Down to Business

Nautilus Minerals is leading the world in the development of the seafloor mineral resources industry. Over the past few years, the company has made great progress in the planning and design of its first project at Solwara 1 in Papua New Guinea. In 2011, Nautilus is moving beyond the design development phase, commencing construction of major pieces of equipment which will be used for seafloor resource production in the Bismarck Sea. This year we are getting “Down to Business”.

CORPORATE INFORMATION

Board of Directors
Geoff Loudon  Chairman
Stephen Rogers  President, CEO and Director
David De Witt  Director
Russell Debnay  Director
Matthew Hammond  Director
Cynthia Thomas*  Director
John O’Rielly** Director

Officers and Management
Stephen Rogers  President and CEO
Anthony O’Sullivan  Chief Operating Officer
Shontel Norgate  Chief Financial Officer and Corporate Secretary
Michael Johnston  VP Strategic Development and Exploration
Glen Smith  Chief Technology Officer
Joseph Dowling  VP Communications and Investor Relations
Mal Togolo  Papua New Guinea, Country Manager
Paul Taumoepenu  Tonga, Country Manager

Transfer Agent and Registrar
The transfer agent and registrar for the shares of the Company is Computershare. Its offices are located at:
9th Floor, 100 University Avenue
Toronto, ON M5J 2Y1 Canada
Computershare Trust Company Inc. located in Bristol, UK is acting as UK co-transfer agent.

Annual Information Form
The Company prepares an Annual Information Form (“AIF”) which is filed with the securities commission in Canada. Copies of the AIF, annual and quarterly reports are available at the Company’s website: www.nautilusminerals.com

For Shareholder Accounts
Inquiries in Canada:
Telephone: 1.800.564.6253 (toll free in North America)
International: +514.982.7555
E-mail: service@computershare.com

* Cynthia Thomas appointed effective June 2010.
** John O’Rielly resigned effective April 2010.

Or write to:
Computershare Investor Services
9th Floor, 100 University Avenue
Toronto, ON M5J 2Y1 Canada

Inquiries in the United Kingdom:
Telephone: 0870.702.003

Or write to:
Computershare Investor Services plc
PO Box 82, The Pavilions,
Bridgewater Road
Bristol BS997NH, United Kingdom

Nominated Advisor and Broker (AIM)
Numis Securities Limited

Auditors
PricewaterhouseCoopers LLP

Bankers
Canadian Imperial Bank of Commerce
ANZ Banking Corporation

Stock Exchange Listing and Symbols
The Company’s shares are listed on the Toronto Stock Exchange (TSX) and on the London Stock Exchange (AIM) under the symbol NUS.

Institutional and individual investors seeking financial information about the Company are invited to contact Joseph Dowling, VP Business Communications & Investor Relations
Telephone: +61 7 3318 5555
E-mail: investor@nautilusminerals.com
Web: www.nautilusminerals.com

For Shareholder Accounts
Inquiries in Canada:
Telephone: 1.800.564.6253 (toll free in North America)
International: +514.982.7555
E-mail: service@computershare.com

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NAUTILUS MINERALS WILL CREATE SUSTAINABLE VALUE THROUGH THE DISCOVERY AND DEVELOPMENT OF NATURAL RESOURCES FROM THE OCEANS

Nautilus senior management team, Left to right: Stephen Rogers, Michael Johnston, Anthony O'Sullivan, Glen Smith, Shontel Norgate, and Joe Dowling.

Profiles of the senior management team are on page 64.
STRATEGY

**Acquire the ground**
Over 600,000 km² of tenement licences and applications across the western Pacific region provide Nautilus with a strong competitive advantage.

**Explore and build the pipeline**
Advancing exploration using technologies refined over the last four years allows Nautilus to build a pipeline of opportunities in the extraction of high grade mineral deposits on the seafloor.

**Unlock the potential through offshore production**
Adapting existing technologies from the offshore and mining industries, Nautilus moves towards delivering Solwara 1 to production. The application of best in class project delivery and production technologies will unlock the vast potential held on and below the seafloor of the world’s oceans.

**Be community accountable, responsible environmentally, and safe (CAReS)**
Ensuring transparency and accountability and applying the principles of its CAReS program (see page 23), Nautilus aligns its strategy with a strong sense of corporate responsibility.
SUCCESS THROUGH INNOVATION

Recovery of Remotely Operated Vehicle on board REM Etive during Nautilus 2010 drilling campaign.
The title of the 2010 annual report is “Down to Business”.

This theme has been chosen to reflect the fact that Nautilus Minerals is at a turning point in its corporate development. After many years of painstaking planning and preparation, your company is poised to take the next major step forward. In 2011, we will begin construction of the key equipment to be used to transform the revolutionary concept of seafloor resource production into a commercial reality. We are getting “down to business”.

During the 2010 calendar year, important preparatory work was completed which positioned us for the future and led to a number of important developments early in 2011.

**Mining Lease Granted**

Perhaps the most significant was the decision by the Government of Papua New Guinea (PNG) in January 2011 to grant Nautilus a Mining Lease over the area which includes the company’s first development project at Solwara 1 in the Bismarck Sea.

This followed a comprehensive program of government and community liaison during 2010, as we outlined the rigorous processes we will implement to ensure the highest standards of operation for the project.

Furthermore, the decision by the government to take a 30% stake in the project is a major vote of confidence in the company. I am delighted to have them join with Nautilus as our partner in this landmark project, which has such potential to deliver important economic benefits for all our stakeholders but especially the nation of PNG and particularly for the people of East New Britain and New Ireland.

We look forward to working with the government to ensure the project is successful and well managed for all stakeholders, including the community, environment, staff and shareholders.

**Strategic Partnership**

With the Mining Lease in place, Nautilus was in a position to bring to conclusion the protracted discussions which had been taking place with potential partner companies which could bring specific strengths to the project, and provide additional funding capability.

In April 2011, we were able to announce the formation of a joint venture with German shipping company Harren & Partner, a world leader in vessel construction and management.

The joint venture will own and operate a Production Support Vessel which will serve as the operational base for the Solwara 1 project.

It is a major transaction for Nautilus, and signals very clearly that the project is advancing rapidly and building momentum. It will deliver to the company a state of the art vessel, ideally suited to seafloor resource production, and managed by a first class marine organisation. We look forward to working with Harren in the development of the vessel, and its ongoing participation in this exciting frontier of seafloor resource production.

**Exploration Campaign**

In the meantime, as the negotiations over the Mining Lease and the strategic partnership were continuing, we also were commencing a fourth major exploration campaign in the Bismarck Sea, using new, highly sophisticated equipment for core drilling on the seafloor.

The campaign started in November and is our most extensive to date. It was due to complete in April 2011, and has been focused on increasing our knowledge of the resource base at Solwara 1, as well as identifying additional resources at other Seafloor Massive Sulphide (SMS) deposits in the region.

The current campaign has delivered encouraging results, with many high grade intercepts found and potential new resources identified. The data collected from the campaign will be analysed after the completion of drilling and results will be published later this year.

**A New Horizon - Polymetalic Nodules**

During the year, the company expanded its exploration horizons, securing 100% ownership of a company focused on exploration for polymetalic nodules in the Eastern Pacific.

A subsidiary of the company has an application in place covering approximately 75,000 km² of the so-called Clarion Clipperton Zone (CCZ), in international waters 2,000 kms west of Mexico.
While there are significant challenges ahead in exploring the CCZ and developing the technology to enable extraction of these potentially massive deposits of copper, nickel, cobalt, iron and manganese, Nautilus is excited about the possibilities and is planning to take a leadership role, building on our experience with SMS deposits.

Solwara 1 Project

The company’s plans for the development and funding of the Solwara 1 project were being finalized as this report was being prepared, building on a major cost study we released during 2010, and additional engineering and design work since completed.

The independent study, compiled by SRK Consulting and released in June, provided cost estimates to extract material from the seafloor at Solwara 1, raise it to the support vessel, dewater it and deliver mineralized material to the Port of Rabaul.

The key conclusions were that the capital cost would be approximately US$383 million (including a 17.5% contingency) and average operating costs were estimated to be US$70 per tonne. At the time of writing this report some changes have occurred which have been reported.

A key priority of the Board is to develop the project in a manner that is sustainable from an economic, environmental and social perspective. We aim to operate in the Bismarck Sea and elsewhere for many years in the future, developing seafloor mineral resources in ways that deliver worthwhile benefits to all our stakeholders, including government, community, staff and shareholders.

Safety

I am delighted to report that our safety record during 2010 was excellent, and that has extended into 2011. In February, Nautilus achieved a fantastic milestone of 1,000,000 man hours without a Lost Time Incident (LTI). Milestones such as this can only be achieved where health and safety are part of the Nautilus culture and I am pleased that we have created an environment where safety is paramount.

Board Changes

It was with regret that I announced in April 2010 that John O’Reilly had decided to step down from the Board. During his period as a director of Nautilus, he made an enormous contribution, lending us his considerable technical and management experience. I thank him for his support and wish him well in the future.

In his place, I am pleased to welcome Cynthia Thomas, who joined the Board in June 2010. Toronto-based, she has 29 years of banking and mine finance experience, and has already added new skills and perspectives to the Board.

Conclusion

My thanks go to my fellow directors for their wise counsel during 2011. I also commend the Nautilus management team, particularly CEO Steve Rogers, who has done an excellent job in moving the project forward in a careful, determined way during the year. Thanks also to all of our staff members for their dedication and enthusiastic approach, and my appreciation also goes to the PNG Government and the communities of East New Britain and New Ireland, for their ongoing support. I also thank our many contractors from whom we have had such excellent support.

Finally, I also offer my thanks to you, the shareholders of Nautilus, for your investment in this new and growing company. The outlook for the business is becoming increasingly positive as we progress towards our goals.

In 2011 and beyond, we are getting “Down to Business”.

A. Geoffrey Loudon

Chairman, Nautilus Minerals Inc.
Q: What is Nautilus Minerals’ strategy?

A: Nautilus is a unique company. Our business proposition is very different, and what we are doing will open up a new frontier in mineral resources. We will be the first company to commercially extract mineral resources from the deep seafloor. It is an ambitious strategy, but I am confident it will happen, and it is the way of the future for the resources sector.

The reality is that land based mineral deposits are being depleted at a rapid rate. Few major new discoveries are being made as all the easy and obvious ones have been discovered. Grades of ore are declining inexorably. This is not a sustainable scenario.

The solution lies in the sea. Some 70% of the world’s surface is covered by ocean. It is statistically evident that beneath the water we will find significant mineral deposits, in quantities and at grades that will be economic for development. We have already found a number of deposits and established an NI 43-101 compliant resource at Solwara 1 in Papua New Guinea (PNG).

Our strategy is to be at the forefront of that process, and we have a four-pronged approach:

1) Identify prospective exploration territory and secure that territory.

2) Bring our first project at Solwara 1 into production, demonstrating that seafloor resource development is commercially viable and environmentally sustainable.

3) Undertake further exploration to develop additional resources and create a project pipeline.

4) Add value for shareholders by expanding and diversifying operations, bringing into operation improved offshore production systems based on the learning from Solwara 1 and ore treatment facilities to add further value.

This strategy is underpinned by a strong and cohesive commitment to corporate and social responsibility.

Q: How big could the opportunity be?

A: Clearly the potential is vast. The majority of the seafloor has not been explored. As regards prospective terrain for Seafloor Massive Sulphides very little investigation work has been done. To date, academic research efforts have focussed only on the active hydrothermal fields and little is known about extinct or mature fields. It is likely that there will be many more extinct fields found in time on the seafloor and above the new active fields. Some of the biggest on-shore Volcanic Massive Sulphide deposits run into the hundreds of millions of tonnes, and there is no reason to believe that that could not happen on the seafloor in the deep waters around the globe. So there is huge potential.
Q: What makes you so confident that it will work?
A: I am very confident and I think I have good reasons to be based on some important precedents. The first offshore oil was produced in California, in 1896, from wells drilled from the end of a wooden pier. But until 1947, virtually all oil production came from land based oil rigs or rigs in very shallow water. In that year, the first commercial offshore oil rig was put into operation and a new industry was spawned, which today produces about one third of the world's oil and gas. It is only a matter of time before the mineral resources of the ocean become a source of mineral resources to meet growing global demand.

Much of the technology is already well developed and widely in use in a variety of industries.

The Seafloor Production Tools (SPT) that we are intending to use are based on machinery that has been used in the deep sea trenching industry, and in the diamond mining industry, for the past couple of decades. The pump we will be employing in the Riser and Lifting System (RALS) was designed in the late nineties and has been used at depths of more than 1000 metres in the oil and gas sector. The riser itself is in use in the offshore oil sector and has been used for a number of years. There is nothing unusual about the vessel we will be using to support operations or the proposed dewatering plant – those are standard technologies. So there is good reason to feel confident.

Q: What were the highlights of 2010?
A: There were a number of highlights to 2010, with some significant announcements made during the year, and a great deal of important work being completed behind the scenes to set up the company for the future.

The major developments were:

• The commencement of a major exploration drilling campaign in the Bismarck Sea, which has delivered an enhanced understanding of the Solwara 1 deposit and confirmed high grade mineralization at the Solwara 12 deposit, 25 kilometres to the north-west.

• Excellent progress in development of the Solwara 1 project, with engineering significantly advanced and the key contract for construction of the SPTs reinstated during the year.

• The release of a comprehensive study outlining expected capital and operating costs associated with production of ore from the Solwara 1 deposit. This study confirmed the robust commercial aspects of the project and increased market understanding of the geology and technology.

• Important government liaison, community consultation and negotiations with potential strategic partners were completed during the year which led to a series of important announcements early in 2011.

• In January 2011, the PNG Government granted Nautilus the first Mining Lease in the Pacific region to allow deep sea resource development in the Bismarck Sea.

• In April 2011, the company announced the formation of a joint venture with shipping firm Harren & Partner to build and own the key Production Support Vessel (PSV). This is clearly a big step forward.

• As part of that Mining Lease decision, the government indicated it intended to exercise its option to take up a 30% stake in the Solwara 1 project as a joint venture partner. This option was exercised in April 2011, and the government’s Petromin holding company will be contributing capital to the project to secure its interest.

These were all important advancements, and they leave the company well placed for the future. We look forward to moving into the project equipment construction phase this year.

Q: Explain the Harren deal. What was the rationale behind that partnership?
A: The transaction with Harren & Partner is a great step forward for Nautilus and we are delighted to have the help and support of such an experienced marine organisation in the development of our business.

The deal followed an extended period of negotiations with a variety of potential joint venture partners over the last couple of years. We were aiming to bring in a partner who could add value to the project by contributing specialist skills and providing access to capital. The Harren deal achieved both our objectives. Furthermore by being a partner in the vessel ownership it provides a greater degree of control for Nautilus over the ship operations when compared to a traditional charter.

They will design and construct the PSV for the project, and as a global leader in shipping and ship management, will provide crewing, logistics and ship management services, which are all essential to the success of the project.

An important aspect of the transaction is that Harren will contribute approximately $21 million in equity capital and loans to the joint venture and will also procure approximately $99 million in debt funding, so they provide additional financial flexibility, without diluting the interests of existing shareholders.
Seafloor Geoservices’ M80 drilling rig on board REM Etive during Nautilus 2010 drilling campaign

A YEAR OF TRANSITION
Q: **When do you expect production to begin?**

A: We are currently planning to be in production in 2013. We have a significant construction exercise ahead of us in the meantime. We have to construct the main pieces of equipment, including the SPTs, the RALS and the PSV. Once constructed, we need to complete integration of equipment on to the vessel and undertake sea trials. But we are confident of meeting that schedule. A lot of work has been done aimed at reducing risk and optimizing timelines.

Q: **How do you intend to ensure that the environment is protected?**

A: We have done a lot of work to ensure that our management of the environment is world standard. We aim to be a long term producer in PNG and elsewhere. To do that, we fully understand that we need to have the support of local communities, and more broadly, the global scientific community. To achieve that, we need to demonstrate that we have been able to produce ore in ways that minimize impacts on the environment and that deliver positive outcomes for people in the regions in which we operate.

We start with a number of advantages. Our proposed project has a much smaller footprint than most land-based projects. At Solwara 1, we are only planning to mine an area of 0.11 km². The grade of the material we are mining is much higher than most land-based projects, so for the same output of metal, the area impacted is much less.

We have undertaken extensive studies of the marine environment and the ecosystems around Solwara 1, so we have a good understanding of the base line environment, and the impacts of our operations.

We use no blasting in our mining, and our operations will be at depths of more than 1500 metres, some 30 kilometres from shore, and the euphotic zones which support most of the edible fish life close to the surface will not be significantly impacted.

Extensive rehabilitation plans have been put together, and we are confident that we can manage our operations in a manner that is environmentally and socially acceptable.

As we create this new industry, we want to set a benchmark of corporate responsibility. In any business, there must be a foundation of responsibility in order to create sustainable value. During 2008, Nautilus launched a new initiative titled “CARES”, which is entirely focused on the ways in which our operations can be accountable to the community, responsible to the environment, and safe for our workers. Visit it here at www.cares.nautilusminerals.com.

