and 15b) 60 and 80m long respectively.
16	SMS	2160	260	WNW	EL1383	On the Manus spreading centre	Several small SMS areas (<50m long) over a 400m long NE striking zone (combined SMS strike of +100m)
17**	Sulfate	530	534	WNW	EL1386	In the Willuamez Spreading Centre	Quartz-rich or sulfate-rich chimney area 120m by 75m. Only minor sulfides were observed in hand specimen.
18	SMS	1310	560	WNW	EL1501	In the Willuamez Spreading Centre	SMS chimney area approximately 80m strike length.
19**	Sulfate	1030	384	WNW	EL1484	On the Willaumez Rise	Sulfate chimney area approximately 110m strike length.

* No samples collected from Solwara 15

** Where no massive sulfide was sampled, prospect type is not considered SMS (seafloor massive sulfide). Sulfates may be an indicator of sulfide at depth.

Business Strengths and Competitive Advantages

Specialized Skill and Knowledge

The Company is intent on applying the most current technical knowledge to the Solwara 1 Project, while ensuring that best practice is followed throughout the proposed mining development.

Our in-house technical team is highly motivated, forward-thinking and adds significant value to our operations. In addition, firms such as SMD, GE Hydril, Sandvik, Honghua, and Technip are able to provide the Company with the expertise that the Company needs to remain at the forefront of seafloor exploration and production.

Competitive Conditions

The Company has recently completed a PEA that has reviewed the equipment build, mine planning, materials handling, transportation, metallurgical testing and processing studies.

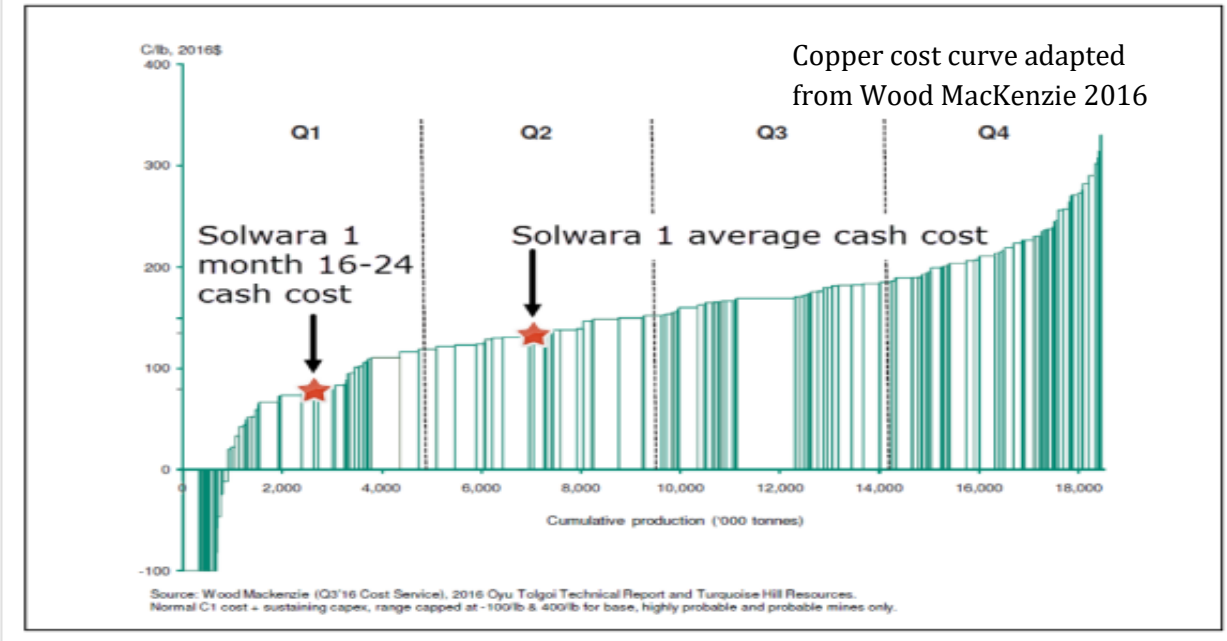
The data used in the PEA estimated a C1 cash cost of US$1.36 per recovered pound of copper net of gold credits over the life of the project. This estimate includes the 15 month ramp-up period of the project when cash costs are negatively impacted by lower copper and gold production. When the project achieves steady state production in excess of 3,200tpd in months 16 to 24 of the production schedule, C1

cash costs for the project will be US$0.80/lb. This is indicative of cash costs that may be achievable for projects subsequent to Solwara 1 which have similar grades. Based on the experience gained at Solwara 1 the ramp-up period for these subsequent projects is likely to be significantly less than 15 months.

C1 cash cost per pound is a financial performance measure based on cost of sales and includes treatment and refinement charges and by-product credits, but excludes the impact of depreciation and royalties. C1 does not have any standardized meaning under Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards, and may not be comparable to similar measures of performance presented by other companies.

The C1 cash cost of US$1.36 per recovered pound of copper net of gold credits compares favourably to the cash costs of terrestrial mining operations. Such cash costs would place the Solwara 1 project in the first quartile of global copper mining operations with respect to cash costs (based on published cash cost estimates for 2014 – see Figure 2 below)

Figure 2: Position of Solwara 1 Cash Costs on the Copper Industry Cost Curve



First Mover Advantage

Nautilus is the first publicly listed company to commercially explore the ocean floor for copper, gold, silver and zinc rich SMS deposits. Management believes that it has a time, knowledge and intellectual property advantage over both current and future competitors. This advantage will exist in researching and identifying potential high grade resource targets, establishing relationships with key corporate and political partners that are necessary to explore and develop the seafloor properties, obtaining key permits and licences, and developing technologies, knowhow, experience and intellectual property in this emerging new industry.

Use of Existing Technologies

The design of the Seafloor Production System is based on the adaption of technologies that exist in the offshore (deepwater) oil and gas, telecommunications, trenching, marine dredging and land based mining industries. While equipment will need to be customized, key elements of the equipment have an existing analogue within the above industries.

Based on engineering work completed to date for the Company, and recent advances in subsea engineering, largely driven by the petroleum and telecommunications industries, Nautilus believes that it has, or can further develop over the course of time with adequate financing, the necessary equipment and technology to explore for, develop and extract SMS material economically.

Key Licences and Permits Secured

The Company has been successful in obtaining the key licences and permits required to commence production at the Solwara 1 Project. In 2009, Nautilus received the Environmental Permit for the development of the Solwara 1 Project from the CEPA of PNG for a term of 25 years. In January 2011, Nautilus received the Mining Lease which covers the Solwara 1 Project area and has an initial term of 20 years.

Commitment to Responsible Development

The Company is committed to responsible development and to continual improvement in its performance and efficient use of natural resources. The Company has developed and will continue to implement and maintain management systems for health, safety and environment that are consistent with internationally recognized standards. Nautilus believes that seafloor resource production offers advantages over typical land-based mining from health, safety, environmental and social points of view.

Opportunities to Grow Resources and Increase Value

Management believes that it will have opportunities through further exploration and joint venture partnerships to expand its mineral resource base on other properties where research and exploration support the presence of seafloor massive sulphides and polymetallic nodules.

Experienced Management Team and Board

The Company has an experienced management team and Board with knowledge in areas that are relevant to the development of the world's first seafloor resource production project. See a description of the directors and executive officers below under "Directors and Officers".

For further detail relating to competitive conditions, refer to "Risk Factors – Competition".

New Products

No new products have been publicly announced.

Products, Services and Components

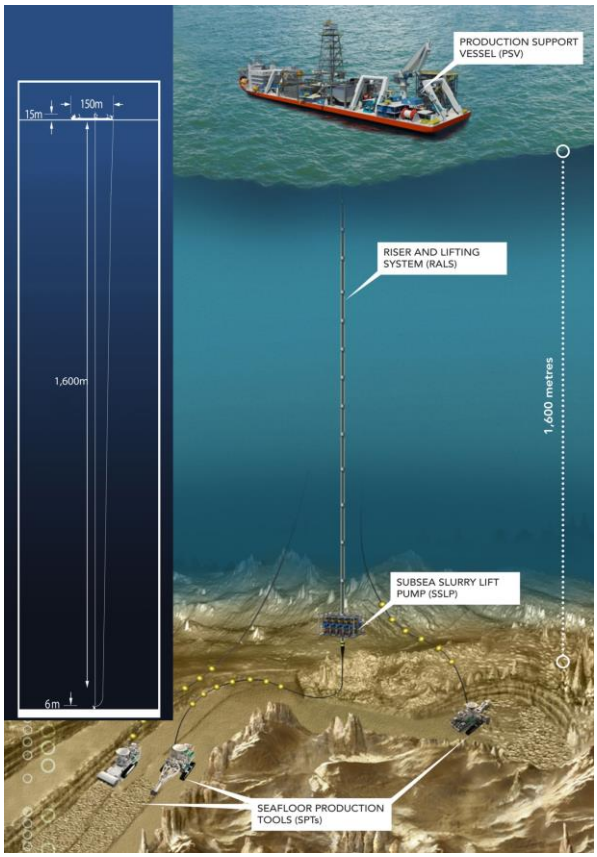
Seafloor Production System

When Nautilus' Seafloor Production System is ultimately developed, the Company intends to deploy it first at the Solwara 1 Project. The Seafloor Production System will comprise the following elements:

- Seafloor Production Tools (**SPTs**)
- Riser and Lifting System (**RALS**), including the Subsea Slurry Lift Pump (**SSLP**)
- Production Support Vessel (**PSV**) with Launch and Recovery System (**LARS**) and the Dewatering Plant (**DWP**)
- Load-out and transportation to a third party processing facility for direct ore sales

SPTs will be used to excavate the massive sulphide material from the seafloor. The excavated material will be pumped as slurry to the PSV via the RALS. The pumped slurry will be dewatered at surface and the solid material eventually offloaded into bulk carriers for transportation and direct sale to a company with relevant processing facilities. Figure 3 provides a graphic of Nautilus' intended Seafloor Production System.

Figure 3: Seafloor Production System (Source: Nautilus Minerals)



Seafloor Production Tools

The development of the SPTs is based on the consolidation of technologies that exist in the offshore (deepwater) oil and gas, telecommunications, trenching, marine dredging and mining industries. While the precise design of this equipment will be bespoke, each element of the equipment has an existing analogue within the above industries.

The current approach for SPTs is analogous to surface mining systems where it is common for a flexible and mobile machine to prepare the site which is usually followed by a separate dedicated bulk production system. Due to the topography of the site at the Solwara 1 Project and other typical terrain, three different SPTs are intended to be used, namely the auxiliary cutter, bulk cutter and collection machine.

Auxiliary Cutter

The auxiliary cutter is primarily designed to access and prepare level landing and work areas. The auxiliary cutter is designed to pump overburden away from the mine site and to pump cut materials to a central seabed location as required. A photograph of the auxiliary cutter, as assembled, is shown in Figure 4 below.

Figure 4 Auxiliary Cutter (Source: Nautilus Minerals)

Bulk Cutter

The bulk cutter is designed to cut at higher productivities in the prepared areas. The bulk cutter is also designed to pump cut materials to a central seabed location as required. A photograph of the bulk cutter, as assembled, is shown in Figure 5 below.

Figure 5: Bulk Cutter (Source: Nautilus Minerals)

Collection Machine

The collection machine is designed to gather the cut material from the seafloor and pump it to the RALS. A photograph of the collection machine, as assembled, is shown in Figure 6 below.

Figure 6: Collection Machine (Source: Nautilus Minerals)

All three machines are now completed. An extensive period of trials and testing has been conducted during the design and early build stages of the Solwara 1 Project. Further proving trials have recently been completed in PNG, and the machines are now undergoing minor rectification and modifications prior to shipment to site for commissioning.

Riser and Lifting System (RALS)

The RALS is a critical component to the Solwara 1 Project development plan. Components and technology of the system will be adapted from the well established offshore oil and gas (drilling and production) industry. An engineering, procurement, construction management (EPCM) contract with Technip USA Inc. was put in place for the over-all system design (which has now been completed) and a supply contract with GE Hydril was put in place for the design and build of an SSLP.

Production Support Vessel (PSV)

The PSV will be the floating platform for the mobilization and remote operation of production machinery operating on the seafloor at water depths of approximately 1,700 meters and will provide on board storage for approximately 40,000 tonnes of mineralised material. The PSV is similar to vessels that service the large markets of subsea construction, drilling and production for the offshore oil and gas industry.

An image of the PSV, as it is designed, is shown in Figure 7 below.

Figure 7: Production Support Vessel (Source: Nautilus Minerals)

Launch and Recovery System (LARS)

The LARS is being installed and integrated on the PSV and will be used to launch and stabilise the SPTs during deployment from the PSV down to the seafloor and during retrieval from the seafloor back to the PSV. It consists of very large A-frames, lift winches, hydraulic power units, electric power units and deck control cabins. The LARS was built by AXTech AS on behalf of SMD as part of the fabrication program.

Dewatering Plant (DWP)

The DWP process design is based on well established technology from the mineral processing industry. A design study for the DWP was performed originally by Parsons Brinkerhoff. A DWP detailed design has been completed by DRA Pacific, the Australian subsidiary of a South African materials handling and minerals processing specialist with experience in the offshore diamond mining industry. DRA will also provide construction management during the fabrication of the DWP. The unit processes within the DWP flow sheet and the equipment selected are generally consistent with normal minerals processing industry practice.

Intangible Properties

Tenements

Nautilus holds approximately 127,000 km² of granted tenements and approximately 100,000 km² of tenement applications in the territorial waters and EEZs of PNG, Tonga, and an area within the CCZ (refer to Table 5).

As at the date of this AIF, Nautilus held three granted exploration licences, and one granted mining lease. Exploration licences in PNG are granted for two years and are renewable for a further two years if the Company complies with the PNG Mining Act 1992.

Table 5: Current Tenements as at the date of this AIF

Location	No.	Total area (km²)	Granted	Granted Area (km²)	Applications	Application area (km²)
PNG - Bismarck Sea	4	2998	4	2998	0	0
Tonga	60	149,040	25	49,316	35	99,724
ISA - CCZ nodules	1	74,713	1	74,713	0	0
TOTAL	65	226,751	30	127,027	35	99,724

Nautilus considers all tenements as significant to its business and it has been successful in discovering SMS deposits on these tenements in the past.

Intellectual Property

Nautilus has made application in respect of certain patents relevant to its plan to mine SMS systems, and its concept for recovering poly-metallic nodules. There are 12 suites of key patents in which the

Company has an interest, filed in multiple jurisdictions relevant to the Company's intended SMS and poly-metallic nodule operations and which are at varying stages of application and/or grant (Table 6).

Table 6: Patents

No.	Patent title
1.	A System for Seafloor Mining
2.	System and Method for Seafloor Stockpiling
3.	A Disconnectable Method and System for Seafloor Mining
4.	A Self-cleaning Collection Apparatus and Method
5.	Production Support & Storage Vessel
6.	A Method and Apparatus for Auxiliary Seafloor Mining
7.	A Method and Apparatus for Bulk Seafloor Mining
8.	Deep Sea Mining Riser and Lift System
9.	Installation Method of Flexible Pipe with Subsea Connector, Utilizing a Pull Down System
10.	A Seafloor Nodule Concentrating System and Method
11.	Decoupled Seafloor Mining System
12.	Seafloor Haulage System

Cycles

The profitability of mining operations is significantly affected by changes in the market price of copper, gold, silver, zinc and other minerals and the cost of labour, steel, power, petroleum fuels and oil. The level of interest rates, the rate of inflation, world supply of these minerals and stability of exchange rates can all cause significant fluctuations in base metal, precious metal and oil prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of copper, gold, silver, zinc, nickel, cobalt and other minerals, steel and oil has fluctuated widely in recent years.

Economic Dependence

Nautilus' current business plans include and are substantially dependent upon sourcing sufficient funds to complete the build and deployment of the Seafloor Production System. There is no one contract upon which the Company's business is substantially dependent.

Changes to Contracts

Under the PNG Equity Agreement, the State Nominee retained the option to take up to a further 15% interest in the Solwara 1 Project by paying certain amounts that are the product of a formula. The options were exercisable in tranches of 5%, expiring six, nine and 12 months from the date of completion of the PNG Equity Agreement, being December 11, 2014. On December 11, 2015 the State Nominee elected not to exercise its option to take up a further 15% interest in the Solwara 1 Project.

The Company is currently in discussion with the vessel provider, MAC, regarding the novation of its rights under the ship building contract, vessel procurement contract, and vessel charter agreement to a third party. At the date of this report, the parties were still in negotiation.

The Company is not aware of any other aspect of its business that the Company reasonably expects to be affected in the current financial year by renegotiation or termination of contracts or sub-contracts.

Environmental Protection

On December 29, 2009 the Environmental Permit for the Solwara 1 Project was approved by the CEPA.

Prior to obtaining an Environment Permit, which is a permit that must be obtained before the grant of a Mining Lease, the Company must complete a rigorous process which has the following steps:

1. Submission and approval by the CEPA of the Environmental Inception Report;
2. Environmental Impact Assessment (**EIA**);
3. Submission and approval by the CEPA of the Environmental Impact Statement (**EIS**); and
4. Submission and approval by the CEPA of the Environment Permit Application.

To enhance transparency, and provide access to information, Nautilus maintains its CARES ("Community Accountable, Responsible Environmentally and Safe") website. The website provides information on the EIS, including the full EIS report, supporting studies, background information and commonly asked questions and answers. In addition to this, the Company conducts regular community consultation programs and holds multi-stakeholder workshops.

The Company has an Environmental Policy supported by an Environmental Management System. The Company's objective, as stated in the Environmental Policy, is to minimize the environmental impact of the Company's activities whilst contributing positively to the sustainable future of the communities in which the Company intends to operate. The Company's Environmental Management System provides a framework for continual environmental improvement and has been developed in line with the principles in the international standard for Environmental Management Systems, ISO 14001:2004. Significant progress was made in 2016 towards completing Environmental Monitoring and Management Plans for the Solwara 1 Project. These are due to be completed and submitted to CEPA in 2017.

See also "Social and Environmental Policies" below.

Employees

As at the end of the 2017 financial year, the total number of employees in the Nautilus group calculated on a full time equivalent basis was 28.

Foreign Operations

The Company's main geographic focus is in the western Pacific Ocean with the majority of work to date completed in the territorial waters and the EEZ of Papua New Guinea and Tonga.

In 1997, Papua New Guinea became the first country in the world to grant exploration licenses, or tenements, for the exploration of SMS deposits. The tenements are either known to host or are considered prospective for base and precious metal SMS mineralization.

As at the date of this AIF, Nautilus holds approximately 124,000 km² of granted tenements and approximately 100,000 km² of tenement applications in the territorial waters and EEZs of PNG, Tonga and an area within the CCZ.

Social and Environmental Policies

Nautilus is committed to responsible development. Health, safety, environment and community responsibilities are integral to the way we do business. The Company is committed to continual improvement in its performance and efficient use of natural resources.

Wherever the Company operates, its goal is to develop, implement and maintain management systems for health, safety, environment and the community that are consistent with internationally recognized standards and enable it to: develop its people and provide resources to meet its targets;

- identify, assess and manage risks to employees, contractors, the environment and communities;
- strive to achieve leading industry practice;
- care for the environment including the setting of achievable targets that include reducing and preventing pollution;
- support the fundamental human rights of employees, contractors and the communities in which Nautilus operates;
- value cultural heritage including respect for the traditional rights of indigenous peoples; and
- provide information, instruction, training and supervision where appropriate to employees, clients, visitors and contractors to ensure their safety.

Environmental Impact and Social Footprint

Nautilus intends to develop seafloor resource production in the Bismarck Sea and elsewhere using methods that are socially acceptable, environmentally responsible, technologically achievable and economically viable. Nautilus has adopted a corporate and social responsibility policy. Nautilus intends that the Solwara 1 Project will implement the PNG resource development policy in a manner consistent with current PNG legislation and national goals and Nautilus' own policies and standards.

