



HIGH GRADE

As the world leader in seafloor mineral exploration, we aim to lead the development and production of natural resources from the world's oceans. Fundamental to leading this new industry is a foundation of responsibility – responsibility for the environment and communities in which we operate, and the safety of our employees and contractors. We will develop these resources by adapting existing technology from the offshore oil and gas industry, and combining it with proven technology from the land-based mining industry.



SEEK

In 2008, we discovered thirteen new Seafloor Massive Sulphide (“SMS”) prospects, building our overall total to twenty-one prospects in Papua New Guinea and Tonga*. At year end 2008, we had over 524,400 km² of tenements either granted or under application in Papua New Guinea, Tonga, the Solomon Islands, Fiji and New Zealand.

*includes six Tonga discoveries reported in early 2009.



INNOVATE

Building on the success of the Remotely Operated Vehicle (“ROV”) drill development in 2007, we upgraded our Electromagnetic (“EM”) technology in 2008 to improve the mapping of SMS systems. We continue to advance engineering on our seafloor resource production system, which is based entirely on existing technologies from the offshore oil and gas sector and the land-based mining industry.



STRENGTHEN

Our strong cash position of US\$231 million at year end gives us the ability to withstand the uncertainty of the current economic climate. With our financial stability, we can use these times of change to our advantage by strengthening our business model, improving our resource, and enhancing both technically and commercially our development solution.



BUILD

We are capitalizing on our achievements and moving forward as a stronger company. In 2009 we will take the opportunity to build our strategic relationships and continue to advance our community and environmental initiatives, with the objective of obtaining the necessary approvals and Mining Lease ("ML") from the Government of Papua New Guinea.

contents

Vision and Strategy	Pg.	2
Chairman's Letter	Pg.	4
Interview with Stephen Rogers, CEO	Pg.	6
Exploration	Pg.	10
Technology	Pg.	12
Project Development	Pg.	14
Corporate Responsibilities	Pg.	16
Management's Discussion and Analysis	Pg.	21
Financial Statements (in accordance with Canadian GAAP)	Pg.	38



VISION + STRATEGY

Creating Value

Nautilus Minerals will create sustainable value for its shareholders through the discovery and development of natural resources from the seafloor.

This will be achieved by:

524,400 km² of tenement licences and exploration applications

ACQUIRING GROUND

At year end 2008, we had over 524,400 km² of tenement licences and exploration applications in the Exclusive Economic Zones and territorial waters of Papua New Guinea, Tonga, Solomon Islands, Fiji and New Zealand. This is an area over twice the size of the United Kingdom.

Increased SMS discoveries from 8 to 21 in 2008*

BUILDING THE RESOURCE

Exploration on Nautilus' ground has discovered twenty-one (21) high grade Seafloor Massive Sulphide ("SMS") prospects to date, with significant potential to find many more in the future.

Skilled and innovative engineering team

RECOVERING THE RESOURCE AND EXTRACTING VALUE

Our engineering team is busy innovating to adapt existing offshore technologies to responsibly recover gold, copper, silver and zinc.

Completed our environmental assessment work, submitted Environmental Impact Statement in October 2008

BEING COMMUNITY ACCOUNTABLE, RESPONSIBLE ENVIRONMENTALLY, AND SAFE

We launched our CARES (Community Accountable, Responsible Environmentally, Safe) program in 2008. We submitted our Environmental Impact Statement ("EIS") to the Government of Papua New Guinea, and continue the consultation process with communities and other stakeholders to review its contents. Through consultation, we are building awareness and improving understanding of the Solwara 1 Project in Papua New Guinea and the seafloor resource production industry globally.

*includes six Tonga discoveries reported in early 2009.



TOP:

Nautilus tenements, Bismarck Sea, Papua New Guinea

TOP MIDDLE:

MV Nor Sky used during the 2008 exploration and environmental campaigns

MIDDLE BOTTOM:

Seafloor Mining Tool ("SMT")

BOTTOM:

Jonathan Lowe, Exploration Manager, interacting with community members in the Solomon Seas region



CHAIRMAN'S LETTER-GEOFF LOUDON

Strengthening our Company for the Future

We are moving forward with our transition from an exploration company to a project developer, positioning ourselves for the future as the world's leading operator in the deepwater minerals sector.

EXPLORATION AND TECHNOLOGICAL SUCCESS

We achieved a number of important milestones in 2008.

The Company made substantial progress with the design and engineering of the production system during the year, and we clearly stand to gain from the knowledge and experience achieved thus far. We will continue moving forward with this process to ensure we have the best production solution in place.

We also enjoyed considerable exploration success by making tremendous discoveries on Nautilus ground. One of the highlights includes our ground in Tonga yielding four previously unknown Seafloor Massive Sulphide ("SMS") discoveries in only nine days, a success rate which the industry has not seen in many years, if ever. Strengthening our resource base through exploration is a key aspect of our long-term strategy.

ENVIRONMENT AND COMMUNITY

Representing the culmination of over two years of effort, the Nautilus Board of Directors was pleased that the Environmental Impact Statement ("EIS") was finalized and submitted to the Government of Papua New Guinea. This is another key achievement. To my knowledge this is the first time a company has ever submitted a full EIS for the extraction of SMS resources from a deepwater location.

The EIS was the result of a collaborative, yet independent effort between our Company and over a dozen scientific bodies and institutions from around the world. Many of these experts have published their own proprietary papers based on the data gathered during the Environmental Impact Assessment ("EIA") process. We are extremely proud of our Company's ability to enhance the knowledge and understanding of the world's oceans and demonstrate how we can manage its resources responsibly.



A. Geoffrey Loudon
Chairman, Nautilus Minerals Inc.

In 2008, we made great progress in the engineering design of Solwara 1, the world's first deepwater Seafloor Massive Sulphide project.

Our drive to innovate, and a commitment to strengthen both the cost profile and engineering of our production system will lead to a more robust project, ultimately generating better value for our shareholders.

Our dedicated team in Papua New Guinea also worked closely with communities large and small across the country to raise awareness of planned operations, build a clear understanding of what we do, and most important, listen to their concerns and questions. Consulting with community residents and local organizations is an integral part of the Nautilus business philosophy, and building relationships with communities will continue long into the future.

CHANGING BUSINESS CLIMATE

Throughout 2008 we saw a significant deterioration in global financial and commodities markets. At the end of the year, we made the decision to improve the value of our Project by deferring the build of the production equipment. The view of the Board and management is that the over-heated contracting environment will change in our favour and allow for a better, more cost-effective solution. The situation will be monitored through 2009. The key for Nautilus is to remain flexible, and be prepared to restart the build contract process at the opportune time.

BOARD AND EMPLOYEES

The Board of Directors meets a minimum of four times each calendar year. Our two committees meet on a regular basis throughout the year and these form an essential part of the Nautilus Corporate Governance process.

In 2008, the Board announced that David Heydon, Chief Executive Officer ("CEO") since 2002, would retire at the end of his contract in June 2008. On behalf of the Board, I would like to thank David for his outstanding efforts in building the Company to its leading position today. We are pleased that Stephen Rogers who already worked for the Company agreed to take on the role of CEO and we welcomed him to the Board in early June 2008.

In conclusion, despite difficult market conditions and necessary adjustments to our strategy, we remain financially robust and committed to our plan. Exploration will continue in 2009 while we re-evaluate our contracts and strengthen the Solwara 1 business case. We remain well-placed to unlock this "New World" of resources based on a solid set of fundamentals and the application of technologies from the oil and gas industry.

A handwritten signature in black ink that reads "Geoff Loudon". The signature is written in a cursive, flowing style.

A. Geoffrey Loudon
Chairman, Nautilus Minerals Inc.



INTERVIEW:Q&A

Stephen Rogers, Chief Executive Officer



Nautilus is the first mover in the seafloor resource production industry, leading the development of the world's first deepwater SMS project, Solwara 1.



Stephen Rogers
Chief Executive Officer



- Discovered 13 more Seafloor Massive Sulphide (“SMS”) prospects, further extending the potential project pipeline across the western Pacific region*
- Successfully completed the first commercial exploration program in the waters of the Kingdom of Tonga, making several exciting discoveries that reinforce the prospectivity of our ground
- Advanced the Solwara 1 Project through the release of our Environmental Impact Statement (“EIS”) and the submission and acceptance for review of our Mining Lease (“ML”) Application
- Completed a comprehensive metallurgical analysis on the Solwara 1 ore
- Further developed the engineering design of the subsea components of the production system

*includes six Tonga discoveries reported in early 2009.

Despite a tough financial climate and falling demand in the resource sector, we enter 2009 with no debt, a very strong cash position of US\$231 million (as of December 31, 2008), and a prudent approach to managing our cash assets. In the coming year, we will strive to reach all targets that allow us to progress the Solwara 1 Project to completion.

Q: What were some of Nautilus’ biggest achievements and highlights in 2008?

A: The biggest highlight of 2008 was our exploration program. Our ground yielded the discovery of three new SMS prospects in Papua New Guinea (“PNG”) and six new prospects in Tonga*. We also completed characterization mapping for six previously identified systems. Our exploration program continues to thrive as we discover high grades in base and precious metals on a consistent basis.

We also made excellent progress in building the size of our tenements and now hold approximately 251,625 km² in granted exploration tenements. Further, we have applications for another 272,783 km² across the southwestern Pacific.

In 2008 we advanced our environmental permitting process by completing and submitting our EIS,

which was accepted by the Government of PNG’s Department of Environment and Conservation (“DEC”) for review. In addition, we submitted a Project Development Statement and ML Application to the Department of Mines, which is now under consideration by the PNG Government as well.

Q: In 2008 you made the decision to defer the contracts for the three components of the production system. What were the driving factors behind the deferral?

A: There are two factors which strongly influenced our decision to defer the build of the subsea equipment – uncertainty and opportunity. With a need for additional cash to take the Project through to production with confidence, we were concerned that uncertainty in the financial and commodity markets would preclude our ability to seek an optimal arrangement for securing the additional cash. This clearly would not have been in the best interests of our shareholders.

It is also important to realize that these contracts were negotiated and awarded at the top of unprecedented market conditions in both the commodities and offshore oil and gas industries. This presents an opportunity to re-evaluate the Project implementation plan and reduce the planned capital and



INTERVIEW:Q&A

continued

operating costs for the offshore production process. By deferring the contracts, we can strengthen our long-term business model before recommencing the equipment spend.

Q: How does the deferral affect your timing to get Solwara 1 into production?

A: It is reasonable to expect some delay to the development of the Solwara 1 Project. We intend to re-engage with the market and evaluate solutions further through 2009. The Project equipment build will not restart until we have completed this evaluation, secured additional capital, and are confident that savings can be made in capital and future operations expenditures.

Q: What will you do to ensure you get the funding you need for Solwara 1?

A: We have a compelling proposition to bring in new strategic partners to join us in developing a new industry, and the growing pipeline of projects which will follow. Our potential resources on the seafloor are vast and this has significant appeal. The grades of prospects we are discovering are an order of magnitude higher than the grades you will find on land today.

We have an impressive list of potential participants lined up for discussion in 2009. Bringing in a strategic

partner will ensure we are sufficiently capitalized to progress with full confidence.

Q: What has Nautilus done to handle the challenges of the current economic downturn? How is the Company positioned to reach its objectives during this climate?

A: These are tough times requiring tough actions. Reducing costs is one key initiative. In 2008 we took several cost reduction approaches which included reducing travel, challenging all costs bottom-up, and managing by objective. Though we have made some cutbacks in staffing levels at the end of 2008, we have in place a core team to continue with exploration and engineering activities through 2009. The contracting sector is excited by the Nautilus business model and is ready to engage with us in cost saving efforts to realize the full potential of this new industry.

Q: How will Nautilus create value for its shareholders going forward?

A: We have selected proven technologies from the deepwater oil and gas industry for the development of Solwara 1. The key to unlocking the potential value for our shareholders lies in building confidence in the extent of resources available and the methodology to recover these resources.