Q: **What are your plans for the remainder of 2011?**

A: This is shaping into a major year for Nautilus – a year of transition.

That is what the theme of this report is all about. We’re getting down to business.

All of our careful planning and preparation has been done. The engineering designs of our equipment are largely complete. We have the Mining Lease and the Environmental permit for Solwara 1 in place.

So the next steps are to finalize our funding and press ahead with placing orders for the key pieces of equipment. Through the transaction with Harren, we are moving ahead with the construction of the PSV, and we are pressing on with the assembly of the SPTs, having reactivated that contract with Soil Machine Dynamics during 2010. In the current year, we will be aiming to start construction of the remaining items, with the major components being the RALS, including the subsea lift pump, as well as the dewatering plant.

Another important priority for 2011 will be to complete the current exploration campaign in the Bismarck Sea. We expect that to be concluded at the end of April, and we will then be able to assess the results and hopefully complete a resource update later this year.

So 2011 is shaping as an important year for us, a turning point as we move into the construction phase, and I am excited about the progress we are making. We have a world class team, experienced in the different aspects of our project and I am confident we can deliver this project and the ensuing operations successfully.

“Another important priority for 2011 will be to complete the current exploration campaign in the Bismarck Sea.”
EXPLORATION OVERVIEW

"The copper grades we are finding in these seafloor deposits are significantly higher than the grades that are typical in land-based projects, underwriting the economics of this exciting new mining frontier."

Exploration lies at the heart of the Nautilus business strategy. Never before has the seafloor been so comprehensively explored for high grade Seafloor Massive Sulphide (SMS) deposits, and Nautilus is leading the way in opening this new frontier of mineral resource development.

Our exploration strategy is to secure tenements in prospective areas, based on existing research data, and then to systematically conduct targeted exploration campaigns to identify deposits with the grade and tonnage necessary to support commercial development.

As of 31 March 2011, the company holds exclusive exploration tenements covering 154,696 km² and has applied for a further 448,240 km², taking the total to 602,936 km². This includes highly prospective areas in Papua New Guinea (PNG), Solomon Islands, Tonga, Fiji, New Zealand, Vanuatu, Japan and international waters controlled by the International Seabed Authority (ISA).

Nautilus’ exploration efforts to date have been most advanced in the Bismarck Sea in PNG, where we have established a strong track record of exploration success, having already identified 19 mineralized systems. The protected waters of the Bismarck Sea provide an ideal location for the company’s first development project at Solwara 1.

Following previous exploration campaigns, Nautilus announced the world’s first NI43-101 compliant resource estimate for a SMS system at Solwara 1 in December 2007. The resource included:

Indicated Mineral Resource:
- 870 kt @ 6.8% Cu, 4.8 g/t Au, 23 g/t Ag, 0.4% Zn

Inferred Mineral Resource:
- 1,300 kt @ 7.5% Cu, 7.2 g/t Au, 37 g/t Ag, 0.8% Zn

The Solwara 1 SMS system appears to be of a size and grade that is typical of Volcanic Massive Sulphide ancient analogues. Base and precious metal grades of these deposits are particularly high compared to development projects on land, which typically have copper grade of much less than 1%.

Nautilus’ immediate exploration goals in PNG are to expand the current resource at Solwara 1, and to build a strong pipeline of new discoveries for successive development.

In 2010 and into 2011, Nautilus geologists have made progress in achieving these strategic goals.

Drilling Campaign

The highlight of 2010 was the commencement of our fourth major drilling campaign, which started in November after many months of careful preparation.

The current drilling campaign is our most extensive to date. It is focused on improving the knowledge of our resource base at Solwara 1, as well as identifying additional resources at some of our more recent Solwara discoveries, including Solwara 5 and Solwara 12.

At the time of preparing this report Nautilus has released results for 30 holes drilled during the REM Etive drilling campaign, for a total length of 564 metres. Including prior drilling campaigns, this takes Nautilus’ drilling in the Bismarck Sea to approximately 2,203 metres.

The REM Etive drilling campaign, operated for Nautilus by TS Marine (a subsea oil and gas contractor) and Seafloor Geoservices (a drilling contractor), aboard the vessel REM Etive, already has yielded great success with three important outcomes to date:

1) High grade copper mineralization at Solwara 1 has been shown to extend beyond the previously identified limits in some cases. Assay results from drilling at Solwara 1 showed individual intercepts of up to 37.7% copper and 20.8 g/t gold.

2) The Solwara 1 drilling has provided extensive information to expand our knowledge of the deposit, allowing for improved mine plan designs and better understanding of the metallurgical characteristics of the ore.

3) Another potential development project has been identified at Solwara 12, 25 kms to the northwest of Solwara 1. Six holes drilled at five different sites at Solwara 12 discovered mineralization at all locations and extending up to a depth of 29 metres below the seafloor. Preliminary results based on X-Ray Fluorescence analysis of drill core included individual intercepts as high as 29.4% copper and separately, 26.2% zinc.

The drilling campaign is scheduled to continue into April 2011. Further drilling is planned at Solwara 1, and the rig will carry out follow-up drilling at Solwara 12.

The data collected from the campaign will be analyzed after the completion of drilling, leading to a resource update at Solwara 1 and a possible new resource at Solwara 12.
NAUTILUS MINERALS INC. 2010 ANNUAL REPORT

Total area of Application 2 = 74,713 km²

Application Area

Seafloor Sample Location

Bathymetry (m)

0 2000 4000 6000

0 200 400 600 800 km

Mercator Projection. WGS84 Datum.

Area 2A
10,281 km²

Area 2B
9,966 km²

Area 2C
15,763 km²

Area 2D
15,881 km²

Area 2E
7,002 km²

Area 2F
15,820 km²

Block 6
Block 23
Block 2
Block 3
Block 5
Block 22
Block 25
Block 20
Block 10
Block 11
Block 4
Block 17
Block 14
Block 16
Block 19
Block 26
Block 12
Block 18
Block 21
Block 9
Block 15
Block 13
Block 7
Block 8

150°W
145°W
140°W
135°W
130°W
125°W
120°W

5°N
10°N
15°N
20°N

CLARION - CLIPPERTON ZONE
LOCATION OF APPLICATION 2

CLARION - CLIPPERTON ZONE
LOCATION OF SEAFLOOR
SAMPLES USED IN SUBSEQUENT ANALYSIS OF GRADES AND ABUNDANCES
Exploration Tenements

Nautilus maintained its dominant exploration position in PNG and Tonga.

Additional exploration tenements were secured in highly prospective regions of Vanuatu during 2010, our first tenements secured in that country. A total of 19 tenements were granted, covering 1685 km² in this region.

A number of marine science research cruises have been carried out in Vanuatu over the past 40 years. Early research cruises, including an Ocean Drilling Program (ODP leg 134) were mainly focused on the hydrocarbon potential of shallower areas near the island chain. However, more recent research cruises have focused on definition of the seafloor geology and mineralization.

Investigations with respect to seafloor mineralisation have been supported by dredging, plume mapping (hydrocasts) and sampling, water chemistry analysis, seafloor towed camera and submersible observation, sediment coring, as well as multibeam bathymetric and sidescan sonar surveys.

Hydrothermal indicators of interest include recovery of hydrothermal precipitates, visual observation of vent related biological communities and possible chimneys, as well as hydrothermal plume indicators from hydro-casting and water sampling.

Additional exploration acreage has also been applied for in the East Solomons, complementing Nautilus’ existing acreage in the Western Solomons. Nautilus has received advice that the Mines and Minerals Board has recommended the grant of the East Solomons tenements, to the relevant Minister.

Clarion Clipperton Zone

During the year, Nautilus expanded its exploration horizons, securing 100% ownership of a company focused on exploration in the Eastern Pacific.

A Tongan subsidiary of the Nautilus Group has applications covering approximately 75,000 km² of the Clarion Clipperton Zone (CCZ), in international waters 2,000 kms west of Mexico. The area is well known for deposits of polymetallic nodules, which are dark-brown nuggets, about the size of golf balls, which can be rich in metals, including copper, nickel, cobalt and manganese. They are naturally occurring on the seabed in many areas, but deposits in the CCZ are considered to be the richest in the world, in terms of high metal grades and a high abundance of nodules. Average grades* of approximately 1.1% Ni, 1.2% Cu, 0.24% Co and 27% Mn are indicated from the ISA database covering the Tongan application area with average abundance of around 9 kg/m². They lie in sediment, often buried, and are most prolific in the deep ocean between 4,000 and 6,000 metres water depth.

The lease applications are before the ISA, which is the International authority which administers resources on the seafloor in international waters.

2011 Program

The immediate focus of exploration activity in 2011 is the completion of the current drilling campaign in the Bismarck Sea, which is forecast to continue until April.

Beyond the current campaign, an exploration cruise is planned for the Bismarck sea to undertake seafloor mapping using multibeam techniques, and to conduct Automated Underwater Vehicle (AUV) surveys. These are highly efficient robotic vehicles which can be released to complete various forms of exploration survey work and deep seafloor observation programs using sonar and environmental sensing equipment.

Additional AUV programs also are planned for the company’s Tonga tenements where previous exploration campaigns have identified highly prospective geochemistry anomalies that warrant exploration.

2011 is a year of planning and survey design for Nautilus’ emerging projects in the Solomon Islands and Vanuatu, which we expect to explore together with the tenements in New Zealand and Fiji as they progress through the application process to grant.

* numbers are derived from ISA contractor work and are not 43-101 compliant.
**EXPLORATION OVERVIEW**

Table 1

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<tr>
<th>Prospect</th>
<th>Av Cu%*</th>
<th>Av Zn%*</th>
<th>Av Au g/t*</th>
<th>Av Ag g/t*</th>
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Table 1 does not include the company’s Solwara 1 resource. Solwara 15 is not sampled.

Table 2

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* Mean values of surface grab samples
** Dredge sample
LOCATION OF SOLWARA 1

Simberi Mine
Tabar Island

Lihir Island

Konos

Rabaul

Solwar 1

~60km

EAST NEW BRITAIN

© Fred Smith, Nautilus Chief Technology Officer. Mike Howitt, Nautilus Project Manager offshore in front of Subsea Slurry Lift Pump

Production Support Vessel
The Solwara 1 project is poised to move into full construction mode during 2011, after extensive planning and development work through 2010 culminated in a series of major advances early in the current year.

**Mining Lease**

A key development was the grant of the Mining Lease to Nautilus by the Government of Papua New Guinea (PNG) in January, 2011. The grant of the Mining Lease followed the award of the Environmental Permit in December 2009, and is the final major permit required by the project.

The lease covers 59 km² of seafloor surrounding Solwara 1, 50 km north of Rabaul, where Nautilus intends to mine high grade copper and gold deposits at water depths of approximately 1600 metres. When production commences, which is expected in 2013, Nautilus plans to produce mineralized material at an annual rate of more than 1.3 million tonnes.

The Mining Lease has been granted for an initial 20 year term and as part of the decision to grant the Lease, the PNG Government indicated it would take up a 30% stake in the project as a joint venture partner. The government will contribute funds in proportion to its interest, including its share of the exploration and development costs incurred to date. Formal joint venture agreements were in the process of being finalized as this report was being prepared.

**Strategic Partnership**

Another important announcement, resulting from months of detailed negotiations in 2010, was the creation of a strategic partnership with German shipping group Harren & Partner, a world leader in vessel construction and ship management. The joint venture will own and operate a Production Support Vessel (PSV) which will serve as the operational base for the Solwara 1 project. It will be the floating platform for the mobilisation and remote operation of production machinery operating on the seafloor. The seafloor machines will gather ore which will be pumped in slurry form to the PSV, where it will be processed through a dewatering plant before transfer to barges for transport and treatment.

Under the terms of the strategic partnership, Harren will design and construct the vessel at a cost of approximately US$167 million, with delivery to Singapore for equipment integration scheduled for early 2013.

On delivery, the vessel will be sold to a joint venture company in which Harren will hold a 50.01% interest, with the remaining 49.99% controlled by Nautilus through a holding company in which the PNG Government owns a 5% stake through Petromin PNG Holdings Ltd.

The joint venture, in turn, will charter the vessel to Nautilus to carry out its seafloor production operations, and will contract with Harren to provide crewing, logistics and ship management services.

An important aspect of the transaction is that Harren will procure bank debt of US$99 million, and will contribute some $21 million in equity capital to the joint venture to help fund the purchase of the vessel.

Harren also brings to the project extensive shipping expertise and experience. The company currently operates a fleet of 56 vessels around the world.

Harren has completed preliminary design for the vessel, a Multi-Purpose Dry Cargo Ship classed by Germanischer Lloyd, with a length of 208 m, beam of 40 m, a deadweight capacity of approximately 18,800 tonnes and speed of 17 knots.

It will house generator sets producing 30MW of power for the vessel, seafloor production tools and associated pumping machinery, and will have on-board accommodation for up to 160 people, including 30 maritime crew. The vessel is to be built in Germany. A graphic of the proposed vessel can be seen at left.

In addition to the PSV, the other major pieces of equipment to be built prior to the start of operations include:

1) **The Seafloor Production Tools.** The design and function of these machines has been refined during 2010. Instead of two multipurpose machines, we will now have three, special purpose, remotely operated machines – an auxiliary cutter, a bulk cutter, and a collecting machine. (See Technology Section on page 21) These are in the final stages of design by UK company Soil Machine Dynamics, based on technologies that are tried and proven in the oil and gas, trenching, marine dredging and mining industries. The engineering and construction contract with Soil Machine Dynamics, which had been suspended in 2008, was reinstated in July 2010, and long lead components have now been ordered.

2) **The Riser and Lifting System,** which pumps the slurry from the seafloor to the PSV. The design, being carried out by US group Technip, is close to finalisation with component testing now under way. Technip continues to work on packages of the system, although the full construction contract has yet to be officially reinstated.

3) **A contract for construction and supply of the dewatering plant,** to be located on board PSV, is to be awarded early in 2011.

These items of equipment are scheduled for delivery by early 2013.
The key project milestones are outlined in the following timeline.

**SEAFLOOR PRODUCTION EQUIPMENT (SPE)**
- Design, Procurement and Manufacture
- Assembly
- Commissioning and Testing
- Delivery to Singapore/Batam

**RISER AND LIFTING SYSTEM (RALS)**
- Design, Procurement and Manufacture
- Surface Pumps Manufacture
- Surface Pumps Deliver PSV Yard
- RALS Fabrication
- Delivery to Singapore/Batam

**DEWATERING PLANT (DWP)**
- Design, Procurement and Manufacture
- Assembly/Construction
- Commissioning and Testing
- Delivery to Singapore/Batam

**PRODUCTION SUPPORT VESSEL (PSV)**
- Engineering and Design
- Construction PSV (208m x 40m x 13.0m)
- Voyage (Stralsund-Singapore/Batam)

**INTEGRATION/COMMISSIONING**
- SEA TRIALS

**MOBILISATION TO MINESITE**
- SET-UP MINESITE

**FIRST ORE**

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**Solwara 1 Project**

Having secured the Mining Lease and all other significant permits, and with this decision on the construction of the PSV, Nautilus is a step closer to moving ahead with the development of the Solwara 1 project. The deposit is the subject of an NI43-101 resource, which includes an indicated resource of 870,000 tonnes at grades of 6.8% copper and 4.8 g/t gold and an inferred resource of 1.3 million tonnes at 7.5% copper and 7.2 g/t gold.

An ongoing deep-sea drilling campaign conducted since November last year also has produced encouraging results and is outlined in the exploration section of this report. This campaign, and further drilling in the future, are aimed at expanding the resource base prior to the start of production.

**Project Cost Definition Study**

Another important milestone during the year was the release of an independent definition and cost study (the Study) for the Solwara 1 project. The Study provided capital and operating cost estimates for the delivery of ore from the seafloor to the Port of Rabaul, but excluding subsequent costs such as processing and shipping. The Study also excluded the full capital cost of a production support vessel, which was assumed to be chartered.

The key conclusions of the Study were as follows:

- Capital costs were estimated to be US$383 million (including a 17.5% contingency).
- Average operating costs were estimated to be US$70 per tonne (including a 10% contingency) based on a 1.35 million tonnes per year production rate.
- The Study indicated production commencing at a rate of 1.2 million tonnes per year (dry equivalent) with capacity to ramp up to 1.8 million tonnes per year.
- The Study estimated it would take 30 months to complete the build of the Offshore Production System and to commence commercial production once approved by the Board.

Following the Harren transaction and adjustments to equipment specifications, the capital costs of the project were reviewed, with the total capital cost now estimated to be approximately $407 million.

Operating costs also have been increased marginally through a decision to charter ore transport barges rather than purchase these pieces of equipment.

**Processing Options**

Nautilus currently is planning to proceed with the processing and sales of ore in two phases.