Seafloor resource production presents a potential new source of income and growth for PNG from a resource that has yet to be utilised. The Solwara 1 Project will bring benefits in the form of royalties and improvements in PNG's balance of trade and potential will be generated for new industrial development that can have positive social and economic effects within PNG. It should be noted that these benefits could be maintained, not just for the nominal project life, but for many years to come, as this new industry of seafloor resource production unfolds.

Extraction of resources from the seafloor opens new concepts in technology and environmental management practices. The location of mineralised material on (or immediately below) the seafloor avoids the need for large scale pre-stripping or land clearance activities and the associated handling of large volumes of overburden normally involved in land-based mining. The technologies proposed for the recovery of material and its transfer to the surface support vessel are proven in other offshore (deepwater) oil and gas, telecommunications, trenching, marine dredging and mining industries and, upon completion, all seafloor and surface production infrastructure can simply be relocated to other areas.

The Seafloor Production System has been carefully designed to not expose coastal reefs or fisheries to material from seafloor operations. Nautilus has completed extensive scientific research of the area, and the results of such research shows the seafloor at the Solwara 1 Project to be dynamic, and that the geothermal energy responsible for forming the SMS deposits cannot be extinguished by extraction operations.

Observations from the Company's own research (see "Environmental Impact Statement and Permit" below) showed venting and new chimney lattice structures starting to reform shortly after disturbance, and subsequent colonisation by animals, which could present opportunities for both natural and enhanced recovery of worked areas. Being the proponent of the first seafloor resource production of its kind, Nautilus has, with the assistance of the scientists involved, committed to a number of mitigation measures aimed to ensure the protection of biodiversity and to demonstrate the ecological acceptability of the operation.

Furthermore, all of Nautilus' operations are expected to occur at sea beyond the horizon, minimizing any direct impact to local land-based communities.

Environmental Impact Statement and Permit

The Solwara 1 Project is a 'Level 3' activity under the PNG *Environment Act 2000*, (Section 53) which requires that an EIS be submitted to the PNG CEPA. Nautilus appointed Coffey Environments (formerly Coffey Natural Systems (Australia)) as the lead consultant for the EIA / EIS process.

The Solwara 1 Project environmental footprint consists mainly of a single PSV (with attendant support vessels) and precision production machinery operating on an area proposed for extraction of approximately no more than 0.1km^2. There are no issues with respect to the surface rights of individual landowners or occupants.

In the EIS, Nautilus has proposed to discharge water from dewatering operations close to its point of origin at depths between 25 to 50 m above the seafloor to avoid any direct exposure or impacts on surface ecosystems. Nautilus' extensive work indicates that the processes of extraction and dewatering will therefore not affect the pelagic tuna, tuna fisheries or near-shore coral reefs.

Potential impacts to surface pelagic animals are considered to be minor, and may result from the presence of the surface vessels and their normal operations, including lighting, underwater noise and routine discharges (in compliance with relevant maritime acts and regulations). These impacts are similar to shipping generally and to the exploration surveys already completed.

In an effort to enhance scientific knowledge while meeting the needs of the EIA process, Nautilus engaged international scientific experts to design and conduct a number of environmental studies for the Solwara 1 Project, which are outlined in the EIS, available on SEDAR.

The main objectives of the EIS were to understand the existing environment, potential impacts due to the proposed extraction and how to mitigate significant impacts.

In August 2009, the CEPA granted 'Approval in Principle' for the Solwara 1 Environmental Impact Statement. The Approval signalled the completion of internal and independent external reviews of the EIS by the CEPA. The Solwara 1 Project Environmental Permit was granted on December 29, 2009 for a term of 25 years. The next steps for Nautilus are to prepare the project Environmental Management Plan for submission and approval by the CEPA three months prior to project commissioning. As part of this process Nautilus is currently completing a number of additional studies in order to further understand the natural variation in environmental conditions in the Project area, and to determine any long term trends in environmental data from monitoring data collected since the EIS was completed.

Stakeholder Consultation

Unlike other mining projects in PNG, the Solwara 1 Project does not impact individual landowners or occupants. Initial investigation of the social environment revealed that no customary land ownership exists at any of the proposed project locations.

Under PNG law, the Solwara 1 deposit is owned by the State of PNG. Social awareness and general acceptance of the Solwara 1 Project is important for its successful operation. To this end Nautilus currently maintains regular contact with regional stakeholders and government agencies through stakeholder awareness programs which aim to keep all parties informed of project development progress and to understand any new concerns.

Nautilus has also followed (and continues to undertake) a public consultation process that involves extensive interactions with stakeholder groups. Consultation with communities in New Ireland and East New Britain Provinces and other provinces in PNG, NGOs, the international scientific community and other stakeholders has included formal meetings, presentations and workshops. Over 20,000 community members have attended the Company's community engagement meetings in PNG in relation to the Solwara 1 Project. Additionally, there has been ongoing regular consultation with the national and provincial governments of PNG.

Environmental Impact and Social Footprint Highlights

Nautilus notes that seafloor resource production offers advantages over typical land-based mining from health, safety, environmental and social points of view. Nautilus believes the benefits of seafloor resource production include but are not limited to:

- Limited social disturbance: seafloor operations do not require the social dislocation common to land-based operations with the resulting impact on culture or disturbance of traditional lands
- Reusable infrastructure: operations will be limited to a PSV and SPTs which can be re-used for future projects unlike many aspects of land-based operations
- Minimal overburden or stripping: the mineralization generally occurs directly on the seafloor and will not require large pre-strips or overburden removal common to many land based mining operations where commonly up to 75% of the material moved is waste
- Minimal footprint: the high-grade of material that will be extracted, along with the minimal amount of overburden, will result in a very small physical footprint
- Limited processing waste: the high-grade material and gold-bearing pyrite by-products present in the material stream mean there will be limited, if any, mineral processing waste

- Increased worker safety: the operation is controlled remotely from the PSV, not requiring operators to be exposed at the cutting face

MINERAL PROJECTS

Solwara Project

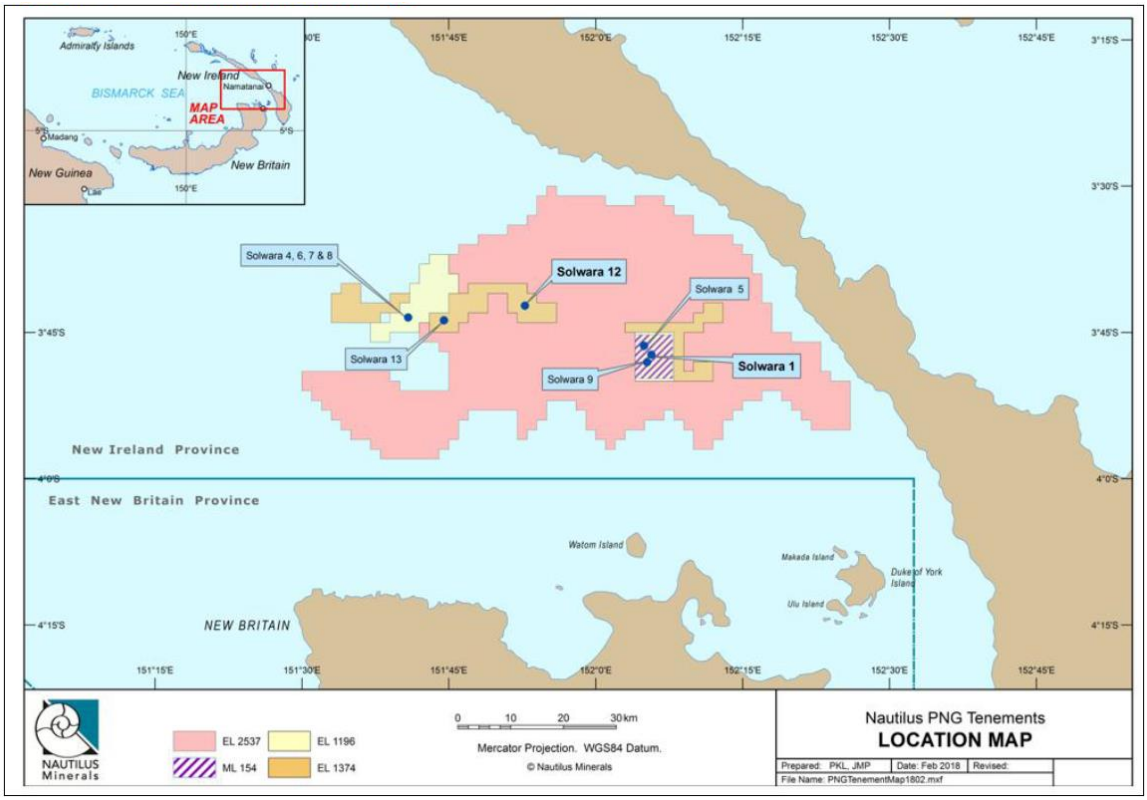
In accordance with Section 5.4 of Form 51-102F2, the following is a reproduction of the summary from the Preliminary Economic Assessment (**PEA**), which summary has been updated and conformed to be consistent with other disclosure within this Annual Information Form.

The PEA is available on SEDAR under Nautilus' profile at www.sedar.com and is incorporated by reference in this Annual Information Form (see "Documents Incorporated by Reference").

Summary of the Preliminary Economic Assessment for the Solwara 1 Project

The Solwara 1 Seafloor Massive Sulfide (SMS) deposit is located in the Bismarck Sea at latitude 3.789° S and longitude 152.094° E, approximately 50 km north of Rabaul (Figure 8). It lies within the territorial waters of the Independent State of Papua New Guinea (PNG). The deposit contains significant resources of massive base metal sulfides, gold and silver. The metals of primary economic interest are copper and gold.

Figure 8: Solwara 1 Location



Nautilus holds title over the Solwara 1 deposit through Mining Lease (ML) 154, which was granted in January 2011. Exploration Licence (EL) 1196 has been held since 1997.

A PEA is a conceptual study of the potential viability of mineral resources. This PEA indicates that the Solwara 1 project is potentially economically viable, however, due to the preliminary nature of some aspects of project planning, and the untested nature of the specific mining production systems at a commercial scale, economic viability has not yet been demonstrated.

AMC understands that Nautilus intends to use this technical report to inform the market of its updated estimates of production rate and mine life for Solwara 1 and disclose, for the first time, estimates of operating costs and potential cash flow. AMC understands that Nautilus intends to use this public disclosure to raise capital and advance the Project.

Geology and Mineral Resources

The Solwara 1 deposit is a stratabound SMS located on the flank and crest of a sub-sea volcanic mound that extends approximately 150-200 m above the surrounding seafloor. The average depth of the deposit is about 1,550 m below sea leval (BSL). The slopes of the mound are relatively steep and interrogation of a coarse digital terrain model (DTM) indicates slopes are generally in the range of 15° to 30° but can be locally steeper. There are some flatter areas near the crests of the ridges where much of the deposit is located.

The sub-surface geological sequence at Solwara 1, from the top down, may be summarized as:

Unconsolidated sedimentary rocks (lithology code SS). These typically comprise of dark grey clays and silts ranging in thickness from 0 to 5.62 m, with an average of about 1.94 m in the core holes. Due to the softness and low cohesiveness of this material, drilling recovery is commonly low in this domain.

Consolidated sedimentary rocks (lithology code SC). These typically comprise a layer of pale to dark grey, lithified volcanic sandstone varying from 0 – 4 m thick and averaging 1.54 m thick.

Mineralised and sulfate altered sedimentary rock (lithology code PT). A distinctive layer of pale to dark grey, fine to medium grained consolidated volcaniclastic sands with an average thickness of 1.1 m but locally can be up to 6 m thick. The sediments are interpreted to have been flooded by hydrothermal fluids that have precipitated a cement of opaline silica, sulfide and sulfate minerals.

Sulfide-dominant rocks (lithology code RI) and conduit facies (lithology code CF). This is the main mineralisation horizon and it varies in thickness from 0 – 29 m in the holes drilled to date. It consists mainly of pyrite and chalcopyrite, with variable amounts of anhydrite and barite.

Clay and sulfate-dominant rocks (lithology code RC and RA). The footwall to the mineralisation commonly consists of altered volcanic rocks in which most of the primary minerals and textures have been altered to clays, anhydrite, barite and disseminated sulfide. These rocks are commonly weak and core recovery is commonly low in this domain.

Local variations occur in this sequence. In addition, areas of relatively fresh lava rock overlie small areas of the mineralised domains.

Sulfide-rich chimneys are generally 2–10 m in height, but have been recorded up to 15 m high, and occur on the surface of the deposit. Most chimneys occur in several discrete chimney 'fields' separated by

unconsolidated sediments (and locally by volcanic flows). Scattered chimneys occur between the main fields.

There is localized hydrothermal activity at Solwara 1. The location of venting chimneys has been identified from video footage and this venting has been shown to be episodic.

The Solwara 12 prospect is located in Mining Lease Application (MLA) 512, 25 km NW of Solwara 1 and was discovered by Nautilus during the Fugro Solstice Target Generation and Target Testing program in 2009. In addition to the size of the mapped chimney field, a remote operated vehicle (**ROV**) based geophysical survey indicated both an electromagnetic and a self-potential anomaly within this area. High base and precious metal grades were returned from assayed chimney samples.

The Solwara project has been explored by ROV dive videos, bathymetric surveys, geophysical techniques, surface sampling and by core drilling. To establish the extent and nature of deeper mineralisation at Solwara 1, Nautilus completed four drilling programs between 2006 and 2011.

In 2006, diamond core holes were drilled from the DP Hunter vessel from the surface at 35 locations. Core recovery was generally poor. Although the samples were generally not of sufficient quality for resource estimation, the drillholes demonstrated the presence of widespread massive sulfide mineralisation. In addition to the core drilling data, chimney samples were collected from the seafloor. These demonstrated high-grade copper, gold, zinc and silver mineralisation. Downhole geophysics conducted at the time confirmed that the copper-rich mineralisation is very conductive and could be expected to respond well to electromagnetic methods (**EM**).

In 2007 Nautilus conducted a six-month field campaign over Solwara 1 during which further chimney sampling and a comprehensive diamond drilling program was completed. Two ROV operated drill systems were deployed, which significantly improved drill core recovery and efficiency. The ROV drills utilised a conventional drilling system and reached depths up to 18 m below the seafloor. At completion of the drilling campaign, 111 holes for a total drilling length of 1,084 m were completed, from which 1,432 samples were sent for assay (including quality control samples). A total of 362 geotechnical tests and over 680 density measurements on drill core samples, and 86 density measurement on chimney samples were conducted on the ship. A further 90 geotechnical tests were also conducted within onshore laboratories. This data was supplemented by a high resolution 20 cm × 20 cm bathymetric survey, and the world's first underwater mineral delineation EM campaign. Detailed environmental monitoring and sampling was also carried out to provide input into environmental assessment studies, and the companies Environmental Impact Statement (EIS) to support the mining lease application.

The core recovery in the massive sulfide domain was much improved and the drilling results clearly demonstrated the continuity of sulfide mineralisation across the Solwara 1 deposit. In addition, over 80 chimney samples were collected. An extensive geotechnical testing program on drill core and chimney samples provided confidence on average density and geotechnical parameters of the mineralisation at Solwara 1. Independent audit of the logging confirmed the widespread occurrence of significant chalcopyrite mineralisation in the chimneys and drill core, broadly consistent with the copper geochemical analyses.

During the 2007 campaign, Nautilus successfully trialed and then deployed an ocean floor electromagnetic (**OFEM**) system over Solwara 1. The system measures electromagnetic fields associated with induced subsurface electrical currents. It was designed and built for delineating areas of near-surface copper-rich massive sulfides on the seafloor. The survey delineated a conductivity anomaly that correlates extremely well with the drillhole data and was used to aid the interpretation of the geology.

The exploration work in 2006 and 2007 enabled a 3-D geological model of the Solwara 1 deposit to be constructed. Geological modelling was carried in two stages: (1) sectional interpretation followed by wire framing to form triangulated surfaces of the sub-chimney lithology; and (2) a floating circle approach to model the base of chimneys.

To resolve differences between the drillhole collars and the final bathymetric surface, the drillholes were registered to the bathymetric surface prior to sectional interpretation.

Block grade estimation employed unfolding techniques and hard boundaries between stratigraphic domains. Due to the amount of core loss and the irregular sampling intervals compositing was not undertaken. However, to account for the variable sample lengths, samples were length-weighted during block grade estimation. Drillhole data used for resource estimation was capped at variable Cu, Au, Ag and Zn grades appropriate for the stratigraphic domain. Downhole and omni-planar correlograms were used to determine three-dimensional continuity of mineralisation. Cu, Au, Ag and Zn grades for 10 x 10 x 0.5m blocks were estimated by ordinary block kriging (**OK**).

Validation of the resource block model included: (1) on-screen visual comparisons with the drillhole data; (2) statistical checks between declustered data and OK estimates; and (3) an alternative inverse distance weighting estimate. No obvious errors or inconsistencies were observed. Vertical discontinuities that were observed were related to the interpreted stratigraphic contacts that were used as hard boundaries during block grade estimation.

The modelling work resulted in a maiden resource estimate for Solwara 1 of over 2 million tonnes at a 4% Cu cut-off grade (Lipton, 2008).

In 2008, a scout drilling campaign was carried out at the Solwara 1, 4, 5, 6, 7, 8 and 10 prospects, completing an additional 31 diamond holes for a total advance of 176 m. During this campaign, Nautilus also discovered buried mineralisation at the Solwara 1 North Zone while drill testing ocean floor EM anomalies proximal to the Solwara 1 outcrop. The limited number of drillholes at Solwara 1 was not sufficient to materially alter the mineral resource estimate.

The 2010/11 drilling program, conducted from the MV REM Etive, primarily focused on deeper drilling because many of the 2007 and 2008 drillholes at Solwara 1 had ended in high-grade mineralisation. Other improvements included a larger diameter drill core to improve sample size; a wire-line drill string to drill deeper holes more efficiently; an improved casing capability to enable deeper holes; and an improved landing system to handle the rugged terrain better.

Throughout each of the cruises, Nautilus executed well-planned and thorough documented procedures for gathering data and handling samples. These included comprehensive quality assurance/quality control (**QAQC**) procedures. The Qualified Person for the Mineral Resource statement is satisfied that the sampling, QAQC, sample preparation and assaying work was satisfactory for Mineral Resource estimation.

The 2010/11 drilling program increased geological knowledge of Solwara 1 and demonstrated continuity of high-grade mineralisation in the Solwara 1 North Zone and at Solwara 12. The additional core data obtained for Solwara 1 enabled the resource model to be updated and a maiden resource estimate for Solwara 12 to be made. Both models were built using essentially the same methods as used for the maiden resource model for Solwara 1.

The mineralisation classified as Indicated Mineral Resource was tested by drillholes spaced from less than 10 m to a maximum of approximately 50 m. Within the Indicated Mineral Resource, most of the blocks were estimated in the first estimation pass and the core recovery in the intercepts used to estimate the blocks was generally greater than 70%. In the area classified as Inferred Mineral Resource, the drillhole spacing ranges up to 200 m, but is generally less than 100 m, and the core recovery was more variable. Chimney material, where estimated, has been classified as Inferred Resource. The main criteria for this lower classification is that chimney sampling was limited to pieces of chimney that could be broken off from the mounds and that the internal grades have not been suitably tested. The Mineral Resource estimates are summarized in Table 7 and Table 8.