We continue to increase the extent of our tenement holdings globally in areas of geological prospectivity. These will attract significant value as soon as Nautilus commences production. With the opportunity to reduce capital expenditures and improve operating costs, Nautilus is poised to add further value for its shareholders going forward.

Q: Can you explain what lies ahead for Nautilus in the Solwara 1 permitting process? What does the Company need to do to obtain a Mining Lease from the Government of Papua New Guinea?

A: There are two key permits required for Nautilus to commence production operations at Solwara 1: Approval of the EIS and the ML. The approval of our EIS is essential and a prerequisite in order to secure an ML. The EIS was submitted and accepted for review in October 2008. At year-end we completed the public hearings process regarding our EIS. We are continuing with community consultation while the government conducts its review of the EIS. We eagerly await its outcome.

The Project Development Statement and ML Application were submitted together to the Mineral Resources Authority (“MRA”) in October 2008 and were accepted for review. Several meetings have already been

held with the government and it is expected that further consultations will occur before we are granted an ML.

Q: Will you complete a feasibility study for the Solwara 1 Project?

A: Our business model does not lend itself to a traditional feasibility study approach. The strength of the business model is to develop many SMS clusters in sequence all using the same vessel and spread of production equipment. This “aggregation” model has many advantages over traditional land-based mining. The equipment is developed in fabrication facilities, by companies experienced in manufacturing and assembling such equipment. Once this initial suite of equipment is built, it can then be reused at future prospects with no further capital investment. It is only a matter of hours from the recovery of equipment at one location to changing station and commencing production at the next site. Feasibility studies assume that the infrastructure is a sunk cost, and cannot be adapted for multiple projects and for this reason we have decided not to pursue this direction.

Q: How is Nautilus different from land-based mining companies?

A: Because of minimal over-burden we are able to surgically extract the ore from the seafloor, using technologically advanced control systems on the ship. This ensures

minimal impact, and for this reason we really do not see ourselves as a traditional mining company. Seafloor resource production offers many advantages over land-based mining. The primary advantages include a smaller footprint and less social impact. We fundamentally believe in the responsible management of our seafloor resources and in implementing appropriate mitigation programs.

The traditional land-based mining model has its challenges: we are now seeing diminishing grades requiring even larger tracts of land to be mined, and even greater impacts inflicted on a social and environmental level. I believe it is time to turn to new methods to secure natural resources while ensuring they are responsibly and cautiously managed.

Q: How are you addressing your community and environmental responsibilities?

A: 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 its “CARES” initiative, 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.

In November 2008 we launched our Nautilus “CARES” website – to articulate this initiative and create a new level of transparency for our operations. CARES stands for Community Accountable, Responsible Environmentally, and Safe. We encourage our shareholders to visit this website, as it houses the outcomes of our environmental studies and our EIS.

The web address is:

www.cares.nautilusminerals.com.

Q: What are your priorities for 2009?

A: Our priorities for 2009 are to:

- Seek approvals for the ML and EIS, and continue to consult with local communities;
- Innovate and secure reductions in capital and operational expenditures for the Solwara 1 Project;
- Strengthen the technical aspects of our Solwara 1 Project; and
- Build strategic partnerships to jointly develop this new industry.

EXPLORATION

Building our Pipeline of Prospects for the Future

We are conducting our exploration for high grade Seafloor Massive Sulphide (“SMS”) systems in the western Pacific Ocean, specifically in the Exclusive Economic Zones and territorial waters of Papua New Guinea (“PNG”), Tonga, Fiji, the Solomon Islands and New Zealand. To date, we have conducted the most comprehensive deepwater seafloor exploration program in history. 2008 marked a very productive year for the Company as new discoveries of SMS systems in PNG and Tonga have more than doubled our number of prospects.

In September 2008, we added to our previous eight SMS prospects by discovering two more SMS prospects – Solwara 9 and 10, during our Nor Sky exploration cruise in PNG. By year end we had discovered six new prospects in Tonga as part of this same exploration cruise and mapped the characteristics of six known systems also in Tonga*.

We were also informed by Teck Cominco (“Teck”), our exploration partner in 2008, that it had discovered five more SMS systems on Nautilus’ ground. In September of 2008, Teck found four new high grade SMS systems on Nautilus’ Prospecting Licences in the Exclusive Economic Zone of the Kingdom of Tonga – Maka, Tunu-Sosisi, Pia and Niua. In December 2008 Teck also reported the discovery of Solwara 11 on one of Nautilus’ Exploration Licences in PNG.



TOP: Mike Johnston, VP Strategic Development (left) and Jonathan Lowe, Exploration Manager (right)

MIDDLE: Tony O’Sullivan, Chief Operating Officer (left) and Terry Burgess, Anglo American plc (right) onboard MV Nor Sky

BOTTOM: Susan John, Geologist (left) and Matt White, Chief Geologist (right) examining drill core onboard Wave Mercury

This brings a total of twenty-one (21) new SMS prospects identified by Nautilus in the last two years. The exploration success rate of Nautilus and Teck in 2008 is an order of magnitude higher than any standard of success in terrestrial mineral exploration.

Initial analysis of the samples recovered shows high grade material not just in base metals but also in precious metals, specifically gold and silver.

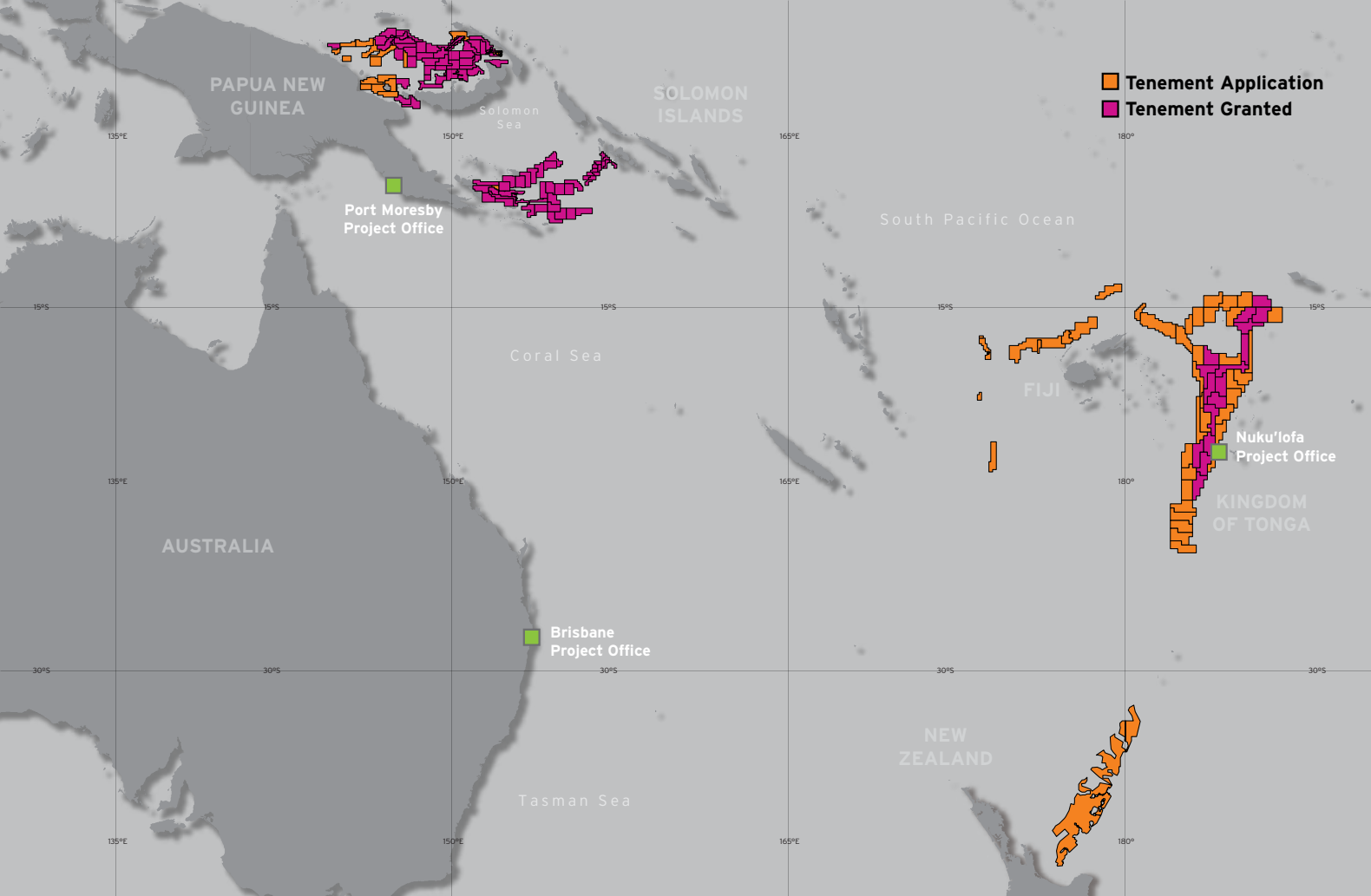
2009 EXPLORATION: WHAT’S NEXT?

2009 planning is now underway for several campaigns in PNG and Tonga. We are going to continue exploration in 2009 to maintain our Exploration Licences in good standing and continue building our pipeline of prospects and projects.

During 2008 we further strengthened our working relationship with Teck through the collaborative exploration programs managed by both companies on Nautilus’ ground. In early 2009, Teck advised that it would not participate in the PNG and Tongan programs going forward. At the same time, Teck informed that it would maintain its option to participate in other regions of the western Pacific.

Our exploration successes in PNG and Tonga are shown on the adjacent page.

*Tonga discoveries reported in 2009.



NAUTILUS PROSPECTS Papua New Guinea**

PROSPECTS	Cu %*	Zn %*	Au g/t*	Ag g/t*	COMMENTS
Solwara 2	1.1	23.8	10.7	343	67 chimney samples
Solwara 3	0.5	11.0	30.6	3375	2 chimney samples
Solwara 4	12.5	19.5	14.0	229	45 chimney samples
Solwara 5	6.0	8.3	14.6	282	12 chimney samples
Solwara 6	11.7	18.4	16.1	203	7 chimney samples
Solwara 7	4.6	18.7	13.3	315	9 chimney samples
Solwara 8	3.4	33.4	16.1	333	11 chimney samples
Solwara 9	6.3	10.6	19.9	296	17 chimney samples
Solwara 10	7.1	14.1	2.3	152	13 chimney samples
Solwara 11	1.8	9.8	1.1	226	16 chimney samples

NAUTILUS PROSPECTS Tonga

Tahi Moana 1	1.4	28.1	3.8	162	10 chimney samples
Tahi Moana 2	0.2	6.3	2.6	110	6 chimney samples
Tahi Moana 4	0.0	1.7	12.3	533	1 chimney sample
Tahi Moana 5	1.2	10.0	15.5	543	9 chimney samples
Tahi Moana 6	0.4	27.0	7.8	230	3 chimney samples
Hine Hina 1	6.9	21.8	5.3	170	8 chimney samples
Maka	5.4	6.0	4.6	62	3 chimney samples
Mariner	3.8	24.2	3.6	80	3 chimney samples
Niua	8.1	15.3	13.7	313	3 chimney samples
NVFR Site 2	0.7	23.7	5.7	128	4 chimney samples
NVFR Site 3	1.8	22.5	3.3	115	12 chimney samples
Pia	4.6	17.6	20.6	191	6 chimney samples
Tui Malila 1	0.9	21.8	4.0	84	5 chimney samples
Tunu-Sosisi	14.3	8.2	20.3	173	5 chimney samples
White Church	0.6	19.3	3.0	87	6 chimney samples

*Note – mean values of surface grab samples **Excludes Solwara 1 Project



TECHNOLOGY

Developing Innovative Approaches to Adapt Proven Technologies

EXPLORATION TECHNOLOGIES

Geochemistry

2008 target generation included significant changes in our approach to acquiring geochemical data along prospective areas. We used state-of-the-art techniques to acquire diagnostic data from within large “plumes” of chemically anomalous “smoke” that drifts in the water column above seafloor vents. This has dramatically improved our success rate when testing sonar-derived targets with Remotely Operated Vehicle (“ROV”) traverses.