The first phase sees the ore transported to land and then placed on bulk carriers for transport to a concentrator, possibly in China, South East Asia, or South America, prior to refining and sale. In phase two, some years away, Nautilus is considering the construction of its own copper concentrator facility in PNG. Nautilus continues to examine the various options and is well advanced in identifying various processing opportunities.
Following a detailed review of the seafloor production systems, including an analysis of production planning and machinery sequencing, Nautilus decided to make a significant change to the engineering design of the SPTs in April 2010.

The original plan utilized two identical machines on the seafloor, supplying ore to the seafloor pumps for transport to the Production Support Vessel (PSV) above. Instead, to improve productivity and lift throughput rates, a new system has been developed utilizing three specialist machines.

Seafloor cutting is proposed to be undertaken by two large robotic machines, an Auxiliary Cutter and a Bulk Cutter which would excavate material from the seafloor. The Auxiliary Cutter is a preparatory machine that deals with rough terrain and creates benches for the other machines to operate. The second machine, the Bulk Cutter, has a road header cutting drum, and operates in the same way as continuous mining machines operate on land.

A third machine, the Collecting Machine, also a large robotic vehicle, will collect the cut material and mix it with seawater to generate slurry which will be pumped through a flexible pipe to the Riser and Lifting System.

This revised seafloor production system has been carefully modeled at the level of individual machine movements, and has been shown to deliver greater efficiency, lower technical risk and increased throughput.

**Riser and Lifting System (RALS)**

The proposed RALS is comprised of a powerful pump and three 1.6 km pipes. The main pipe is a 12 inch diameter pipe which is used to convey the slurry to the PSV above. The other two smaller pipes, which have a diameter of approximately 8 inches, have the dual purpose of returning waste water from the dewatering plant to the place of origin near the sea floor, minimizing environmental impacts and driving the pump. The positive displacement pump will be designed and built by GE Oil & Gas in Houston, Texas.

On the deck of the PSV the slurry will pass through a dewatering plant, and loaded onto a transportation barge for the 50 kms voyage from the Solwara 1 site to a stockpile location at the Port of Rabaul.
Careful sampling of a snail
What is CARES?

Nautilus CARES (Community Accountable, Responsible Environmentally, Safe) is a fundamental tenet of our operations and a guiding principle for how we do business. Under CARES, which was launched in 2008, we are committed to establishing the benchmark of social, environmental and health and safety standards for the seafloor resource industry.

Nautilus has established the CARES program because its Board of Directors, Management and Employees all have a genuine interest in being part of a company that operates in a socially and environmentally responsible manner whilst maintaining the safety of our people and stakeholders.

In addition to this personal, value-based approach, we recognize that it makes strong economic sense. Seafloor production presents a potential new source of income and growth for Papua New Guinea (PNG) from a resource that has yet to be utilized. The Project will bring benefits in the form of royalties and improvements in the nation’s balance of trade, employment and business opportunities. Potential will be generated for new industrial development that will have positive social and economic effects within PNG as this new industry of seafloor resource development unfolds in the South Pacific and beyond.

Nautilus intends to operate the Solwara projects for many years. We seek to ensure that over the long term, the interests and concerns of each of our stakeholder groups, including local communities, government, employees, staff and shareholders, are heard and carefully considered in our decision making.

Community Accountable

Nautilus is committed to contributing positively towards the sustainable future of the communities in which we work and to be recognized as a valued corporate citizen.

“Duke University Opportunity Bursary”

Nautilus is passionate about developing scientific knowledge in the areas where we work and we actively support students who pursue studies in marine/deep sea science. Since 2007 and in partnership with Duke University (USA), Nautilus offers a bursary in PNG today which allows the winning student to enroll in the Duke University marine science program where he/she is given the chance to learn state-of-the-art techniques while receiving training in a world leading deep sea biology laboratory. Nautilus awarded the 2011 bursary to Mr Hosea Bonio, a masters student at the University of Lae.

Community Development Fund

Nautilus is committed to contributing positively to the sustainable future of the communities in which we work. To this end, we are creating a Community Development Fund which will receive two Kina (~US$0.80) per tonne of ore mined, with the proceeds to fund local community projects. The fund will be managed by Nautilus and a locally selected steering group comprised of eminent Papua New Guinean citizens.

Port Moresby City Mission

Under a five year program launched in 2009, Nautilus is providing US$100,000 in funding to assist and support the critical role played by the Port Moresby City Mission. Our funding is providing disadvantaged youths and young adults with accommodation and job training, and is opening up employment opportunities and assisting their integration into the community.

EcoCare Pacific Trust National High School Science Competition

Nautilus Minerals is furthering the study of science in Tonga by continuing its sponsorship of the University of Canterbury’s EcoCare Pacific Trust National High School Science Competition. The National High School Science Competition is an annual event that aims to encourage high school students and their teachers to participate in the sciences, and encourage further study at a tertiary level.

‘Eliesa Tonga Ma’u from Tonga High School and Sulia ‘Asikia and Asena Toivaha Foliaki from Vava’u High School each received TOP500 from Nautilus Minerals for their science projects.

In total, Nautilus Minerals donated TOP10,000 to the competition.
Consultation with Communities

Nautilus is dedicated to maintaining consultation with communities. During 2010, a number of week-long community awareness campaigns were conducted throughout PNG to lift awareness of the Solwara 1 Project, including its true impacts and advantages. We reached 20 educational institutions, as well as local level governments and civil society groups/NGOs in the vicinity of the company’s project area. To date Nautilus has engaged over 40 villages and towns (see map); a number of these are remote and many have had multiple visits. Our approach has been to involve the national and relevant provincial governments every step of the way. In April, as part of the process of consultation leading to the granting of the Mining Lease, the company held a two day Consultative Forum in Kokopo, PNG, with national and provincial government leaders.

With the Environmental Permit awarded in December 2009, and the Mining Lease granted in January 2011, Nautilus has now secured all of the major permits required to move forward with the project.

Responsible Environmentally

Nautilus is passionate about expanding scientific knowledge of the marine environment and has, alongside the scientific community, embarked on extensive scientific study and analysis of the environment at Solwara 1 and in the broader Bismarck Sea. Nautilus has worked with a team of international scientific experts in marine science including specialists in deep sea and hydrothermal vent ecosystems to design and conduct the studies, and have provided oceanographic and seafloor sampling facilities to bring this into fruition.

Being the proponent of the first deep seafloor resource project, Nautilus has, with the assistance of the scientists involved, developed a number of environmental management measures aimed at preserving the long-term ecosystem health and function in the natural environments affected by our operations, demonstrating the minimization of seafloor impacts, and maximizing the recovery rate of the seafloor environment.

Environmentally and socially responsible – some things to note about seafloor massive sulphide resource production

1) Not all hydrothermal vent sites will be developed. There are estimated to be 3000-4000 hydrothermal fields in existence in the world’s oceans. We are proposing to develop the resources at only a small number of these fields – those that will be sufficiently mineralized and of appropriate scale to support economic development. Many of the deposits we have already identified are unlikely to be developed because they are not economic. In other words, the majority of systems will likely remain untouched by mining activities.

2) Plumes are part of the natural environment. Hydrothermal fields were first discovered through detection of naturally occurring hydrothermal plumes in the water column. These plumes emanate from sub-sea volcanoes and hydrothermal vents. The fluids emitted from these sources create natural turbidity, elevated metal concentrations and generate extensive sediment deposits on the seafloor. This is the natural environment in which we will be operating.
3) **Minimal waste.** There is no land clearance or construction of haul roads involved in seafloor resource development. Ore zones sit exposed on, or close to, the seafloor, which avoids the need for extensive pre-stripping and the associated handling of large volumes of overburden that are normally involved in land-based mining.

4) **Coral reefs and fisheries will be safe.** Seafloor mineral extraction at Solwara 1 will occur 30 kilometres offshore at depths of 1600 metres and will not expose coastal coral reefs or fisheries to any contaminants.

5) **Minimal social disturbance.** There are no direct landowner impacts, no one lives at the proposed extraction site.

6) **Small footprint.** The area to be developed at Solwara 1 is small, only 0.11 km².

7) **Recovery of Solwara 1 expected to occur quickly.** There is evidence to suggest the natural environment will recover quickly. Hydrothermal venting starts reformation of chimney structures within hours of disturbance, enabling subsequent recolonisation by animals. This presents significant opportunities for both natural and enhanced recovery of excavated areas.

8) **Environmentally responsible engineering design.** Methods of extraction and delivery of ore have been designed in ways that minimize impacts. There will be no blasting utilized, and no toxic chemicals discharged during the extraction and recovery process. Waste seawater from the dewatering plant will not be released at the surface, but will be filtered and pumped back to its point of origin close to the seafloor. This assists in pumping efficiency, but also reduces any risk of impacts on surface water ecosystems.

**Leading edge environmental management strategies**

9) **Committing to a “set aside” area.** A hydrothermal field area some 2 km up-current from Solwara 1 is proactively being set aside, voluntarily, by Nautilus. The area of this site is approximately 0.6 km² (which is larger than the proposed excavation site). It is expected to provide a source of recruitment of animals to excavated areas and serves as a reference site to monitor natural variations in vent activity and animal communities away from the impact of extraction.

10) **Progressive rehabilitation.** Extraction will be sequenced, enabling the creation of temporary refuge areas to function as undisturbed sources of parent fauna and supply of larvae within Solwara 1. These areas will not become production sites until worked areas are shown to have re-established according to certain recovery criteria.

11) **Protecting biodiversity.** In addition to setting a large area of the seafloor aside, some animals will be moved out of the path of extraction and placed in appropriate locations where extraction has already occurred.

12) **Enhancing recovery.** Appropriate artificial substrates will be installed in areas where extraction has occurred to assist in the re-establishment of animal populations. Two different types of substrates are currently being trialled at Solwara 1.
Susan John, Nautilus Geologist and Alois Kuk, Nautilus Resource Geologist discussing drill core.
Our Strategy

During 2010, we focused on assessment of our health and safety risk profile and developing our overall strategy, centred on:

- Strengthening our health and safety culture;
- Educating our people on the discipline and needs of Risk Management;
- Building a Health and Safety Management System (HSMS) that enacts our philosophy;
- Developing corporate level resources to ensure we achieve our overall business goals; and
- In the engineering stage or our first project Solwara 1 building “safety” into the facilities for future safe operations.

2010 Performance

Nautilus achieved its goals of no Medical Treatment and Lost Time Injuries, and no High Potential Events during 2010 – a year in which there was increased exploration and project development activity.

As at March 2011, when this report was going to press, the company had achieved more than one million man hours with no recordable safety incidents at any of our onshore or offshore operations.
BOARD OF DIRECTORS

Geoff Loudon,
Chairman

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

Geoff Loudon is Executive Chairman of the private New Zealand based L&M Group of minerals and energy companies as well as Chairman of ASX and NZX listed hydrocarbon explorer L&M Energy. He is a director of the Papua New Guinea based PNG City Mission.

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

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

Stephen Rogers,
President, Chief Executive Officer and Director

Mr Rogers has been the President and CEO of the Nautilus Minerals Group since June 2008. His primary focus is on permitting, financing and the development of the Company’s first project, Solwara 1. This is the first step in taking Nautilus from its position as a junior explorer to being the world’s first seafloor minerals resource production company. Mr Rogers joined Nautilus in 2007 as Chief Development Officer, responsible for the definition and execution of the Solwara 1 Development Project in Papua New Guinea. He has 35 years of experience in the offshore industry with a background in corporate and project management. Before joining Nautilus he worked with Clough (one of Australia’s leading engineering and construction companies) as CEO Oil and Gas, and prior to that he was MD of Technip Oceania, Europe’s leading oil and gas services group and one of the world’s leading deepwater subsea contractors.

Matthew Hammond,
Director

Mr Hammond is the Group Strategist at Metalloinvest Holdings, where he has responsibility for part of the non-core asset portfolio. Matthew advises the Metalloinvest Board on strategic acquisitions and investments. Prior to joining Metalloinvest, Mr Hammond was a Director at Credit Suisse, where he worked for 12 years. He has a BA (Hons) from Bristol University in economics and history. As a non-executive director he also sits on the boards of Strike Resources, Mail.ru and Puricore Plc.

Russell Debney,
Director

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

Mr Debney has extensive experience in the management, financing and structuring of resource projects, particularly in the offshore environment. He was a Director and Senior Vice President of the Global Engineering Group, a world leading offshore oil and gas engineering company for almost 15 years. Mr Debney is currently a director and Chief Executive Officer of Direct Nickel Pty Ltd, a mining company with a revolutionary new hydrometallurgical process for treating nickel laterites.
David De Witt, Director

David De Witt is a founder and the chairman of Pathway Capital Ltd., a private venture capital firm, and is involved in all aspects of its investment activity including analysis of investment opportunities, negotiation and structuring of transactions and fundraising activities.

Prior to forming Pathway Capital Ltd., Mr De Witt was a partner in a venture capital corporation where he was involved in strategic planning, acquisitions and investment decisions. Mr De Witt also spent 15 years as a practicing lawyer specializing in corporate and securities law, initially with Clark Wilson in Vancouver and thereafter as a founding partner in his own law firm.

He was previously a Director and Corporate Secretary of Arequipa Resources, which was acquired by Barrick Gold in 1996. Additionally, Mr De Witt was a founder of and Director of Peru Copper, which was acquired by the Aluminium Corporation of China in 2007. Mr De Witt is currently a Director of Bear Creek Mining Corp., Sandstorm Gold and Sandstorm Metals and Energy.

Cynthia Thomas, Director

Ms. Thomas joined the Board of Directors in June 2010. She has 29 years of banking and mine finance experience, and currently acts as Principal of Conseil Advisory Services Inc. (“Conseil”), an independent financial advisory firm specialising in the natural resource industry which she founded in 2000. Prior to founding Conseil, Ms. Thomas worked with Bank of Montreal, Scotiabank and ScotiaMcLeod in the corporate and investment banking divisions. Ms. Thomas holds a Bachelor of Commerce degree from the University of Toronto and a Masters in Business Administration from the University of Western Ontario. Ms. Thomas was formerly a Director of PolyMet Mining Corp. and is currently a Director and Chair of Victory Nickel Inc., Director of KWG Resources Inc. and a Director and Chair of the Audit Committee for Ferrinov Inc., a private corporation.
## FINANCIAL HIGHLIGHTS
(US Dollars, in accordance with Canadian GAAP)

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<th>PER SHARE INFORMATION</th>
<th>($) /SHARE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash per share</td>
<td>US$ 1.06</td>
</tr>
<tr>
<td>Book value per share (net assets)</td>
<td>US$ 1.24</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NUMBER OF SHARES OUTSTANDING</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Undiluted</td>
<td>155, 578, 884</td>
</tr>
<tr>
<td>Diluted</td>
<td>166, 574, 884</td>
</tr>
</tbody>
</table>
The following Management’s Discussion and Analysis (“MD&A”) has been prepared as at March 23, 2011 for the year ended December 31, 2010. It includes references to United States dollars, Canadian dollars, Papua New Guinea Kina, United Kingdom pounds Sterling and Euros. All dollar amounts referenced, unless otherwise indicated, are expressed in United States dollars or $ and the Canadian dollars are referred to as C$, Papua New Guinea Kina are referred to as PGK, United Kingdom pounds Sterling are referred to as £ and Euros are referred to as €.

The MD&A of Nautilus Minerals Inc. (the “Company”, “NMI” or “Nautilus”) should be read in conjunction with the audited consolidated financial statements and related notes for the year ended December 31, 2010. This section contains forward-looking statements that involve risks and uncertainties. The Company’s actual results may differ materially from those discussed in forward-looking statements as a result of various factors, including, but not limited to those described under “Forward-Looking Information.”

FORWARD-LOOKING INFORMATION
This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of its management as well as assumptions made by management and information currently available to the Company. When used in this document, the words “anticipate”, “believe”, “estimate”, “expect” and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such forward-looking statements relate to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration of the Company’s exploration properties. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievement of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

OUR BUSINESS
Overview
Nautilus is the first company to commercially explore the ocean floor for copper, gold, silver and zinc seafloor massive sulphide (“SMS”) deposits, and is well positioned to be the first to commence mineral extraction from an SMS system. The Company’s main focus for 2011 is the Solwara 1 Project which is located in the territorial waters of Papua New Guinea (“PNG”) in the western Pacific Ocean. The proposed operations of the Company, subject to permitting and financing, will be the exploration for and the mining of SMS deposits for copper, zinc, gold and silver where there are economically viable discoveries.

2010 HIGHLIGHTS
• Commencement of a major exploration drilling campaign in the Bismarck Sea, which has delivered promising results,
• Progressed development of the Solwara 1 project, with the key contract for construction of Seafloor Production Tools (SPT) reinstated during the year;
• Released a comprehensive study outlining expected capital and operating costs associated with production of ore from the Solwara 1 deposit, and transferring it to Rabaul Port; and
• US$165 million (equivalent) in cash and cash equivalents held on deposit with major banks as at December 31, 2010.