Table 7: Mineral Resource estimate for Solwara 1 and 1 North at 2.6% Cu equivalent cut off

	Class	Domain	Tonnes (kt)	Cu (%)	Au (g/t)	Ag (g/t)	Zn (%)
1	Indicated	Sulfide dominant	1030	7.2	5.0	23	0.4
	Inferred	Chimney	80	11.0	17.0	170	6.0
		Consolidated Sediment	27	4.1	4.5	49	1.4
		Sulfide dominant	1330	8.1	5.8	25	0.6
		Inferred Total	**1440**	**8.2**	**6.4**	**34**	**0.9**
1 North	Inferred	Consolidated Sediment	14	2.8	9.1	81	3.4
		Sulfide dominant	65	7.8	7.5	49	1.3
		Upper footwall	21	2.8	1.1	5	0.2
		Inferred Total	**100**	**6.0**	**6.3**	**43**	**1.3**
Total	**Indicated**	**-**	**1030**	**7.2**	**5.0**	**23**	**0.4**
	Inferred	**-**	**1540**	**8.1**	**6.4**	**34**	**0.9**

Note: rounding may result in errors in reproducing the totals from the individual components shown in this table.
Solwara 1 and 1 North estimated using ordinary kriging
The effective date of the Mineral Resource is 1 January 2018.
Cu Equivalent CuEq = 0.915*Cu + 0.254*Au + 0.00598*Ag

Table 8: Mineral Resource estimate for Solwara 12 at 2.6% Cu equivalent cut off

Class	Domain	Tonnes (kt)	Cu (%)	Au (g/t)	Ag (g/t)	Zn (%)
Inferred	Sediment	46	2.9	2.0	35	2.2
	Sulfide dominant	185	8.4	4.0	61	4.0
	Upper footwall	0.7	3.7	0.7	13	0.3
	Inferred Total	230	7.3	3.6	56	3.6

Note: rounding may result in errors in reproducing the totals from the individual components shown in this table. Solwara 12 estimated using ordinary kriging.
The effective date of the Mineral Resource is 1 January 2018
Cu Equivalent CuEq = 0.915*Cu + 0.254*Au + 0.00598*Ag

AMC considers that the following risks and opportunities may materially influence the resource estimate:

- Several drillholes at Solwara 1 ended in massive sulfide material. In such instances, and where no adjacent drillhole information was available from which the true thickness could be reasonably interpreted, the base of the drillhole was interpreted to be the base of the massive sulfides. The massive sulfide resource is therefore open at depth in some areas.
- Drillhole intercepts in the unconsolidated sediment at Solwara 1 suggested that this domain contains some material above cut-off grade. Whilst this may be likely in the form of chimney rubble or interstitial sulfide precipitation, this material has been excluded from the resource estimate for Solwara 1.

- Few drillholes were located on the exposed chimney mounds due to difficulty in landing on these structures. Consequently, the block grade estimates for interpreted massive sulfide material below these mounds is based on holes drilled adjacent to these mounds. It is possible that the massive sulfide material beneath the chimney mounds may have a different mineralogical composition being closer to the interpreted mineralizing fluid source.
- Core loss in the massive sulfide domain could result in estimation bias if the core loss was preferentially related to low or high-grade material. Close-spaced (<5 m) drilling for metallurgical and geotechnical samples suggests that the probability of such preferential core loss is low.
- Significant lateral extrapolation of massive sulfide mineralisation to the boundaries of the EM anomaly was supported by all holes drilled in 2007. However, drilling in 2010/11 of the EM anomaly in part of the eastern zone failed to intersect significant thickness of sulfide mineralisation. A proportion of the Inferred Resource relies on the EM anomaly in areas that have not been tested by drilling. Furthermore, it is not possible to determine the thickness of the conductor sulfide material from the EM data, thus, the interpreted thickness of massive sulfide in areas distant to drilling is of low confidence.
- The higher-grade chimney mounds have only essentially been surface sampled by breaking off protruding chimney pieces. The interpreted depth of the chimney mounds is based on an automated algorithm that produces a truncated bathymetry that is considered geologically reasonable. However, until these mounds are tested by drilling their grade, density and depth should be considered of low confidence. If the chimney mound/massive sulfide interface is not correctly positioned then the risk to the contained metal is considered to be low to moderate as the higher grade/lower density chimney material would most likely be substituted by lower grade/higher density massive sulfide material.

The work to date at Solwara 1 and Solwara 12 has demonstrated the presence of massive sulfide mineralisation and has been sufficient to define Indicated and Inferred Resources. There remains potential for the discovery of additional resources in feeder zones extending down the main hydrothermal pathways or in buried (stacked) lenses.

Mineral processing and metallurgical testing

The Solwara 1 SMS deposit shows very similar mineralogical features to terrestrial volcanic hosted massive sulphide deposits (**VHMS**). The approach to minerals processing design for the Project has been to confirm that industry-standard practice for the treatment of VHMS deposits is applicable to Solwara 1 and will give an acceptable economic outcome. Despite the young age of the deposit, its location on the sea floor simplifies some aspects of its processing. For example, there is no oxidized zone or supergene zone of mineralisation to potentially cause mineral separation problems when treated by flotation.

There have been five phases of metallurgical test work on the Solwara 1 Project:

1) 1998 “skirmish” testing of five chimney specimens from various Solwara deposits.
2) 2005 “skirmish” testing of a single composite sample of chimney specimens from the Solwara 1 deposit.
3) 2007-2010 testing of Nautilus drill core from 24 drillholes in the Solwara 1 deposit supported by mineragraphy on 16 drill holes and quantitative mineralogy on material from 17 drillholes. After initial “sighter” tests at ALS AMMTEC in Perth, Australia, detailed flowsheet development was done at ALS Metallurgy in Burnie, Tasmania, Australia.

4) 2011-2012 detailed testing of Solwara 1 deposit material aimed at flow sheet optimization, examining options to increase gold recovery, variability testing, and determination of materials handling characteristics.
5) 2012-2014 testing of aliquots of Solwara 1 samples by several potential offtakers in the People's Republic of China (PRC).

Early testwork by Rio Tinto (1998) and Placer Dome (2005) indicated that the metallurgical characteristics of the concentrate produced from the seafloor sulfide material were similar to those from terrestrial mining operations.

A mineralogical-based approach was the driver for the metallurgical test work by Nautilus, emphasizing characterization of the material given the difficulty and expense of obtaining samples. The materials examined and tested from Solwara 1 by Nautilus are:

- Mineragraphy – on 21 core samples from 16 drillholes.
- Quantitative mineralogy – on 10 samples composited from 24 different drillholes and 28 chimney samples.
- Metallurgical test work – on the same 10 samples as for quantitative mineralogy above.
- Variability samples for quantitative mineralogy on 21 samples from 17 drillholes and nine chimney grab samples.

The results of the mineralogical and metallurgical test work can be summarized as follows:

- Copper is present almost exclusively as chalcopyrite.
- Chalcopyrite liberation is significant at a sizing of 80% -40 µm with the test flowsheet using a primary grind of 80% -55 µm with regrinding of rougher concentrate to 80% -25 µm.
- Treatment by conventional grinding and flotation processing produced copper concentrates grading 25% to 30% Cu; copper recovery in bench scale laboratory open circuit tests has been 85% - 90%.
- Laboratory locked cycle flotation testing on a blend of likely feed produced a 25% Cu copper concentrate at 92% copper recovery; these results require the standard 2% absolute discount applied in the industry when predicting the metallurgical performance of an operating mineral processing plant.
- Arsenic is the only significant deleterious element in the massive sulphide with the main carrier being arsenopyrite with some contribution from tennantite, and possibly orpiment, however, arsenic levels in concentrates from samples tested were below penalty levels and current Peoples Republic of China (PRC) import limits (0.5% As).
- Gold is refractory, being mostly associated with pyrite.
- Gold recovery to a 25% Cu copper concentrate is approximately 25%. This would increase to approximately 42 - 45% by making a lower grade concentrate at 20% Cu, which contained more auriferous pyrite.
- Around 65 - 70% of the gold content can be recovered into a pyrite concentrate from the copper flotation section tailing when making a 25% Cu copper concentrate. This pyrite concentrate would assay about 7 - 9 g/t Au and approximately 45% sulfur.
- At least 80 - 90% of the gold reporting to the auriferous pyrite concentrate can be extracted by the conventional technologies of roasting / cyanidation or pressure oxidation / cyanidation. This would give a total gold recovery to copper concentrate + bullion of 75 to 90%.

- Melnikovite or ‘primitive pyrite’, which accounts for around 15% of the pyrite, has a gold content of approximately 44 g/t Au compared with crystalline euhedral pyrite at approximately 4 g/t Au i.e. an order of magnitude higher.
- The samples tested have a Bond Ball Mill Work Index values in the range of 10-12 kWh/t, indicating a low to medium resistance to comminution

The results presented above have not been optimized, but the following important points should be noted:

- Quantitative mineralogical data is an excellent predictor of sulfide flotation performance.Copper flotation results are consistent across all samples tested and for four laboratories (two in Australia and two in the PRC).
- Flotation work has included both batch and locked cycle tests.
- Dilution with low-grade materials or country rock should not affect copper metallurgical performance.
- Copper concentrates are clean and should not present any problems for treatment by custom copper smelters.
- Gold recovery can be significantly increased by reducing the target copper concentrate grade from 25% Cu to 20% Cu.
- Production of an auriferous pyrite concentrate will be necessary to get gold recovery to copper concentrate and doré bullion to 75–90%.
- Exposure of the materials tested to ambient conditions for up to eight weeks has not caused any major deterioration in metallurgical performance.
- The only attempt at making a zinc concentrate gave an encouraging result, with a product high in precious metals that might be upgraded by the established technique of reverse flotation.
- Metallurgical types in the deposit can be resolved into two main classes and several subsets.
- While there has been a significant sampling program undertaken by Nautilus, there remain parts of the deposit at depth that have had little metallurgical sampling and testing. Nonetheless, the core logging to date did not identify any minerals or textures that would be expected to negatively affect recoveries.

The uniformity of the mineralisation types recognised the excellent correlation between mineralogy and metallurgical response, and the shallowness of the drillholes into Solwara 1 (less than 20 m), give very high confidence in the prediction of metallurgical performance for the mineral resource.

Mining methods

There are no Mineral Reserve estimates for Solwara 1 and the potential viability of the Mineral Resources has not yet been supported by a pre-feasibility study or a feasibility study. The terms “mineralised material” or "material" are used in this report to denote mineralised material above a cut-off grade on which the proposed mining, processing and product shipping activities are designed to operate. It does not imply that Mineral Reserves have been estimated at the date of this report.

The target Mineral Resources at Solwara 1 are located on the seafloor, approximately 1,550 m below sea level, and are covered with a thin layer of unconsolidated sediment.

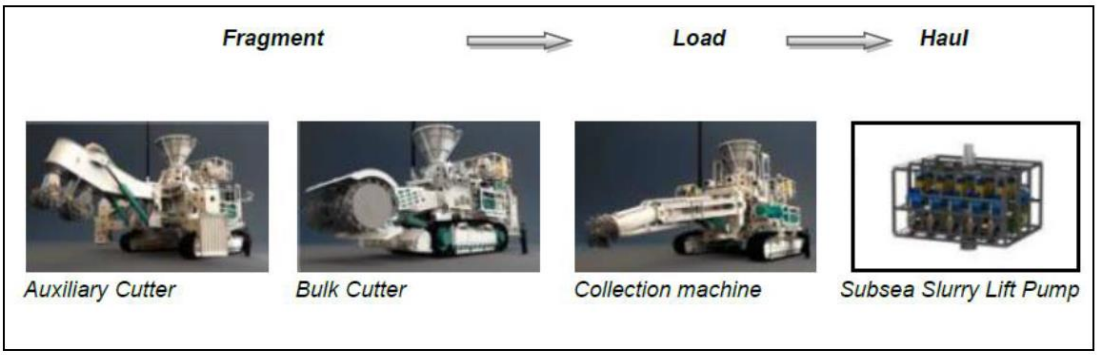
The conceptual mine plan contemplates the extraction of Indicated and Inferred Mineral Resources containing copper and gold at copper grades significantly higher than most terrestrial mines.

The depth and the relative competence of the massive sulphide means the deposit is not amenable to extraction by dredge technology. A mining method suited to the deposit style and location has been identified. Sediment removal, mechanical rock cutting, and transfer of fragmented cuttings to a vessel on the ocean surface by pump and riser is the chosen mining method.

Mining equipment has been designed, constructed, and tested. The mining equipment is mobile and is expected to be reusable at future deep-sea mining projects.

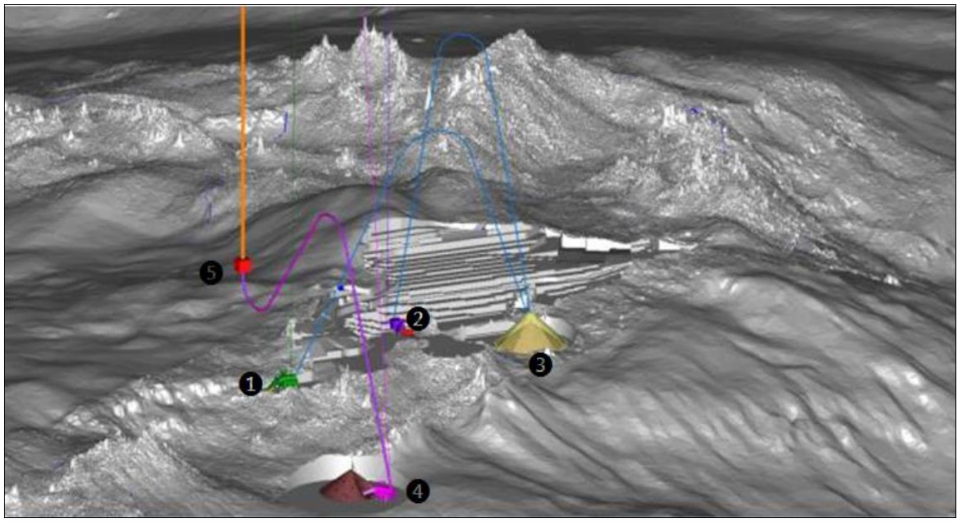
The three main mining tasks (sediment removal, rock cutting, and transfer of fragmented cuttings to surface) are performed by three seafloor production tools and a positive displacement pump, which are the four machines listed below and shown in Figure 9, and known collectively as the seafloor production equipment.

Figure 9: The seafloor production equipment



The seafloor production equipment will be remotely controlled by operators located on board a surface vessel stationed over the deposit. The proposed seafloor operation is illustrated in Figure 10.

Figure 10: Proposed seafloor mining operations for the Solwara Project



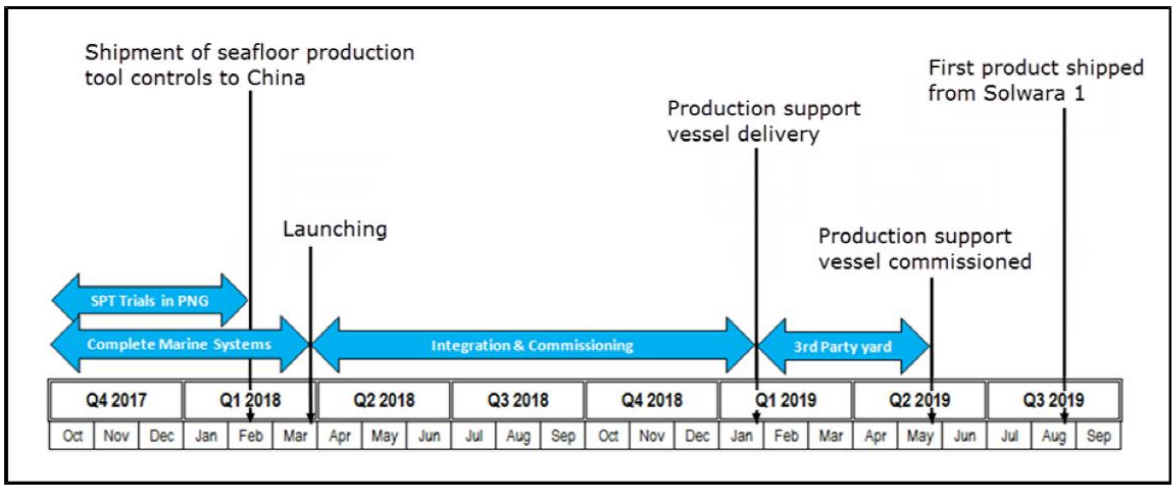
1. Auxiliary cutter – developing new area for production.
2. Bulk cutter – production cutting.
3. Stockpile – receiving fragmented rock from the auxiliary cutter and bulk cutter simultaneously.
4. Collection machine – collection from stockpile and delivering to subsea slurry lift pump.
5. Subsea slurry lift pump – receives mineralised slurry from collection machine. Boosts pressure and flow to hoist rock to production support vessel.

The mobile seafloor production tools have undergone submerged trials in a flooded pit near Port Moresby. The seafloor production tools components have functioned in submerged conditions as designed. The subsea slurry lift pump has been manufactured and factory acceptance testing is complete. Submerged trails of the pump have not yet occurred.

Recovery methods

A production support vessel is currently being constructed in the PRC. The launch of the vessel is scheduled for late in Q1 2018 (Figure 11). Integration of the vessel's systems will then continue after launch. Commissioning and sea trials are scheduled for completion in Q2 2019. The design of the production support vessel (Figure 12) is novel, and is a hybrid of a mobile offshore drilling unit, a cargo ship, and various special purpose ships. Nautilus has contracted to charter, but not own, the production support vessel.

Figure 11: Project Timeline



The production support vessel will serve several functions. It will generate power, house the mining crew, provide a platform for the launch, recovery and servicing of the seafloor production tools, and provide a place for dewatering and temporary storage of mineralised material before shipment to offtakers for further processing, smelting and precious metals recovery.

Figure 12: Production Support Vessel

Broken mineralised material will be pumped to surface via the riser and lifting system directly to a dewatering plant, which is located on the production support vessel. The dewatering plant is the only mineral processing function that will occur at Solwara 1 prior to mineralise material storage, transfer and shipment. It is important to note from an environmental management perspective that no surfactants, filter aids or other processing chemicals will be used in the operation of the dewatering plant.

The proposed dewatering plant has a similar function to a coal washing plant, which is separation into the various size fractions and dewatering each fraction with suitably designed equipment. The dewatering plant will be used to reduce the water content of the mineralised material to below the transportable moisture limit (**TML**) prior to shipping (approximately 10% moisture). The technology is well proven and accepted worldwide.

The dewatered mineralised material will be stored on the production support vessel until loaded directly onto Handymax-sized vessels that will come alongside the production support vessel. The product will be shipped directly to the PRC for further processing. Other than dewatering, no minerals processing activities will occur at sea. No minerals will be stockpiled on land in PNG, and the mineralised material will be exported directly from the Solwara 1 site, which shall be declared a sufferance port under PNG customs legislation. Customs officials shall be transported to the production support vessel to witness sampling of all shipments and complete the required export documentation.

Nautilus has an agreement to sell the mineralised material to the Tongling Nonferrous Metals Group Co. Ltd. (**Tongling**). Tongling will treat the mineralised material in a custom-built concentrator adjacent to the Tongling Smelter, Anhui Province, PRC. The obligation for Tongling to build this concentrator is part of the Ore Sales and Processing Agreement between Nautilus and Tongling. The concentrator shall produce both copper and pyrite concentrates as well as a small quantity of tailings.

Copper concentrate will be treated through the recently commissioned Tongling double flash smelter, while the pyrite concentrate will be treated in Tongling's existing acid plant and precious metals recovery circuits. The flotation tailings will be sold as feed material to cement works operating near-by.

Environmental studies, permitting, community or social impact

Nautilus has carried out a series of environmental studies designed and conducted by various consultants, research organisations and universities during the assessment phase, prior to submission of its EIS to the PNG Government in late 2008. These studies were conducted to:

- Define the existing environment.
- Estimate the potential impacts.
- Inform potential impact mitigation strategies.

The studies included observation, sampling, and modelling focusing not only on the biological communities of both active and inactive hydrothermal vents, but also on the background marine environment, including physical, chemical and distal biological areas.

Nautilus has submitted an Environmental Inception Report (**EIR**) (Enesar, 2007) and an EIS (Coffey, 2008) for the Solwara 1 Project. Following public hearings in November 2008 and an independent review by third-party specialist consultants (Cardno Acil, Australia), the EIS was approved 'in principle' by the PNG Environment Minister on 31 August 2009.

After the EIS, further investigations to gain a better understanding of the environment at Solwara 1 and surrounds have been carried out as part of environmental campaigns undertaken from 2008 to 2015.