Geophysics

Given the Ocean Floor Geophysics (“OFG”) system’s success at Solwara 1 in 2007, we extended this Electromagnetic (“EM”) system with new sensors, and made its deployment more robust. The OFG MKII geophysical platform now offers integrated EM, magnetic, and sonar systems. The added robustness of the OFG MKII makes it possible to keep the instruments deployed during ROV-based geological traversing and grab sampling, allowing it to characterize the target sites without a dedicated geophysical dive.

Drilling

The ROV drill that Nautilus used for the world’s first NI 43-101 compliant mineral resource estimate was redeployed in 2008 for a drilling program of 31 holes. We are looking into a new generation of drill rig to expand our resource at Solwara 1, where 38% of the drill holes ended in mineralization and are limited

to 18 metres depth with most holes reaching approximately 10 metres. The next generation of drill rig is expected to improve drilling speed, core recovery, and increase maximum drilling depth to at least 40 metres. Various drilling systems are under evaluation before a selection is made.

Other Innovations

Other exploration technology innovations under review for 2009 include the integration of various geophysical systems and evaluation of Autonomous Underwater Vehicles (“AUVs”) to greatly improve exploration efficiency. We are also investigating potential geophysical techniques for 3D characterization of seabed mineralization to reduce the number of drill holes required to deliver suitably confident resource estimates.

OFFSHORE PRODUCTION TECHNOLOGIES

The production system uses existing technology from the offshore oil and gas sector, combined with rock cutting and materials handling technologies used in land-based mining operations.

On the seafloor, the ore will be cut and transported as slurry to a riser system. The ore will be pumped to the Mining Support Vessel (“MSV”) via the Riser and Lift System (“RALS”), where it will be dewatered. After filtering, the water is

returned to the same depth from where it was extracted. The dewatered ore will then be barged to Rabaul, where it will be temporarily stored before transportation to the market.

The Seafloor Mining Tool (“SMT”) design is an extension of existing subsea trenching equipment designs, incorporating hard rock mining technology with that of subsea remote system technology. The SMT is deployed from the MSV using a lift frame and will be operated via a power and control umbilical. The SMT will manoeuvre around the seafloor site and will be fitted with an array of sensors and visual imaging systems to assist with controlling and monitoring the extraction operations, and to allow for detailed reporting of areas of the site before and after production activities.

The RALS is designed to lift the ore particles to the MSV using a Subsea Slurry Lift Pump (“SSLP”) and a vertical riser system. The seawater/ore slurry is delivered into the SSLP at the base of the riser, where it is pumped to the surface via gravity tensioned riser suspended from the MSV. The pump is controlled by a subsea electronics unit which receives electrical power and control signals from the surface control unit.

Once pumped to the MSV, the slurry passes through a dewatering plant and the ore and seawater are separated. The solids are transferred to barges for shipment to shore and the water, topped up with additional seawater as required, is transported via a pumping system onboard the MSV back to the seabed. This water is used to drive the SSLP prior to it being discharged into the sea at the base of the riser, close to the depth at which it was originally collected.

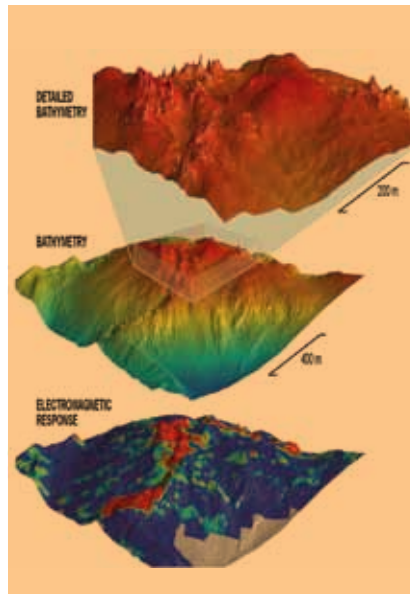
SEAFLOOR TECHNOLOGY DEVELOPMENT IN 2009

Seafloor technology system development will focus on optimization and improvements in the following areas:

- Improved SMT performance and efficiency via in-situ and ex-situ cutting tests; and
- Design optimization and/or productivity improvements within the RALS design.



TOP:
Tony O' Sullivan, Chief Operating Officer (left) Mike Howitt, Project Manager (middle) and Glen Smith, Chief Technology Officer (right)



MIDDLE:
3D perspective view of Solwara 1 – high resolution bathymetry above EM image (red areas describe the extent of conductors which map copper mineralization)

BOTTOM:
CTC Marine Projects new build RT-1, subsea trenching unit (courtesy of Soil Machine Dynamics)





PROJECT DEVELOPMENT

Solwara 1: Advancing a High Grade Project

The Solwara 1 Project is located in 1,600 metres water depth in the Bismarck Sea, Papua New Guinea (“PNG”). Solwara 1 is located approximately 30 kilometres from the nearest coast (New Ireland Province) and 50 kilometres north of the international Port of Rabaul.

Last year, we conducted the world’s first NI 43-101 mineral resource estimate for a Seafloor Massive Sulphide (“SMS”) deposit on Solwara 1:

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

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

In 2008 we conducted metallurgical testing of sample material which determined that we can produce a copper concentrate with >90% Cu recoveries, and significant precious metals credits.

THE PERMITTING PROCESS FOR SOLWARA 1

One of the key steps to advancing the Solwara 1 Project is to receive approvals from the PNG Department of Environment and Conservation (“DEC”). In order to obtain environmental approvals

and a Mining Lease (“ML”) in PNG, we must follow a rigorous permitting process which involves several major steps:

ENVIRONMENTAL IMPACT STATEMENT (“EIS”) REVIEW

The EIS is the culmination of all of the environmental studies completed during the Environmental Impact Assessment (“EIA”) process. Its review consists of a public consultation process in which the public and local community have the chance to provide their comments and concerns regarding the EIS. The EIS was submitted to PNG’s DEC in October 2008 and was accepted for review in the last quarter of 2008. The DEC has engaged an independent consultant to review the EIS.

MINING LEASE

A Project Development Statement was generated and issued with the ML Application to the relevant PNG Government departments. This was a culmination of two years of effort which included engineering, metallurgical testing, preliminary mine planning and resulted in the Mining Lease Application being accepted for review in the last quarter of 2008.

ENGINEERING

During 2008 we made significant advances in the development engineering for the subsea production equipment which includes the Seafloor Mining Tool (“SMT”), Riser and Lift System (“RALS”) and various integration elements.

Design input trials were conducted in areas of cutting and gathering, and an initial mine plan was prepared. Work was progressed in the preliminary design of the RALS dewatering spread and the RALS interfaces. Materials handling between the offshore site and stockpile were defined and initial site investigations at Rabaul port were conducted.

THE NEXT STEP

We are conducting our EIS review for the Solwara 1 Project. We are holding public consultations with community stakeholders and government departments at all levels. We are also holding meetings and consultations with a variety of external stakeholders including Non-Governmental Organizations. We welcome feedback and look forward to the opportunity to speak with stakeholders about the Project. Considerable effort will be expended in 2009 to complete the engineering and strengthen the Project technically. We also aim to secure reductions in capital and operational expenditures.



TOP:
**Solwara 1 location map with
ML Application area highlighted**



TOP MIDDLE:
Steve McLay, Project Manager

BOTTOM MIDDLE:
**3D representation of the
Subsea Slurry Lift Pump
(courtesy of Hydri)**



BOTTOM:
Mike Howitt, Project Manager



CORPORATE RESPONSIBILITIES

CARES



nautilus
cares

WHAT IS CARES?

Nautilus CARES (Community Accountable, Responsible Environmentally, Safe) is a guiding principle of our Company to ensure we behave in a responsible manner in every facet of our operations. We are committed to establishing best practice social, environmental, and health and safety standards for the seafloor resource industry and CARES is an initiative which we expect to be integral to how we conduct ourselves as a company.

We fundamentally believe that our responsibility lies equally within the areas of community, environment and the safety of people.

COMMUNITY ACCOUNTABLE

We work towards cultivating long-lasting relationships in the communities where we operate. We are building a foundation of trust and respect as we take a responsible approach to business that is beneficial for all of our stakeholders. We will achieve this through regular community consultations and by initiating and supporting community initiatives.

Here are ways in which we interact with our communities and support local charitable efforts:

Community Initiatives

We have several community programs in Papua New Guinea (“PNG”) and Tonga which are aimed at education and skill building. While we have continued to fund our existing community programs, here are some 2008 highlights for a few of our community initiatives:

Port Moresby City Mission

Nautilus is committed to bettering the quality of life for the people living within the communities in which it operates. In 2007, Nautilus committed \$US100,000 in funding to the Port Moresby City Mission. This donation, which will be spread out over a five year period, is being used to improve the quality of life of street children, assisting their integration into society.

Nautilus-Sponsored Duke Opportunity Bursary

For the second year, in 2008, Nautilus awarded a University of Papua New Guinea (“PNG”) graduate with the Duke University Opportunity Bursary. This Nautilus-sponsored scholarship enables a PNG graduate student to study state-of-the-art techniques at Duke University (USA) and work with Dr. Cindy Lee Van Dover, an expert in deep-ocean biology.

Funding for the Namatanai Community Centre - New Ireland

In December 2008, Nautilus presented to the Governor of New Ireland a contribution towards the Namatanai Community Centre. The centre will be a “hub” for community development initiatives in central New Ireland Province.

Supporting Tongan Industry & Education

Nautilus and our 2008 exploration partner Teck Cominco (“Teck”) made donations of US\$32,000 to the Tongan Marine Polytechnic Institute (“TMPI”) as part of a skill-building initiative to help develop the local maritime industry. This donation includes marine scholarships and the participation of trainees in exploration cruises through 2008 and beyond. Nautilus and Teck also committed \$US20,000 to the Dentistry Section of the Tongan Department of Health, and US\$10,000 to the Atenisi Foundation for Performing Arts.

Consultation with Communities

Our consultation process has been expansive – we have met with national, provincial and local governments, local communities, and other relevant stakeholders including Non-Governmental Organizations (“NGOs”) in Port Moresby, New Ireland Province and East New Britain Province. The purpose of these meetings is to make sure that everyone understands who we are, what we are



TOP:

Craig Riley, Safety Manager (left) and Dr. Samantha Smith, Environmental and Community Relations Manager (right)



TOP MIDDLE:

Locals from New Ireland province during a community engagement session



BOTTOM MIDDLE:

Dr. Samantha Smith engaging with the community in New Ireland during a Solwara 1 information session



BOTTOM:

Paul Taumoepeau, Country Manager, Tonga



CORPORATE RESPONSIBILITIES

CARES continued

doing, and how we can work together. We also meet to gather everyone's concerns and provide information about our future operations.

RESPONSIBLE ENVIRONMENTALLY

We submitted our EIS to the PNG Government in October 2008, along with all of the supporting environmental studies. The EIS was the culmination of one of the most comprehensive deep-ocean environmental programs, taking over 2.5 years to complete.

During this process, we logged over 166,000 observations of the seafloor, recorded over 7,000 hours of seafloor video footage, took over 7,500 seafloor photographs, and collected over 30 terabytes of data. As part of the assessment, we collaborated with fifteen independent, world-renowned marine scientific groups that are free to publish the findings of their studies. At Nautilus we are proud of the scientific contribution we are making to the knowledge base of the world's oceans.

We are setting a high standard for the seafloor resource industry by bringing proven practices from the offshore and resources sectors to ensure responsible development at every stage. Additionally we are implementing mitigation strategies which will maximize the recovery rate of the seafloor environment and minimize the overall effect of our operations.