US$165 million (equivalent) in Cash and Cash Equivalents held on Deposit with Major Banks
Nautilus is in a strong financial position with $165 million (equivalent) in cash and cash equivalents held on deposit with banks holding an S&P rating of A+ or better, as at December 31, 2010.

Reactivation of Soil Machine Dynamics Contract
During the first quarter the Company reactivated the contract with Soil Machine Dynamics (“SMD”) of Newcastle upon Tyne, UK for the design and build of the SPT’s. The remaining value of the reactivated contract as at December 31, 2010 is US$75.5 million (equivalent). The contract with SMD is cancellable by the Company at any time, however, in the event of cancellation the Company would be liable for any costs incurred by SMD up to that point in time. No other penalties or cancellation fees are payable under this contract.
Offshore Production System Definition and Cost Study

On June 23, 2010 Nautilus released the results of an independent definition and cost study (the “Study”) for its proposed offshore production system (the “Offshore Production System”) to be deployed in the territorial waters of Papua New Guinea (“PNG”).

The Study provided definition and cost estimates to extract material from the seafloor mineral resources at the Company’s Solwara 1 site (the “Project”), to raise it to the support vessel, dewater it and deliver it to the Port of Rabaul, PNG.

The key conclusions of the Study are as follows:

- Capital costs for the Offshore Production System, including those associated with barging to the Port of Rabaul, were estimated to be US$383 million (including a 17.5% contingency);
- Average operating costs up to the Port of Rabaul were estimated to be US$70 per tonne (including a 10% contingency) based on a 1.35 million tonnes per year production rate;
- The Study indicated production commencing at a rate of 1.2 million tonnes per year (dry equivalent) but noted that the Offshore Production System would have the capacity to ramp up to 1.8 million tonnes per year; and
- The Study estimated it would take 30 months to complete the build of the Offshore Production System and to commence commercial production once approved by the Board of Nautilus.

As this report was being prepared, the complete build of the Offshore Production System had not been approved by the Board of Nautilus. Subject to securing adequate financing to advance the Project through to commercial production, Board approval is expected to be received during 2011. Nautilus does not intend to complete a formal feasibility study or define a large, long life resource or reserve before it proceeds with the completion of the equipment build and commencement of production at the Solwara 1 Project. Management considers the Company’s best interests are served by first demonstrating that existing offshore technologies can be adapted to cut and recover high grade SMS material from the deep ocean.

Issue of Variation Order

The Offshore Production System described in the Study requires the build of three subsea deepwater machines for cutting and gathering, being the Auxiliary Cutter, Bulk Cutter and Collecting Machine.

Nautilus also finalised and issued a variation order to SMD to modify the existing design-build contract for the provision of two integrated machines and one handling system to three specialist machines and the associated launch and recovery systems.

The variation order, valued at approximately £19 million (US$28 million or C$29 million equivalent)\(^1\) has been incorporated in the Study. It should be noted that approval has not yet been granted by the Nautilus Board for the recommencement of the building of any other equipment for the Offshore Production System.

\(^{1}\) Exchange rates used: C$1.00 equal to US$0.97 and £0.66.

2010 Exploration Campaign

On November 1, 2010, the Company commenced its fourth exploration drilling program, with the departure of the vessel REM Etive from Singapore, bound for the Company’s Solwara Projects in the territorial waters of PNG.

The 2010 drilling program focussed on improving the resource and geotechnical understanding at Solwara 1, as well as scout drilling at other prospects on the Company’s 100% owned tenements in the Bismarck Sea, PNG.


At the time of preparing the Technical Report (March 2011), more than 65 holes had been drilled from the REM Etive, for a total length of more than 1,000 metres.
The current campaign, operated for Nautilus by TS Marine (a subsea oil and gas contractor) and Seafloor Geoservices (a drilling contractor), aboard the vessel REM Etive, already has yielded great success with three important outcomes to date:

1) High grade copper mineralization at Solwara 1 has been shown to extend beyond the previously identified limits.

2) The Solwara 1 drilling has provided extensive information to expand our knowledge of the deposit, allowing for improved mine plan designs and better understanding of the metallurgical characteristics of the ore.

3) A second potential development project has been identified at Solwara 12, 25 kms to the northwest of Solwara 1. Six holes drilled at five different sites at Solwara 12 discovered mineralization at all locations and extending to a depth of 35 metres below the sea-floor. Further drilling is planned.

The drilling campaign is scheduled to continue to April 2011.

The data collected from the campaign will be analyzed after the completion of drilling, leading to a resource update by end of 2011.

Full results are detailed in the Technical Report and include the highlighted results below:

**Mineralized intersect report from selected holes drilled at Solwara 1** (based on laboratory assay results).

<table>
<thead>
<tr>
<th>Hole ID</th>
<th>Interval To (m)</th>
<th>Interval From (m)</th>
<th>Interval Length (m)</th>
<th>Recovery for Copper Interval (%)</th>
<th>Copper (%)</th>
<th>Zinc (%)</th>
<th>Au (g/t)</th>
<th>Ag (g/t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SD166</td>
<td>2.94</td>
<td>1.84</td>
<td>1.10</td>
<td>100%</td>
<td>21.2</td>
<td>0.3</td>
<td>16.7</td>
<td>37.4</td>
</tr>
<tr>
<td></td>
<td>1.99</td>
<td>1.84</td>
<td>0.15</td>
<td>100%</td>
<td>37.7</td>
<td>BDL</td>
<td>12.9</td>
<td>26.0</td>
</tr>
<tr>
<td></td>
<td>2.57</td>
<td>1.99</td>
<td>0.58</td>
<td>100%</td>
<td>17.0</td>
<td>0.4</td>
<td>20.8</td>
<td>38.0</td>
</tr>
<tr>
<td>SD167</td>
<td>21.22</td>
<td>2.02</td>
<td>19.20</td>
<td>13%</td>
<td>8.6</td>
<td>0.7</td>
<td>4.3</td>
<td>30.5</td>
</tr>
<tr>
<td></td>
<td>10.45</td>
<td>1.93</td>
<td>8.52</td>
<td>63%</td>
<td>4.2</td>
<td>13.2</td>
<td>4.1</td>
<td>0.1</td>
</tr>
<tr>
<td>SD172</td>
<td>10.20</td>
<td>1.98</td>
<td>8.22</td>
<td>25%</td>
<td>12.6</td>
<td>0.1</td>
<td>9.2</td>
<td>24.3</td>
</tr>
<tr>
<td>SD174</td>
<td>3.57</td>
<td>0.80</td>
<td>2.77</td>
<td>32%</td>
<td>4.8</td>
<td>23.6</td>
<td>12.2</td>
<td>0.2</td>
</tr>
<tr>
<td>SD178</td>
<td>9.72</td>
<td>7.05</td>
<td>2.67</td>
<td>71%</td>
<td>4.3</td>
<td>26.8</td>
<td>11.5</td>
<td>3.3</td>
</tr>
<tr>
<td>SD179</td>
<td>3.99</td>
<td>2.08</td>
<td>1.91</td>
<td>85%</td>
<td>11.0</td>
<td>64.0</td>
<td>19.8</td>
<td>1.1</td>
</tr>
<tr>
<td></td>
<td>6.46</td>
<td>6.11</td>
<td>0.35</td>
<td>100%</td>
<td>21.6</td>
<td>34.0</td>
<td>6.3</td>
<td>0.7</td>
</tr>
<tr>
<td></td>
<td>8.77</td>
<td>8.30</td>
<td>0.47</td>
<td>100%</td>
<td>4.1</td>
<td>8.0</td>
<td>24.3</td>
<td>0.1</td>
</tr>
<tr>
<td></td>
<td>16.06</td>
<td>10.58</td>
<td>5.48</td>
<td>62%</td>
<td>6.5</td>
<td>3.0</td>
<td>14.9</td>
<td>0.0</td>
</tr>
<tr>
<td>SD182</td>
<td>4.38</td>
<td>1.28</td>
<td>3.10</td>
<td>71%</td>
<td>4.3</td>
<td>43.4</td>
<td>6.9</td>
<td>0.1</td>
</tr>
<tr>
<td>SD183</td>
<td>1.64</td>
<td>0.25</td>
<td>1.39</td>
<td>71%</td>
<td>3.8</td>
<td>71.6</td>
<td>9.1</td>
<td>2.1</td>
</tr>
<tr>
<td>SD184</td>
<td>4.44</td>
<td>0.35</td>
<td>4.09</td>
<td>89%</td>
<td>5.0</td>
<td>38.6</td>
<td>10.7</td>
<td>1.1</td>
</tr>
<tr>
<td>SD187</td>
<td>5.05</td>
<td>0.84</td>
<td>4.21</td>
<td>43%</td>
<td>4.5</td>
<td>20.5</td>
<td>9.2</td>
<td>2.0</td>
</tr>
</tbody>
</table>

BDL - below detection limit

**Project Development Update**

The Company made good progress with the development of the Solwara 1 Project during 2010.

Soil Machine Dynamics is progressing with the development of the SPT’s. Detailed design has advanced and procurement of key component subassemblies is in process. The contract for the cutter drum assemblies was awarded in the final quarter of 2010. It is expected that contracts for the launch and recovery systems and crawler tracks will be awarded in the first quarter 2011.

Technip USA is progressing with development of the Riser and Lifting System. Subcomponent bid packages are being prepared so that tenders can be launched as soon as project sanction is announced.

Technip Oceania Perth Limited has been retained to develop the planning for the equipment integration into the selected Production Support Vessel. Work has focused on refining the equipment control system integration, electrical system integration and detailed review of deck layouts and vessel architecture.
Cynthia Thomas Appointed to Board

At the Company’s AGM on June 23, 2010, Ms Cynthia Patricia Thomas was appointed to the Nautilus Board.

Cynthia Thomas has 29 years of banking and mine finance experience, and currently acts as Principal of Conseil Advisory Services Inc. (“Conseil”), an independent financial advisory firm specialising in the natural resource industry which she founded in 2000. Prior to founding Conseil, Ms. Thomas worked with Bank of Montreal, Scotiabank and ScotiaMcLeod in the corporate and investment banking divisions. Ms. Thomas holds a Bachelor of Commerce degree from the University of Toronto and a Masters in Business Administration from the University of Western Ontario. Ms. Thomas was formerly a Director of PolyMet Mining Corp. and is currently a Director and Chair of Victory Nickel Inc., Director of KWG Resources Inc. and a Director and Chair of the Audit Committee for Ferrinov Inc., a private corporation.

SELECTED ANNUAL INFORMATION

The following table sets out selected annual financial information of Nautilus and is derived from the Company’s audited consolidated financial statements per the periods ended December 31, 2010, 2009 and 2008. The information set out below should be read in conjunction with the MD&A and consolidated financial statements and related Notes prepared as of March 23, 2011 for the year ended December 31, 2010. Amounts are expressed in US dollars unless otherwise indicated.

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$Nil</td>
<td>$Nil</td>
<td>$Nil</td>
</tr>
<tr>
<td>Loss for the year</td>
<td>$45,016,264</td>
<td>$27,108,044</td>
<td>$81,589,489</td>
</tr>
<tr>
<td>Loss per share (basic and diluted)</td>
<td>$0.29</td>
<td>$0.17</td>
<td>$0.55</td>
</tr>
<tr>
<td>Total assets</td>
<td>$207,090,779</td>
<td>$241,866,547</td>
<td>$269,983,346</td>
</tr>
<tr>
<td>Total long-term liabilities</td>
<td>$435,241</td>
<td>$216,141</td>
<td>$Nil</td>
</tr>
<tr>
<td>Dividends declared</td>
<td>$Nil</td>
<td>$Nil</td>
<td>$Nil</td>
</tr>
</tbody>
</table>

Loss for the year

There was a general increase in the level of expenditure in 2010 as the Company focussed on its 2010 drilling campaign and engineering for its Solwara 1 Project. The increase in the net loss for the year was primarily attributable to an increase in the exploration activities for 2010 relating to the drilling program compared to the prior period and an increase in employees to focus on the Solwara 1 Project.

Total assets

The decrease in total assets for the year from $241.9 million in 2009 to $207.1 million in 2010 is primarily attributable to a decrease in cash and cash equivalents from $209.3 million in 2009 to $165.1 million in 2010.

RESULTS OF OPERATIONS

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

For the quarter ended December 31

2010 Income for the period

Net income

For the quarter ended December 31, 2010, the Company recorded a loss of $20.9 million ($0.13 loss per share) as compared to a loss of $14.4 million ($0.09 loss per share) for the same period in 2009.

Exploration expense

Exploration expense increased to $12.4 million (2009 - $9.9 million) largely due to an increase in the activity of the exploration programs carried out in 2010 relating to the drilling program when compared to 2009.

Interest income

Interest income earned on cash and cash equivalents held during the period was $0.3 million (2009 - $0.4 million). The decrease was attributable to the decrease in cash held during the period. The Company maintains its cash and cash equivalents with banks with an S&P rating of A+ or better.

Non-cash stock based compensation

A total of $1.1 million in non-cash stock based compensation was expensed during the quarter (2009 - $1.3 million). The decrease is attributable to the lower number of options issued over the same period.
Foreign exchange gains and losses

A foreign exchange loss of $0.6 million was recorded during the quarter (2009 – loss of $0.4 million). The foreign exchange loss consists of realised and unrealised gains and losses on actual cash transactions during the period and revaluations of cash denominated in different currencies at balance date.

Depreciation expense

Depreciation expense remained consistent at $0.2 million (2009 - $0.2 million).

Other general and administrative costs

There was an overall increase in other general and administrative expenses in the quarter, due to an increase in staff numbers compared to the same period last year as the Company prepares for resanction of the project equipment build.

Other general and administrative expenses include:

- wages and salaries of $4.8 million (2009 - $1.5 million), an increase of $3.3 million due to an increase in staff numbers to assist with the drilling program and ramp up of the project compared to the same period last year;
- general administrative expenses increased to $0.8 million (2009 - $0.7 million);
- shareholder information expenses of $0.1 million (2009 - $0.03 million), an increase from the previous quarter due to more shareholder information being produced during the quarter;
- travel expenses of $0.3 million (2009 - $0.2 million); and
- professional fees of $0.4 million (2009 - $0.2 million).

Overall, Nautilus’ expenses, excluding foreign exchange gains and losses increased to $20.7 million for the quarter ended December 31, 2010, up from $14.4 million in 2009 which is attributable to the 2010 drilling campaign and an increase in staff numbers when compared to the same period last year. Engineering work directly related to the purchase of equipment has been included as assets under construction and is detailed below under Investing activities.

Cash flows

Operating activities

Cash used in operating activities for the quarter ended December 31, 2010 was $11.8 million as compared to cash flows used in operating activities of $3.7 million for the quarter ended December 31, 2009. The increase in cash used in operating activities is attributable to the drilling exploration program undertaken in 2010 and the ramp up in project activities.

Investing activities

Cash used in investing activities for the quarter ended December 31, 2010 was $1.5 million compared to cash used in investing activities of $4.3 million for the quarter ended December 31, 2009. The decrease in cash used in investing activities is due to a decrease in the amount of equipment purchased.

Financing activities

Cash from financing activities in the quarter ended December 31, 2010 was $0.025 million as compared to $Nil for the quarter ended December 31, 2009. The $0.025 million in 2010 relates to the exercise of stock options.

For the year ended December 31, 2010

Income for the year

Net income

For the year ended December 31, 2010, the Company recorded a loss of $45.0 million ($0.29 loss per share) as compared to a loss of $27.1 million ($0.17 loss per share) for the same period in 2009.

Exploration expense

Exploration expense increased to $26.2 million (2009 - $20.4 million) due to the commencement of the drilling program in 2010 as there was no drilling undertaken in 2009.
Interest income
Interest income earned on cash and cash equivalents held during the year was $1.4 million (2009 - $2.1 million). The decrease was attributable to the decrease in cash held during the period. The Company maintains its cash and cash equivalents with banks with an S&P rating of A+ or better.

Non-cash stock based compensation
A total of $4.1 million in non-cash stock based compensation was expensed during the year (2009 - $4.6 million). The decrease is attributable to the increase in the number of options that expired over the period.

Foreign exchange gains and losses
A foreign exchange loss of $0.8 million was recorded during the year (2009 – gain of $5.3 million). The foreign exchange loss consists of realised and unrealised gains and losses on actual cash transactions during the period and revaluations of cash denominated in different currencies at balance date.

Depreciation expense
Depreciation expense decreased to $0.7 million (2009 - $0.9 million).