The seafloor environment at Solwara 1 is an active deposition site with its sulfide-rich chimneys venting hydrothermal fluids and other rock debris into the lower water column layer, resulting in high sedimentation rates in the surrounding area. Studies show that sedimentation rates at Solwara 1 are on average 50 times higher than the open ocean where hydrothermal vents and volcanic activity do not occur (ERIAS Group, 2017).

The main impacts of the Solwara 1 Project are expected to occur at, or just above, the seafloor and include material and habitat/animal removal, plumes from cutting and stockpiling, noise, vibration and light.

It is envisaged that under normal operating conditions, there will be negligible impacts to the marine life in the mid-water column. Impacts are likely to be restricted to those resulting from the presence of the riser and lifting system and the occasional transit of seafloor production tools, and remote operated vehicles during ascents and descents. Nautilus has developed methods to minimize sediment/suspended particulate matter entrainment from the seafloor during ascents of the seafloor production tools and remote operated vehicles, and these have been incorporated into the environmental management plans.

The potential impacts to surface pelagic animals will be restricted to the presence of the surface vessels and their normal operations. Potential impacts include lighting, underwater noise, routine discharges (in compliance with relevant maritime acts and regulations) and emissions to air. These impacts are expected to be similar to shipping generally and exploration surveys already completed by Nautilus.

Deep-sea sedimentation rates will be affected by the mining operations causing a net increase where sedimentation rates are already naturally high. Suspended sediment modelling was carried out (Coffey, 2008, and Asia Pacific Applied Science Associates (**APASA**), 2016) to quantify the sediment load on the seafloor resulting from full surface sediment removal during pre-strip and subsequent mining operations. Modelling indicated that at the completion of mining at Solwara 1, sediment will be distributed over a 4.47 km^2 area that encompasses the mining footprint. The estimated depth of this material ranges from the background level of 5.8 mm to 500 mm nearer the discharge points of unconsolidated sediments during pre-strip. Coarse material is expected to settle rapidly while lighter materials will travel further from disposal points. The lightest fragments are expected to form a plume near the seafloor, however all the sediment is expected to settle within the boundaries of the ML with the furthest point of influence no further than 1.4 km from the mining area. Figure 13 shows the maximum extent of deposition and sediment concentrations resulting from mining activity with respect to the ML boundaries.

Figure 13: Modeled Maximum extent of sediment deposition at Solwara 1

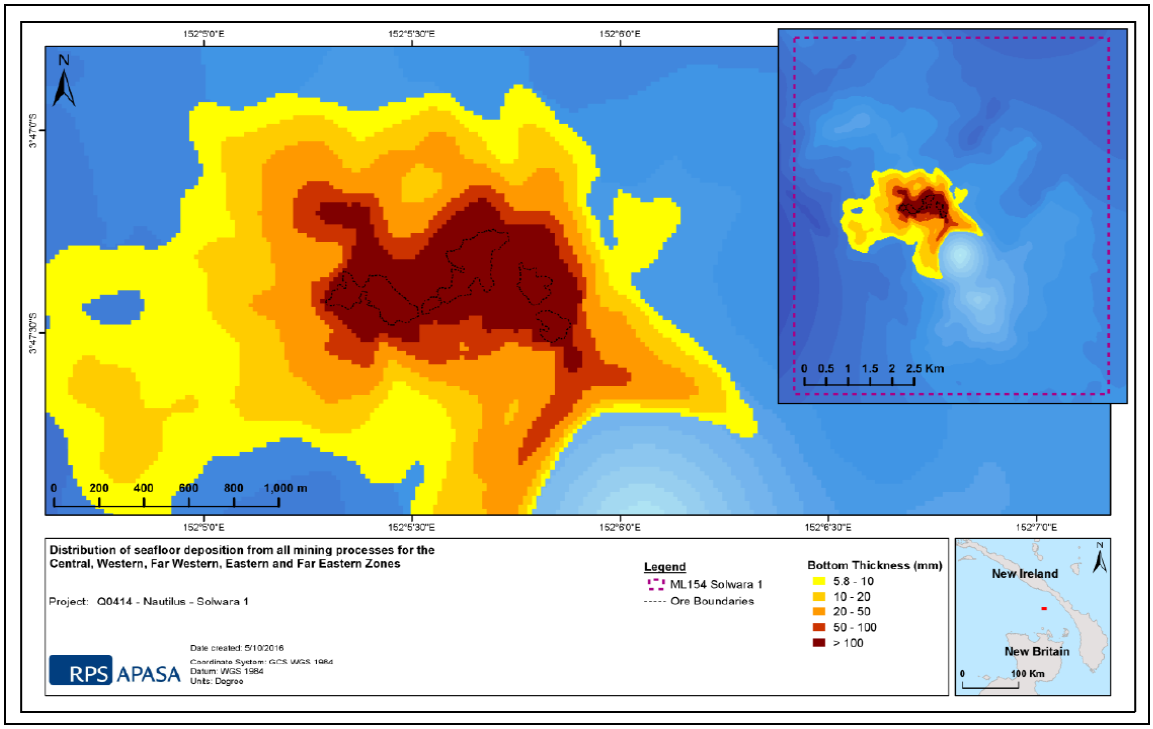


Figure 13 is based on APASA modelling for operation of Solwara 1 over a 27-month period, for 300 days per year at a production rate of 5,900 t/day. This is equivalent to total production of approximately 4 Mt, which is 35% more than the entire indicated and inferred resource at Solwara 1. The modelling has been based on extremely conservative input parameters. The modelling technique used by APASA was jointly developed by the U.S. Army Corps of Engineers (**USACE**), Engineering Research and Development Center, and APASA. Proof of performance for the model has been documented in a series of USACE dredging operations and environmental research program technical notes and published in peer-reviewed literature. Furthermore, the model has been applied to, and validated by APASA, against observations of sedimentation and suspended sediments at multiple locations in Australia.

The seafloor production tools are designed to minimize the loss of mineralised material to the environment, with overall recovery expected to be approximately 95% (Coffey, 2008). Localized, partial burial of immobile fauna is expected, however, fauna may, to a degree, be pre-adapted to high rates of sedimentation given the nearby presence of active volcanoes and their associated eruptive sediment plumes.

The return water from the dewatering plant will discharge material smaller than 8 µm at a height of between 40 m to 180 m above the sea floor. The results of modelling indicated that total suspended solids (**TSS**) concentrations from this return flow were minimal. While the initial concentration of the slurry discharging from the return flow pipe is in the order of 4,000 mg/L, the width of the two return pipe plumes is only 0.2 m. Such a plume undergoes rapid dilution during its jet phase and the subsequent concentrations in the far-field are low, only exceeding the minimum threshold of 10 mg/L up to a distance of less than 100 m from the discharge point. These sediments will settle over a wide area but maximum depositional thickness will not exceed 1.0 mm. Thus, rates of settling are less than the existing deep-sea sediments rates measured at Solwara 1.

Geochemical changes in the mineralised material that could potentially result in increased leaching of soluble metals are not expected during the mining and dewatering process, as these materials will not remain at their original temperature and oxygen fugacity. Nautilus has undertaken reactivity tests and modelling that indicate target water quality standards (ANZECC/ARMCANZ 2000) to 95% protection levels will be met, due to dilution, within 85 m from the discharge point.

Modelling reported in the EIS predicts that return water sediments will not rise above 1,400 m in the water column and, consequently, will not affect pelagic tuna, tuna fisheries or near-shore coral reefs, including traditional fisheries.

In 2016 Nautilus commissioned an underwater noise and vibration impact assessment that assessed potential impacts on marine fauna (including whales, turtles, marine reptiles, fish and macro invertebrates) and marine resource use. The study determined that noise impacts to marine fauna will be negligible and require animals to be within 10 m of noise sources for impacts to occur.

Air emissions will consist of combustion emissions from the production support vessel's dynamic positioning system (**DPS**) thrusters, vessel power supply and the mining, transfer and processing power supply. It is expected that there will be limited dust emissions from processing or transport activities due to the moisture content of the processed mineralised material. Emissions to air from this Project should not have a direct impact on marine life.

With the approval of the EIS, the PNG Government signaled that it was comfortable with the effectiveness (i.e. decision, process, and content) of Nautilus's socio-economic and community engagement program for Solwara 1.

Nautilus has changed the Project description since the approval of the EIS to include:

- The use of a single production support vessel as opposed to three separate ones.
- Stockpiling of mineralised material on the seafloor.
- The use of offshore trans-shipment (in place of product storage at the Port of Rabaul).

These changes have been the subject of a Variation of the ML and an amendment of the Environmental Permit (**EP**), and are captured and addressed in the current Environmental Management Plan (**EMP**) and will not require revision of the EIS.

Nautilus undertook extensive studies over 2015 and 2016 (listed in Item 20.1.2) in support of the EMP which was completed and submitted to the Conservation and Environment Protection Authority (**CEPA**) in 2017. During preparation of the EMP a number workshops were held with relevant PNG government entities to obtain input to the EMPs.

As the major components of the proposed mining and trans-shipment activities are located offshore, many of the socioeconomic and sociocultural issues normally associated with terrestrial mining projects are likely to be absent from Solwara 1. The Project will not cause the displacement of people from their land or alter existing land use practices. However, based on other larger projects in PNG, local impacts could potentially arise in the following areas:

- Employment created during the operational phase of the Project.
- Business opportunities generated by the supply of goods and services.
- Subsidiary employment and business opportunities arising from expenditure of incomes earned from Project employees.

- The distribution of beneficial streams (i.e. taxes and royalties).

External financing provides a very large proportion of financial resources available for the support and facilitation of the Government's development program.

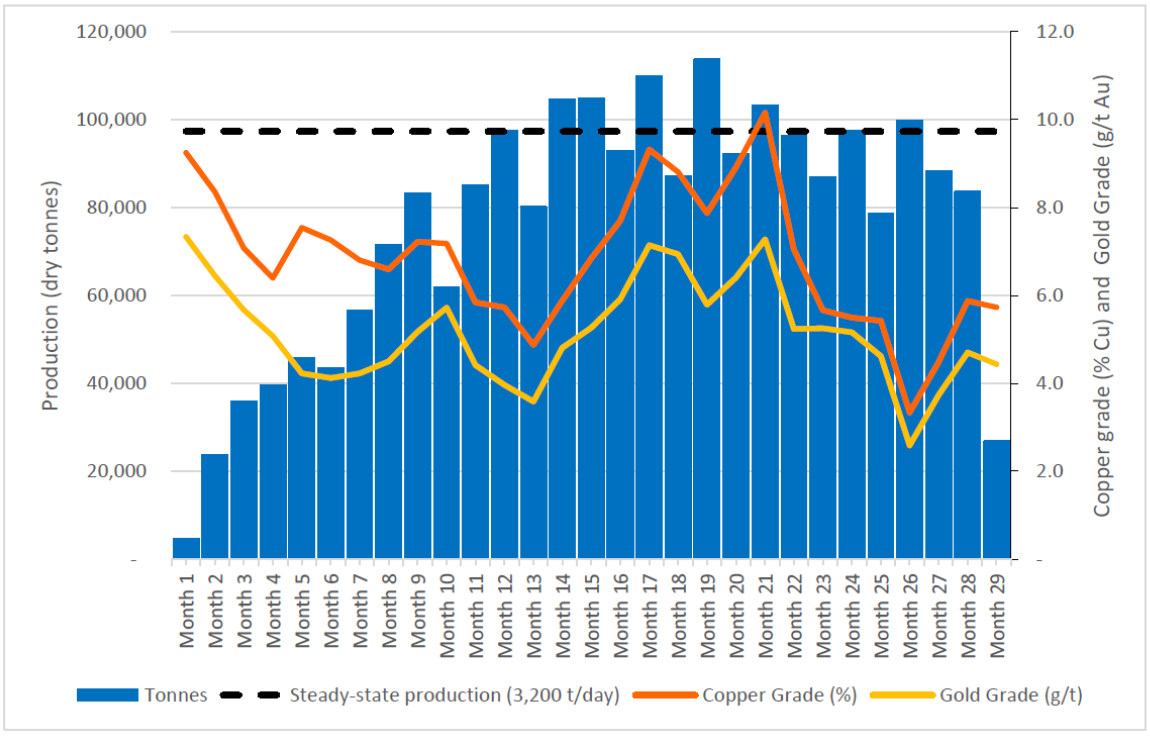
The Project will provide revenue to the PNG Government through royalties and taxes and establishing a Community Development Fund that will support existing provincial development projects in New Ireland and the island provinces.

While there has been some negative sentiment towards the Project, Nautilus has endeavored to engage with the relevant parties to address their concerns, including commissioning and publishing independent reports on environmental and social benchmarking and environmental and social standards compliance of the Project (Earth Economics). As part of its ongoing risk assessment for the Project, Nautilus is actively monitoring community sentiment and implementing a strategic plan for corporate social responsibility in consultation with state, provincial and local level governments.

Conceptual production schedule

The conceptual production schedule, inclusive of dilution and mining losses, for Solwara 1, is shown in Figure 14. A 15-month linear productivity ramp-up has been allowed. The maximum production rate is constrained by the pumping capability of the collection machine.

Figure 14: Solwara 1 conceptual productions schedule



Extraction of 0.9 Mt of Indicated Mineral Resource grading 6.4% Cu,4.6 g/t Au, and 1.3 Mt of Inferred Resource grading 7.0% Cu, 5.5 g/t Au (undiluted), has been scheduled. A peak production rate of approximately 3,200 t per day is planned. Solwara 1 is scheduled to be in production for a period of 29

months. The conceptual plan contemplates recovery of approximately 130 kt of copper and 180 koz of gold from Solwara 1.

The production schedule is not a Mineral Reserve estimate. It is based in part on Inferred Mineral Resources, which are too speculative geologically to be used in a definitive economic analysis.

The main risks to the mining plan include:

- There is no redundancy in the mining fleet. All the seafloor production equipment is required to function as planned for the duration of the Project. Loss or catastrophic failure of any seafloor production tool will materially affect Nautilus's ability to execute the production plan.
- The estimate of production rate ramp-up is based on engineering judgement and analysis by analogy with terrestrial mining projects. Deep-sea mining has not yet been attempted and there are no very close analogues to the proposed mining project. The actual production ramp-up might be slower and longer than expected, resulting in higher operating costs. Conversely, the ramp-up might be significantly better than has been allowed for in the schedule, and actual project duration might be less, resulting in significant reduction to the average production cost.
- Most of the target Mineral Resource is in the Inferred category, meaning (by definition) that the density of data is insufficient to demonstrate geological continuity and grade continuity. The actual deposit characteristics could vary from the prevailing geological interpretations.
- The production plan requires that the seafloor production equipment be operated and dynamically positioned within certain tolerances. The survey equipment and systems for Solwara 1 have not yet been finalised. Existing technology that is routinely used in the subsea oil and gas industries might be adopted at Solwara 1. However, there are many practical issues to resolve and it is conceivable that maintaining constant accurate position control will not always be possible, and the production rate and rates of mineralised material loss and dilution might vary from the plan.
- An important step in addressing some of the risks outlined above, are submerged trials of the seafloor production tools and subsea slurry lift pump to be undertaken prior to production. The seafloor production tool trials were completed in PNG late in 2017 and early in 2018, and the subsea slurry lift pump submerged trials are planned for the second and third quarters of 2018. Preliminary analysis of the results of the seafloor production tool trials indicates that the tools can perform to design specifications. The machine components all functioned as designed in submerged conditions although there are several design modifications being considered to improve operations.

Capital cost

The total capital cost (capex) estimate for Nautilus's deep-sea mining system, which will first be deployed at Solwara 1, is US$530 million.

Of the total capex, 59% (US$315 million) has been committed in existing contracts, and 54% (US$287 million) has already been incurred. The estimate of capital, yet to be committed, that is required to complete the Project is US$215 million. Of this amount, the largest cost item (US$60 million) is for integration of the production support vessel systems. Completion and testing of the seafloor production tools, the riser and lift system, the dewatering plant, the purchase of spare parts, "first fill" consumables, and the mobilization of all equipment and personnel to site are also significant outstanding capital cost items within this budget estimate.

Operating cost

The average cost of production is expected to be approximately of US$274 per tonne of mineralised material over the life of the Project. The production cost estimate is based on vessel charter contracts, crewing services contracts, the Ore Sales and Processing Agreement, and estimates of consumables consumption.

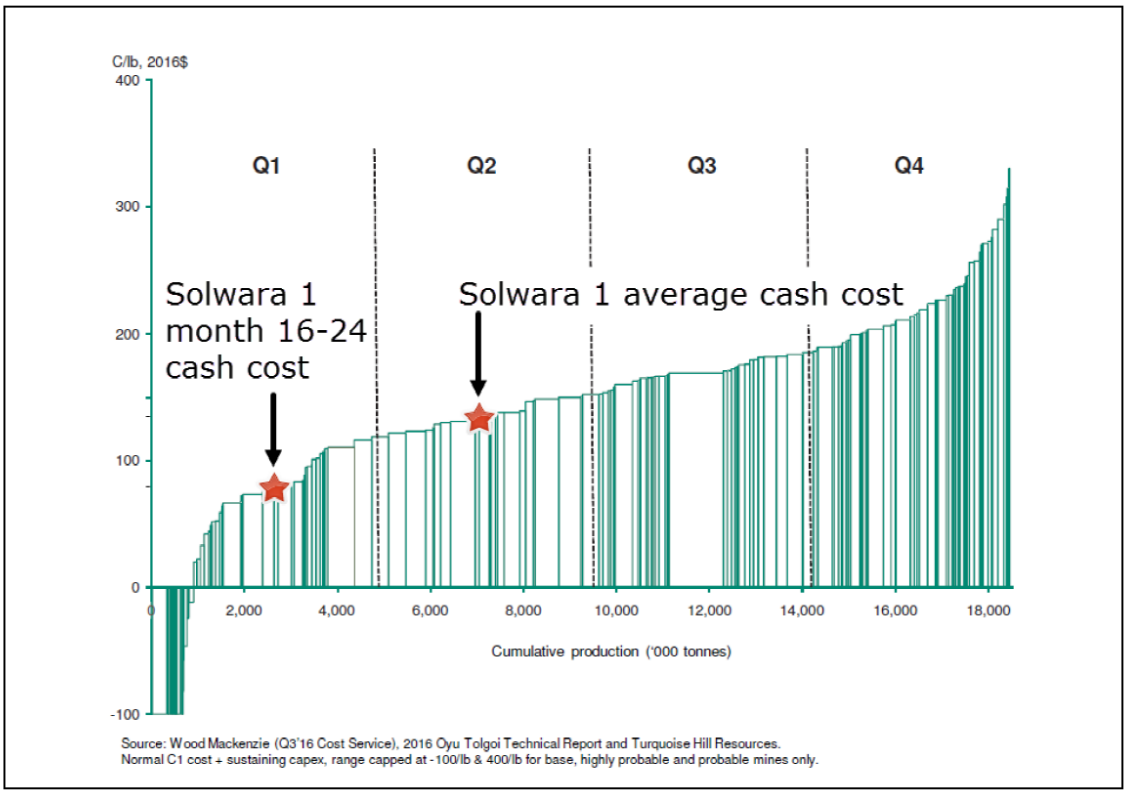
The operating cost is made up of both fixed (time-based) and variable (tonnage-based) components, and is therefore sensitive to project duration, and production ramp up rates. The average split of fixed and variable costs is 52%:48%. A variation of three months in project duration is expected to change the average operating cost by approximately US$15 per tonne. The high proportion of fixed costs means the Project is highly leveraged to metal grade, metal prices, and production rate.

AMC has estimated a C1 cash cost for Solwara 1 of US$1.36 per pound of payable copper, net of gold credits, over the life of the Project. This estimate includes the 15-month production ramp-up period when cash costs are negatively impacted by lower copper and gold production. During the period when the production rate is stable at around 3,200 tpd in months 16 to 24, the C1 cash cost is expected to be US$0.80 per pound. This is indicative of cash costs that might be achievable for subsequent deep-sea mining projects that have metal grades similar to Solwara 1. This is because the experience gained at Solwara 1 could reasonably be expected to reduce the ramp-up period for these subsequent projects to less than 15 months.