For the full Environmental Impact Statement report and supporting studies, please refer to: www.cares.nautilusminerals.com/Downloads.aspx

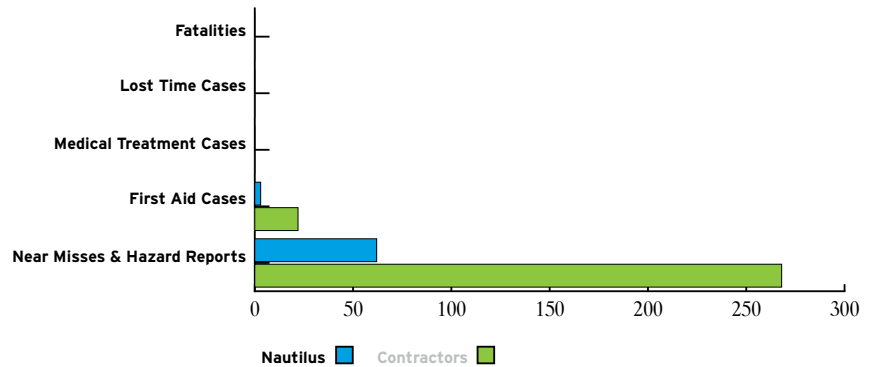
SAFETY

We continually strive to set the industry benchmark for health and safety standards. We are committed to developing safe practice and providing secure work environments. In our 2008 campaigns, we used the PASS ("Positive Attitude Safety System") system, which is an attitudinal safety system that engages employees and contractors at the workplace.

Leading indicators, such as — the identification of hazard observations, have contributed significantly to an excellent performance in 2008.

2008 NAUTILUS SAFETY BREAKDOWN

(Over 260,000 man hours completed)



In 2008 we completed over 260,000 man hours of offshore and onshore programs with no recordable safety incidents. See the chart above for our 2008 breakdown of safety incidents.

STRATEGIC RELATIONSHIPS

In 2008 Anglo American increased its equity stake in Nautilus to 11%. Teck Cominco, in a collaborative effort with us, spent \$14.8 million in exploration on Nautilus ground. Today we continue to seek, strengthen and build strategic partnerships which will allow the continued growth of the seafloor resource production industry.



TOP:
**Mel Togolo, Country Manager,
Papua New Guinea**



TOP MIDDLE:
**ROV deployment of an ADCP
("Acoustic Doppler Current Profiler")**



BOTTOM MIDDLE:
**Locals from New Ireland Province during
a community engagement session**



BOTTOM:
**Paul Lahari, Senior Geologist, boarding
MV Nor Sky at the Port of Rabaul, PNG**



Financial Highlights

(US dollars, in accordance with Canadian GAAP)

(as at December 31, 2008)

FINANCIAL POSITION		(\$ millions)
Total assets	US\$	270.0
Cash and cash equivalents	US\$	231.1
Working capital	US\$	218.5
Total long-term debt	US\$	Nil
Total shareholders' equity	US\$	255.8
Market capitalization (undiluted)	C\$	155.6
PER SHARE INFORMATION		(\$/share)
Cash per share	US\$	1.49
Book value per share (net assets)	US\$	1.64
Share price	C\$	1.00
NUMBER OF SHARES OUTSTANDING		(#'s)
Undiluted		155,558,884
Diluted		184,469,276

(left to right)

**Scott Trebilcock, VP Business Development
and Investor Relations, Shontel Norgate,
Chief Financial Officer**



contents

Management's Discussion and Analysis	Pg.	21
Financial Statements	Pg.	38
Notes to Consolidated Financial Statements	Pg.	41
Corporate Governance	Pg.	60
Board of Directors and Management	Pg.	62
Corporate Information	Pg.	64



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

(US dollars, in accordance with Canadian GAAP)

The following Management's Discussion and Analysis ("MD&A") has been prepared as at March 16, 2009. It includes references to United States dollars, Canadian dollars, Papua New Guinea Kina, United Kingdom pounds Sterling and Euros. All dollar amounts referenced, unless otherwise indicated, are expressed in United States dollars and the Canadian dollars are referred to as C\$, Papua New Guinea Kina are referred to as PGK, United Kingdom pounds Sterling are referred to as £ and Euros are referred to as €.

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, 2008. 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 SMS systems and is well positioned to become the world's first deepwater resource producer. The Company's main focus for 2009 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 production of these SMS systems where there are economically viable discoveries.

History and Corporate Structure

The Company, as it is currently structured, was formed on May 8, 2006 when the Company acquired all of the issued and outstanding shares of Nautilus Minerals Niugini Limited ("NMN") (formerly Nautilus Minerals Corporation) and Nautilus Minerals Oceania Limited ("NMO"), by issuing 30,519,541 common shares to the shareholders of NMN and NMO. Since the shareholders of NMN and NMO acquired in excess of 90% of the outstanding common shares of Nautilus, the transaction was accounted for as a Reverse Take-Over ("RTO").



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

(US dollars, in accordance with Canadian GAAP)

2008 HIGHLIGHTS

- US\$231.2 million (equivalent) in cash and cash equivalents held on deposit with major banks as at December 31, 2008
- Completed metallurgical test work on our Solwara 1 deposit confirming that a marketable copper concentrate can be produced from Solwara 1 ore using standard froth flotation techniques
- Seed capital investment in United Nickel Inc.
- New CEO and President appointed
- Discovered two new Solwara Prospects
- Teck Cominco Limited discovered four new high grade Seafloor Massive Sulphide ("SMS") systems on Nautilus' prospecting licences in Tonga and one in Papua New Guinea
- Submission of Mining Lease ("ML") Application
- Anglo American increases its stake in the Company to 11.1%
- Submission of Environmental Impact Statement ("EIS") to the Government of Papua New Guinea
- Deferral of Solwara 1 mining system equipment build to take advantage of opportunities presented by the economic downturn

US\$231.2 Million (Equivalent) in Cash and Cash Equivalents Held on Deposit with Major Banks

Nautilus is in a strong financial position with US\$231.2 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, 2008.

Nautilus Confirms Marketable Copper Concentrate from Solwara 1 Ore

On May 23, 2008 Nautilus announced that results had been received for metallurgical test work completed on its Solwara 1 deposit. The results confirmed that conventional flotation processing of Solwara 1 ore can produce a clean and high grade copper concentrate. The low Bond Ball Mill Work Index and simple flotation requirements also indicated the low capital and operating cost potential of Solwara 1 ore treatment.

Nautilus was able to confirm that a high quality copper concentrate with grades of better than 28% copper can be produced using standard flotation techniques with copper recoveries of more than 85%. The concentrates produced were "clean" with low levels of deleterious elements which demonstrate that the Company has a marketable concentrate product.

The metallurgical test work comprising mineragraphy, comminution and flotation was carried out by AMMTEC laboratories in Perth, Western Australia. It was carried out on ten composite samples recovered from 1.2 tonnes of Solwara 1 drill core collected during the 2007 drilling campaign at the Company's Solwara 1 Project, located in the territorial waters of PNG as documented in the Resource Report completed by Golder Associates Pty Ltd., released on February 1, 2008.

2008 HIGHLIGHTS (cont'd)

Nautilus Confirms Marketable Copper Concentrate from Solwara 1 Ore (cont'd)

The metallurgical test program was developed to provide data to design a flotation process. The following key points were concluded from this metallurgical test work:

- Over 95% of the copper occurs as the mineral chalcopyrite;
- The gangue consists of pyrite, barite, anhydrite and minor silicate minerals, all of which are readily separated from chalcopyrite using standard flotation techniques;
- Grinding and flotation tests indicate effective liberation with a likely primary grind size of 80% - 55 microns and regrind size of 80% - 25 microns;
- Comminution data indicates that the ore has an average Bond Ball Mill Work Index of about 11 kWh/t;
- Flotation results obtained using standard conditions indicate that copper concentrate grades greater than 28% should be achieved at copper recoveries in excess of 85%;
- The impurity element arsenic is held predominantly in the mineral arsenopyrite. Test work indicates that the arsenopyrite is readily liberated from the chalcopyrite and pyrite and flotation produces marketable concentrates with arsenic contents below the penalty level;
- The copper concentrates contain significant gold contents and in some cases payable levels of silver; and
- Greater than 90% of the gold reports to sulphides either to a copper or a pyrite concentrate. Further work defining gold and silver department will continue.

Seed Capital Investment in United Nickel Inc.

Also on May 23, 2008 Nautilus advised it had made a US\$1.3 million seed capital investment for a 51% equity interest in United Nickel Inc., a company associated with David Heydon, former Director and CEO of Nautilus. United Nickel Inc. will be involved in the exploration for ultra-deepwater (>4,000 m) mineral resources. The shareholder agreement for the new subsidiary includes a mutual non-compete between the companies until the end of 2010.

New CEO and President Appointed

Stephen Rogers was appointed as the Company's new President and CEO effective from June 4, 2008. Stephen Rogers joined Nautilus in January 2007 as Chief Development Officer in charge of the engineering and delivery of the Solwara 1 Project. Since joining Nautilus, Stephen has built a strong engineering team and put into place the key engineering contracts for the seafloor mining system.

Nautilus' former CEO and President, David Heydon continued in the capacity as non-executive Director until his resignation from the Board of Directors on October 16, 2008.

Discovered Two New Solwara Prospects

During the year the Company discovered two new SMS systems, which were called Solwara 9 and 10.

On September 4, 2008 the Company announced the discovery of Solwara 10, located within a 100% owned Nautilus exploration licence (EL1383), about 24 km southwest of Nautilus' Solwara 2 Prospect, in the territorial waters of PNG.



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

(US dollars, in accordance with Canadian GAAP)

2008 HIGHLIGHTS (cont'd)

Discovered Two New Solwara Prospects (cont'd)

Mapping along lines nominally 100 m apart, using a T 200 Remotely Operated Vehicle ("ROV"), Nautilus outlined an exposed SMS system, containing copper (up to 16.3%) and zinc (up to 41%) by mineralization using a hand-held X-Ray Fluorescence ("XRF") instrument.

Sulphide mineralization at Solwara 10 was mapped visually and confirmed by grab sampling. The SMS system outlined is approximately 680 m long, by an across strike outcrop width of 30 to 270 m, averaging 110 m. It lies on the seafloor approximately 2,240 m below sea level, on the south flank of a small rise. The SMS outcrop is surrounded by unconsolidated sediment and volcanic outcrops.

Thirteen surface grab samples recovered from the prospect averaged 5.3% copper and 11.5% zinc when analyzed using a hand-held XRF instrument (Niton XLT 592).

On September 11, 2008 the Company announced the discovery of Solwara 9a and Solwara 9b, located in the territorial waters of PNG within EL1196 and MLA 154, both of which are wholly owned by Nautilus. MLA 154 contains other known SMS occurrences, including Solwara 5, South and North Su, along with Solwara 1, the SMS system that Nautilus plans to be the world's first SMS resource project. Solwara 9 lies within 1.5 km of Solwara 1.

Positive indications of mineralization at Solwara 9 were observed during the subsea geophysical program, conducted during the early part of the Nor Sky 2008 exploration campaign. Mapping and sampling using a T 200 ROV identified two exposed SMS systems. Initial results obtained from Solwara 9 samples using a hand-held XRF instrument indicate grades of up to 21.4% copper and 29.9% zinc. Processing of the geophysical data is ongoing and is expected to highlight additional targets within the MLA area.

Sulphide mineralization at Solwara 9a and 9b was mapped visually and confirmed by grab sampling. The SMS systems outlined are approximately 220 m and 180 m long respectively, by an across strike width averaging 40 m. The systems lie on the seafloor approximately 1,680 m below sea level, on the south-west flank of the North Su knoll. The SMS outcrop is surrounded by unconsolidated sediment and volcanic outcrops.

Teck Cominco Limited Discovered Four New High Grade Seafloor Massive Sulphide Systems on Nautilus' Prospecting Licences in Tonga and One in Papua New Guinea

On September 17, 2008 the Company was advised by its exploration partner, Teck Cominco Limited ("Teck") that it had discovered four new high grade SMS systems on Nautilus' prospecting licences in the Exclusive Economic Zone of the Kingdom of Tonga. Laboratory testing of 17 SMS samples, across the four newly discovered SMS systems, returned an average grade of 16.4 g/t gold, 8.2% copper, 12.3% zinc and 184 g/t silver.