Other general and administrative costs
There has been an overall increase in other general and administrative expenses.
Other general and administrative expenses include:
- management fees and salaries of $1.8 million (2009 - $1.9 million);
- wages and salaries of $7.7 million (2009 - $3.5 million), an increase of $4.2 million due to an increase in employee numbers particularly in relation to the drilling program and project ramp up;
- general administrative expenses increased to $2.6 million (2009 - $1.9 million);
- shareholder information expenses of $0.3 million (2009 - $0.1 million), an increase from the previous year due increased shareholder information being produced during the year;
- travel expenses of $0.9 million (2009 - $0.5 million);
- professional fees of $1.3 million (2009 - $0.7 million); and
- listing and filing fees of $0.2 million (2009 – $0.1 million).
Overall, Nautilus’ expenses, excluding foreign exchange gains and losses increased to $45.7 million for the year ended December 31, 2010, up from $34.5 million in 2009 which is attributable to the extensive exploration drilling program in 2010 and the general increase in administrative expenditure. Engineering work directly related to the purchase of equipment has been included as assets under construction and is detailed below under Investing activities.

Cash flows
Operating activities
Cash used in operating activities for the year ended December 31, 2010 was $36.7 million as compared to cash flows used in operating activities of $21.0 million for the year ended December 31, 2009. The increase in cash used in operating activities is attributable to the larger exploration program undertaken in 2010.

Investing activities
Cash used in investing activities for the year ended December 31, 2010 was $7.0 million compared to cash used in investing activities of $5.9 million for the year ended December 31, 2009. The increase in cash used in investing activities is due to an increase in the amount of equipment purchased.

Financing activities
Cash from financing activities year ended December 31, 2010 was $0.025 million as compared to $Nil for the year ended December 31, 2009. The $0.025 million in 2010 related to the exercise of stock options.
MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION
(US Dollars, in accordance with Canadian GAAP)

SUMMARY OF QUARTERLY RESULTS (unaudited)

The following table sets out selected unaudited quarterly financial information of Nautilus and is derived from unaudited quarterly consolidated financial statements prepared by management. The Company’s interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and expressed in US dollars.

<table>
<thead>
<tr>
<th>Period</th>
<th>Revenues (in millions)</th>
<th>Income (Loss) and Comprehensive Income (Loss) for the Period (in millions)</th>
<th>Basic Income (Loss) per Share</th>
<th>Diluted Income (Loss) per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>4th Quarter 2010</td>
<td>Nil</td>
<td>$(20.9)</td>
<td>$(0.13)</td>
<td>$(0.13)</td>
</tr>
<tr>
<td>3rd Quarter 2010</td>
<td>Nil</td>
<td>$(4.4)</td>
<td>$(0.03)</td>
<td>$(0.03)</td>
</tr>
<tr>
<td>2nd Quarter 2010</td>
<td>Nil</td>
<td>$(11.7)</td>
<td>$(0.08)</td>
<td>$(0.08)</td>
</tr>
<tr>
<td>1st Quarter 2010</td>
<td>Nil</td>
<td>$(8.0)</td>
<td>$(0.05)</td>
<td>$(0.05)</td>
</tr>
<tr>
<td>4th Quarter 2009</td>
<td>Nil</td>
<td>$(14.4)</td>
<td>$(0.09)</td>
<td>$(0.09)</td>
</tr>
<tr>
<td>3rd Quarter 2009</td>
<td>Nil</td>
<td>$(7.4)</td>
<td>$(0.05)</td>
<td>$(0.05)</td>
</tr>
<tr>
<td>2nd Quarter 2009</td>
<td>Nil</td>
<td>$2.7</td>
<td>$0.02</td>
<td>$0.02</td>
</tr>
<tr>
<td>1st Quarter 2009</td>
<td>Nil</td>
<td>$(8.0)</td>
<td>$(0.05)</td>
<td>$(0.05)</td>
</tr>
</tbody>
</table>

Variations between quarters is largely driven by the timing and nature of the exploration programs being undertaken during a particular quarter. Given the nature of the Company’s tenement holdings exploration programs occur at different times and therefore are significantly higher in periods when an exploration program is being undertaken on the water.

In addition, foreign exchange movements in the Company’s cash balances on hand also have a significant impact on the variation in results during any given quarter.

LIQUIDITY AND CAPITAL RESOURCES

The Company’s financial objective is to ensure that it has sufficient liquidity in the form of cash and/or debt capacity. Nautilus’ goal is to finance its ongoing requirements to support the Company’s strategy of becoming the first company to commercially extract gold, copper, silver and zinc from the seafloor.

Key financial measures

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

<table>
<thead>
<tr>
<th>December 31, 2010</th>
<th>December 31, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt to Equity</td>
<td>Nil</td>
</tr>
<tr>
<td>Current Ratio</td>
<td>11.8 to 1</td>
</tr>
<tr>
<td>Working Capital</td>
<td>$151.1 million</td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$165.1 million</td>
</tr>
</tbody>
</table>

Under the Company’s Investment Policy, cash and cash equivalents must be held on deposit with banks with an S&P credit rating of A+ or better.
Outlook and capital requirements

The Company’s known contractual obligations at December 31, 2010, are quantified in the table below:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
</tr>
<tr>
<td>a) Non-cancellable operating leases</td>
<td></td>
</tr>
<tr>
<td>Not later than 1 year</td>
<td>1,089,801</td>
</tr>
<tr>
<td>Later than 1 year and not later than 2 years</td>
<td>993,344</td>
</tr>
<tr>
<td>Later than 2 years and not later than 3 years</td>
<td>939,674</td>
</tr>
<tr>
<td>Later than 3 years and not later than 4 years</td>
<td>938,924</td>
</tr>
<tr>
<td>Later than 4 years and not later than 5 years</td>
<td>469,462</td>
</tr>
<tr>
<td>Later than 5 years</td>
<td>–</td>
</tr>
<tr>
<td>Total Commitments</td>
<td>4,431,205</td>
</tr>
<tr>
<td>b) Non-cancellable exploration agreements</td>
<td></td>
</tr>
<tr>
<td>Not later than 1 year</td>
<td>700,000</td>
</tr>
<tr>
<td>Total Commitments</td>
<td>700,000</td>
</tr>
<tr>
<td>c) Non-cancellable development agreements</td>
<td></td>
</tr>
<tr>
<td>Not later than 1 year</td>
<td>607,005</td>
</tr>
<tr>
<td>Total Commitments</td>
<td>607,005</td>
</tr>
</tbody>
</table>

The Company is involved in mineral exploration which is a high risk activity and relies on results from each exploration program to determine if areas justify any further exploration and the extent and method of appropriate exploration to be conducted.

The Company has budgeted to spend approximately $25 million for exploration work in 2011 on the Solwara 1 Project and other regional exploration programs. If exploration results and engineering studies are positive, the Company may consider committing additional funds to finance further engineering and exploration studies. In addition, the Company may consider further increases in staffing levels.

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

During the year the Company reactivated the contract with Soil Machine Dynamics (“SMD”) of Newcastle upon Tyne, UK for the design and build of the seafloor mining tools. As at December 31, 2010 the remaining value of the contract is US$75.5 million (equivalent). The contract with SMD is cancellable by the Company at any time, however, in the event of cancellation, the Company would be liable for any costs incurred by SMD up to that point in time. No other penalties or cancellation fees are payable under this contract.

The Company entered into an Engineering, Procurement and Construction Management (“EPCM”) contract with Technip Oceania Pty Ltd. (“Technip”) for engineering design, procurement and construction management for the integration of the subsea mining equipment onto a production support vessel. The current remaining authorised value of the contract as at December 31, 2010 is less than US$0.1 million. The contract with Technip is cancellable by the Company at any time, however, in the event of cancellation, the Company would be liable for any costs incurred by Technip up to that point in time. No other penalties or cancellation fees are payable under this contract.

All other contracts relating to the Solwara 1 mining system have been suspended without penalty.

The contracts that have been suspended will not incur any additional costs, unless instructed by the Company to continue with engineering studies, until those contracts are reactivated. As at December 31, 2010, the remaining value of the suspended contracts was US$41.6 million. The suspended contracts also contain provisions allowing the Company to cancel at any time.

The Company will need to obtain significant additional capital to develop any of its exploration properties, including Solwara 1, and debt financing may not be obtainable for a project such as that contemplated. The Company may need to rely on the equity markets for future financing of the Company’s development of Solwara 1 or alternate financing in the form of joint ventures, leasing options and offtake agreements which may not be obtainable for the project as contemplated.
Nautilus expects that the cash and cash equivalents will be sufficient to pay for the continued budgeted exploration, capital expenditure and general and administrative costs of the Solwara 1 Project for the next 12 months. Depending upon future events, the rate of expenditures and other general and administrative costs could increase or decrease. Other than as disclosed above, the Company has not formally sought to secure sources of additional financing to fund future expenditures.

Nautilus’ opinion concerning liquidity and its ability to avail itself in the future of the financing options mentioned in the above forward-looking statements are based on currently available information. To the extent that this information proves to be inaccurate, future availability of financing may be adversely affected. Factors that could affect the availability of financing include Nautilus’ performance (as measured by various factors including the progress and results of its exploration work), the state of international debt and equity markets, investor perceptions and expectations of past and future performance, the global financial climate, metal and commodity prices, political events in the south Pacific, obtaining operating approvals from the PNG government for the Solwara 1 Project, drilling and metallurgical testing results, results from environmental studies, engineering studies and detailed design of equipment.

**Foreign currency exchange rate risk**

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

Foreign exchange risk is mitigated by the Company maintaining its cash in a “basket” of currencies that reflect its current and expected cash outflows to take advantage of natural hedges.

As at December 31, 2010 the Company held its cash in the following currencies:

<table>
<thead>
<tr>
<th>Currency Denomination</th>
<th>% of total cash in US$ terms held</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>54</td>
</tr>
<tr>
<td>Euro</td>
<td>9</td>
</tr>
<tr>
<td>CAD</td>
<td>4</td>
</tr>
<tr>
<td>GBP</td>
<td>24</td>
</tr>
<tr>
<td>AUD</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Interest rate risk**

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

As at December 31, 2010, with other variables unchanged, a 1% increase (decrease) in the interest rate would have increased (decreased) our net earnings by $1.6 million. There would be no effect on other comprehensive loss.

**Credit risk**

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

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

**Liquidity risk**

The Company manages liquidity by maintaining adequate cash and short-term investment balances.

In addition, the Company regularly monitors and reviews both actual and forecasted cash flows.

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

**CRITICAL ACCOUNTING ESTIMATES**

The details of the Company's accounting policies are presented in Note 2 of the audited consolidated financial statements for the year ended December 31, 2010. The following policies are considered by management to be essential to understanding the processes and reasoning that go into the preparation of the Company's financial statements and the uncertainties that could have a bearing on its financial results:
Resource properties

Acquisition and exploration costs are expensed as incurred since the Company is in the process of exploring its mineral tenements and has not yet determined whether these properties contain ore reserves that are economically recoverable. If and when the Company’s management determines that economically extractable resource have been established, the subsequent costs incurred to develop such property, including costs to further delineate the ore body, will be capitalised.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration or development of such properties, these procedures do not guarantee a clear title. Property title may be subject to unregistered prior agreements and regulatory requirements. The Company is not aware of any disputed claim of title.

Future Accounting Pronouncements

Sections 1582, Business Combinations, 1601 Consolidated Financial Statements and 1602 Non-controlling interests

Sections 1582, Business Combinations, 1601 Consolidated Financial Statements and 1602 Non-controlling interests will replace the former Sections 1581 Business Combinations, 1600 Consolidated Financial Statements and establish a new section for accounting for a non-controlling interest in a subsidiary. Section 1582 is effective for business combinations for which the acquisition date is on or after January 1, 2011 and Sections 1601 and 1602 apply to consolidated financial statements relating to years beginning on or after January 1, 2011.

The Company does not expect any impact on its Financial Statements from the above Accounting Pronouncements except for comprehensive loss which will be included in Equity.

International Financial reporting standards (“IFRS”)

In January 2006, the Canadian Accounting Standards Board (“AcSB”) adopted a strategic plan for the direction of accounting standards in Canada. In February 2008, as part of its strategic plan, AcSB confirmed that Canadian publicly accountable entities will be required to report under International Financial Reporting Standards (“IFRS”), which will replace Canadian GAAP for years beginning on or after January 1, 2011. Financial reporting under IFRS differs from Canadian GAAP in a number of respects, some of which are significant. IFRS on the date of adoption is also expected to differ from current IFRS due to new IFRS standards and pronouncements that are expected to be issued before the changeover date. We plan to prepare our financial statements in accordance with IFRS for periods commencing as of January 1, 2011.

The following information is presented pursuant to the October 2008 recommendations of the Canadian Performance Reporting Board relating to pre-2011 communications about IFRS conversion and to comply with Canadian Securities Administrators Staff Notice 52-320, Disclosure of Expected Changes in Accounting Policies Relating to Changeover to International Financial Reporting Standards. This information is provided to allow investors and others to obtain a better understanding of our IFRS changeover plan and the resulting possible effect on our financial statements. Readers are cautioned, however, that it may not be appropriate to use such information for any other purposes. This information also reflects the Company’s most recent assumptions and expectations; circumstances may arise, such as changes in IFRS, regulations or economic conditions, which could change these assumptions or expectations.

IFRS Changeover Plan

The Company has developed a plan for its changeover to IFRS comprised of three related phases:

- Review and Assessment;
- Design; and
- Implementation.

Phase 1: Review and Assessment Phase

The objective of this phase is to identify the required changes to the Company’s accounting policies and practices resulting from the changeover to IFRS to determine the scope of the work effort required for the Design and Implementation phases.

Phase 1 involves:

- A detailed review of all relevant IFRS standards to identify differences with the Company’s current accounting policies and practices;
- The separate consideration of one-time accounting policy alternatives that must be addressed at the changeover date, and those accounting policy choices that will be applied on an ongoing basis in periods subsequent to the changeover to IFRS;
- The prioritisation of those differences that could have a more than inconsequential impact on the Company’s financial statements, business processes or IT systems; and
- The identification of internal stakeholders and business areas that may be affected by the changeover.
Phase 2: Design Phase

Phase 2 will result in the design and development of detailed solutions to address the differences identified in the first phase of the Company’s changeover plan. These solutions will result in certain necessary changes to the Company’s internal business processes and financial systems to comply with IFRS accounting and disclosure requirements.

Phase 2 activities include:

• The evaluation of accounting policy alternatives;
• The investigation, development and documentation of solutions to resolve differences identified in Phase 1, reflecting changes to existing accounting policies and practices, business processes, IT systems and internal controls; and
• The implementation of a change management strategy to address the information and training needs of internal and external stakeholders.

Phase 3: Implementation Phase

In the third and final phase of its changeover plan the Company will finalize the quantification of any differences identified on transition to IFRS. To date the Company has not identified any significant financial adjustments required on transition.

In addition, the Company will implement the changes to affected accounting policies and practices, business processes, systems and internal controls. These changes will be tested prior to the formal reporting requirements under IFRS to ensure all significant differences are appropriately addressed in time for the changeover.

Progress towards Completion of the Company’s IFRS Changeover Plan

Nautilus expects to adopt IFRS effective January 1, 2011. The Company will be required to produce IFRS-compliant financial statements for the quarter ended March 31, 2011 which will include the applicable disclosures and information for the comparative 2010 period. The securities regulators have provided an extension period for filing a company’s first set of interim financial statements under IFRS. For Nautilus, this extends the filing from May 16, 2011 to June 14, 2011. Absent unexpected circumstances, the Company does not presently expect to take full advantage of the extension period allowed for filing of the March 31, 2011 interim financial statements.

Nautilus has completed Phase 1 and 2 and is currently completing the final stages of Phase 3 of its changeover plan although it is a continual process as emerging practices and the accounting industry develops its consensus approach.

For all changes to policies and procedures that are identified, the effectiveness of internal controls over financial reporting and disclosure controls and procedures will also be assessed and any changes implemented. In addition, controls over the IFRS changeover process will be implemented as necessary. The Company does not expect these changes to be significant.

The Company is continuing to assess the impact of the IFRS transition on its information systems; however does not anticipate significant changes to its systems arising from the transition to IFRS.

Key Differences

Nautilus has performed its review of IFRS based on standards applicable as of the date of this report. The IASB is still developing IFRS and may propose changes to the standards between the date of this report and the date the Company adopts IFRS. Nautilus’ assessment of differences between Canadian GAAP and IFRS are based on its historical, current and expected business activities. Changes in business activities could also lead to unexpected differences to the Company’s financial statements, notes and other disclosures as reported under Canadian GAAP and IFRS. Changes to business activities or transactions and/or IFRS could have material effects on Nautilus’ assessment below. Nautilus will continue to track the difference between Canadian GAAP and IFRS on individual transactions throughout 2011. It will also analyze the effect of changes in IFRS as they occur.