C1 cash cost per pound is a financial performance measure based on cost of sales and includes treatment and refinement charges and by-product credits, but excludes the impact of depreciation and royalties. C1 does not have any standardized meaning under Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards, and may not be comparable to similar measures of performance presented by other companies.

The C1 cash cost of US$1.36 per pound of payable copper, net of gold credits, compares favourably to the cash costs of terrestrial mining operations (Figure 15). Such cash costs would place the Solwara 1 project in the second quartile of global copper mining operations with respect to copper industry cash costs.

Figure 15: Copper cost curve adapted form Wood Mackenzie 2016



Preliminary Economic Assessment

In January 2018, AMC conducted preliminary economic modeling of the Solwara 1 Project using the available study reports, information about the production systems under construction, and on-going mine planning work by Nautilus. The modeling indicates a positive economic outcome for the Solwara 1 project as presented in this PEA.

AMC's economic modelling indicates that copper contributes 80% of the Project value, gold 19%, and silver 1%. The copper price used in the modeling is based on the results of a price forecast provided to Nautilus by specialist consultants, CRU International Limited. A copper price of US$7,319 per tonne of copper, and a gold price of US$1,200 per ounce of gold were used in the analysis.

The Qualified Person considers the metal prices are reasonable for the purpose of preparing this PEA. The spot metal prices on the effective date (1 January 2018) were US$7,250 per tonne, US$1,304 per ounce, and US$17.01 per ounce for copper, gold and silver respectively. The metal prices used in the preliminary economic modeling are not materially different to the spot prices on the effective date.

The metal payability factors used are as agreed in the Ore Sales and Processing Agreement between Nautilus and the off-taker, Tongling Nonferrous Metals Group Co., Ltd. The economic modeling was undertaken on a post-tax basis. No inflation was assumed because the Project life is short.

Undiscounted post-tax cash flow (for all cash flows after 1 January 2018) of US$179 million is expected. An internal rate of return of 28% has been modeled. Discounted cash flow analysis, discounting at 15% per annum, indicates a project net present value of US$56 million.

Royalty, Community Development Fund payments, corporate tax and adjustments for tax relief have been estimated. The financial modelling indicates that the Solwara 1 project will contribute over US$100 million in taxes and royalties, payable to the government of PNG.

The Qualified Persons caution that this PEA is preliminary in nature, that it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the results presented in this PEA will be realized. A prefeasibility study has not been undertaken. Mineral resources are not mineral reserves and do not have demonstrated economic viability.

The sensitivity of project economics to metal price was tested by using copper and gold prices based on forward pricing curves. A copper price of US$7,981 per tonne, and a gold price of US$1,391 per ounce, which are the averages indicated by forward price curves for the duration of the Solwara 1 project, were used as inputs to the economic model. These prices are approximately 10% higher than the inputs used in the central case. Price decrease by the same factor were also modeled. The post-tax results of the modelling are shown in Table 9 The sensitivity analysis indicates the Project is highly leveraged to changes in metal price.

Table 9: Economic sensitivity analysis

	-10% to copper and gold price	Central case (US$7,319/t Cu)	Forward price curves
Net undiscounted cash flow (US$ million)	94	179	268
Net present value discounted at 15% (US$ million)	0	56	115
Internal rate of return	15%	28%	40%

Clarion-Clipperton Zone Project

In accordance with Section 5.4 of Form 51-102F2, the following is a reproduction of the summary from the TOML CCZ Report, which summary has been updated and conformed to be consistent with other disclosure within this Annual Information Form.

The TOML CCZ Report is available on SEDAR under Nautilus' profile at www.sedar.com and is incorporated by reference in this Annual Information Form (see "Documents Incorporated by Reference").

Summary of the TOML CCZ Report

A large deposit of polymetallic nodules is located in the Clarion Clipperton Zone (**CCZ**) of the northern central Pacific Ocean. Despite the nodules being located at great depths (4 000 to 6 000 m), they were explored with considerable success between the mid-1960s to the present day using a variety of increasingly sophisticated deep-sea technologies. In early 2012, Tonga Offshore Mining Limited (**TOML**), a 100% owned subsidiary of the Company acquired an Exploration Area of 74 713 km2 of the CCZ. In line with the requirements of the relevant oversight body (the International Seabed Authority or **ISA**), TOML is sponsored by the government of the Kingdom of Tonga. The contract for exploration of polymetallic nodules was approved in July 2011, and then formalised on 11 January 2012. The Exploration area consists of six separate areas (termed Areas A to F) scattered across the CCZ (Figure 16).

TOML commissioned AMC Consultants Pty Ltd (**AMC**) to prepare the TOML CCZ Report in accordance with NI 43-101 reporting standards and Form 43-101F1. The report presents the results of exploration

and related studies carried out between 2013 and 2016 and an updated Mineral Resource estimate. The Mineral Resource statement was prepared in accordance with the CIM "Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines".

Exploration and development efforts in the CCZ started in the 1960s by state sponsored groups from Russia, France, Japan, Eastern Europe, China, Korea and Germany. Several commercial consortia also explored between the 1960s and the 1980s and in some instances their descendants are still involved to the present day. No commercial mining operations have yet been established in the CCZ. However, a variety of collectors, pick-up systems, and metallurgical processing flow sheets were tested, and several integrated "demonstration scale" systems operated in the CCZ for several months in the late 1970s. Processing test-work has encompassed a variety of hydrometallurgical and pyrometallurgical flow sheets, usually with good results.

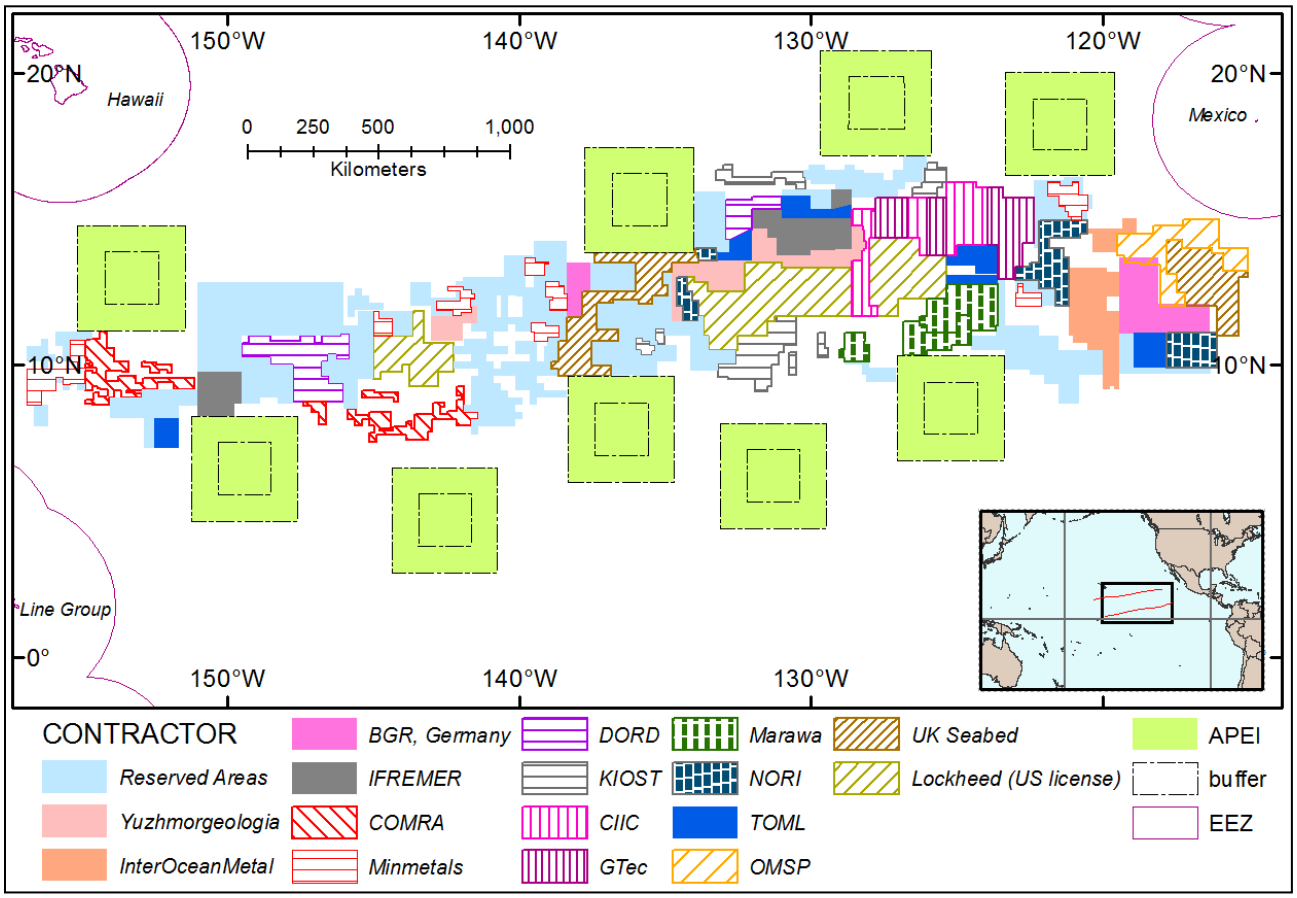
The climate is largely warm, and equatorial surface currents vary by season but are not generally very strong. Wave heights and frequencies are relatively moderate (for the open ocean). Storms are significant for part of the year as a major tropical cyclone belt covers the southern side of the CCZ, approximately one cyclone traverses any given area each year. The deposit is distal from major sea routes used by commercial transport vessels, and is marginal to tuna fisheries. No communication cables cross the region.

The worldwide occurrence of polymetallic nodules has been known since the late 1800s. They form by the precipitation of metals either directly from ocean waters or via decomposing microorganisms and/or their waste matter in the benthic sediments. The specific conditions of the CCZ (water depth, latitude and seafloor sediment type) are believed to be the key controls on the formation of the CCZ nodule deposit, which is believed to be the largest and highest nickel-copper-cobalt (Ni-Cu-Co) grade deposit of this type in the world. Nodules are typically 4 to 6 cm and up to 10 cm in diameter.

Unlike most land deposits, seafloor nodule deposits are characterized in terms of abundance, measured in units of wet kg/m2. This is because both the primary exploration method (surface sampling) and likely recovery method (surface collectors or rakes) are unlikely to work at any significant depth below the seafloor (i.e. 0 to 30 cm). Abundances are typically reported as wet weights due to the practicalities of handling the nodule samples. The wet density of studied nodules is around 2 t/m3 irrespective of the nodule size. Studies show nodules to contain around 29% free water and 16% water of crystallisation (incorporated into the complex manganese and iron oxy-hydroxide minerals of formation).

In 2012, Golder Associates Pty Ltd (**Golder**) estimated an Inferred Mineral Resource for the entire TOML tenement Area. Part of this data was collected by previous explorers including pioneer contractors representing Japan, Russia, France, Korea and the IOM (Interoceanmetal Joint Organisation). These data were obtained directly from the ISA and were not supplied with quality assurance or quality control data. However, verification was possible by comparison between the pioneer contractors and a German contractor who have supplied the ISA with data across what is effectively a single large deposit.

Figure 16 Location of the Clarion Clipperton Zone



Map compiled from contract announcements at www.isa.org.jm; APEI is an Area of Particular Environmental Interest. EEZ is Exclusive Economic Zone. See Item 6 for explanation of Contractor names and acronyms.

Data collected by TOML in 2013 and 2015 supports the historical data but also is of sufficient quantity and quality to allow estimation of an Indicated Mineral Resource for five sub areas within TOML Areas B, C, D and F called B1, C1, D1, D2 and F1. More detailed data collected by TOML has also allowed estimation of a Measured Mineral Resource for a single sub area within TOML Area B. Chain of custody, sample security, Quality Assurance and Quality Control were documented in detail for the TOML data.

The key data sets behind the Inferred Mineral Resource estimate for TOML Areas A through E are surface samples obtained by free fall grab samplers, although a few results from box-corers were also included. Free fall grab samplers are the standard sampling method as they are the most productive tool available. They are believed to underestimate the actual abundance, as smaller nodules may escape some grabs during ascent and larger nodules around the edge of the sampler may be knocked or fall out during the sampling process. This may introduce some conservatism to the Inferred Mineral Resource estimates.

The key data behind the Inferred Mineral Resource estimate for TOML Area F and the Indicated and Measured Mineral Resources are box-corer samples and abundance estimates measured from photographs. Box-corers take longer to collect than free fall grab samplers but they are believed to have less bias. Photos cover a much greater area than either free fall grabs or box-cores. The weight of individual nodules can be accurately estimated from the length of their long or major axis; a relationship

first discovered in the 1970s. Using the box-core samples as calibration devices, TOML was able to measure the size of nodules on several hundred photographs in Areas B and C. Abundance is shown to be related both to nodule coverage in photos and to acoustic response (backscatter) from regional survey. This data thus provides very detailed indications of nodule abundance and continuity.

Many of the records of the sampling procedures used by the pioneer contractors were not available to the Qualified Persons responsible for the TOML CCZ Report, but it is likely that all of the pioneer contractors followed similar procedures to that used by TOML. Nodule abundance (wet kg/m2) was derived by dividing the weight of recovered nodules by the surface area covered by the open jaws of the sampler or corer (typically 0.25 to 0.75 m2). A split of the nodules was dried, crushed and ground to enable grade determination via standard analytical methods (typically atomic absorption spectrometry, X-ray fluorescence or inductively coupled plasma methods), either on the vessel or back on shore. Specific nodule chemical standards were used for instrument calibration. TOML also present the results of field, submitted and laboratory duplicates of nodule samples.

Analysis of the data reveals that, as a consequence of their origin, nodule amounts and grades vary only slightly across the CCZ, with spatial continuity of the nodule abundance, manganese, nickel, cobalt and copper grades often ranging from the order of several kilometres up to several tens of kilometres. Nodule abundance is sometimes less continuous than grade, as it is also subject to local changes in net sedimentation (a consequence of seafloor slope, slumping, erosion and local currents).

The TOML Exploration Area has been split into two domains: areas with polymetallic nodules; and areas predominately without polymetallic nodules. The multibeam bathymetry and the backscatter data was used to interpret the parts of TOML Area B through F predominantly without polymetallic nodules.

Estimation of tonnage and grade for the TOML Exploration Area within the CCZ was undertaken using only sample data within the TOML Exploration Area. Six block models were constructed using the programs Gstat 1.1-3 and R 3.2.5, one for each TOML Exploration Area (A through to F), in three passes. The first pass used a parent block dimension of 1.75 km by 1.75 km and filled the areas defined as Measured Mineral Resource. The second pass for Indicated Mineral Resource used a parent block size of 3.5 km by 3.5 km while the third pass for Inferred used a parent block size of 7.0 km by 7.0 km.

The modelling methodology used for estimating the Mineral Resource was determined through careful consideration of the scale of deposit, mechanism of nodule formation, geological controls and nature of the sampling method. The approach involved estimating nodule abundance and grades into a two-dimensional block model with abundance used for calculating tonnage. Abundance and grades were estimated using ordinary kriging (**OK**) with comparison (not reported) estimates using Inverse Distance Weighting (IDW) and nearest neighbour (NN). The modelling methodology is similar to the method applied by the ISA (2010) for its global estimate of nodules in the CCZ (not NI 43-101 compliant), which was produced by a multi-disciplinary effort that involved recognised subject matter experts.

The Mineral Resource estimate, with an effective date of March 30, 2016, is presented in Table 10. The Mineral Resource estimate at an abundance cut-off of 6 wet kg/m2 is the selected base case scenario considering a non-selective bulk mining operation. Changes to the Mineral Resource with changes in abundance cut-off are shown in Figure 17.

Table 10: 2016 Mineral Resource Estimate for the TOML Exploration Area

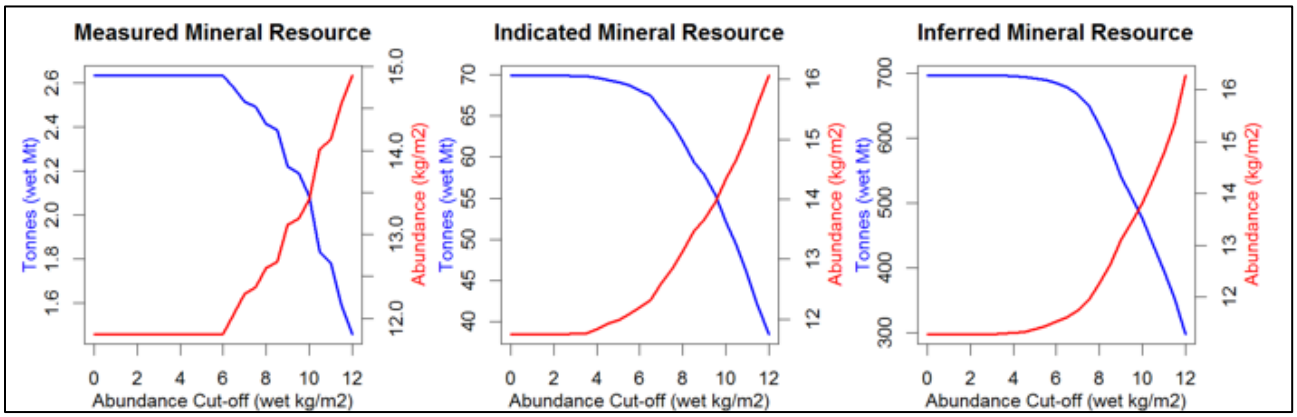
Mineral Resource Classification	Abundance (wet kg/m^2)	Mn (%)	Ni (%)	Cu (%)	Co (%)	Polymetallic Nodules (x10^6 wet t)*
Measured	11.81	27.57	1.33	1.05	0.23	2.6
Indicated	12.19	30.32	1.35	1.18	0.21	68.1
Inferred	11.52	29.05	1.29	1.14	0.20	685.3

*Abundance cut-off of 6 wet kg/m^2 used.

Variations in Totals are due to rounding of individual values

Mn, Ni, Cu and Co assays on samples dried at 105°C

Figure 17: Nodule Abundance – Tonnage Curves



The available information regarding mining and processing of the manganese nodules has been assessed and there are reasonable prospects for economic extraction.

TOML has not yet released any detailed recovery planning or equipment design for the nodule project, but a large and growing body of work, by a variety of organisations over the past 30 plus years, indicates that recovery of the nodules is possible.

TOML has not released any mineral processing or metallurgical test-work on the seafloor nodules from the TOML licences. However, considerable historical work has been done at both laboratory scale and pilot plant scale that indicates that processing of the nodules is technically feasible.

Recommended future work on the TOML Exploration Area will focus on:

- Detailed studies to develop key modifying factors to a point where a Mineral Reserve may potentially be estimated;
- Environmental work to support an EIS for trial mining;
- Concept study work on engineering and commercial aspects leading to trial mining;
- Trial mining.

TOML Exploration Areas A to F have sufficient samples of adequate quality to define a Mineral Resource for manganese, nickel, copper and cobalt. Other metals of potential value (for example, molybdenum and rare earth elements) have not been estimated, but could provide significant upside. The estimate of abundance and hence tonnage for the Inferred Mineral Resource for the TOML Exploration Areas A to F may be underestimated due to reliance on free fall grab samples in places.

RISK FACTORS

Our operations are speculative due to the high-risk nature of business related to the exploration and acquisition of rights to potential mineable deposits of metals. These risk factors could materially affect the Company's future results and could cause actual events to differ materially from those described in forward-looking statements relating to our Company.

Exploration, Development and Operating Risks

Financial resources

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 funding to facilitate this development. The Company's funds as at the date of this AIF will not be sufficient to complete the construction of the Seafloor Production System or 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.