The Maka SMS system is located in a water depth of approximately 1,660 m and lies on the crest of the North East Lau Spreading Centre. Sulphide outcrops up to 4 m high have been mapped, using video camera and sonar instruments from an ROV, protruding from a base of predominantly pillow basalts. The strike length was estimated at 130 m with a width of 100 m.

2008 HIGHLIGHTS (cont'd)

Teck Cominco Limited Discovered Four New High Grade Seafloor Massive Sulphide Systems on Nautilus' Prospecting Licences in Tonga and One in Papua New Guinea (cont'd)

The Tunu-Sosisi SMS system is comprised of three subsystems at a water depth of approximately 1,635 m along a roughly linear zone over 1.7 km that lies on a major structural zone cross cutting the southern rim of the North East Lau Caldera. All three subsystems have sulphide outcrops protruding from a soft sedimentary base. Estimated size of each of the subsystems are: Tunu (150 x 100 m), Sosisi-1 (150 x 60 m) and Sosisi-2 (105 x 70 m).

The Pia SMS system is located at a water depth of approximately 1,470 m and in close proximity to a major structural zone that cross cuts the northern rim of the North East Lau Caldera. The approximate length of the system is 200 m with a width of 80 m. All sulphide outcrops protrude from a soft sedimentary base.

The Niua SMS system is comprised of two subsystems that lie approximately 1,300 m apart and within individual crater like depressions. The first system, Niua-2 is at a water depth of 900 m and has an estimated strike length of 230 m and width of 170 m. The second system, Niua-3 is at a water depth of 1,180 m with an estimated strike length of 270 m and width of 250 m.

On December 12, 2008 the Company was advised by Teck of the discovery of a new SMS system – Solwara 11, on a Nautilus Exploration Licence (“EL”) in the territorial waters of PNG.

Teck, working under their earn-in option to certain Nautilus ELs, submitted a report detailing the discovery of Solwara 11. Work was completed from the DEA Surveyor, a 61 m long vessel, on EL1647. Samples were recovered from the seafloor of the Willaumez district at water depths ranging from 1300 – 1500 m.

Teck reported that:

- Sulphide outcrops up to 10 m high were mapped using video camera and sonar instruments from an ROV protruding from a base of predominantly pillow basalts.
- Solwara 11 comprises at least three defined metal-bearing chimney fields plus other associated iron/manganese oxide and/or silica-iron sulphide zones. These demonstrate a broad hydrothermal alteration system within an area of approximately 2.8 km x 2 km.
- Chimney fields are largely inactive except one where hot water was observed.
- This discovery resulted from multibeam, backscatter, and water-column physical and chemical data collected from Teck cruises in the Bismarck Sea during April and June 2008.

Submission of Mining Lease Application

On October 3, 2008 the Company announced that the Government of PNG had registered the receipt of Nautilus' Mining Lease (“ML”) Application for Solwara 1. A Project Development Statement, which details the planned development of the Company's Solwara 1 Project, was lodged simultaneously with the Mining Lease Application and accepted by Mr. Kepis Wali, Managing Director of the Minerals Resources Authority (“MRA”) on behalf of the Government of PNG on September 30, 2008.



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

(US dollars, in accordance with Canadian GAAP)

2008 HIGHLIGHTS (cont'd)

Submission of Mining Lease Application (cont'd)

The lodging of this ML Application was a key milestone for the Solwara 1 Project and a historic event in the infancy of the seafloor mining industry. The lodging of the ML Application formally commenced the permitting process for the development of the Solwara 1 Project as governed by PNG's Mining and Environment Acts, which clearly outlines compliance standards and the review process that is required for the development to proceed.

Anglo American Increases Stake in Nautilus

On November 5, 2008 the Company announced that a wholly owned subsidiary of Anglo American plc ("Anglo American"), subscribed for an additional 8,933,702 common shares in the Company to increase its equity stake in Nautilus to 11.1%, as at October 31, 2008. Anglo American elected to exercise, in full, the anti-dilution right granted to it in its original subscription agreement dated October 20, 2006 (the "Agreement") the terms of which were negotiated at the time of the original subscription.

Under the Agreement, Anglo American received a one-off right to increase its holding to 11.1% of the Company's common shares as at October 31, 2008. The subscription took Anglo American's total shareholding to 17,267,036. The agreed price of the issue was based on a formula linked to the volume weighted average price of Nautilus' common shares over the month of October 2008 and resulted in 5,177,066 shares being issued at C\$1.33 (US\$1.13) and 3,756,636 shares being issued at C\$1.46 (US\$1.24). Total funds received were C\$12.4 million (US\$10.5 million), based on an exchange rate at the time of C\$1.00 = US\$0.8468.

The proceeds of the subscription will be used to fund development of Nautilus' business.

Submission of Environmental Impact Statement to Papua New Guinean Government

On November 6, 2008 the Papua New Guinean Government accepted the Solwara 1 Project Environmental Impact Statement ("EIS") for review. Acceptance of the EIS confirmed that the document complied with the submission requirements of the Environment Act 2000.

PNG has a well-established environmental permitting process for mineral projects. Review and public consultation of the environmental assessment will now progress over the coming months. During this time, as part of the permitting process, Nautilus will continue to conduct community outreach and consultation activities as it has done for the last two years.

Nautilus Announced Deferral of Solwara 1 Mining System Equipment Build

On December 17, 2008 the Company announced that it had decided to adopt a more cautious strategy and to preserve its strong cash position by delaying the construction of the equipment for the Solwara 1 mining system. The decision was driven both by the challenges and opportunities presented by the unprecedented speed and severity of the global economic downturn and the uncertainty in the financial and commodity markets. The Company will continue to move forward with permitting for its Solwara 1 Project, as well as with various engineering and testing activities. In addition, the Company will continue with its focused exploration program to increase its resource base.

2008 HIGHLIGHTS (cont'd)

Nautilus Announced Deferral of Solwara 1 Mining System Equipment Build (cont'd)

The Board of Directors and management undertook a thorough review of all operations. Directors and management required greater certainty that all elements needed to progress the Project to completion are in place before making major equipment expenditures. Deferring the equipment build for the mining system was deemed an appropriate decision to preserve the strong cash position, while also providing an opportunity to realize cost savings and possible benefits presented by the current market downturn. These may include reduced material and equipment costs, faster manufacturing times and lower logistics costs given a less heated market.

To preserve capital, contracts and purchase orders were suspended or terminated depending on their criticality to the revised development program. All of the supplier agreements contained provisions for termination without penalty. The Mining Support Vessel agreement announced on June 20, 2008 was terminated. The Company will now revisit the market to find alternative tonnage.

As a result of this decision, the Company reduced its workforce by approximately 30% to a level that will allow it to preserve cash while continuing to actively seek approval for its Solwara 1 ML Application and for its environmental permit. Ongoing consultation activities with stakeholders, including local communities relating to permitting and the Solwara 1 Project will continue along with engineering work on the Solwara 1 mining system to enable a prompt restart when conditions allow. Additionally the Company will further its exploration activities to build on the pipeline of seafloor resources.

As a consequence, the Board believes that the previously announced timetable for first ore production at the Solwara 1 Project is likely to be delayed beyond December 2010. The Company will update the market on the new timeline milestones for production at Solwara 1 once market conditions stabilize.

SELECTED ANNUAL INFORMATION

The following table sets out selected annual financial information of Nautilus Minerals Inc. and is derived from the Company's audited consolidated financial statements for the periods ended December 31, 2008, 2007 and 2006. 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 16, 2009 for the year ended December 31, 2008. Amounts are expressed in US dollars unless otherwise indicated.

	2008 \$	2007 \$	2006 \$
Sales	Nil	Nil	Nil
Loss for the year	81,589,489	31,258,557	8,739,788
Loss per share (basic and diluted)	0.55	0.24	0.16
Total assets	269,983,346	327,096,020	125,169,648
Total long-term liabilities	Nil	Nil	Nil
Dividends declared	Nil	Nil	Nil



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

(US dollars, in accordance with Canadian GAAP)

SELECTED ANNUAL INFORMATION (cont'd)

Loss for the Year

The increase in the net loss for the year was primarily attributable to a substantial increase in the foreign exchange loss. The foreign exchange loss consists of realized and unrealized gains and losses on actual cash transactions during the period and revaluations of both cash and intercompany loans denominated in different currencies at balance date. The net loss on cash transactions and balances for the period was \$5.6 million. A net unrealized loss of \$33.6 million on the revaluation of intercompany balances at balance date was also recorded.

Total Assets

The decrease in total assets for the year is primarily attributable to a decrease in cash and cash equivalents from \$310.0 million in 2007 to \$231.1 million in 2008, offset by an increase in property, plant and equipment from \$3.8 million in 2007 to \$21.0 million in 2008.

RESULTS OF OPERATIONS

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

For the Year Ended December 31, 2008

Loss for the Period

Net loss

For the year ended December 31, 2008, the Company recorded a loss of \$81.6 million (\$0.55 loss per share) as compared to a loss of \$31.3 million (\$0.24 loss per share) for the same period in 2007.

Exploration expense

Exploration expense decreased slightly to \$38.7 million (2007 - \$40.9 million).

Interest income

Interest income earned on cash and cash equivalents held during 2008 was \$11.7 million (2007 - \$12.5 million). The decrease was attributable to the reducing cash held during the year and a decrease in interest rates. 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 \$6.7 million in non-cash stock-based compensation was expensed during the period (2007 - \$6.9 million).

Foreign exchange gains and losses

A foreign exchange loss of \$39.2 million was recorded during the period (2007 - gain of \$10.3 million). The foreign exchange loss consists of realized and unrealized gains and losses on actual cash transactions during the period and revaluations of both cash and intercompany loans denominated in different currencies at balance date. The net loss on cash transactions and balances for the period was \$5.6 million. A net unrealized loss of \$33.6 million on the revaluation of intercompany balances at balance date was also recorded.

Depreciation expense

Depreciation expense increased to \$0.7 million (2007 - \$0.2 million) due to an increase in property, plant and equipment acquired.

RESULTS OF OPERATIONS (cont'd)

Other general and administrative costs

Other general and administrative expenses consist of:

- management fees and salaries of \$2.3 million (2007 - \$1.4 million), an increase of \$0.9 million as a result of higher activity at a corporate and project level over the last 12 months;
- wages and salaries of \$2.3 million (2007 - \$1.1 million), an increase of \$1.2 million as a result of increased employee numbers over the last 12 months;
- general administrative expenses of \$2.1 million (2007 - \$1.2 million), an increase of \$0.9 million is attributable to an increase in lease and other related office costs due to the increase in employee numbers and activity;
- shareholder information expenses of \$0.6 million (2007 - \$0.7 million), in line with the previous year;
- travel expenses of \$0.7 million (2007 - \$0.6 million), in line with the previous year;
- professional fees of \$0.9 million (2007 - \$0.6 million), an increase of \$0.3 million; and
- listing and filing fees of \$0.2 million (2007 - \$0.5 million). 2007 listing fees included additional costs associated with the AIM listing.

Overall, Nautilus' expenses increased to \$94.8 million for the year ended December 31, 2008, up from \$43.8 million for the same period in 2007 which is predominantly attributable to the movement in foreign exchange gains and losses. 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, 2008 was \$72.3 million as compared to cash flows from operating activities of \$20.6 million for the year ended December 31, 2007. The increase in cash used in operating activities is primarily attributable to the income and expenditures described above less an increase in accounts payable and accrued liabilities of \$2.0 million.

Investing activities

Cash used in investing activities for the year ended December 31, 2008 was \$18.0 million as compared to \$1.3 million in the year ended December 31, 2007. The increase in cash used in investing activities is attributable to the acquisition of mining equipment of \$13.8 million (2007 - \$1.1 million), and an increase in restricted cash of \$4.2 million compared to \$0.1 million in the year ended December 31, 2007.

Financing activities

Cash from financing activities for the year ended December 31, 2008 was \$11.5 million as compared to \$219.5 million in the year ended December 31, 2007. The cash from financing activities in 2008 resulted primarily from Anglo exercising its anti-dilution right. The cash from financing activities in 2007 resulted from private placements and warrants.



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

(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 ("GAAP") and expressed in US dollars.