The Company has identified key areas where changes in accounting policy are expected on its transition from Canadian GAAP to IFRS and these are identified below. This list is intended to highlight the areas that the Company has determined to be the most significant and should not be regarded as a complete list of changes that will result from the transition to IFRS.
First-time adoption of IFRS

IFRS 1, “First time adoption of International Financial Reporting Standards”, generally requires that all IFRS standards and interpretations be accounted for on a retrospective basis. IFRS 1 provides for certain optional exemptions and other mandatory exceptions to this general principal. The most significant IFRS optional exemption which the Company expects to apply is:

<table>
<thead>
<tr>
<th>Exemption</th>
<th>Summary of exemption and decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFRS 3, Business Combinations</td>
<td>Allows an entity that has conducted prior business combinations to apply IFRS 3 on a prospective basis from the date of transition. This avoids the requirement to restate prior business combinations. Nautilus has elected to apply this exemption and to adopt IFRS 3 effective January 1, 2011.</td>
</tr>
</tbody>
</table>

Functional currency

IFRS requires the functional currency to be assessed independently for each subsidiary within a consolidated group and introduces the concept of primary and secondary factors. Nautilus determined the U.S. dollar to be the functional currency of the Company for Canadian GAAP effective January 1, 2008. The functional currency is currently being assessed for all subsidiaries under IFRS.

Income taxes

There remains uncertainty around accounting for income taxes under IFRS. The IASB has recently issued an exposure draft suggesting changes to its income tax standard. The exposure draft has received a significant number of comments and it is uncertain what changes, if any, will be made before Nautilus’ adoption date of January 1, 2011.

Asset impairment

Canadian GAAP provides a two-step approach to testing a long-lived asset for impairment in the event that indicators exist. The first step is a test for recoverability whereby the carrying value is compared to the undiscounted cash flows that the asset is expected to generate. If the undiscounted cash flows exceed the carrying amount, then no impairment charge is necessary. If the undiscounted cash flows are lower than the carrying amount of the asset, then the asset is written down to the estimated fair value, determined based on the discounted cash flows.

Under IFRS, an entity is required to assess whether there is an indication of impairment at each reporting date. If such an indication exists, the entity must compare the carrying value of the asset or cash generating unit (“CGU”) to the recoverable amount. Recoverable amount is defined as the higher of an asset or CGU’s fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or CGU. An impairment loss is recognized to the extent that the carrying value exceeds the recoverable amount. Unlike Canadian GAAP, IFRS requires impairment charges to be reversed if the circumstances leading to the impairment no longer exist.

This change may result in impairment losses being recognized under IFRS that would not be recognized under Canadian GAAP.

Nautilus does not expect an impairment loss to be recognized on transition to IFRS.

Provision for reclamation and rehabilitation

The primary differences between IFRS and Canadian GAAP for reclamation and rehabilitation provisions include the basis of estimation for undiscounted cash flows, the discount rate used, the frequency of liability re-measurement, and recognition of a liability when a constructive obligation exists.

Canadian GAAP requires the estimate of undiscounted cash flows to be based on the amount that a third party would demand to assume the obligation, whereas IFRS focuses on the use of management’s best estimate of the expenditures required to settle the obligation.

The discount rate used to determine the present value of the expenditures for Canadian GAAP is the credit-adjusted risk free rate for the entity. IFRS requires the use of a discount rate that reflects the risks specific to the liability.

IFRS requires the re-measurement of the liability at each reporting date. The recognition principle is broadened with the implementation of IFRS, which requires that a liability be recorded if there is a legal or constructive obligation, where Canadian GAAP requires a liability to be recognized when there is a legal obligation.
The Company does not currently record any reclamation liabilities and does not anticipate any impact from the provision for reclamation and rehabilitation on its consolidated financial statements on transition to IFRS.

**Exploration & Evaluation ("E&E") Costs**

The International Accounting Standards Board ("IASB") has still not made a definitive determination as to whether E&E costs should be capitalized or expensed. IFRS 6 allows companies to choose a policy that capitalizes these costs if that is the existing policy.

The Company is currently evaluating its existing policy for E&E costs in the light of developments in the extractive industries project that is currently ongoing.

**Stock based compensation**

The Company is currently evaluating the impact that the adoption of IFRS will have on its stock based compensation. The Company does not expect that the impact of adopting IFRS will result in a significant change in stock based compensation expense.

**Other IFRS**

There are other IFRS that apply to the Company's operations, but they are not expected to have a significant effect on 2010 financial results based on the Company's current and expected activities. The Company is still considering the impact that the adoption of IFRS will have on its financial statements.

**OUTSTANDING SHARE DATA**

The following is a summary of the Company's outstanding share data as of March 23, 2011.

**Common shares**

A total of 155,638,884 common shares are outstanding.

**Convertible securities**

The Company now has 10,936,000 options outstanding.

**Stock Options**

A total of 10,936,000 stock options are issued and outstanding, with expiry dates ranging from April 8, 2011 through to September 2, 2013. The weighted average exercise price for all stock options is C$2.68. All stock options entitle the holders to purchase common shares of the Company.

**INTERNAL CONTROLS**

**Internal control over financial reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

There have been no changes in the Company's internal control over financial reporting for the year ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

In accordance with the requirements of National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, the Company's management, including the Chief Executive Officer and Chief Financial Officer, acknowledges responsibility for the design and operation of disclosure controls and procedures and internal controls over financial reporting, and the requirement to evaluate the effectiveness of these controls on an annual basis.

Management evaluated the effectiveness of these controls at the end of the reporting period and based on this evaluation concluded that the Company's internal controls over financial reporting and the disclosure controls and procedures were effective as at December 31, 2010.

**ADDITIONAL SOURCES OF INFORMATION**

Additional sources of information regarding Nautilus Minerals Inc. including its AIF, can be found on SEDAR at www.sedar.com and on the Company’s website www.nautilusminerals.com.
MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

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

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Financial statements, by nature, are not precise since they include certain amounts based upon estimates and judgements. When alternative methods exist, management has chosen those it deems to be the most appropriate in the circumstances.

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

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

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

Stephen Rogers  Shontel Norgate
President and Chief Executive Officer  Chief Financial Officer
To the Shareholders of Nautilus Minerals Inc.

We have audited the accompanying consolidated financial statements of Nautilus Minerals Inc. (the “Company”), which comprise the consolidated balance sheets as at December 31, 2010 and December 31, 2009 and the consolidated statements of loss and comprehensive loss and deficit and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

Management’s responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2010 and December 31, 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Vancouver, BC
March 23, 2011
### CONSOLIDATED BALANCE SHEETS
(Expressed in U.S. Dollars)

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31, 2010</th>
<th>Year Ended December 31, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>165,132,935</td>
<td>209,339,066</td>
</tr>
<tr>
<td>Prepaid expenses and advances</td>
<td>556,500</td>
<td>415,383</td>
</tr>
<tr>
<td></td>
<td><strong>165,689,435</strong></td>
<td><strong>209,754,449</strong></td>
</tr>
<tr>
<td><strong>Non current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted cash (note 7)</td>
<td>745,793</td>
<td>342,308</td>
</tr>
<tr>
<td>Property, plant and equipment (note 8)</td>
<td>28,442,184</td>
<td>19,556,423</td>
</tr>
<tr>
<td>Mineral properties (note 9)</td>
<td>12,213,367</td>
<td>12,213,367</td>
</tr>
<tr>
<td></td>
<td><strong>41,401,344</strong></td>
<td><strong>32,112,098</strong></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>14,062,102</td>
<td>8,113,708</td>
</tr>
<tr>
<td><strong>Non current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>435,241</td>
<td>216,141</td>
</tr>
<tr>
<td><strong>Non-controlling interest</strong> (note 11)</td>
<td>124,855</td>
<td>209,972</td>
</tr>
<tr>
<td><strong>SHAREHOLDERS’ EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital (note 10a)</td>
<td>343,635,585</td>
<td>343,598,701</td>
</tr>
<tr>
<td>Contributed surplus (note 10b)</td>
<td>44,851,558</td>
<td>40,730,323</td>
</tr>
<tr>
<td>Deficit (196,018,562)</td>
<td>(196,018,562)</td>
<td>(151,002,298)</td>
</tr>
<tr>
<td></td>
<td><strong>192,468,581</strong></td>
<td><strong>233,326,726</strong></td>
</tr>
<tr>
<td></td>
<td><strong>207,090,779</strong></td>
<td><strong>241,866,547</strong></td>
</tr>
</tbody>
</table>

Commitments and contingencies (note 13)
Subsequent events (note 14)

On behalf of the Board:

Russell Debney
Stephen Rogers

The accompanying notes are an integral part of these consolidated financial statements.
## CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS AND DEFICIT

(Expressed in U.S. Dollars)

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31, 2010 $</th>
<th>Year Ended December 31, 2009 $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exploration costs (note 9)</td>
<td>26,172,400</td>
<td>20,371,730</td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>7,682,305</td>
<td>3,478,506</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>4,132,737</td>
<td>4,586,136</td>
</tr>
<tr>
<td>General administrative</td>
<td>2,601,376</td>
<td>1,943,533</td>
</tr>
<tr>
<td>Professional fees</td>
<td>1,251,017</td>
<td>653,693</td>
</tr>
<tr>
<td>Management fees and salaries</td>
<td>1,827,707</td>
<td>1,857,446</td>
</tr>
<tr>
<td>Travel</td>
<td>884,630</td>
<td>473,817</td>
</tr>
<tr>
<td>Depreciation</td>
<td>698,279</td>
<td>893,691</td>
</tr>
<tr>
<td>Shareholder information</td>
<td>281,176</td>
<td>118,867</td>
</tr>
<tr>
<td>Listing and filing fees</td>
<td>188,092</td>
<td>139,991</td>
</tr>
<tr>
<td>Foreign exchange loss (gain)</td>
<td>799,127</td>
<td>(5,282,610)</td>
</tr>
<tr>
<td></td>
<td>46,518,846</td>
<td>29,234,800</td>
</tr>
<tr>
<td><strong>OTHER INCOME (EXPENSE)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>1,417,465</td>
<td>2,074,473</td>
</tr>
<tr>
<td>Rental and other income</td>
<td>–</td>
<td>19,121</td>
</tr>
<tr>
<td></td>
<td>1,417,465</td>
<td>2,093,594</td>
</tr>
<tr>
<td><strong>Loss and comprehensive loss before non-controlling interest</strong></td>
<td>45,101,381</td>
<td>27,141,206</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>85,117</td>
<td>33,162</td>
</tr>
<tr>
<td><strong>Loss and comprehensive loss</strong></td>
<td>45,016,264</td>
<td>27,108,044</td>
</tr>
<tr>
<td>Deficit – Beginning of year</td>
<td>151,002,298</td>
<td>123,894,254</td>
</tr>
<tr>
<td><strong>Deficit – End of year</strong></td>
<td>196,018,562</td>
<td>151,002,298</td>
</tr>
<tr>
<td>Loss per share – basic and diluted</td>
<td>0.29</td>
<td>0.17</td>
</tr>
<tr>
<td>Weighted average number of shares outstanding – basic and diluted</td>
<td>155,559,870</td>
<td>155,558,884</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
### CONSOLIDATED STATEMENT OF CASHFLOWS

(Expressed in U.S. Dollars)

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31, 2010 $</th>
<th>Year Ended December 31, 2009 $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS USED IN OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss for the period</td>
<td>(45,016,264)</td>
<td>(27,108,044)</td>
</tr>
<tr>
<td>Items not affecting cash</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>4,132,737</td>
<td>4,586,136</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>(85,117)</td>
<td>(33,162)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>698,279</td>
<td>893,691</td>
</tr>
<tr>
<td>Unrealised foreign exchange loss/(gain)</td>
<td>597,210</td>
<td>(5,121,875)</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>(403,485)</td>
<td>4,056,628</td>
</tr>
<tr>
<td>Change in non-cash working capital items</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid expenses and advances</td>
<td>(141,117)</td>
<td>815,322</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>3,562,369</td>
<td>899,775</td>
</tr>
<tr>
<td><strong>Total Cash Flows Used in Operating Activities</strong></td>
<td>(36,655,388)</td>
<td>(21,011,529)</td>
</tr>
<tr>
<td><strong>CASH FLOWS USED IN FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital issued</td>
<td>25,383</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total Cash Flows Used in Financing Activities</strong></td>
<td>25,383</td>
<td>–</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of equipment</td>
<td>(6,978,916)</td>
<td>(5,915,082)</td>
</tr>
<tr>
<td>Unrealised foreign exchange gain/(loss)</td>
<td>(597,210)</td>
<td>5,121,875</td>
</tr>
<tr>
<td>Decrease in cash and cash equivalents</td>
<td>(44,206,131)</td>
<td>(21,804,736)</td>
</tr>
<tr>
<td>Cash and cash equivalents - Beginning of year</td>
<td>209,339,066</td>
<td>231,143,802</td>
</tr>
<tr>
<td>Cash and cash equivalents - End of year</td>
<td>165,132,935</td>
<td>209,339,066</td>
</tr>
<tr>
<td>Cash</td>
<td>7,188,052</td>
<td>4,548,289</td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>157,944,883</td>
<td>204,790,777</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents – End of year</strong></td>
<td>165,132,935</td>
<td>209,339,066</td>
</tr>
</tbody>
</table>

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

Nautilus Minerals Inc. (the “Company”, “Nautilus” or “NMI”) is engaged in the exploration of the ocean floor for copper, gold, silver and zinc seafloor massive sulphide deposits. To date, the Company has not earned any revenues and is considered to be in the exploration stage. The exploration activity involves exploration of underwater copper, gold, silver and zinc seafloor massive sulphide deposits in the western Pacific Ocean. The Company’s main focus is the Solwara 1 Project in Papua New Guinea in the western Pacific Ocean. The proposed principal operations of the Company subject to permitting will be the mining of copper, zinc, gold and silver deposits where there are economically viable discoveries.

2. Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (“Canadian GAAP”) and are presented in United States Dollars (“USD”).

These consolidated financial statements include the accounts of the Company (Canada) and all of its subsidiaries. The significant subsidiaries include Nautilus Minerals Niugini Limited (Papua New Guinea), Nautilus Minerals Oceania Limited (Vanuatu), Nautilus Minerals Pacific Proprietary Limited (Australia), Nautilus Minerals (Tonga) #1 Limited (Tonga), Nautilus Minerals Solomon Islands Limited (Solomon Islands), Nautilus Minerals Singapore Limited (Singapore), United Nickel Inc. (Canada) and Nautilus Minerals USA Inc.

Subsidiaries, which are those entities in which the Company has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Company controls another entity.

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

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash relates to cash provided as security deposits for property leases, tenements held in Papua New Guinea, superannuation bank accounts held on behalf of employees, electricity and information technology deposits.

Mineral Properties

The Company expenses all exploration and evaluation expenditures until management conclude that a future economic benefit is more likely than not of being realised. In evaluating if expenditures meet this criterion to be capitalised, management utilise several different sources of information depending on the level of exploration.

While the criteria for concluding that an expenditure should be capitalised is always probable, the information that management use to make that determination depends on the level of exploration.

Costs relating to property acquisitions are capitalised as mineral properties.

Costs for a producing prospect are amortised on a unit-of-production method based on the estimated life of the ore reserves, while those costs for the prospects abandoned are written off.

The recoverability of the amounts capitalised for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.
2. Significant Accounting Policies (continued)

Mineral Properties (continued)

The Company assesses its capitalised resource property costs when events or changes in circumstances suggest they are potentially impaired. Estimated undiscounted future net cash flows for properties are calculated using estimates by reference to the timing of exploration and development work, work programs proposed, the explorations results achieved to date and the likely proceeds receivable if the Company sold the properties to third parties. If the estimated undiscounted future net cash flows are less than the carrying value, the estimated fair value is calculated using the discounted future net cash flows and the asset is written down to the fair value with an impairment charge to operations. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. In the event that Management has insufficient information about an exploration property to estimate future cash flows, the exploration property would be assessed for impairment by comparing the fair value to the carrying amount, without first performing a test for recoverability.

Property, Plant and Equipment

Equipment is carried at cost less accumulated depreciation. Depreciation is calculated over the estimated useful life of the assets on a straight-line basis as follows:

<table>
<thead>
<tr>
<th>Estimated useful life (in years)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Leasehold improvements</td>
<td>5.5</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>3 - 15</td>
</tr>
<tr>
<td>Office equipment</td>
<td>1 - 20</td>
</tr>
<tr>
<td>Computer hardware</td>
<td>3</td>
</tr>
<tr>
<td>Computer software</td>
<td>2.5</td>
</tr>
<tr>
<td>Tradeshows display equipment</td>
<td>4</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>6 - 8</td>
</tr>
</tbody>
</table>

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals are determined by comparing the proceeds received with the carrying amount of the asset and are included in the income statement.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

Impairment of Non-current Assets Other than Mineral Properties

Property, plant and equipment and intangible assets (excluding goodwill), are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

If the estimated undiscounted future net cash flows relating to an asset is less than the carrying value, the estimated fair value of the asset is calculated using the discounted future net cash flows and the asset is written down to the fair value with an impairment charge to operations. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

Management’s Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of accrued liabilities, share capital, contributed surplus, share issuance costs and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of stock-based compensation during the reported periods. Actual results could differ from those estimates.
2. Significant Accounting Policies (continued)

Foreign Currency Translation

Functional and presentational currency

The consolidated financial statements are presented in United States Dollars, which is the functional and presentational currency of Nautilus Minerals Inc.