Future funding requirements and risk

The Company has no producing mines and has no source of operating cash flow other than through debt and/or equity financing. Furthermore, there is no precedent for the Projects, so debt financing may not be available on commercially reasonable terms, or at all. There is, therefore, no assurance that additional funding will be available to allow the Company to proceed with development of the Projects. Failure to obtain additional financing on a timely basis could cause the Company to reduce or terminate its proposed operations.

Exploration risk

Exploration risk exists in the discovery, location, drilling and definition of the SMS deposits. The majority of exploration companies fail to ever locate an economic deposit and, given that no economic SMS deposit has ever been proven, such risks are especially significant to the Company. The model for SMS deposits has never been tested by closed spaced drilling and/or production for the purpose of establishing resource tonnage. Drilling may be affected by the availability of suitable vessels and equipment, prevailing sea conditions, currents close to the seafloor and recovery of material drilled and lack of experience in drilling SMS deposits or unsuitability of equipment for drilling such material in the prevailing conditions. Exploration risk also exists in the surface and near-surface geophysical definition of active or inactive SMS deposits. Commercial exploration for SMS deposits is in its infancy and techniques and equipment have yet to be developed or adapted to locate, test and drill such SMS deposits efficiently and there is a risk that such techniques or equipment may not be developed or, if developed, may not be commercially viable.

Mining and recovery risk

SMS deposits have never been mined and there is a risk that mining and sulphide material recovery methods and equipment may not be able to be developed to allow for economic development of SMS deposits. Technologies have not been fully proven in such sub-sea conditions and for this specific material and application, although Management is of the opinion that significant learnings have been taken from the submerged trials done in PNG in late 2017 and early 2018 - (see "General Development of

the Business of the Company – 2017 – Submerged trials of the Seafloor Production Tools" and "General Development of the Business of the Company – Recent developments in 2018 – Completion of submerged trials"). Disturbing the seafloor may cause issues with visibility that could interfere with operations. Failure to adapt existing equipment or to develop suitable equipment or recovery and development techniques suitable for the prevailing material and seafloor conditions would have a material adverse effect on the Company's business, results of operations and financial condition. The Tenements are located in an active tectonic and volcanic setting and volcanic activity, including earthquakes, could hinder operations or damage or destroy equipment and there is a risk that volcanic activity could result in volcanic material, such as lava, covering any SMS deposit found, rendering it uneconomic.

Estimates of grades from samples

The prospective grades of SMS deposits included in this AIF and in the technical reports incorporated by reference herein are estimates. They are imprecise and may prove to be inaccurate. The nature of estimating grades from samples means that there can be no guarantee that SMS deposits of such grade will be available for extraction. Actual grades may vary from these estimates and consequently impact upon the estimated potential of future revenues, cash flows, royalties and development and operating expenditure. Such variances may be material.

No production history

As an exploration company that has no production history, the Company expects to incur losses in the future. The Company has never had mineral producing properties and cannot be certain that commercial quantities or grades of minerals will ever be recovered.

No pre-feasibility study or feasibility study

Nautilus has not completed and does not intend to complete a pre-feasibility study or feasibility study before completing the construction and first deployment of the Seafloor Production System at the Solwara 1 Project. 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.

Potential inability to find a suitable site for the concentrator or a toll concentrator

The Company has signed the Tongling Sales Agreement for the sale of the product extracted from the Solwara 1 deposit, with Tongling agreeing to treat the mineralised material in a custom-built concentrator adjacent to the Tongling Smelter (see "General Development of the Business of the Company – 2015 – Nautilus and Tongling signed new offtake agreement for Solwara 1"). The Tongling agreement requires the parties to take steps to permit and build a concentrator, and such steps will need to be taken shortly. Nautilus' future mining plans regarding other deposits may require construction of an appropriately located land-based concentrator together with a port facility and selected infrastructure in order to produce any gold rich copper concentrate for dispatch to smelters or may involve the sale of mineralized material directly to a third party. There is a risk that Nautilus will be unable to secure a site for the concentrator or access to an existing toll concentrator in a suitable location or to find a purchaser of its mineralized material, in each case, upon suitable terms. If the Company is unable to find a suitable site for the concentrator or access to an existing toll concentrator or is unable to reach an agreement upon suitable terms to sell the mineralized material directly, this would have a material adverse effect on the Company's business, its strategic plans, its results of operations and its financial condition.

Dependence on a small number of projects

The Company is only involved in a small number of projects, and exploration or operational problems relating to any one of them would have a materially adverse effect on the Company.

Reliance on strategic relationships

In conducting its business, the Company relies on continuing existing strategic relationships and has been forming new relationships with other entities in the mineral exploration and mining industry, including alliance partners, third party contractors, the marine scientific research community and certain regulatory and governmental departments. There can be no assurance that existing relationships will continue to be maintained or that new ones will be successfully formed and the Company could be materially adversely affected by changes to such relationships or difficulties in forming new ones.

Default by partners and counterparties

The Company could be materially adversely affected by changes to relationships with its partners and counterparties or by the default of a partner or counterparty.

Litigation

Legal proceedings may arise from time to time in the course of the Company's business. There have been a number of cases where the rights and privileges of mining companies have been subject to litigation. The Directors cannot preclude that such litigation may be brought against the Company in the future from time to time or that it may be subject to any other form of litigation.

Grade, tonnage and resources

The exact form of mineral occurrence, grade and tonnage across the Company's tenements are not yet known and these need to be determined from drilling, mapping and analysis of samples. The Company has no SMS resources, except for the Solwara 1 Project and an inferred resource at Solwara 12, 25km to the northwest of Solwara 1, and no other SMS deposit has even been sufficiently sampled or drilled to determine a resource, and there is a risk that techniques and equipment may not be suitable or cannot be developed to allow a further resource to be determined. There is a risk of poor recovery from such drilling, making it difficult to accurately quantify tonnage and grade of identified SMS deposits. It is possible that if a deposit is located it will be unable to be treated as a mineral resource or mineral reserve according to the definitions of a mineral resource and mineral reserve under applicable securities laws. The inability to classify a deposit as a resource or reserve may impact the valuation of the tenements, the price of the Common Shares and the ability of the Company to raise additional funds.

Metallurgy and treatment

The mineralized material that may be recovered by the Company may comprise a mixture of base and precious metals in varying proportions. This may create a requirement for specialized treatment by a mineral processing plant or smelters. No SMS deposit has been mined and treated for recovery of metal products and there is a risk that SMS deposits may not be economically treatable and that they may contain elements or compounds that may render them unsuitable for treatment by a mineral processing plant or smelter. The actual percentage recovery of metals to a concentrate may vary significantly from SMS deposit to SMS deposit and the Company has yet to complete detailed metallurgical test work on all

of its discoveries or determine if there are any deleterious elements or minerals in the material that may render the mineralized material unsaleable, untreatable or uneconomic or susceptible to monetary penalties from purchasers of the concentrates or material or generally of a nature that is not commercially viable.

Some metallurgical test work has been completed on the Solwara 1 deposit (refer to “General Development of the Business of the Company – Mineral Projects"). Whilst every effort has been made by the Company and its consultants to ensure the mineralized material tested was representative of the mineral deposit types, and handled appropriately, given this is the world’s first SMS deposit to be potentially mined and processed, there can be no guarantee on mining that the various specifications are achieved, and/or that the mineralized material performs exactly as predicted.

Operational costs

Operational costs risk exists to the extent that future sub-sea engineering and recovery systems have yet to be determined, designed and tested and the specific requirements of the Company have yet to be determined. Performance, availability, reliability, maintenance, wear and life of equipment are unknown. There can be no guarantee that sub-sea engineering and recovery systems can be developed or if developed, will be employable in a commercially-viable manner. In addition, the deepwater port of Rabaul, which the Company may utilize for the transportation of supplies and crew to and from the PSV for the Solwara 1 Project and other future Bismarck Sea developments, has been impacted in the past by nearby volcanic activity. In the event of any future volcanic activity, access to the port could be disrupted, which could have a material adverse impact on the Company’s operating costs.

Preliminary Economic Assessment

On February 27, 2018, the Company announced the results of a Preliminary Economic Assessment (**PEA**) for the Solwara 1 Project prepared by AMC (see “General Development of the Business of the Company – Recent developments in 2018 – Preliminary Economic Assessment” and “Mineral Projects – Summary of the Preliminary Economic Assessment”). The PEA is a conceptual study of the potential viability of mineral resources and indicates that the Solwara 1 Project is potentially economically viable. However, due to the preliminary nature of some aspects of project planning, and the untested nature of the specific mining production systems at a commercial scale, economic viability has not yet been demonstrated. The Company further cautions that the PEA is preliminary in nature, that it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized. A pre-feasibility study has not been undertaken. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Disruption from non-governmental organizations

As is the case with many businesses which operate in the mining industry, Nautilus may become subject to pressure and lobbying from non-governmental organizations. There is a risk that the demands and actions of non-governmental organizations may cause significant disruption to the Company's business which may have a material adverse effect on its operations and financial condition.

Safety at sea

Occupational health and safety at marine-based operating sites is an on-going risk for contractors engaged by the Company and the personnel employed by the Company to manage the contractors.

Maritime piracy

Maritime piracy involving criminal acts of violence, detention, or depredation may be directed on the high seas against the Nautilus PSV, or a vessel carrying Nautilus' cargo.

Equipment risk

The Company will use high value equipment for coring and bulk sampling and for mining and materials handling. Such equipment, and particularly sub-sea mining equipment, has yet to be finally constructed and/or tested and may not be technically feasible, may not perform the tasks designed for, may prove uneconomic, unreliable or may not be delivered on a timely basis, which could materially delay or prevent exploration and mining. Any equipment downtime may also have standby and breakdown rates which will be additional liabilities for the Company. Any delayed mobilization of equipment may also impact the Company's operations, within suitable weather windows. Patents may apply to technology that the Company may require for any operation, including exploration, and availability of such technology may be restricted or at a licence fee that impacts the economics of the Solwara 1 Project. There is a risk that operations of the Company may infringe patents or licences that could result in significant penalties or accounting of profits, should such a case be found against the Company.

Renewal of Tenements and Tenement applications

Any renewal of the Tenements is at the discretion of the relevant country's government. Failure to gain such renewal of the Tenements would have a material adverse effect on the Company's business, results of operations, and financial condition. In addition, there can be no assurance that the Company's tenement applications will be granted on a timely basis or at all.

Tenements

The majority of the Tenements are at an early stage of exploration. Any further development of these properties will only follow upon obtaining satisfactory exploration results and the scrutiny of technical and other geological reports. Substantial expenditures are required to discover and establish sufficient mineral reserves 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.

Dependence on the Directors and officers

The Company's future success is dependent on the ability of the Directors and the officers of the Company to deal effectively with complex risks and relationships and to execute the Company's exploration and development plans. The success of the Company is, and will continue to be, to a significant extent dependent on the expertise and experience of its Directors and officers and the loss of one or more of the Directors or officers could have a material adverse effect on the Company. The success of the Company will depend on the ability of its Directors and officers to interpret market and geological data correctly and to interpret and respond to economic, market and other conditions relevant to the Company's ongoing business plans.

Dependence on key personnel

The Company has a small management team and the loss of a key individual or its inability to attract suitably qualified persons in the future could have a material adverse effect on the Company.

Dependence on other contractors

The Company will be heavily dependent on third party contractors. The Company will be dependent on contractors for developing a workable system for mining the SMS deposits and for constructing and delivering a marine vessel on a timely basis. The Company will also depend on contractors for the construction of the land-based concentrator, associated port facility and related infrastructure. A failure of a contractor or disputes with a contractor could have a material adverse effect on the Company, its business, the results of operations and its financial condition. See "General Development of the Business of the Company – Overview of Business – Changes to Contracts".

Increases in capital and operating costs

The actual capital costs and operating costs could be significantly higher than any of the Company's estimates, particularly if there are delays to the Solwara 1 Project or significant movements in inflationary factors.

Ability to exploit successful discoveries

It may not always be possible for the Company to participate in the exploitation of successful discoveries. Such exploitation may involve the need to obtain licences or clearances from the relevant authorities, which may require conditions to be satisfied and/or the exercise of discretion by such authorities. It may or may not be possible for such conditions to be satisfied.

Furthermore, the decision to proceed to further exploitation may require the participation of other companies whose interests and objectives may not be consistent with those of the Company. Such further exploitation may also require the Company to meet or commit to financial obligations which it may not have anticipated or may not be able to commit to due to a lack of funds or an inability to raise funds.

Insurance risk

Any insurance coverage the Company currently has, or may obtain, may not cover all potential losses. The mining industry is subject to significant risks that could result in damage to, or destruction of, mineral properties or producing facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. Where considered practical to do so, the Company maintains insurance in amounts it believes to be reasonable, including insurance for workers' compensation, theft, general liability, destruction of property, autos and mobile equipment. Such insurance, however, contains exclusions and limitations on coverage. Accordingly, the Company's insurance policies may not provide coverage for all losses related to its business (for example, the total extent of, amongst other things, environmental liabilities and losses). The occurrence of losses, liabilities or damage not covered by such insurance policies could have a material adverse effect on the Company's results of operations and financial condition. The Company cannot be certain that insurance will be available, or that it will be available on terms and conditions acceptable. In some cases, coverage is not available or considered too expensive relative to the perceived risk.

Political instability

The Company's mineral exploration activities could be affected in varying degrees by political instability and changes in government regulation relating to foreign investment and the mining business, including expropriation. Operations may also be affected in varying degrees by possible terrorism, military conflict, crime, fluctuations in currency rates and high inflation. In addition, from time to time governments may nationalize private businesses including mining companies. There can be no assurance that the governments of countries where the Company operates will not nationalize mining companies and their assets in the future.

Several of the nations in which the Company operates or may operate, including but not limited to PNG, Solomon Islands, Fiji and Tonga, have experienced political and social unrest (including military coups) and protestors have at times targeted foreign firms in the mining sector. The Company's projects could suffer delays and losses due to insurgent activities which could disrupt operations.

Information Technology Risk

The Company is dependent on information technology systems, which are subject to certain risks. The Company depends upon information technology systems in a variety of ways throughout its operations. Any significant breakdown of those systems, whether through virus, cyber-attack, security breach, theft, or other destruction, invasion or interruption, or unauthorized access to our systems, could negatively impact the Company's business and operations. To the extent that such invasion, cyber-attack or similar security breach results in disruption to our operations, misappropriation of funds, loss or disclosure of, or damage to, our data including our confidential or proprietary information, our reputation, business, results of operations and financial condition could be materially adversely affected. The Company's systems, internal controls and insurance for protecting against such cyber security risks may be insufficient.

The Company may be required to expend significant additional resources to continue to modify and enhance its protective measures or to investigate, restore or remediate any information technology security vulnerabilities. See "General Development of the Business of the Company – Three Year History – 2015 – Cyber-attack".

Management of growth

The ability of Nautilus to implement its strategy requires effective planning and management control systems. Nautilus' plans may place a significant strain on the Company's management, operational, financial and personnel resources. The Company's future growth and prospects will depend on its ability to manage this growth and to continue to expand and improve operational, financial and management information and quality control systems on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to expand and improve operational, financial and management information and quality control systems in line with the Company's growth could have a material adverse effect on the Company's business, financial condition and results of operations.

Labour and employment matters

While the Company has good relations with its employees, these relations may be impacted by changes in the scheme of labour relations which may be introduced by the relevant governmental authorities.

Adverse changes in such legislation may have a material adverse effect on the Company's business, results of operations and financial condition.

Currency risk

The Company's operations incur most expenditure in US dollars, British pounds and Australian dollars but also incur expenditure in the local currencies of PNG, Vanuatu, Fiji, Tonga and Canada. As a result of the use of these different currencies, the Company is subject to foreign currency fluctuations which may materially affect its business, results of operations and financial condition.

Lack of recognition of risks

There is a risk that management of the Company may not be skilled or knowledgeable enough to foresee, recognize, contemplate or quantify the risk factors or take any steps to mitigate or lessen the impact of any risks.

Conflicts of interest

Certain Directors and officers of the Company are, and may continue to be, involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of the Company. Situations may arise in connection with potential acquisitions in investments where the other interests of these Directors and officers may conflict with the interests of the Company. Directors and officers of the Company with conflicts of interest will be subject to and are required to follow the procedures set out in applicable corporate and securities legislation, regulations, rules and policies.

Risks Relating to the Mining Industry

The exploration for and development of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate.

Market risk

Whether a mineral deposit will be commercially viable depends on a number of factors. Factors may include: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Commodity prices

The profitability of mining operations is significantly affected by changes in the market price of copper, gold and other metals and the cost of labour, power, petroleum fuels and oil. The level of interest rates, the rate of inflation, world supply of these minerals and stability of exchange rates can all cause significant fluctuations in base metal, precious metal and oil prices.

Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of copper, gold and other metals and oil has fluctuated widely in recent years. Depending on the price of copper, gold and other metals, and the cost

of power, petroleum fuels and oil, cash flow from mining operations may not be sufficient to cover the Company's operating costs or costs of servicing debt.

The Company is not currently party to any commodity hedging contracts as the Company has no production. The Company expects that in connection with any debt financing facility that may be required for the business of the Company, mandatory hedging will be required for a portion of estimated annual production. To the extent that the Company participates in any option and spot-deferred contracts for metals, the realization of any gain by the Company as a result of increased metal prices may be limited. As there is no precedent for the Projects, debt financing may not be available on commercially reasonable terms, or at all.

Economic operations

While the discovery of a mineralized body may result in substantial rewards, few properties which are explored are ultimately developed into production. Major expenses may be required to establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs planned by the Company will result in the discovery of a mineralized body or a profitable commercial mining operation, and on an industry statistical basis it is unlikely that an economic operation will be developed.

Competition

The mining industry is very competitive. The competition, to the extent that it will affect the Company, relates to competition from new players in the search for SMS deposits, for the availability of marine exploration and drilling vessels, related marine equipment and specialized personnel. There is a risk that competitors may find substitutes for the metals for which the Company is exploring, or find lower cost sources of, or more efficient processes to extract, these metals (either on the seafloor or on land).

Vessel and equipment availability

Vessel and equipment utilization rates are subject to changing market forces. Whilst the Company is building relationships with its major suppliers for the construction and delivery of specialized mining equipment and a vessel for use on the Solwara 1 Project, the Company may nevertheless need to compete for the availability of suitable vessels and equipment. There is a risk that vessels may be under long-term charter and suitable vessels may not available to the Company in a timely manner or at all.

Weather and sea conditions

There is a risk that adverse weather and sea conditions may affect exploration and any potential mining activities by reducing the time available for productive exploration and mining, or increasing the operating and capital costs to a level that a project may not be economic. Weather, volcanic eruptions, storms, cyclones, tsunamis and sea conditions may also damage or destroy equipment, or contribute to injury or loss of life.

Government regulation

The exploration activities of the Company are subject to various international, state and local laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances and other matters. The Company operates in some jurisdictions with limited or

no mining history and therefore the mining related legislation has not been exhaustively tested in some of these jurisdictions. Although the Company believes that its exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of exploration and mining, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

By imposing a condition on any and all exploration licences issued under the PNG *Mining Act 1992*, the PNG Government reserves the right to elect, at any time prior to the commencement of mining, to make a single purchase up to a 30 per cent equitable interest in any mineral discovery arising from any such licence, at a price *pro rata* to the accumulated exploration expenditure and then to contribute to further exploration and development in relation to the lease on a *pro rata* basis. The State of PNG acquired a 15% interest in the Solwara 1 Project through the State Nominee but allowed its entitlement to obtain a further 15% interest to lapse. See “General Development of the Business of the Company – Three Year History – 2014 – Resolution of dispute with the Independent State of PNG” and "General Development of the Business of the Company – Three Year History – 2015 – The State Nominee elected not to exercise option”. The State of PNG may exercise this right to purchase an interest in relation to other of the Company’s tenements. If this happens, then any return on investment and profitability of the Company may be significantly affected. Other governments in areas where we operate may enact similar legislation.