Period	Revenues (in millions)	Income (Loss) and Comprehensive Income (Loss) for the Period (in millions) \$	Basic Income (Loss) per Share \$	Diluted Income (Loss) per Share \$
4 th Quarter 2008	Nil	(35.2)	(0.24)	(0.24)
3 rd Quarter 2008	Nil	(38.4)	(0.26)	(0.26)
2 nd Quarter 2008	Nil	(8.8)	(0.06)	(0.06)
1 st Quarter 2008	Nil	0.8	0.01	0.01
4 th Quarter 2007	Nil	(7.5)	(0.06)	(0.06)
3 rd Quarter 2007	Nil	(12.4)	(0.10)	(0.10)
2 nd Quarter 2007	Nil	(6.2)	(0.05)	(0.05)
1 st Quarter 2007	Nil	(5.1)	(0.05)	(0.05)

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 as the first company to commercially extract gold, copper, silver and zinc from the seafloor. On December 17, 2008, the Company announced it had decided to take a more cautious strategy and preserve its strong cash position by delaying the construction of the equipment for the Solwara 1 mining system.

The decision was driven by both the challenges and opportunities presented by the unprecedented speed and severity of the global economic downturn and the uncertainty in the financial and commodity markets. The Company will continue to move forward with permitting of its Solwara 1 Project, as well as with various engineering and testing activities. In addition, the Company will continue with its focused exploration program to increase its resource base.

To preserve capital, contracts have been suspended or terminated depending on their criticality to the revised development program. All of the supplier agreements contain provisions for termination without penalty. The Mining Support Vessel agreement has also been terminated.

Key Financial Measures

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

	2008 \$	2007 \$
Debt to Equity	Nil	Nil
Current Ratio	16.7 to 1	39.8 to 1
Working Capital	218.5 million	302.1 million
Cash and Cash Equivalents	231.1 million	310.0 million

LIQUIDITY AND CAPITAL RESOURCES (cont'd)

Key Financial Measures (cont'd)

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

Outlook and Capital Requirements

The Company's known contractual obligations at December 31, 2008, are quantified in the table below:

	December 31, 2008 \$	December 31, 2007 \$
a) Non-cancellable operating leases		
Not later than 1 year	290,158	418,909
Later than 1 year and not later than 2 years	87,752	245,610
Later than 2 years and not later than 3 years	54,034	8,100
Later than 3 years and not later than 4 years	5,471	6,894
Later than 4 years and not later than 5 years	522	3,484
Later than 5 years	-	-
	437,937	682,997
b) Non-cancellable consulting agreements		
Not later than 1 year	84,947	370,320
Later than 1 year and not later than 2 years	-	-
Later than 2 years and not later than 3 years	-	-
Later than 3 years and not later than 4 years	-	-
Later than 4 years and not later than 5 years	-	-
Later than 5 years	-	-
	84,947	370,320
Total Commitments	522,884	1,053,317

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 \$13 million for exploration work in 2009 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, licences 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.



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

(US dollars, in accordance with Canadian GAAP)

LIQUIDITY AND CAPITAL RESOURCES (cont'd)

Outlook and Capital Requirements (cont'd)

On December 17, 2008 the Company announced it had decided to adopt a more cautious strategy and to preserve its cash position by delaying the construction of the equipment for the Solwara 1 mining system. As a result all contracts relating to the Solwara 1 mining system have been terminated or suspended, depending on their criticality to the revised development program. All of the supplier agreements contained provisions for termination 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 value of the suspended contracts is \$81.6 million. The suspended contracts also contain provisions allowing the Company to cancel at any time. The vessel agreements with North Sea Shipping Holding AS ("North Sea Shipping") to provide a Mining Services Vessel were also terminated.

A letter of credit of \$1.5 million is held by Australia and New Zealand Banking Group in favour of Technip Inc. ("Technip"). Technip is only entitled to have recourse to the Nautilus issued letter of credit if Nautilus does not pay an amount due and owing under the contract and subject to receiving written notice from Technip.

A letter of credit of \$2.55 million is held by Australia and New Zealand Banking Group in favour of North Sea Shipping. North Sea Shipping is only entitled to have recourse to the Nautilus issued letter of credit if Nautilus does not pay an amount due and owing under the contract and subject to receiving written notice from North Sea Shipping. The letter of credit expires on June 30, 2010.

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 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 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.

LIQUIDITY AND CAPITAL RESOURCES (cont'd)

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, United Kingdom pounds Sterling and Euros. Nautilus' 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, 2008 the Company held its cash in the following currencies:

Currency Denomination	% of total cash in US\$ terms held
USD	47
Euro	14
CAD	3
GBP	29
AUD	7
	100

Interest Rate Risk

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

For the year ending December 31, 2008, with other variables unchanged, a 1% increase (decrease) in the interest rate would have increased (decreased) our net earnings by \$2,844,246. There would be no significant effect on other comprehensive income.

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.

TRANSACTIONS WITH RELATED PARTIES

Included in management fees is \$46,350 (2007 - \$51,578) for management fees paid to a company controlled by a Director.

Included in accounts payable and accrued liabilities is \$15,094 (2007 - \$21,781) for amounts owed to a company controlled by a Director of the Company for management and consulting fees.



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

(US dollars, in accordance with Canadian GAAP)

CRITICAL ACCOUNTING POLICIES

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, 2008. 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 an economically extractable resource has been established, the subsequent costs incurred to develop such property, including costs to further delineate the ore body will be capitalized.

Adoption of New Accounting Standards

The Canadian Institute of Chartered Accountants ("CICA") has issued three new standards which affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2008. The Company adopted the requirements commencing in the three month period ended March 31, 2008. The adoption of these new standards has not had any material impact on the Company's financial results.

Section 1535 – Capital Disclosures

This section establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard the Company is required to disclose the following, based on the information provided internally to the entity's key management personnel:

- (i) qualitative information about its objectives, policies and processes for managing capital;
- (ii) summary quantitative data about what it manages as capital;
- (iii) whether during the period it complied with any externally imposed capital requirements to which it is subject; and
- (iv) when the Company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

Section 3031 – Inventories

This section prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

Section 3862 – Financial Instruments – Disclosures and Section 3863 – Financial Instruments – Presentation

Section 3862 requires the Company to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and

CRITICAL ACCOUNTING POLICIES (cont'd)

Section 3862 – Financial Instruments – Disclosures and Section 3863 – Financial Instruments – Presentation (cont'd)

management's objectives, policies and procedures for managing such risks. The Company is required to disclose the measurement basis or bases used, and the criteria used to determine classification for different types of instruments.

Section 3863 replaces the existing requirements on presentation of financial instruments in Section 3861.

Section 1400 – Going Concern

This amendment to CICA Handbook Section 1400, "General Standards of Financial Statement Presentation" in relation to going concern requires management to assess an entity's ability to continue as a going concern. When management is aware of material uncertainties related to events or conditions that may cast doubt on an entity's ability to continue as a going concern, those uncertainties must be disclosed. In assessing the appropriateness of the going concern assumption, the standard requires management to consider all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date.

Future Accounting Pronouncements

Section 3064 – Goodwill and Intangible Assets

This section establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard is not expected to have any material impact on the Company's financial results.

International Financial Reporting Standards ("IFRS")

In February, 2008 the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards will replace Canada's current Generally Accepted Accounting Principles ("GAAP") for publicly accountable profit oriented enterprises effective January 1, 2011. The transition date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported for the year ended December 31, 2010. The Company is presently evaluating the effect these standards will have on its consolidated financial statements.

OUTSTANDING SHARE DATA

The following is a summary of the Company's outstanding share data as of March 16, 2009.

Common Shares

A total of 155,558,884 common shares are outstanding.

Convertible Securities

The Company now has 14,462,306 options and 3,257,907 warrants outstanding.



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

(US dollars, in accordance with Canadian GAAP)

OUTSTANDING SHARE DATA (cont'd)

Convertible Securities (cont'd)

Stock options

A total of 14,462,306 stock options are issued and outstanding, with expiry dates ranging from May 8, 2009 through to November 30, 2012. The weighted average exercise price for all stock options is C\$3.80. All stock options entitle the holders to purchase common shares of the Company.

Warrants

A total of 3,257,907 warrants are issued and outstanding, with each warrant entitling the holder to purchase one common share of the Company with an expiry date of November 26, 2009 at a price of C\$3.80.

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 during the year ended December 31, 2008 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, 2008.

During the year an independent review was undertaken incorporating Disclosure Controls and Procedures ("DC&P") and Internal Controls over Financial Reporting ("ICFR"). The review determined that no material weaknesses or limitations of scope of design of ICFR and DC&P are apparent.

ADDITIONAL SOURCES OF INFORMATION

Additional sources of information regarding Nautilus Minerals Inc. are on SEDAR at www.sedar.com and on the Company's website at www.nautilusminerals.com.



Auditor's Report

December 31, 2008 and 2007 (expressed in U.S. dollars)

TO THE SHAREHOLDERS OF NAUTILUS MINERALS INC.

We have audited the consolidated balance sheets of Nautilus Minerals Inc. (the "Company") as at December 31, 2008 and 2007 and the consolidated statements of loss, comprehensive loss and deficit and cash flows for each of the years in the two year period ended December 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for each of the years in the two year period ended December 31, 2008 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, BC
March 16, 2009



Consolidated Balance Sheets

(expressed in U.S. dollars)

	December 31, 2008 \$	December 31, 2007 \$
ASSETS		
Current assets		
Cash and cash equivalents	231,143,802	309,969,145
Prepaid expenses and advances	1,230,705	874,313
	<u>232,374,507</u>	<u>310,843,458</u>
Restricted cash (note 7)	4,398,936	201,436
Property, plant and equipment (note 8)	20,996,536	3,837,759
Mineral properties (note 9)	12,213,367	12,213,367
	<u>269,983,346</u>	<u>327,096,020</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	13,891,578	7,819,826
Non-controlling interest (note 12)	243,134	-
Shareholders' equity		
Share capital (note 11a)	343,598,701	331,406,593
Contributed surplus (note 11b)	36,144,187	30,174,366
Deficit	(123,894,254)	(42,304,765)
	<u>255,848,634</u>	<u>319,276,194</u>
	<u>269,983,346</u>	<u>327,096,020</u>
Commitments and contingencies (note 14)		
Subsequent events (note 15)		

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)

	Year Ended December 31, 2008 \$	Year Ended December 31, 2007 \$
EXPENSES		
Exploration costs (note 9)	38,712,903	40,876,742
Stock-based compensation	6,659,210	6,897,376
Wages and salaries	2,322,492	1,140,248
Management fees and salaries	2,250,067	1,414,540
General administrative	2,092,266	1,150,238
Professional fees	900,523	580,781
Depreciation	725,363	238,714
Travel	659,659	606,800
Shareholder information	550,557	677,996
Listing and filing fees	172,549	496,633
Foreign exchange loss (gain)	39,240,192	(10,292,810)
	94,285,781	43,787,258
OTHER INCOME (LOSS)		
Interest income	11,725,514	12,528,701
Recovery of exploration costs	571,894	-
Loss on sale of fixed assets	(22,846)	-
Rent and other income	27,129	-
	12,301,691	12,528,701
Income (Loss) and comprehensive income (Loss) before non-controlling interest	(81,984,090)	(31,258,557)
Non-controlling interest	394,601	-
Income (Loss) and comprehensive income (Loss) Deficit - beginning of period	(81,589,489)	(31,258,557)
	42,304,765	11,046,208
Deficit - end of period	123,894,254	42,304,765
Income (Loss) per share - basic and diluted	(0.55)	(0.24)
Weighted average number of shares outstanding - basic and diluted	147,555,319	127,892,271

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



Consolidated Statements of Cash Flows

(expressed in U.S. dollars)

	Year Ended December 31, 2008 \$	Year Ended December 31, 2007 \$
CASH FLOWS USED IN OPERATING ACTIVITIES		
Income (Loss) for the period	(81,589,489)	(31,258,557)
Items not affecting cash		
Stock-based compensation	6,659,210	6,897,376
Non-controlling interest	241,634	-
Depreciation	725,363	238,714
Change in non-cash working capital items		
Prepaid expenses and advances	(356,392)	(589,135)
Accounts payable and accrued liabilities	2,017,419	4,111,308
	(72,302,255)	(20,600,294)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share capital issued, net of share issuance costs	11,504,219	219,465,934
CASH FLOWS USED IN INVESTING ACTIVITIES		
Restricted cash	(4,197,500)	(99,762)
Purchase of equipment	(13,829,807)	(1,153,598)
	(18,027,307)	(1,253,360)
Increase (decrease) in cash and cash equivalents	(78,825,343)	197,612,280
Cash and cash equivalents - beginning of period	309,969,145	112,356,865
Cash and cash equivalents - end of period	231,143,802	309,969,145

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



Notes to Consolidated Financial Statements

December 31, 2008 and 2007 (expressed in U.S. dollars)

1. BASIS OF PRESENTATION, OPERATIONS AND SUBSIDIARIES

Basis of Presentation

These consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (“Canadian GAAP”).