Transactions and balances

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

Income Taxes

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

Future tax assets are recognised to the extent that it is more likely than not that future taxable profit will be available against which the temporary differences can be utilised.

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

Earnings (Loss) Per Share

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

Stock Based Compensation

Equity-settled transactions

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

None of the Company’s equity-settled transactions have any market based performance conditions.

Fair value for equity-settled share based payments is estimated by use of the Black-Scholes pricing model.

The stock based compensation expense is calculated based on management’s best estimate of the number of equity instruments that will ultimately vest.

Where an equity-settled award is cancelled by the Company, it is treated as if it had vested on the date of cancellation and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

The proceeds from the exercise of stock options and warrants, in addition to the estimated fair value attributable to those options and warrants exercised, are recorded as share capital in the amount for which the options or warrants were exercised.
2. Significant Accounting Policies (continued)

Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns which are different from those of segments operating in other economic environments.

Due to the nature of the Company's operations, the Company has one business segment, which operates in two different geographic locations, being Australasia and North America.

Financial Instruments

Financial assets are classified, as appropriate, as financial assets held for trading, loans and receivables, held to maturity investments or as available for sale. The Company's financial instruments consist of cash and cash equivalents, restricted cash, prepaid expenses and advances and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

The Company determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The subsequent measurement of financial assets depends on their classification, as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit or loss or available-for-sale. Such assets are initially measured at fair value and subsequently carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities

When a financial liability is recognised initially, the Company measures it at its fair value plus, in the case of a financial liability not measured at fair value with changes in value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability. Financial liabilities include trade payables, other payables and accrued liabilities.

Fair values

The fair value of quoted investments is determined by reference to appropriate market prices at the close of business on the balance sheet date. Where there is no active market, fair value is determined using valuation techniques. These include using pricing models and discounted cash flow analyses. Otherwise assets are carried at cost.
3. Future Accounting Pronouncements

Sections 1582, Business Combinations, 1601 Consolidated Financial Statements and 1602 Non-controlling interests

Sections 1582, Business Combinations, 1601 Consolidated Financial Statements and 1602 Non-controlling interests will replace the former Sections 1581 Business Combinations, 1600 Consolidated Financial Statements and establish a new section for accounting for a non-controlling interest in a subsidiary. Section 1582 is effective for business combinations for which the acquisition date is on or after January 1, 2011 and Sections 1601 and 1602 apply to consolidated financial statements relating to years beginning on or after January 1, 2011.

4. Capital Disclosures

The Company’s financial objective is to ensure that it has sufficient liquidity in the form of cash and/or debt capacity to continue its activities. In order to facilitate the management of our capital requirements, Management prepares annual expenditure budgets and continuously monitors and reviews actual and forecasted cash flow. The annual and updated budgets are approved and monitored by the Board of Directors.

Currently the Company has no external debt and, under the Company’s Investment Policy, cash cannot be invested for more than 90 days and must be held on deposit with banks with an S&P credit rating of A+ or better.

5. Financial Instruments - Disclosures

The Company’s financial instruments consist of cash and cash equivalents, advances, restricted cash and accounts payable. Unless otherwise noted, it is management’s opinion that the Company is not exposed to significant interest or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

The following table illustrates the classification of the Company’s financial instruments within the fair value hierarchy as at December 31, 2010:

<table>
<thead>
<tr>
<th>Financial assets that are held at fair value, as at December 31, 2010</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>–</td>
<td>165,132,935</td>
<td>–</td>
<td>165,132,935</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>–</td>
<td>745,793</td>
<td>–</td>
<td>745,793</td>
</tr>
<tr>
<td></td>
<td>–</td>
<td>165,878,728</td>
<td>–</td>
<td>165,878,728</td>
</tr>
</tbody>
</table>

The nature and extent of risks arising from financial instruments to which the entity is exposed at the balance sheet date are detailed below:
5. Financial Instruments - Disclosures (continued)

Interest rate risk

The Company holds cash and cash equivalents which earn interest at variable rates as determined by financial institutions. As at December 31, 2010, with other variables unchanged, a 1% increase in the interest rate would have decreased the Company’s net loss by approximately $1,651,329. There would be no effect on other comprehensive loss.

Foreign exchange risk

The Company’s activities are located in several different countries, including Canada, Australia, Papua New Guinea, Tonga and Singapore and requires equipment to be purchased from several different countries in different currencies. Nautilus has entered into key contracts in United States dollars, British Pounds sterling and Euros. Future profitability could be affected by fluctuations in foreign currencies. The Company has not entered into any foreign currency contracts or other derivatives to establish a foreign currency protection program.

Foreign exchange risk is mitigated by the Company maintaining its cash and cash equivalents in a “basket” of currencies that reflect its current and expected cash outflows. As at December 31, 2010 the Company held its cash in the following currencies:

<table>
<thead>
<tr>
<th>Currency Denomination</th>
<th>% of total cash in US$ terms held</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>54</td>
</tr>
<tr>
<td>GBP</td>
<td>24</td>
</tr>
<tr>
<td>EUR</td>
<td>9</td>
</tr>
<tr>
<td>AUD</td>
<td>9</td>
</tr>
<tr>
<td>CAD</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Credit risk

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

Liquidity risk

The Company manages liquidity by maintaining adequate cash and short-term investment balances. In addition, the Company regularly monitors and reviews both actual and forecasted cash flows. The current exposure of the Company to liquidity risk is considered to be minimal.
6. Income Tax

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

<table>
<thead>
<tr>
<th>Description</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss before income taxes</td>
<td>$(45,016,264)</td>
<td>$(27,108,044)</td>
</tr>
<tr>
<td>Canadian statutory tax rate</td>
<td>28.50%</td>
<td>30.00%</td>
</tr>
<tr>
<td>Expected income tax (recovery)</td>
<td>$(12,829,635)</td>
<td>$(8,132,413)</td>
</tr>
<tr>
<td>Adjustments to tax deductible amounts from prior years</td>
<td>355,058</td>
<td>1,820,241</td>
</tr>
<tr>
<td>Difference in foreign tax rates</td>
<td>$(902,195)</td>
<td>151,108</td>
</tr>
<tr>
<td>Reduction in long term Canadian income tax rates</td>
<td>48,991</td>
<td>236,753</td>
</tr>
<tr>
<td>Non-deductible expenses</td>
<td>1,220,693</td>
<td>2,482,532</td>
</tr>
<tr>
<td>Non-deductible foreign exchange losses</td>
<td>$(938,127)</td>
<td>$(6,907,150)</td>
</tr>
<tr>
<td>Change in valuation due to foreign exchange on reporting currencies</td>
<td>$(1,329,157)</td>
<td>$(1,746,280)</td>
</tr>
<tr>
<td>Change in valuation allowance</td>
<td>14,374,372</td>
<td>12,095,209</td>
</tr>
</tbody>
</table>

Represented by:
- Current income tax
- Future income tax (recovery)

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

<table>
<thead>
<tr>
<th>Description</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Future income tax assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-capital losses</td>
<td>16,761,011</td>
<td>11,261,649</td>
</tr>
<tr>
<td>Capital losses</td>
<td>3,228,631</td>
<td>3,134,513</td>
</tr>
<tr>
<td>Unamortized share issue costs</td>
<td>839,207</td>
<td>1,688,897</td>
</tr>
<tr>
<td>Unrealized foreign exchange losses and other</td>
<td>25,404,334</td>
<td>9,669,927</td>
</tr>
<tr>
<td>Tax value of resource properties and plant and equipment costs in excess of net book value of resource property and plant and equipment</td>
<td>31,106,600</td>
<td>23,101,410</td>
</tr>
<tr>
<td>Total future income tax assets</td>
<td>77,339,783</td>
<td>48,856,396</td>
</tr>
<tr>
<td>Less: Valuation allowance</td>
<td>(55,597,377)</td>
<td>(41,223,005)</td>
</tr>
<tr>
<td>Net future income tax assets</td>
<td>21,742,406</td>
<td>7,633,391</td>
</tr>
<tr>
<td>Future income tax liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealised foreign exchange gains and other</td>
<td>21,742,406</td>
<td>7,633,391</td>
</tr>
<tr>
<td>Future income tax liabilities</td>
<td>21,742,406</td>
<td>7,633,391</td>
</tr>
<tr>
<td>Future income tax liability, net</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>
6. Income Tax (continued)

c) The Company has non-capital loss carry forwards of $52,500,398 that may be available for tax purposes. The loss carry forwards expire as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Canada $</th>
<th>Australia and Tonga $</th>
<th>Papua New Guinea $</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>–</td>
<td>–</td>
<td>18,294</td>
</tr>
<tr>
<td>2019</td>
<td>–</td>
<td>–</td>
<td>4,867</td>
</tr>
<tr>
<td>2020</td>
<td>–</td>
<td>–</td>
<td>7,680</td>
</tr>
<tr>
<td>2021</td>
<td>–</td>
<td>–</td>
<td>9,950</td>
</tr>
<tr>
<td>2022</td>
<td>–</td>
<td>–</td>
<td>55,834</td>
</tr>
<tr>
<td>2023</td>
<td>–</td>
<td>–</td>
<td>43,578</td>
</tr>
<tr>
<td>2024</td>
<td>–</td>
<td>–</td>
<td>12,552</td>
</tr>
<tr>
<td>2025</td>
<td>102,098</td>
<td>–</td>
<td>192,755</td>
</tr>
<tr>
<td>2026</td>
<td>1,392,951</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>2027</td>
<td>4,229,968</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>2028</td>
<td>194,486</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>2029</td>
<td>5,191,925</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>2030</td>
<td>5,311,882</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Not limited</td>
<td>–</td>
<td>35,731,578</td>
<td>–</td>
</tr>
<tr>
<td>Total non-capital losses</td>
<td>16,423,310</td>
<td>35,731,578</td>
<td>345,510</td>
</tr>
</tbody>
</table>

7. Restricted Cash

Restricted cash of $745,793 (December 31, 2009 - $342,308) has been provided as security for leases, tenements held in Papua New Guinea, superannuation bank accounts held on behalf of employees, and electricity and information technology deposits.

8. Property, Plant and Equipment

Details are as follows:

<table>
<thead>
<tr>
<th>December 31, 2010</th>
<th>December 31, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong> $</td>
<td><strong>Accumulated Amortization</strong> $</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>627,325</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>771,151</td>
</tr>
<tr>
<td>Office equipment</td>
<td>321,884</td>
</tr>
<tr>
<td>Computer hardware</td>
<td>826,500</td>
</tr>
<tr>
<td>Computer software</td>
<td>1,215,144</td>
</tr>
<tr>
<td>Tradeshow display equipment</td>
<td>3,876</td>
</tr>
<tr>
<td>Motor vehicle</td>
<td>162,794</td>
</tr>
<tr>
<td>Subsea equipment under construction</td>
<td>26,984,140</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>31,025,151</td>
</tr>
</tbody>
</table>
9. Mineral Properties

The Mineral Properties acquired are located in Papua New Guinea and relate to the following tenements:

EL1196
EL1374
EL1383
EL1386
EL1387
EL1388
EL1389

The Company has titles granted and applications lodged that provide the Company with rights to explore for minerals in offshore Papua New Guinea, Tonga and Solomon Islands. In addition, the Company has lodged exploration or prospecting applications in the exclusive economic zones of Fiji and New Zealand.

Exploration Expenditures

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31</th>
<th>Year Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td>Assaying and sampling</td>
<td>$33,522</td>
<td>$72,595</td>
</tr>
<tr>
<td>Boat charters and fuel</td>
<td>$2,196,638</td>
<td>$9,157,890</td>
</tr>
<tr>
<td>Drilling</td>
<td>$6,327,048</td>
<td>–</td>
</tr>
<tr>
<td>Engineering services</td>
<td>$6,068,819</td>
<td>$1,757,193</td>
</tr>
<tr>
<td>Environmental consulting</td>
<td>$495,556</td>
<td>$268,885</td>
</tr>
<tr>
<td>General</td>
<td>$348,401</td>
<td>$1,281,875</td>
</tr>
<tr>
<td>Geological and field expenses</td>
<td>$774,256</td>
<td>$842,947</td>
</tr>
<tr>
<td>Maps, reports and data</td>
<td>$31,559</td>
<td>$29,713</td>
</tr>
<tr>
<td>Mineral property fees</td>
<td>$1,215,396</td>
<td>$981,991</td>
</tr>
<tr>
<td>Supplies</td>
<td>$179,938</td>
<td>$169,431</td>
</tr>
<tr>
<td>Travel</td>
<td>$1,251,056</td>
<td>$1,054,922</td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>$7,250,212</td>
<td>$4,754,288</td>
</tr>
<tr>
<td></td>
<td>$26,172,400</td>
<td>$20,371,730</td>
</tr>
</tbody>
</table>

In order to maintain the exploration leases, licenses and permits in which the Company is involved, the Company is expected to fulfill the minimum annual expenditure conditions under which the tenements are granted. These obligations may be varied from time to time, subject to approval, and are expected to be fulfilled in the normal course of operations of the Company. The exploration commitments are based on those exploration tenements that have been granted and may increase or decrease depending on whether additional applications are granted, relinquished or form joint ventures in the future. Based on tenements granted at December 31, 2010, total rental commitments are $3.3 million and total expenditure commitments are $14.7 million over the life of the licenses which extend to a maximum of two years. All of the Company’s exploration commitments are up to date.
10. Share Capital

a) Details of share capital

Authorized:
Unlimited common shares without par value

<table>
<thead>
<tr>
<th>Shares</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance – December 31, 2008 and 2009</td>
<td>155,558,884</td>
</tr>
<tr>
<td>Shares issued on exercise of options</td>
<td>20,000</td>
</tr>
<tr>
<td>Fair market value of options exercised</td>
<td>–</td>
</tr>
<tr>
<td>Balance – December 31, 2010</td>
<td>155,578,884</td>
</tr>
</tbody>
</table>

b) Details of contributed surplus

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance – December 31, 2008</td>
</tr>
<tr>
<td>Fair value of stock-based compensation</td>
</tr>
<tr>
<td>Balance – December 31, 2009</td>
</tr>
<tr>
<td>Fair value of stock-based compensation</td>
</tr>
<tr>
<td>Fair market value of options exercised</td>
</tr>
<tr>
<td>Balance – December 31, 2010</td>
</tr>
</tbody>
</table>

c) Share purchase options

The Company has established a share purchase option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. Options granted must be exercised no later than five years from the date of grant or such lesser period as determined by the Company’s board of directors. The exercise price of an option must be determined in accordance with the share purchase option plan. The board of directors must determine the vesting period in accordance with the share purchase option plan.

The changes in share purchase options outstanding are as follows:

<table>
<thead>
<tr>
<th>The changes in share purchase options outstanding</th>
<th>Number of options</th>
<th>Weighted average exercise price C$</th>
<th>Contractual weighted average remaining life (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance – December 31, 2008</td>
<td>14,012,306</td>
<td>3.92</td>
<td>2.2</td>
</tr>
<tr>
<td>Granted</td>
<td>6,101,000</td>
<td>1.30</td>
<td></td>
</tr>
<tr>
<td>Exercised</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Expired</td>
<td>(2,946,667)</td>
<td>2.39</td>
<td></td>
</tr>
<tr>
<td>Forfeited</td>
<td>(2,633,139)</td>
<td>4.21</td>
<td></td>
</tr>
<tr>
<td>Balance – December 31, 2009</td>
<td>14,533,500</td>
<td>3.08</td>
<td>2.2</td>
</tr>
<tr>
<td>Granted</td>
<td>1,275,000</td>
<td>2.29</td>
<td></td>
</tr>
<tr>
<td>Exercised</td>
<td>(20,000)</td>
<td>1.28</td>
<td></td>
</tr>
<tr>
<td>Expired</td>
<td>(3,722,500)</td>
<td>4.06</td>
<td></td>
</tr>
<tr>
<td>Forfeited</td>
<td>(1,070,000)</td>
<td>3.01</td>
<td></td>
</tr>
<tr>
<td>Balance – December 31, 2010</td>
<td>10,996,000</td>
<td>2.67</td>
<td>1.7</td>
</tr>
</tbody>
</table>
10. Share Capital (continued)
   c) Share purchase options (continued)

The following table summarizes information about stock options as at December 31, 2010:

<table>
<thead>
<tr>
<th>Range of exercise price</th>
<th>Shares</th>
<th>Weighted average remaining contractual life (years)</th>
<th>Weighted average exercisable price</th>
<th>Total options outstanding</th>
<th>Exercisable options</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0.00 – 0.99</td>
<td>350,000</td>
<td>1.0</td>
<td>0.99</td>
<td>210,000</td>
<td>10,996,000</td>
</tr>
<tr>
<td>$1.00 – 1.99</td>
<td>5,436,000</td>
<td>1.7</td>
<td>1.35</td>
<td>2,716,600</td>
<td>2,716,600</td>
</tr>
<tr>
<td>$2.00 – 2.99</td>
<td>2,200,000</td>
<td>1.7</td>
<td>2.53</td>
<td>960,000</td>
<td>960,000</td>
</tr>
<tr>
<td>$5.00 – 5.99</td>
<td>3,010,000</td>
<td>1.9</td>
<td>5.35</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>10,996,000</td>
<td>1.7</td>
<td>2.67</td>
<td>3,886,600</td>
<td>3,886,600</td>
</tr>
</tbody>
</table>

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

- Expected dividend yield: Nil
- Expected stock price volatility: 70.81% (2009: 72.48%)
- Risk-free interest rate: 1.51% (2009: 1.41%)
- Expected life of options in years: 3

The weighted average fair value of the options granted was C$0.90 (2009 – C$0.51).