Permits and licences

The exploitation and development of the Company's mineral properties will require the Company to obtain regulatory or other permits and licenses (including mining leases) from various governmental licensing bodies. While the Company has received the Mining Lease for its Solwara 1 Project, there can be no assurance that the Company will be able to obtain all necessary operating permits and licenses that may be required to carry out development, mining and processing operations on its Solwara 1 Project. Further, there can be no assurance that the Company will be able to obtain all permits and licenses that may be required to carry out exploration, development, mining and processing operations on its other properties. There can be no assurance that the Company's interest in its Tenements is free from defects or that licences or other contractual arrangements between the Company and entities owned or controlled by foreign governments will not be unilaterally altered or revoked.

Environmental risks and hazards

All phases of the Company's mineral exploration operations are subject to environmental regulation in the various jurisdictions in which Nautilus operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations or results. Further, while Company studies have indicated a low likelihood of risk to the aquatic environment from mining activities, the actual impact of any SMS mining operations on the environment has yet to be determined.

Government approvals and permits are currently, and may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not yet obtained; the Company may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Global Financial Conditions

Following the onset of the credit crisis in 2008, global financial conditions were characterized by extreme volatility and several major financial institutions either went into bankruptcy or were rescued by governmental authorities. While global financial conditions subsequently stabilized, there remains considerable risk in the system given the extraordinary measures adopted by government authorities to achieve that stability. The deteriorating financial condition of certain government authorities has significantly increased the potential for sovereign defaults in a number of jurisdictions, including within the member states of the European Union. Global financial conditions could suddenly and rapidly destabilize in response to future economic shocks, as government authorities may have limited resources to respond to future crises. Future economic shocks may be precipitated by a number of causes, including changes in commodity prices, geopolitical instability and natural disasters.

Global financial conditions continue to be subject to increased volatility. Many industries, including the mining industry, are impacted by global market conditions. Some of the key impacts of financial market turmoil can include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global and specifically mining equity markets, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. A slowdown in the financial markets or other economic conditions, including but not limited to, reduced consumer spending, increased unemployment rates, deteriorating business conditions, inflation, deflation, volatile fuel and energy costs, increased consumer debt levels, lack of available credit, lack of future financing, changes in interest rates and tax rates may adversely affect Nautilus' operations and business plans. Any of these factors may impact the ability of Nautilus and its joint venture partners or potential partners to obtain equity or debt financing in the future and, if obtained, on favourable terms. Additionally, any such occurrence could cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses.

Canadian Corruption of Foreign Public Officials Act and similar worldwide anti-bribery laws

The Canadian *Corruption of Foreign Public Officials Act*, the U.S. *Foreign Corrupt Practices Act*, the U.K. *Bribery Act*, the Australian *Criminal Code Act* and anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business or other commercial advantage. Nautilus' policies mandate compliance with these anti-bribery laws, which often carry substantial penalties. Nautilus operates in jurisdictions that have experienced governmental and private sector corruption to some degree, and, in certain circumstances, strict compliance with anti-bribery laws may conflict with certain local customs and practices. There can be no assurance that Nautilus' internal control policies and procedures will always protect it from reckless or other inappropriate acts committed by the Company's affiliates, employees or agents. Violations of

these laws, or allegations of such violations, could have a material adverse effect on Nautilus' business, financial position and results of operations and could cause the market value of the Common Shares to decline.

Risks Relating to our Common Shares and the Trading Market

The Company's largest shareholders and their respective affiliates, in the aggregate, beneficially own a substantial amount of the Company's outstanding Common Shares

As a result, these shareholders may be able to influence matters requiring approval by shareholders, including the election of directors and the approval of mergers, acquisitions or other extraordinary transactions. They may have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests.

Sale of substantial amounts of Common Shares in the public market

The Company is unable to predict whether a large number of its Common Shares will be sold in the open market. Any future sales of substantial amounts of Common Shares in the public market by any significant shareholder or a block of shareholders, or even the perception that such sales could occur, may decrease the market price of the Common Shares.

Market price volatility

The market price of the Common Shares may be volatile and subject to wide fluctuations. The market price of the Common Shares may fluctuate as a result of a variety of factors, including but not limited to period-to-period variations in operating results or changes in turnover or profit estimates by the Company, industry participants or financial analysts.

The market price could also be adversely affected by developments unrelated to the Company's operating performance, such as: the operating and share price performance of other companies that investors may consider comparable to the Company; speculation about the Company in the press or the investment community; strategic actions by competitors, such as acquisitions and restructurings; changes in market conditions; and regulatory changes.

Further issues of Common Shares

It is likely that the Company will issue additional Common Shares to fund its growth plans, and this may include the issue of Common Shares pursuant to the Subscription Agreement. Any such issue could dilute the interests of Shareholders and impact the price of the Common Shares. Any such Common Shares may be issued at market price or a discount to the market price.

Nautilus has not and does not plan to pay dividends

The Company has never declared or paid any dividends on its Common Shares and does not currently intend to pay dividends in the future. Earnings, if any, will likely be retained to finance further growth and development of the Company's business, at least in the first instance.

There will be dilution upon exercise of convertible securities

As at the date of this AIF, in the event that all of the Company's stock options and loan shares are exercised, there will be an additional 2,600,000 Common Shares outstanding. Such increase in the number of Common Shares would result in some dilution of the voting power of the Company's existing shareholders.

DIVIDENDS

The Company has not paid dividends in the past and does not expect to have the ability to pay dividends in the near future. If the Company generates earnings in the future, it expects that they will be retained to finance further growth and, when appropriate, retire debt. The Company's directors will determine if and when dividends should be declared and paid in the future based on the Company's financial position at the relevant time. All holders of the Common Shares are entitled to an equal share in any dividends declared and paid on the Common Shares.

Under the *Business Corporations Act* (British Columbia), the Company is unable to declare or pay a dividend if there are reasonable grounds for believing that: (a) the Company is insolvent; or (b) the payment of the dividend would render the Company insolvent.

DESCRIPTION OF CAPITAL STRUCTURE

Authorized Capital

The Company is authorized to issue an unlimited number of Common Shares without par value, of which it has 701,770,858 Common Shares issued and outstanding as of the date hereof. The Company's issued and outstanding Common Shares includes 1,000,000 Common Shares which have been issued under, and remain subject to the terms and conditions of, the Company's Share Loan Plan (see "Escrowed Securities and Securities Subject to Contractual Restriction on Resale").

Common Shares

The Common Shares entitle the holder thereof to receive notice of any meetings of shareholders of Nautilus, and to attend and cast one vote per common share at all such meetings. Holders of the Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Common Shares entitled to vote in any election of directors may elect all directors standing for election.

Holders of Common Shares are entitled to receive on a pro-rata basis such dividends, if any, as and when declared by the board of directors at its discretion from funds legally available therefore and, upon the liquidation, dissolution or winding up of Nautilus, are entitled to receive on a pro-rata basis the net assets of the company after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to, or on an equal basis with, the holders of Common Shares with respect to dividends or liquidation.

The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

MARKET FOR SECURITIES

Price Range and Trading Volume

Common shares

The Common Shares are listed and posted for trading on the TSX under the symbol “NUS”. Table 11 sets forth information relating to the monthly trading of the Common Shares on the TSX for the fiscal year ended December 31, 2017.

Table 11: Monthly trading of the Common Shares on the TSX for the fiscal year ended December 31, 2017

Period	High (Cdn$)	Low (Cdn$)	Total Volume
January 2017	0.17	0.14	1,559,969
February 2017	0.20	0.15	2,755,116
March 2017	0.28	0.20	7,578,156
April 2017	0.26	0.21	2,669,170
May 2017	0.26	0.23	3,987,723
June 2017	0.26	0.21	2,469,514
July 2017	0.23	0.18	1,185,531
August 2017	0.24	0.20	2,364,536
September 2017	0.23	0.18	2,511,698
October 2017	0.21	0.17	2,743,784
November 2017	0.21	0.18	1,482,743
December 2017	0.19	0.14	2,833,057

In addition, the Company is also a member of the Nasdaq International Designation Program.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

To the knowledge of the Company, as at December 31, 2017 no securities of any class of the Company were held in escrow or were subject to a contractual restriction on transfer, other than as follows (Table 12):

Table 12: Number of securities that are subject to a contractual restriction on transfer

Designation of Class	Number of securities that are subject to a contractual restriction on transfer	Percentage of class
Common shares	1,000,000 (1)	0.14%

Note:

(1) The Company has an equity compensation plan, known as the "Share Loan Plan" or the "SLP" that it uses to attract, retain and motivate its Australian resident directors, officers, employees and service providers. The SLP is described in the management information circular of the Company dated April 25, 2016 and filed on SEDAR on May 3, 2016. Common Shares issued under the SLP are held by Computershare Trust Company of Canada, as administrative agent, for the benefit of the SLP participants. Such shares are released to the participant at such time as the loan for the purchase price is repaid, if at all, during the term of the loan. If the loan is not repaid during its term, the applicable Common Shares are returned to treasury for cancellation.

DIRECTORS AND OFFICERS

The following table sets forth the name, province/state, country of residence, nationality, position held with the Company, principal occupation, business or employment of each of our directors and executive officers and the period(s) during which each has served as a director of the Company. All directors hold office until the next annual meeting of the Company's shareholders or until their successors are elected or appointed.

Name, Province/State, Country and Nationality	Position with the Company	Principal Occupation, Business or Employment
Tariq Al Barwani[(1)(2)] Muscat, Oman Omani	Chairman and Director. Director since April 28, 2015 and appointed Chairman January 16, 2018	CEO, Mawarid Mining LLC
Mohammed Al Barwani [(1)(2)] Muscat, Oman Omani	Director since September 11, 2012	Chairman, MB Holding Co. LLC
John McCoach[(1)(2)] Vancouver, Canada Canadian	Director since October 19, 2017	Director
Jay Layman	Director since March 21, 2018	Director

Name, Province/State, Country and Nationality	Position with the Company	Principal Occupation, Business or Employment
Jackson WY USA American		
Jonathan Whitworth Vancouver, Canada American	Director since March 23, 2018	Director
Russell Debney - Resigned NSW, Australia Australian	Chairman and Director. Director since May 4, 2006, interim Chairman from May 27, 2016 and Chairman since June 1, 2016. Resigned December 27, 2017	Lawyer and Corporate Advisor
Mark Horn - Resigned Lincolnshire, U.K. English	Director since September 20, 2013 Resigned October 5, 2017	CEO, M. Horn & Co. Ltd
Michael Johnston Queensland, Australia New Zealander	President & CEO since October 31, 2012. VP Strategic Development and Exploration from June 4, 2006 to October 30, 2012.	President & Chief Executive Officer, Nautilus
Adam Wright - Resigned Queensland, Australia Australian	Vice President – PNG Operations since August 1, 2014. Resigned February 26, 2018	Vice President – PNG Operations, Nautilus
Wayne Knott Queensland, Australia Australian	Chief Operating Officer, commencing on March 19, 2018.	Chief Operating Officer, Nautilus
Glenn Withers Queensland, Australia Australian	Financial Controller and Acting Chief Financial Officer since October 14, 2016	Financial Controller and Acting Chief Financial Officer, Nautilus
Stuart MacKenzie Queensland, Australia Australian	Company Secretary and Legal Counsel since October 14, 2016.	Legal Counsel, Nautilus, Chinova Resources Pty Ltd and Carbon Energy Limited

(1) Current member of the Audit Committee.
(2) Current member of the Governance, Nomination and Remuneration Committee.

The principal occupations, businesses or employments of each of the directors and executive officers during the past five years are disclosed in the brief biographies set forth below.

Tariq Al Barwani *(Chairman and Director)*

Mr. Al Barwani is a director and shareholder of MB Holding and the Chief Executive Officer of Mawarid Mining LLC, a wholly-owned subsidiary of MB Holding, which was established to explore and develop mining opportunities in Oman and internationally. Mawarid Mining's Oman Copper business operates several open pit copper mines and processes ore at its copper concentrate facility in the Al Batinah region of Oman. Mr. Al Barwani has a Bachelor of Science in Geology from Imperial College, United Kingdom and a Master's in Business Administration specializing in strategy and leadership from McGill University in Canada.

John McCoach *(Director)*

Mr. McCoach joined the Board of Directors on October 5, 2017 and was appointed Chairman of the Audit Committee at that time. He recently retired as president of the TSX Venture Exchange, a position he held since 2009. He is currently on the board of directors of the Capital Markets Authority Implementation Organization; the entity tasked by five participating provinces, one territory and the Government of Canada to create a pan-Canadian securities commission. John is a financial industry executive with experience in various strategic, management and operational roles. He has a track record of success in building strategies and programs to meet customer needs, maximize revenue growth, operational efficiency, and shareholder value. John is also adept at leading and coaching teams through large, complex organizational and cultural transformations and regulatory changes. He is highly effective in establishing trust and credibility, both domestically and internationally, with multiple constituents.

John McCoach has over 35 years' experience in the investment industry. John has witnessed, and participated in, many changes in the Canadian capital markets. He was a senior vice president, corporate finance for an independent Canadian investment dealer prior to joining TMX Group.

Mohammed Al Barwani *(Director)*

Dr. Mohammed Al Barwani joined the Board in September 2012. Dr. Barwani is founder and Chairman of MB Holding group of companies (www.mbholdingco.com). He has a Bachelor's Degree in Science from Miami University, USA and was awarded a Master's Degree and PhD (Honorary) in Petroleum Engineering from Heriot-Watt University, UK.

MB Holding is the parent company of a number of companies with wide ranging interests in oil and gas, mining, marine and engineering services. MB Holding also has investments in financial services and in hospitality development. MB Group has operations in more than 20 countries, and employs more than 6,000 employees.

Dr. Barwani is a non-executive director of a number of publicly traded and joint stock companies: Oman Air, Al Madina Insurance co. SAOG, Al Madina Investments SAOG (Muscat Stock Market), and UCL Resources. Dr. Barwani was formerly a non-executive director of National Bank of Oman, Shell Oman Marketing Company, Transgulf Holding and Taageer Leasing Company, Oman.

He is the Honorary Consul of the Republic of Poland to the Sultanate of Oman. He is also a member of the International SeaKeepers Society, a group dedicated to the protection of the ocean's eco-systems and its environment.

Dr. Barwani was awarded a lifetime achievement award by the Al-Iktissad Wal-Aamal (2008), selected by Ernst & Young as a Global Entrepreneur representing Oman in 2012. He was conferred "COMMANDEUR" IN DE ORDE VAN ORANGE-NASSAU by Her Majesty the Queen of The Netherlands in January, 2012. He was awarded the Order of Merit of the Republic of Poland in March 2014.

Jay Layman *(Director)* – appointed March 21, 2018

Mr. Layman is currently President, Director and Chief Operating Officer of Seabridge Gold, a TSX listed pre-development gold company. Jay has a broad range of technical expertise which makes him uniquely qualified for his role with Nautilus. Most recently, he was Vice President Solutions and Innovation for Newmont Mining Company where he was responsible for managing Global Technical Services and

launching a Global Innovation Department. Functions reporting to him included Mining Engineering, Metallurgy and Process, Geostatistics and Reserves, Economic Geology, Project Engineering, Renewable Energy and Global Exploration Technology and Solutions.

During his employment at Newmont, he was responsible for managing numerous Feasibility Studies and his career includes experience in Business Development, Operations, Finance and Supply Chain connectivity.

In his wide-ranging career, Mr. Layman has lived in Kazakhstan, Uzbekistan, Tajikistan, Indonesia and Australia and has additional work experience in Russia, Singapore, China and Peru. He has worked in both underground and open pit operations containing gold, copper, silver, lead and zinc metals. His education includes Bachelors Degrees in Mechanical Engineering and Finance from Washington State University and an MBA from Eastern Washington University.

Mr. Layman was appointed as a non-executive Director on March 21, 2018.

Jonathan Whitworth *(Director)* – appointed March 23, 2018

Jonathan Whitworth joined Seaspan in 2009 as Chief Executive Officer, bringing over 20 years of seagoing, management, strategic planning and leadership experience to the organization. In February 2017, Jonathan announced his retirement from Seaspan effective December 31, 2017. Seaspan is an association of Canadian companies primarily involved in coastal marine transportation, shipdocking/ship escort, ship repair and shipbuilding services in Western North America. In addition to the marine transportation services offered directly through Seaspan, commercial ferry, shipyard and bunkering services are provided via affiliate companies: Marine Petrobulk, Seaspan Ferries, Vancouver Drydock, Vancouver Shipyards and Victoria Shipyards.

After graduating from the Texas Maritime Academy, Jonathan sailed for six years as an officer aboard tankers and chemical carriers in the international market. He still holds an unlimited chief mate's license and a 1600- ton captain's license. He is one of a few shipowner and shipyard leaders in North America who has sailed at sea and commanded a vessel.

After completing his MBA at the University of North Texas, Jonathan came ashore and held a number of management positions at ExxonMobil and Teekay Shipping. He later became CEO of Maritrans Inc., the largest publicly held tug/barge and tanker operator in the US Jones Act trade. Maritrans was sold to Overseas Shipholding Group of New York, in 2006, and Jonathan was retained as President to continue the strategic plan created at Maritrans.

Jonathan is very involved in the marine and business community through board memberships with the BC Industry Training Authority, the Business Council of BC, and Texas A&M University at Galveston.

Mr. Whitworth was appointed as a non-executive Director on March 23, 2018.

Russell Debney *(Chairman and Director)* Resigned December 27, 2017

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

Mr. Debney has extensive experience in the management, financing and structuring of technology and resource projects, particularly in the offshore environment. He was a director and Senior Vice President of the Global Engineering Group, a world leading offshore oil and gas engineering company for almost 15 years and until 2015 was CEO of ASX listed Direct Nickel Limited.

Mark Horn *(Director)* Resigned October 5, 2017

Mr. Horn has worked as an international fund manager, financial analyst and corporate financier, and has extensive international experience in the natural resources and high technology sectors. He started his career at the Co-operative Insurance Society, and then moved to Globe Investment Trust, before joining Rockefeller and Co. He subsequently worked for Kleinwort Benson Investment Management, before becoming Head of Research at Canaccord Capital (Europe). Thereafter he established his own FCA authorized corporate finance advisory firm.

Mr. Horn holds an ALM, (Harvard University, USA); BA, BA(Hons)(First Class), MA, (Rhodes University, South Africa); BSc, BSc(Hons)(Geosciences), B.Eng(Hons), (Open University, UK); LLB(Hons), LLM, MBA(Banking) (London University, UK); Dip.B.Admin (Manchester Business School, UK). Mr. Horn has been called to the Bar of England and Wales as a Barrister of the Honourable Society of Lincoln's Inn.

Mr. Horn was nominated by Metalloinvest, which is Nautilus' second largest shareholder.

Michael Johnston *(President & Chief Executive Officer)*

Mr. Johnston, Nautilus' CEO joined the Company just prior to its TSX listing in 2006 as Vice President for Strategic Development and Exploration. He was initially appointed interim President and CEO in October 2012, and confirmed as President and CEO in April 2014 on the successful resolution of the dispute with the State of PNG. He has more than 30 years' experience in the mining industry, and over 10 years' experience in deep sea mining and exploration. During his time at Nautilus, he was instrumental in developing the Company's extensive land position in the South West Pacific, obtaining the first licence granted to a publicly listed company by the International Seabed Authority, and developing the first commercial exploration and resource evaluation programs for deep sea minerals, including the delivery of the world's first NI 43-101 resource, mine plan and Environmental Impact Statement, for seafloor massive sulphides. He has also been a key figure for the Company in establishing and improving critical government, supplier and investor relationships.

Prior to joining Nautilus, Mr. Johnston spent over 11 years in senior management positions with Placer Dome, including General Manager Exploration Asia-Pacific and Technical Services Manager for the Porgera Gold Mine in Papua New Guinea, where he led a large multidisciplinary team providing the technical management and design for the 210,000 tpd open pit and 6,000 tpd underground mines and related facilities.