These consolidated financial statements are presented in United States Dollars (“USD”), the functional and presentational currency of the Company.

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 (“SMS”) systems. The Company is an enterprise in the exploration stage. The exploration activity involves the exploration of deep-water SMS systems in the western Pacific Ocean. The Company’s main focus for 2009 is the Solwara 1 Project which is located in the territorial waters of Papua New Guinea (“PNG”). The proposed principal operations of the Company, subject to permitting and financing, will be the exploration for and the production of these SMS systems where there are economically viable discoveries.

Subsidiaries

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.

Intercompany transactions, balances, income and expenses are eliminated on consolidation.

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) and United Nickel Inc. (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Mineral Properties

The Company expenses all exploration and evaluation expenditures until management concludes that a future economic benefit is more likely than not of being realized. In evaluating if expenditures meet this criterion to be capitalized, management utilizes several different sources of information depending



Notes to Consolidated Financial Statements

December 31, 2008 and 2007 (expressed in U.S. dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Mineral Properties (cont'd)

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

Costs relating to property acquisitions are capitalized as mineral properties.

Costs for a producing prospect are amortized 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 capitalized 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.

The Company assesses its capitalized 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 exploration 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.

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:

	Estimated useful life (in years)
Leasehold improvements	3
Plant and equipment	3 - 15
Office equipment	1 - 20
Computer hardware	3
Computer software	2.5
Tradeshaw display equipment (Canada)	4
Motor vehicles	6 - 8

An item of property, plant and equipment is derecognized 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.

2. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

Property, Plant and Equipment (cont'd)

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 GAAP 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.

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. 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 recognized to the extent that it is more likely than not that future taxable profit will be available against which the temporary differences can be utilized.



Notes to Consolidated Financial Statements

December 31, 2008 and 2007 (expressed in U.S. dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income Taxes (cont'd)

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.

Share Capital

Ordinary shares are classified as equity.

Incremental external costs directly attributable to the issue of new ordinary shares, other than in connection with business combinations, are shown in equity as a deduction, net of tax, in share capital.

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 recognized 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.

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

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 recognized 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.

2. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

Stock-Based Compensation (cont'd)

Equity-settled transactions (cont'd)

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.

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 at fair value through profit or loss; loans and receivables; held to maturity investments or as available for sale. The Company's financial instruments consist of cash and cash equivalents, accounts receivable 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 Company determines the classification of its financial assets at initial recognition. When financial assets are recognized 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 amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Financial liabilities

When a financial liability is recognized 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.



Notes to Consolidated Financial Statements

December 31, 2008 and 2007 (expressed in U.S. dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Instruments (cont'd)

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. NEW ACCOUNTING PRONOUNCEMENTS

The CICA has issued new standards which are effective for the Company for interim and annual periods beginning January 1, 2008. The adoption of these new standards has not had any material impact on the Company's financial results.

Section 1535 - Capital Disclosures

This section establishes standards for disclosing information about the Company's capital and how it is managed. Under this standard the Company is required to disclose the following, based on the information provided internally to the entity's key management personnel:

- (i) qualitative information about its objectives, policies and processes for managing capital;
- (ii) summary quantitative data about what it manages as capital;
- (iii) whether during the period it complied with any externally imposed capital requirements to which it is subject; and
- (iv) when the Company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

Disclosures required by this standard are included in note 4.

Section 3031 - Inventories

This section prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. The Company does not currently hold any inventories.

Section 3862 - Financial Instruments - Disclosures and Section 3863 - Financial Instruments - Presentation

Section 3862 requires the Company to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. The Company is required to disclose the measurement basis or bases used, and the criteria used to determine classification for different types of instruments.

3. NEW ACCOUNTING PRONOUNCEMENTS (cont'd)

Section 3862 - Financial Instruments - Disclosures and Section 3863 - Financial Instruments - Presentation (cont'd)

Section 3863 replaces the existing requirements on presentation of financial instruments in Section 3861. Disclosures required by this standard are included in note 5.

Section 1400 - Going Concern

This amendment to CICA Handbook Section 1400, "General Standards of Financial Statement Presentation" in relation to going concern requires management to assess an entity's ability to continue as a going concern. When management is aware of material uncertainties related to events or conditions that may cast significant doubt on an entity's ability to continue as a going concern, those uncertainties must be disclosed. In assessing the appropriateness of the going concern assumption, the standard requires management to consider all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date.

Future Accounting Pronouncements

Section 3064 - Goodwill and Intangible Assets

This section establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard is not expected to have any material impact on the Company's financial results.

This standard is effective for the financial statements beginning January 1, 2009.

International Financial Reporting Standards ("IFRS")

In February, 2008 the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards will replace Canada's current GAAP for publicly-accountable profit-oriented enterprises effective January 1, 2011. The transition date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported for the year ended December 31, 2010. The Company is presently evaluating the effect these standards will have on its consolidated financial statements.

4. CAPITAL DISCLOSURES

The Company is involved in mineral exploration which is a high risk activity. The Company's financial objective is to ensure that it has sufficient liquidity in the form of cash and/or debt capacity. This policy is unchanged from 2007.

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.

The Company is listed on the Toronto and London AIM stock exchanges, and must comply with their listing rules. There has been no non-compliance during the period.



Notes to Consolidated Financial Statements

December 31, 2008 and 2007 (expressed in U.S. dollars)

5. FINANCIAL INSTRUMENTS - DISCLOSURES

The Company's financial instruments consist of cash and cash equivalents, accounts receivable 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.

For the years ended December 31, 2008 and 2007, the Company:

- did not hold financial instruments or liabilities for trading except for cash and cash equivalents;
- has not reclassified a financial asset;
- has not transferred financial assets;
- has not pledged collateral for a liability or contingent liability;
- has no financial assets impaired by credit losses;
- has not issued an instrument that contains both a liability and an equity component;
- has no items of expense, gains or losses, total interest expense, fee income or expense on financial assets or liabilities;
 - i) available-for-sale financial assets;
 - ii) held to maturity investments;
 - iii) loans & receivables; or
 - iv) financial liabilities measured at amortized cost.
- had total interest income on financial assets of \$11,725,514 (2007 - \$12,528,701); and
- incurred no defaults or breaches on loans.

The nature and extent of risks arising from financial instruments to which the entity is exposed at the balance sheet date are detailed below:

Interest rate risk

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

For the year ending December 31, 2008, with other variables unchanged, a 1% increase (decrease) in the interest rate would have increased (decreased) net earnings by \$2,844,246. There would be no significant effect on other comprehensive income.

5. FINANCIAL INSTRUMENTS - DISCLOSURES (cont'd)

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.

Foreign exchange risk

All of 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 and currencies. Nautilus has entered into key contracts in United States dollars, United Kingdom pounds Sterling and Euros. Nautilus' 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 in a "basket" of currencies that reflect its current and expected cash outflows. As at December 31, 2008 the Company held its cash in the following currencies:

Currency Denomination	% of total cash in US\$ terms held
USD	47
Euro	14
CAD	3
GBP	29
AUD	7
	100



Notes to Consolidated Financial Statements

December 31, 2008 and 2007 (expressed in U.S. dollars)

6. INCOME TAX

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

	2008 \$	2007 \$
Loss before income taxes	(81,589,489)	(31,258,557)
Canadian statutory tax rate	31.00%	34.12%
Expected income tax (recovery)	(25,292,742)	(10,665,420)
Difference in foreign tax rates	804,787	1,398,681
Items (deductible)/not deductible for income tax purposes	1,212,505	(6,761,175)
Change in combined statutory tax rate	315,707	(765,149)
Non-deductible expenses	4,214,576	-
Non-deductible foreign exchange losses	13,152,480	-
Change in valuation due to foreign exchange on reporting currencies	964,382	(4,645,831)
Change in valuation allowance	4,628,305	21,438,894
	-	-
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:

	2008 \$	2007 \$
<i>Future income tax assets</i>		
Non-capital losses	7,141,995	7,485,164
Capital losses	195,353	2,875,227
Unamortized share issue costs	2,329,057	3,650,912
Unrealized foreign exchange losses and other	16,254,516	-
Tax value of resource properties and plant and equipment costs in excess of net book value of resource property and plant and equipment	19,240,514	10,488,188
Total future income tax assets	45,161,435	24,499,491
Less: Valuation allowances	(29,127,796)	(24,499,491)
Net future income tax assets	16,033,639	-
<i>Future income tax liabilities</i>		
Unrealized foreign exchange gains and other	16,033,639	-
Future income tax liabilities	16,033,639	-
Future income tax liability, net	-	-

6. INCOME TAX (cont'd)

c. The Company has non-capital loss carry forwards of \$18,064,660 that may be available for tax purposes. The loss carry forwards expire as follows:

	Canada \$	Australia \$	Papua New Guinea \$
2019	-	-	23,375
2020	-	-	7,751
2021	-	-	10,042
2022	-	-	56,347
2023	-	-	43,979
2024	-	-	12,667
2025	96,294	-	194,528
2026	2,926,296	-	-
2027	3,565,383	-	-
2028	-	-	-
Not limited	-	11,127,998	-
Total non-capital losses	6,587,973	11,127,998	348,689

Future income tax assets are recognized to the extent that they are considered more likely than not to be realized. The tax losses may be subject to audit and adjustment by local tax authorities as well as other local regulations.

7. RESTRICTED CASH

\$4,398,936 (2007 – \$201,436) has been provided as security for four leases, 78 tenements held in Papua New Guinea, letters of credit, superannuation bank accounts held on behalf of employees, and electricity and information technology deposits.

8. PROPERTY, PLANT AND EQUIPMENT

Details are as follows:

	December 31, 2008			December 31, 2007		
	Cost \$	Accumulated Amortization \$	Net Book Value \$	Cost \$	Accumulated Amortization \$	Net Book Value \$
Leasehold improvements	595,649	331,946	263,703	296,611	84,868	211,743
Plant and equipment	651,428	60,209	591,219	285,345	14,690	270,655
Office equipment	259,466	31,038	228,428	151,128	8,533	142,595
Computer hardware	665,269	264,088	401,181	352,843	87,808	265,035
Computer software	887,418	296,087	591,331	303,926	66,914	237,012
Tradeshow display equipment	3,876	3,590	286	3,876	3,468	408
Motor vehicle	69,017	4,686	64,331	-	-	-
Land	30,101	-	30,101	-	-	-
Subsea equipment under construction	18,825,956	-	18,825,956	2,710,311	-	2,710,311
	21,988,180	991,644	20,996,536	4,104,040	266,281	3,837,759



Notes to Consolidated Financial Statements

December 31, 2008 and 2007 (expressed in U.S. dollars)

9. MINERAL PROPERTIES

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.