Option pricing models require the input of highly subjective assumptions including the estimate of the share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

11. Non-controlling Interest

On May 18, 2008 the Company acquired a 51% equity interest in United Nickel Inc. ("UNI"), a company associated with David Heydon, formerly director and CEO of the Company, with a $1.3 million seed capital investment.

12. Segmented Information

The Company has one operating segment, being exploration. Details on a geographical basis are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Australasia $</th>
<th>North America $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>December 31, 2010</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>200,681,554</td>
<td>6,409,225</td>
<td>207,090,779</td>
</tr>
<tr>
<td>Loss for the year ended</td>
<td>39,834,139</td>
<td>5,182,135</td>
<td>45,016,264</td>
</tr>
<tr>
<td><strong>December 31, 2009</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>234,531,337</td>
<td>7,355,210</td>
<td>241,886,547</td>
</tr>
<tr>
<td>Loss for the year ended</td>
<td>27,000,545</td>
<td>107,499</td>
<td>27,108,044</td>
</tr>
</tbody>
</table>
### 13. Commitments and Contingencies

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>a) Non-cancellable operating leases</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not later than 1 year</td>
<td>1,089,801</td>
<td>355,446</td>
</tr>
<tr>
<td>Later than 1 year and not later than 2 years</td>
<td>993,344</td>
<td>184,048</td>
</tr>
<tr>
<td>Later than 2 years and not later than 3 years</td>
<td>939,674</td>
<td>49,742</td>
</tr>
<tr>
<td>Later than 3 years and not later than 4 years</td>
<td>938,924</td>
<td>676</td>
</tr>
<tr>
<td>Later than 4 years and not later than 5 years</td>
<td>469,462</td>
<td>–</td>
</tr>
<tr>
<td>Later than 5 years</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total Commitments</strong></td>
<td>4,431,205</td>
<td>589,912</td>
</tr>
<tr>
<td><strong>b) Non-cancellable development agreements</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not later than 1 year</td>
<td>607,005</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Later than 1 year and not later than 2 years</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Later than 2 years and not later than 3 years</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Later than 3 years and not later than 4 years</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Later than 4 years and not later than 5 years</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Later than 5 years</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total Commitments</strong></td>
<td>607,005</td>
<td>2,000,000</td>
</tr>
<tr>
<td><strong>c) Non-cancellable exploration and vessel agreements</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not later than 1 year</td>
<td>700,000</td>
<td>607,163</td>
</tr>
<tr>
<td><strong>Total Commitments</strong></td>
<td>700,000</td>
<td>607,163</td>
</tr>
<tr>
<td><strong>Total Commitments</strong></td>
<td>5,738,210</td>
<td>3,197,075</td>
</tr>
</tbody>
</table>

The Company has reactivated the contract with Soil Machine Dynamics (“SMD”) of Newcastle upon Tyne, UK for the design and build of the seafloor mining tools. The remaining value of the contract is US$75.5 million (equivalent). The contract with SMD is cancellable by the Company at any time, however, in the event of cancellation, the Company would be liable for any costs incurred by SMD up to that point in time. No other penalties or cancellation fees are payable under this contract.

The Company entered into an Engineering, Procurement and Construction Management (“EPCM”) contract with Technip Oceania Pty Ltd. (“Technip”) for engineering design, procurement and construction management for the integration of the subsea mining equipment onto a production support vessel. The current remaining authorised value of the contract is less than US$0.1 million. The contract with Technip is cancellable by the Company at any time, however, in the event of cancellation, the Company would be liable for any costs incurred by Technip up to that point in time. No other penalties or cancellation fees are payable under this contract.

All other contracts relating to the Solwara 1 mining system have been suspended without penalty.

The contracts that have been suspended will not incur any additional costs, unless instructed by the Company to continue with engineering studies, until those contracts are reactivated. The remaining value of the suspended contracts is US$41.6 million. The suspended contracts also contain provisions allowing the Company to cancel at any time.
13. Commitments and Contingencies (continued)

Contingencies

CSIRO

In addition to the above, the Company is a party to a contract with the Commonwealth Scientific and Industrial Research Organisation (“CSIRO”) whereby the Company would pay A$500,000 when its Net Income first exceeds A$10 million; and a further A$500,000 when Net Income first exceeds A$20 million.

Milestone based shares

Nautilus has entered into an agreement with a consulting group, who are providing services to the Solwara 1 Project, where part of the consideration for services, are the issue of up to 300,000 fully paid common shares in the Company in stages subject to the achievement of each of the following project milestones:

i) Signing of a project development agreement between Nautilus and the Government of PNG - 60,000 common shares;
ii) Obtaining unencumbered title to the area of land where Nautilus decides to locate the processing plant - 60,000 common shares;
iii) The required agencies of the government of PNG approve the Environmental Impact Statement for the Solwara 1 Project - 60,000 common shares;
iv) The grant of a mining lease over the Solwara 1 resource within E1196 on terms acceptable to Nautilus Minerals - 60,000 common shares; and
v) Commercial Completion of the Solwara 1 Project which is defined as being the point at which commissioning is complete and the operation has been producing concentrate at a rate of at least 70% scheduled rate for a period of 3 months - 60,000 common shares.

14. Subsequent Events

The following events occurred subsequent to December 31, 2010 and up to and including March 23, 2011:

a) On January 15, 2011 Nautilus Minerals acquired the shares necessary to hold a 100% interest in United Nickel Inc and simultaneously disposed of United Nickel’s interest in Nauru Offshore Resources Limited (which was a wholly owned subsidiary of United Nickel). United Nickel, (currently 0813631 B.C. Ltd) is to be renamed, and through its wholly owned subsidiary Tonga Offshore Mining Limited, has an application pending with the International Seabed Authority to obtain a licence to explore for polymetallic nodules on the seafloor in the international seabed area covering approximately 74,713 square kilometres.

b) On March 10, 2010, the Government of Papua New Guinea confirmed that it intends to take up a 30% stake in the Solwara 1 project in the Bismarck Sea in Papua New Guinea. Nautilus will retain a 70% holding in a joint venture to be established with the PNG Government. In a letter to Nautilus, PNG Treasurer Peter O’Neill said the Ministerial Committee on Economic Sectors and the National Executive Council (NEC) had endorsed a recommendation that the State exercise its rights to 30% equity in the proposed Mining Joint Venture. The transaction will involve, among other things, the government contributing funds to the project in proportion to its interest, including its share of the exploration and development costs incurred to date. The Minister has advised that the acquisition of the holding by the PNG Government remains subject to ratification by the Office of the State Solicitor.
Nautilus is committed to the pursuit of high standards of corporate governance, reflecting not only applicable legal and regulatory requirements but also having regard for global developments in relation to corporate governance best practice. We have adopted an approach of continuous improvement to review and develop appropriate policies and supporting systems to ensure transparency and the integrity of our business practices.

Mandate of the Board of Directors

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

Board Composition

Ms Cynthia Thomas joined the Board as a Non-Executive Director in June 2010 following the resignation of Mr John O'Reilly*. Ms Thomas has 29 years of banking and mine finance experience, and currently acts as Principal of Conseil Advisory Services Inc. (“Conseil”), an independent financial advisory firm specialising in the natural resource industry which she founded in 2000. Ms Thomas was formerly a Director of PolyMet Mining Corp. and is currently a Director and Chair of Victory Nickel Inc., Director of KWG Resources Inc. and a Director and Chair of the Audit Committee for Ferrinov Inc., a private corporation.

Overview of Committee Mandates

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

Audit Committee

The function of the Audit Committee is to assist the Board in fulfilling its responsibilities associated with the preparation and independent audit of the Company’s accounts, its external financial reporting, its internal control structure, risk management systems and audit function. The Audit Committee operates in accordance with a charter adopted by the Board. The Audit Committee consists of three Board members who are all independent.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for, among other things, reviewing the remuneration of the Chief Executive Officer and other senior executives, establishing criteria for membership of the Board and its committees, and processes for the identification of suitable candidates, and reviewing management succession.
SENIOR MANAGEMENT TEAM

Stephen Rogers President, Chief Executive Officer and Director
Mr. Rogers has been the President and CEO of the Nautilus Minerals Group since June 2008. His primary focus is on permitting, financing and the development of the Company’s first project, Solwara 1. This is the first step in taking Nautilus from its position as a junior explorer to being the world’s first seafloor minerals resource production company. Mr. Rogers joined Nautilus in 2007 as Chief Development Officer, responsible for the definition and execution of the Solwara 1 Development Project in Papua New Guinea. He has 35 years of experience in the offshore industry with a background in corporate and project management. Before joining Nautilus he worked with Clough (one of Australia’s leading engineering and construction companies) as CEO Oil and Gas, and prior to that he was MD of Technip Oceania, Europe’s leading oil and gas services group and one of the world’s leading deepwater subsea contractors.

Tony O’Sullivan Chief Operating Officer
Mr. O’Sullivan joined Nautilus as Vice-President - Corporate Development and later became Chief Operating Officer. Prior to joining Nautilus, Mr. O’Sullivan worked for BHP Billiton, where he managed the company’s exploration for bulk commodities.

Mr. O’Sullivan has over 20 years of industry experience, 15 of which were with BHP Billiton. As a member of the BHP Billiton Exploration Management Team, he managed the company’s base metal and Bulk Commodities (iron ore, coal, bauxite) exploration efforts.

Mr. O’Sullivan has wide experience in mineral exploration and development and has been involved in the discovery and development of iron ore, base metal, coal and tantalite deposits.

Michael Johnston VP Strategic Development and Exploration
Michael Johnston was formerly General Manager for Exploration with Placer Dome Asia Pacific, where he oversaw Placer Dome’s exploration efforts in Australia and Asia, as a senior member of Placer Dome’s exploration and Asia-Pacific operations management team. Prior to this role, Mr. Johnston was technical services manager for Placer Dome at the massive Porgera Gold Mine in the highlands of Papua New Guinea, where he managed the technical teams responsible for exploration, geology, geotech and engineering within the 210,000 tonnes per day open pit and 3,000 tonnes per day underground operations.

With over 20 years experience in the mining industry, the last 11 of which with Placer Dome, Mr. Johnston brings to Nautilus a strong knowledge of the mining industry, people, decision makers, and laws throughout the Asia-Pacific region. He also has extensive ore reserve and project evaluation experience, a track record of finding ore bodies, and a strong understanding of all aspects of deep sea mining, through his management of Placer Dome’s involvement in the Solwara projects.

Shontel Norgate Chief Financial Officer and Corporate Secretary
Prior to joining Nautilus, Ms. Norgate was the financial controller of Macarthur Coal Ltd., which is a publicly-listed coal mining company on the Australian Securities Exchange. Before joining Macarthur, Ms. Norgate was the financial controller of a listed exploration company for seven years and commenced her career as an auditor with a predecessor firm of PricewaterhouseCoopers in Australia. Ms. Norgate is a qualified Chartered Accountant and a member of the Chartered Secretaries of Australia. Ms. Norgate has 14 years commercial experience in the resources industry including debt and equity finance, financial reporting, project management, corporate governance, commercial negotiations and business analysis.

Glen Smith Chief Technology Officer
Glen Smith joined Nautilus as Chief Technology Officer in January 2009. Mr. Smith has over 23 years experience in the offshore oil and gas or seafloor mineral production industries which comprises of 11 years with Technip (Perth / Paris) and 5 years with both Single Buoy Moorings (Monaco) and Clough Engineering (Perth). He has extensive project experience involving the development and use of innovative design and construction techniques to execute projects in challenging and remote environments.

Mr. Smith’s industry experience includes deep and shallow water projects and floating production facilities. During the latter part of his employment at Technip, Mr. Smith worked as Project Manager on large (up to AUD$250 million) multi-disciplinary subsea oil and gas projects. Previously, he worked as engineering manager at Technip Oceania responsible for development and management of the company’s engineering.

Mr. Smith has broad international experience which includes 9 years in Europe and project execution in the North Sea, West Africa and throughout Australasia.

Joseph Dowling VP Investor Relations & Communications
Mr. Dowling is a widely experienced communications professional. His initial career was in financial journalism, and he filled senior roles at the Australian Financial Review and other Australian news organisations before moving into corporate communications roles with Suncorp and then Lihir Gold Ltd. At Lihir he was GM Corporate Affairs and Investor Relations for five years, managing the global communications functions across the company including internal communications, media relations and investor relations.

Mel Togolo PNG Country Manager
Mr. Togolo has over 30 years of experience in senior roles, working for industry and government both in Papua New Guinea and abroad. He is an Executive on the Business Council of Papua New Guinea. Mr. Togolo has represented industry at the board level, including roles at Westpac-PNG Limited, Highlands Gold Limited and Bougainville Copper Limited, and was also Deputy Chairman of the Investment Promotion Authority of Papua New Guinea. In January of 2004, Mr. Togolo was appointed Commander of the Most Excellent Order of the British Empire (CBE) for his services to commerce and industry. Prior to his appointment at Nautilus he worked for ten years as the General Manager of Corporate Affairs at Placer Dome Niugini Limited.

Paul Taumoepenu Tonga Country Manager
Mr. Taumoepenu grew up in Tonga, before going overseas to pursue academic studies. Since his return to Tonga in 1992, he has amassed over 16 years of experience working in the public and private sectors. Mr. Taumoepenu spent 13 years with the National Reserve Bank of Tonga, where he filled numerous positions, setting up domestic market and corporate services systems. Prior to his appointment at Nautilus he worked for Leiola Group Limited, where he was the General Manager in his last two years. Mr. Taumoepenu is Vice President of the Tonga Chamber of Commerce & Industry.
Nautilus Minerals is leading the world in the development of the seafloor mineral resources industry. Over the past few years, the company has made great progress in the planning and design of its first project at Solwara 1 in Papua New Guinea. In 2011, Nautilus is moving beyond the design development phase, commencing construction of major pieces of equipment which will be used for seafloor resource production in the Bismarck Sea. This year we are getting “Down to Business”.

CORPORATE INFORMATION

Board of Directors
Geoff Loudon  Chairman
Stephen Rogers  President, CEO and Director
David De Witt  Director
Russell Debney  Director
Matthew Hammond  Director
Cynthia Thomas*  Director
John O’Reilly**  Director

Officers and Management
Stephen Rogers  President and CEO
Anthony O’Sullivan  Chief Operating Officer
Shontel Norgate  Chief Financial Officer and Corporate Secretary
Michael Johnston  VP Strategic Development and Exploration
Glen Smith  Chief Technology Officer
Joseph Dowling  VP Communications and Investor Relations
Mal Togolo  Papua New Guinea, Country Manager
Paul Taumoepau  Tonga, Country Manager

Transfer Agent and Registrar
The transfer agent and registrar for the shares of the Company is Computershare. Its offices are located at:
9th Floor, 100 University Avenue
Toronto, ON M5J 2Y1 Canada
Computershare Trust Company Inc. located in Bristol, UK is acting as UK co-transfer agent.

Annual Information Form
The Company prepares an Annual Information Form ("AIF") which is filed with the securities commission in Canada. Copies of the AIF, annual and quarterly reports are available at the Company’s website: www.nautilusminerals.com

For Shareholder Accounts
Inquiries in Canada:
Telephone: 1.800.564.6253 (toll free in North America)
International: +514.982.7555
e-mail: service@computershare.com

Or write to:
Computershare Investor Services
9th Floor, 100 University Avenue
Toronto, ON M5J 2Y1 Canada

Inquiries in the United Kingdom:
Telephone: 0870.702.0003

Or write to:
Computershare Investor Services plc
PO Box 82, The Pavilions,
Bridgewater Road
Bristol BS997NH, United Kingdom

Nominated Advisor and Broker (AIM)
Numis Securities Limited

Investor Relations Contact
Institutional and individual investors seeking financial information about the Company are invited to contact Joseph Dowling, VP Business Communications & Investor Relations
Telephone: +61 7 3318 5555
E-mail: investor@nautilusminerals.com
Web: www.nautilusminerals.com

Stock Exchange Listing and Symbols
The Company’s shares are listed on the Toronto Stock Exchange (TSX) and on the London Stock Exchange (AIM) under the symbol NUS.

Auditors
PricewaterhouseCoopers LLP

Bankers
Canadian Imperial Bank of Commerce
ANZ Banking Corporation