Adam Wright *(Vice President – PNG Operations)* Resigned February 26, 2018

Mr. Wright has over 30 years' experience in the copper and gold mining industries, having worked on projects in Europe, North America, Latin America, South East Asia, Australasia and Africa. He has been responsible for the exploration, project development, construction and operational phases of mine development, as well as working on acquisition and development opportunities in the gold and base metals sectors.

Mr. Wright was General Manager of the Hidden Valley gold mine in PNG, taking the project from exploration, through construction and in to operation. He was also responsible for the successful ramp up of operations at the Lumwana copper mine in Zambia. In both cases, Mr. Wright played a significant role in the key areas of stakeholder engagement and corporate social responsibility. Mr. Wright has a Master's of Engineering degree in Mineral Process Engineering from Imperial College London.

Wayne Knott *(Chief Operating Officer)*

Mr. Knott was appointed as Chief Operating Officer and started with the Company on March 19, 2018

Mr. Knott is a metallurgist with over 30 years of mining industry experience, with particular expertise in dredging, operational start-ups and reviews. Wayne previously worked for Nautilus Minerals as Operations Manager during 2010 to 2012, where he was responsible for defining the Company's original operational readiness plan, as well as providing significant input into the design and scope of the current production system. His immediate past role was Operational Readiness Specialist for Hatch, with clients that included BHP, BMA, and Teck Resources. Mr. Knott is MBA qualified with a bachelor's degree equivalent in Extraction Metallurgy.

Glenn Withers (*Financial Controller and Acting Chief Financial Officer*)

Glenn Withers joined the Company in October 2016 as Financial Controller and Acting Chief Financial Officer. He has 18 years experience in finance, initially in investment banking in London working at JP Morgan, Deutsche Bank, the Dutch banking and insurance group ING and finally at the London branch of National Australia Bank. For the last 6 years, Mr. Withers has held senior finance positions in oil and gas, drilling and resource companies with the MB Group in Australia. His experience covers all aspects of finance and includes being a financial director and company secretary for entities with subsidiaries in Australia, PNG, New Zealand, Brunei, Indonesia, Thailand, Namibia and Iran. Mr. Withers has a Bachelor of Commerce from the University of South Africa, an MBA from Oxford Brookes, is a Fellow of the Association of Chartered Certified Accountants (ACCA) and a member of the Australian Institute of Company Directors (AICD).

Stuart MacKenzie (*Company Secretary and Legal Counsel*)

Stuart MacKenzie joined the Company in October 2016 as Company Secretary and Legal Counsel. He has over 30 years experience in the mining industry, and holds a BSc (honours in geology) from the University of Alberta, and a law degree from the University of New South Wales. He has experience with TSX, NASDAQ, ASX and POMSoX listings, as well as SEC and SOX requirements. Mr MacKenzie had served as legal counsel and company secretary for Placer Dome Asia Pacific Limited, Lihir Gold and Pacific Aluminium as well as periods working for Blake Dawson Waldron (now Ashurst), Stikeman Elliott and Barrick Gold. Stuart has been admitted to legal practice in Queensland, New South Wales and British Columbia and is a member of the Queensland Law Society.

Mr MacKenzie works with Nautilus on a part-time basis and is employed as legal counsel with two other companies in the resource sector. Those companies are not related to Nautilus.

Common Shares Beneficially Owned or Controlled

As of the date hereof, our directors and executive officers, as a group, beneficially owned or controlled, or directed, directly or indirectly 206,039,991 Common Shares (including 1,000,000 shares held subject to the Share Loan Plan, as described above under the heading "Escrowed Securities and Securities Subject

to Contractual Restriction on Transfer"), representing approximately 0.14% of the Company's total number of issued and outstanding Common Shares. In addition, Dr. Mohammed Al Barwani beneficially owns or controls, indirectly, an aggregate of 205,039,991 Common Shares registered in the names of MB Holding and Mawarid, representing approximately 29.3% of the outstanding Common Shares. Dr. Barwani is the controlling beneficial shareholder of MB Holding and Mawarid.

To the knowledge of the Company, no director or executive officer of the Company is or was within 10 years prior to the date hereof, a director, chief executive officer or chief financial officer of any company (including the Company) that:

(a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

For the purposes of the disclosure immediately above, "order" means: (a) a cease trade order, including a management cease trade order; (b) an order similar to a cease trade order; or (c) an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

To the knowledge of the Company, no director or executive officer of the Company or any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

(a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

(b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder; or

(c) has been subject to:

    (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

    (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

CONFLICTS OF INTEREST

To the Company's knowledge, and other than as disclosed herein, there are no known existing or potential conflicts of interest among Nautilus, or any of its subsidiaries, and any of its directors or officers, except that certain of the Company's directors and officers serve as directors, officers, promoters and members of management of other public companies and therefore it is possible that a conflict may arise between their duties as a director and/or officer of Nautilus and their duties as a director, officer, promoter or member of management of such other companies. See "Directors and Officers".

Certain of the Company's directors serve as directors or officers of companies that have entered into contracts with Nautilus (see "General Development of the Business of the Company – Three Year History – 2016 – Seafloor Production Tools Progress" and "General Development of the Business of the Company – Three Year History – 2016 – Private Placement Financing and Restructuring Plan") or may enter into contracts with Nautilus in the future. In the event this occurs, a conflict of interest will exist. In accordance with the *Business Corporations Act* (British Columbia), directors are required to act honestly and in good faith with a view to the best interests of Nautilus. In addition, directors in a conflict of interest position are required to disclose certain conflicts to the Company and to abstain from voting in connection with the matter.

The Company's directors and officers have been advised of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest, and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of the Company's directors or officers. All such conflicts are required to be disclosed by such directors or officers in accordance with the *Business Corporations Act* (British Columbia) and they are required to govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company was not a party to any material legal proceedings or regulatory actions during the year ended December 31, 2017, and the Company is not aware of any material proceedings contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed herein, none of the directors, executive officers or principal shareholders and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction within the past three years or in any proposed transaction that has materially affected or will materially affect the Company or any of its subsidiaries.

As a result of their participation in previous equity financings of the Company, Metalloinvest has the right to nominate one member of the Company's board of directors and MB Holding has the right to nominate two members of the Company's board of directors. Metalloinvest's currently has no nominee and MB Holding's current nominees are Mohammed Al Barwani and Tariq Al Barwani.

As at the date of this AIF, MB Holding beneficially owns or controls, directly or indirectly, approximately 29.3% of the Company's outstanding common shares and Metalloinvest beneficially owns or controls, directly or indirectly, approximately 18.5% of the Company's outstanding common shares.

TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for the Common Shares is Computershare Trust Company of Canada at its offices in Vancouver, British Columbia and Toronto, Ontario, Canada.

MATERIAL CONTRACTS

Nautilus is not a party to a material contract that was not entered into in the ordinary course of its business or that is otherwise required to be filed under section 12.2 of National Instrument 51-102 (**NI 51-102**) at the time this AIF is filed or would be required to be filed under section 12.2 of NI 51-102 at the time this AIF is filed but for the fact that it was previously filed, other than:

1) the charter agreement with MAC dated 6 November 2014, as amended, and described under "General Development of the Business of the Company – Three Year History – 2014 – Award of contract for Production Support Vessel";
2) the PNG Equity Agreement and the Joint Venture Agreement, each described under "General Development of the Business of the Company – Three Year History – 2014 – Resolution of dispute with the Independent State of PNG;
3) the Tongling Sales Agreement described under "General Development of the Business of the Company – Three Year History – 2015 – Nautilus and Tongling signed new offtake agreement for Solwara 1"; and
4) the Subscription Agreement, as amended, described under "General Development of the Business of the Company – Three Year History – 2016 – Private Placement Financing and Restructuring Plan".
5) the M. Horn & Co. Funding Mandate, described under "General Development of the Business of the Company – Three Year History – Recent Developments in 2018 – Bridge loans and new funding mandate".

INTERESTS OF EXPERTS

Mr. Lipton, Matthew Nimmo and John Parianos, each of whom is a "qualified person" for the purposes of NI 43-101, are responsible for the preparation of the TOML CCZ Report. Mr. Lipton is a Principal Geologist at AMC Consultants and Mr Nimmo is an independent consulting geologist. Mr. Parianos is the Exploration Manager of the Company.

Ian Lipton, Edward Gleeson and Peter Munro, each of whom is a "qualified person" for the purposes of NI 43-101, are responsible for the preparation of the PEA. Mr. Lipton is a Principal Geologist at AMC Consultants, Mr Gleeson is Technical Manager at AMC Consultants and Mr. Munro is a Senior Principal Consulting Engineer with Mineralis Consultants Pty Ltd.

To the knowledge of the Company, none of the persons listed above, at the time of preparing the reports, held or has received or will receive any registered or beneficial interests, direct or indirect, in any securities or other property of the Company or of one of the Company's associates or affiliates or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company, other than Mr. Parianos who is Exploration Manager of the Company.

PricewaterhouseCoopers LLP, Chartered Professional Accountants, are the Company's auditors and have prepared an opinion with respect to the Company's consolidated financial statements as at and for the year ended December 31, 2017. PricewaterhouseCoopers LLP has advised that they are independent of the Company in accordance with the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia.

AUDIT COMMITTEE

The Audit Committee is responsible for monitoring the Company's systems and procedures for financial reporting and internal control, reviewing certain public disclosure documents and monitoring the performance and independence of our external auditors. The committee is also responsible for reviewing the Company's annual audited financial statements, unaudited quarterly financial statements and management's discussion and analysis of financial results of operations for both annual and interim financial statements and review of related operations prior to their approval by the full Board of Directors.

The Audit Committee's charter sets out its responsibilities and duties, qualifications for membership, procedures for committee member removal and appointment and reporting to the Board of Directors. A copy of the charter is attached hereto as Schedule "A".

The Audit Committee is comprised of three directors. However, due to the resignation of Russell Debney on December 27, 2017 the Audit Committee, as at the year ended December 31, 2017 comprised of Tariq Al Barwani and John McCoach. Subsequent to the end of 2017, Dr Mohamed Al Barwani was elected as a member of the Audit Committee. All members of the Company's Audit Committee are considered independent and financially literate within the meaning of National Instrument 52-110 *Audit Committees*.

The following Table 13 sets forth the number of meetings of the Audit Committee during 2017 and the attendance at such meetings during such part of 2017 that each member held such office. Mr. Mark Horn resigned on October 5, 2017. On October 19, 2017, Mr. John McCoach was appointed as a Director of the Board and became the Chairman of the Audit Committee on that date.

Table 13: Audit Committee Meetings and Attendance

Audit Committee Members	Number of meetings attended	Number of meetings held during the year at the time the director held office during the year
Russell Debney (Resigned)	2	2
Tariq Al Barwani	2	1
Mark Horn (Resigned)	1	1
John McCoach - Chair	1	1
Dr Mohamed Al Barwani*	0	0

**Dr Mohamed Al Barwani was elected to the Audit Committee in 2018*

Relevant Education and Experience

Set out below is a description of the education and experience of each Audit Committee member that is relevant to the performance of his or her responsibilities as an Audit Committee member.

John McCoach – Mr. McCoach joined the Board of Directors on October 19, 2017 and was appointed Chairman of the Audit Committee at that time. He recently retired as president of the TSX Venture Exchange, a position he held since 2009. He is currently on the board of directors of the Capital Markets

Authority Implementation Organization; the entity tasked by five participating provinces, one territory and the Government of Canada to create a pan-Canadian securities commission. John is a financial industry executive with experience in various strategic, management and operational roles. He has a track record of success in building strategies and programs to meet customer needs, maximize revenue growth, operational efficiency, and shareholder value. John is also adept at leading and coaching teams through large, complex organizational and cultural transformations and regulatory changes. He is highly effective in establishing trust and credibility, both domestically and internationally, with multiple constituents.

John McCoach has over 35 years' experience in the investment industry. John has witnessed, and participated in, many changes in the Canadian capital markets. He was a senior vice president, corporate finance for an independent Canadian investment dealer prior to joining TMX Group.

Tariq al Barwani – Mr. Al Barwani is a director and shareholder of MB Holding and the Chief Executive Officer of Mawarid Mining LLC, a wholly-owned subsidiary of MB Holding, which was established to explore and develop mining opportunities in Oman and internationally. Mawarid Mining's Oman Copper business operates several open pit copper mines and processes ore at its copper concentrate facility in the Al Batinah region of Oman. Mr. Al Barwani has a Bachelor of Science in Geology from Imperial College, United Kingdom and a Master's in Business Administration specializing in strategy and leadership from McGill University in Canada.

Dr Mohamed Al Barwani – Dr Al Barwani is a director and shareholder of MB Holding. He joined the Board in September 2012. Dr. Barwani is founder and Chairman of MB Holding group of companies (www.mbholdingco.com). He has a Bachelor's Degree in Science from Miami University, USA and was awarded a Master's Degree and PhD (Honorary) in Petroleum Engineering from Heriot-Watt University, UK.

Pre-Approval Policies and Procedures

The Audit Committee's charter sets out responsibilities regarding the provision of non-audit services by the Company's external auditors and requires the Committee to develop and implement a policy on the supply of non-audit services. This policy encourages consideration of whether the provision of services other than audit services is compatible with maintaining the auditor's independence and requires Audit Committee pre-approval of permitted non-audit and audit-related services.

External Auditor Service Fees

The aggregate global fees billed by the Company's external auditors in each of the last two fiscal years for audit and other fees can be seen in Table 14:

Table 14: Aggregate global fees billed by the Company's external auditors 2016/2017

Financial Year Ending	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
2017	US$167,581	US$Nil	US$21,054	US$Nil
2016	US$198,645	US$61,139	US$35,434	US$Nil

Audit Fees

The aggregate global audit fees billed by the Company's auditors for the year ended December 31, 2017 were US$167,581 (December 31, 2016 – US$198,645). These fees related to the audit of the Company's consolidated financial statements for the period ended December 31, 2017.

Audit Related Fees

The aggregate audit-related fees billed by the Company's external auditors for the year ended December 31, 2017 were US$Nil (December 31, 2016 – US$61,139). These fees relate to the review of the Company's interim consolidated financial statements and are not reported under "Audit Fees".

Tax Fees

Tax fees in respect of tax compliance, tax advice and tax planning billed by the Company's auditors for the year ended December 31, 2017 were US$21,054 (December 31, 2016 – US$35,434).

All Other Fees

Other fees billed by the Company's external auditors for the year ended December 31, 2017 were US$Nil (December 31, 2016 – US$Nil).

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, as applicable, is contained in our most recently filed Management Information Circular. Additional financial information is provided in our financial statements and managements' discussion and analysis for the fiscal year ended December 31, 2017, which can also be found on SEDAR at www.sedar.com.

Unless otherwise stated, information contained herein is as at December 31, 2017.

SCHEDULE A

TERMS OF REFERENCE OF THE AUDIT COMMITTEE
(THE "COMMITTEE")
(**approved at a meeting of the board of directors held on 6 December 2013)**

1. Mandate

1.1 The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities with respect to:

(a) the Company's financial reporting and continuous disclosure;

(b) the Company's systems of internal controls and financial reporting processes; and

(c) the review and appraisal of the performance and independence of the Company's external auditors.

2. Membership

2.1 The members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee. The Committee shall be made up of at least three members.

2.2 Subject to National Instrument 52-110 of the Canadian Securities Administrators ("**NI 52-110**"), all members of the Committee shall be independent non-executive directors and shall be financially literate. "Independent" and "financially literate" have the meanings given such terms in NI 52-110. The Chairman of the Board shall not be the Chairman of the Committee.

2.3 The Board shall appoint the Committee Chairman who shall be an independent non-executive director.

2.4 Committee members may serve on the committee for consecutive terms.

3. Secretary

3.1 The Chief Financial Officer or his or her nominee shall act as the Secretary of the Committee.

4. Meetings

4.1 ***Frequency*****:** The Committee shall meet at least twice a year at appropriate times in the reporting and audit cycle and otherwise as required.

4.2 ***Right to attend*****:** Only members of the Committee have the right to attend committee meetings. However, other individuals such as the Chairman of the Board, Chief Executive Officer and Chief Financial Officer may be invited to attend all or part of any meeting as and when appropriate. The external auditors will be invited to attend meetings of the Committee on a regular basis.

4.3 ***Notice*****:** Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members or at the request of external or internal auditors if the committee considers it necessary. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person invited to attend, no fewer than five working days prior to the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

4.4 ***Remote or in person*****:** The Committee may meet either in person, by teleconference, or by videoconference, as determined by the Chairman.

4.5 ***Quorum*****:** The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4.6 ***Chairman*****:** In the absence of the appointed chairman of the Committee and/or an appointed deputy, the remaining members shall elect one of their number to chair the meeting.

4.7 ***Minutes*****:** The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance. Minutes of Committee meetings shall be filed in the Company's minute book and distributed to members of the Board.

5. Annual General Meeting

The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

6. Duties

The Committee should carry out the duties below for the Company, major subsidiaries and the group as a whole, as appropriate.

6.1 ***Financial Reporting***

With respect to the Company's financial reporting and continuous disclosure, the Committee shall:

i. review the Company's financial statements, MD&A and Annual Information Form prior to dissemination to ensure their appropriateness;

ii. review reports and findings of the external auditors and resolve any pending issues;

iii. review the certification by the CFO and CEO and ensure that it is in line with regulatory requirements; and

iv. review any letters received from regulatory authorities in relation to financial matters and responses thereon.

6.2 ***Internal Controls and Risk Management Systems***

With respect to the Company's internal controls over financial reporting, the Committee shall:

i. review the adequacy and effectiveness of the financial reporting system and internal control policies and procedures with the external auditors and management and monitor new regulations in this regard;

ii. review with management and the external auditors any reportable condition and material weaknesses affecting internal controls;

iii. review with management and make recommendations to the Board in respect of the adequacy and effectiveness of the Company's financial risk management systems; and

iv. review any significant related-party transactions.

6.3 ***Whistle blowing***

The Committee shall establish and review the Company's arrangements for: (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters; and (b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

6.4 ***Internal Audit***

The Committee shall review annually the need or otherwise for an internal audit function.

6.5 ***External Audit***

(a) The Committee shall:

(i) consider and make recommendations to the Board, to be put to shareholders at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.

(ii) oversee the relationship with and the work of the external auditor including (but not limited to):

(A) recommendation to the Board of its remuneration, whether fees for audit or non audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;

(B) pre-approving any non-audit services to be provided to the Company or its subsidiaries (which pre-approval may be

delegated to one or more independent members of the Committee, provided that in such event the pre-approval must be presented to the Committee at its first scheduled meeting following such pre-approval);

(C) approval of its terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;

(D) assessing annually its independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non audit services;

(E) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);

(F) agreeing with the Board a policy on the employment of former employees of the Company's auditor and monitoring the implementation of this policy;

(G) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;

(H) review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor; and

(I) assessing annually the auditor's qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on its own internal quality procedures;

(iii) meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss its remit and any issues arising from the audit;

(iv) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;

(v) review the findings of the audit with the external auditor. This shall include, but not be limited to, the following;

(A) a discussion of any major issues which arose during the audit;

(B) any accounting and audit judgements; and

(C) levels of errors identified during the audit.

(b) The Committee shall also review the effectiveness of the audit and shall:

(i) review any representation letter(s) requested by the external auditor before they are signed by management;

(ii) review the management letter and management's response to the auditor's findings and recommendations; and

(iii) develop and implement a policy on the supply of non audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

6.6 ***Reporting Responsibilities***

(a) The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

(b) The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

6.7 ***Other Matters***

The Committee shall:

(a) have access to sufficient resources in order to carry out its duties, including access to the Company's employees for assistance as required;

(b) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;

(c) give due consideration to applicable laws and regulations, and the requirements of the stock exchanges on which its securities are listed; and

(d) at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

7. Authority

7.1 The Committee is authorised:

(a) to seek any information it requires from any employee or advisers of the Company in order to perform its duties;

(b) to obtain, at the Company's expense, outside legal or other professional advice on any matters within its authority when the Committee reasonably believes it necessary to do so; and

(c) to call any member of staff to be questioned at a meeting of the Committee as and when required.