Acquisition of Mineral Properties

In 2006, the Company entered into an agreement with Barrick Gold Inc., following its acquisition of Placer Dome, to terminate the farm-in agreement and convert its joint venture interest into an equity interest in the Company. Pursuant to the terms of this termination agreement, Nautilus Minerals Niugini Ltd. acquired the remaining interest which Barrick held in the PNG licences in return for Barrick being issued with common shares in the Company. The Company thereby secured a 100% interest in all the PNG licences. In addition, pursuant to the terms of the termination arrangements, Barrick transferred all of Placer Dome's expertise, intellectual property and know-how in relation to the farm-in, together with, access to key consultants and relevant business relationships to the Company, allowing the Company to itself thereafter manage and operate the Solwara Projects. The value of the shares issued to Barrick was \$12,213,367, which was capitalized as mineral property acquisition costs in 2006.

Exploration Expenditures

	Year Ended December 31, 2008 \$	Year Ended December 31, 2007 \$
Assaying and sampling	377,924	178,303
Boat charters and fuel	16,104,637	13,367,234
Drilling	-	497,812
Engineering services	4,616,500	8,560,942
Environmental consulting	1,968,951	800,283
General	3,384,447	3,361,713
Geological and field expenses	975,002	7,005,377
Maps, reports and data	23,605	2,098,204
Mineral property fees	2,188,328	838,928
Supplies	605,402	286,636
Travel	1,968,507	1,182,826
Wages and salaries	6,499,600	2,698,484
	38,712,903	40,876,742

In order to maintain the exploration leases, licences 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, 2008, total rental commitments are \$3,868,779 and total expenditure commitments are \$23.1 million over the life of the licences which extend to a maximum of two years.

10. RELATED PARTY TRANSACTIONS

Related party transactions for the year ended December 31, 2008 are as follows:

- a. Included in management fees is \$46,350 (2007 – \$51,578) for management fees paid to a company controlled by a Director.
- b. Included in accounts payable and accrued liabilities is \$15,094 (2007 – \$21,781) for amounts owed to a company controlled by a Director of the Company for management and consulting.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed between the related parties.

11. SHARE CAPITAL

a. Details of Share Capital

Authorized:

Unlimited common shares without par value

	Shares	Amount \$
Issued and allotted		
Balance - December 31, 2006	82,355,913	126,257,367
Shares issued for cash - private placement	58,643,146	214,905,189
Proportional allocation of warrants attached to private placements	-	(15,817,775)
Shares issued on exercise of warrants	4,557,830	19,456,304
Shares issued on exercise of options	366,582	679,584
Fair market value of options exercised	-	376,376
Fair market value of warrants exercised	-	4,572,030
Share issuance costs	-	(15,575,143)
Agent's warrants issued as share issuance costs	-	(3,447,339)
Balance - December 31, 2007	145,923,471	331,406,593
Shares issued for cash - private placement	8,933,702	10,475,460
Shares issued on exercise of options	653,100	945,934
Shares issued on exercise of warrants	48,611	72,644
Fair market value of options exercised	-	698,070
Balance - December 31, 2008	155,558,884	343,598,701

Private Placements

On November 14, 2008, the Company completed a private placement to a wholly owned subsidiary of Anglo American plc ("Anglo") of 5,177,066 shares at C\$1.33 for gross proceeds of C\$6,885,498 (\$5,830,855 on date of transaction) and 3,756,636 shares at C\$1.46 for gross proceeds of C\$5,484,689 (\$4,644,605 on date of transaction) pursuant to an anti-dilution right granted to it in its original subscription agreement dated October 20, 2006. The agreed price of the issue was based on a formula linked to the volume weighted average price of the Company's common shares over the month of October 2008.



Notes to Consolidated Financial Statements

December 31, 2008 and 2007 (expressed in U.S. dollars)

11.

SHARE CAPITAL (cont'd)

b. Details of Contributed Surplus

	Amount \$
Balance - December 31, 2006	8,960,282
Proportional allocation of warrants attached to private placements	15,817,775
Agent's warrants issued as share issuance costs	3,447,339
Fair value of stock-based compensation	6,897,376
Fair market value of options exercised	(376,376)
Fair market value of warrants exercised	(4,572,030)
Balance - December 31, 2007	30,174,366
Fair value of stock-based compensation	6,659,210
Fair market value of options exercised	(689,389)
Balance - December 31, 2008	36,144,187

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:

	Number of options	Weighted average exercise price C\$	Contractual weighted average remaining life (years)
Balance - December 31, 2006	7,328,214	2.76	2.0
Granted	7,433,639	5.18	
Exercised	(366,583)	1.90	
Expired/cancelled	(645,000)	6.14	
Balance - December 31, 2007	13,750,270	3.93	2.9
Granted	1,820,000	2.41	
Exercised	(653,100)	1.47	
Expired/cancelled	(904,864)	2.83	
Balance - December 31, 2008	14,012,306	3.92	2.2

11.

SHARE CAPITAL (cont'd)**c. Share Purchase Options (cont'd)**

The following table summarizes information about stock options as at December 31, 2008:

Range of exercise price C\$	Total options outstanding			Exercisable options	
	Shares	Weighted average remaining contractual life (years)	Weighted average exercisable price C\$	Shares	Weighted average exercise price C\$
1.00 - 1.99	626,667	2.6	1.61	116,667	1.61
2.00 - 2.99	3,887,000	0.9	2.39	2,768,000	2.27
3.00 - 3.99	2,345,000	1.2	3.20	1,950,500	3.20
4.00 - 4.99	2,283,639	1.2	4.68	1,245,179	4.72
5.00 - 5.99	4,480,000	3.3	5.33	1,624,000	5.33
6.00 - 6.99	390,000	1.1	6.38	234,000	6.38
	<u>14,012,306</u>	1.8	3.92	<u>7,938,346</u>	3.67

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:

	Options issued in 2008
Expected dividend yield	Nil
Expected stock price volatility	77.25%
Risk-free interest rate	2.92%
Expected life of options in years	3

The weighted average fair value of the options granted was C\$2.41.

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, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.



Notes to Consolidated Financial Statements

December 31, 2008 and 2007 (expressed in U.S. dollars)

11. SHARE CAPITAL (cont'd)

d. Warrants

As at December 31, 2008, the following share purchase warrants were outstanding:

Number	Price per share	Expiry date
549,395	GBPE2.31	February 2, 2009
549,910	GBPE2.15	February 2, 2009
10,540,874	C\$5.655	February 21, 2009
3,257,907	C\$3.80	November 26, 2009
<u>14,898,086</u>		

The changes in share purchase warrants outstanding are as follows:

	Number of warrants	Weighted average exercise price (in C\$)	Contractual weighted average remaining life (in years)
Balance - December 31, 2006	5,531,639	4.94	1.8
Granted	14,898,086	5.21	
Exercised	(4,548,028)	4.90	
Balance - December 31, 2007	15,881,697	5.21	1.3
Exercised	(48,611)	1.10	
Expired/cancelled	(935,000)	5.63	
Balance - December 31, 2008	14,898,086	5.12	0.3

12. 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 a Director and CEO of the Company, with a \$1.3 million seed capital investment.

13. SEGMENTED INFORMATION

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

	Australasia \$	North America \$	Total \$
December 31, 2008			
Total assets	170,888,847	99,094,499	269,983,346
(Income) Loss for the year ended December 31, 2008	13,506,670	68,082,819	81,589,489
December 31, 2007			
Total assets	161,978,986	165,117,034	327,096,020
(Income) Loss for the year ended December 31, 2007	33,667,596	(2,409,039)	31,258,557

14.

COMMITMENTS AND CONTINGENCIES

	December 31, 2008	December 31, 2007
a) Non-cancellable operating leases		
Not later than 1 year	290,158	418,909
Later than 1 year and not later than 2 years	87,752	245,610
Later than 2 years and not later than 3 years	54,034	8,100
Later than 3 years and not later than 4 years	5,471	6,894
Later than 4 years and not later than 5 years	522	3,484
Later than 5 years	-	-
	437,937	682,997
b) Non-cancellable consulting agreements		
Not later than 1 year	84,947	370,320
Later than 1 year and not later than 2 years	-	-
Later than 2 years and not later than 3 years	-	-
Later than 3 years and not later than 4 years	-	-
Later than 4 years and not later than 5 years	-	-
Later than 5 years	-	-
	84,947	370,320
Total Commitments	522,884	1,053,317

In order to maintain the exploration leases, licences and permits in which the Company is involved, the Company is committed 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 if applications are granted in the future.

On December 17, 2008 the Company announced it had decided to adopt a more cautious strategy and to preserve its cash position by delaying the construction of the equipment for the Solwara 1 mining system. As a result, all contracts relating to the Solwara 1 mining system have been terminated or suspended, depending on their criticality to the revised development program. All of the supplier agreements contained provisions for termination 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 value of the suspended contracts is US\$81.6 million. The suspended contracts also contain provisions allowing the Company to cancel at any time. The vessel agreements with North Sea Shipping to provide a Mining Services Vessel were also terminated.

The occurrence of settlement amounts in relation to these contracts is not yet determinable and an amount cannot be reasonably estimated at this time.



Notes to Consolidated Financial Statements

December 31, 2008 and 2007 (expressed in U.S. dollars)

14. COMMITMENTS AND CONTINGENCIES (cont'd)

Contingencies

CSIRO

In addition to the above, the Company is a party to a contract with the Commonwealth Scientific and Industrial Research Organization (“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.

Letter of Credit

A letter of credit of \$1.5 million is held by Australia and New Zealand Banking Group in favour of Technip Inc. (“Technip”). Technip is only entitled to have recourse to the Nautilus issued letter of credit if Nautilus does not pay an amount due and owing under the contract and subject to receiving written notice from Technip.

A letter of credit of \$2.55 million is held by Australia and New Zealand Banking Group in favour of North Sea Shopping (“NSS”). NSS is only entitled to have recourse to the Nautilus issued letter of credit if Nautilus does not pay an amount due and owing under the contract and subject to receiving written notice from NSS. The letter of credit expires on June 30, 2010.

15.**SUBSEQUENT EVENTS****Issue of Options to Directors**

In January 2009, the Company granted options over 550,000 common shares to its non-executive Directors at an exercise price of C\$0.99 that vest at 20% every 6 months from the issue and expiring on January 7, 2012. The options granted to the non-executive Directors are received in lieu of payment for their services as Directors of the Company.

Expiration of Warrants

On February 2, 2009, 549,395 warrants over common shares at a price of GBP £2.31 per share expired and a further 549,910 warrants over common shares at a price of GBP £2.15 per share expired. On February 21, 2009, 10,540,874 warrants over common shares at a price of C\$5.655 per share expired.

Teck Election

On February 17, 2009 Teck Cominco Limited (“Teck”) confirmed its exploration expenditure in Papua New Guinea (“PNG”) and Tonga during 2008 to be US\$14.8 million. This exceeded the minimum expenditure required for Teck to earn the right to form a joint venture with Nautilus in the countries of PNG and Tonga which was set at US\$12 million. Despite this expenditure in 2008, Teck elected not to participate further in PNG and Tonga where it would have been required to meet a US\$25 million expenditure commitment in each country over the next two years.

Teck advised that it wishes to retain the right to joint venture with Nautilus in Fiji, New Zealand, Japan and Northern Marianas, subject to grant of significant title in those countries.



Corporate Governance and Board of Directors

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 recognize the importance of corporate governance to the effective management of Nautilus and to the protection of its employees and shareholders. 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.

2008 Corporate Governance Highlights

- Approved a new Charter, including Mission, Objectives and Values
- Strengthened our corporate-wide reporting procedures
- Ceased all services provided by Directors and Director-related entities.

Mandate of the Board of Directors

The Board of Directors has adopted a Charter which formally sets out its key responsibilities, including:

- 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.

Goals

Independence

The Nautilus Board of Directors is chaired by a Director who is independent as defined by the corporate governance standards in Canada. The Board is made up of six Directors, including the Chair, three of whom are considered independent. The Chair of the Board has been designated to assume the leadership for the Board and enhance and protect the independence of the Board. Each committee of the Board is chaired by an independent Director. Charters have been developed for the Board and its various committees that set out their roles and responsibilities.

Diligence

Directors are expected to use their skill and experience to oversee the business. Directors have a duty to act honestly and in good faith, and to exercise the care, diligence and skill that a reasonably prudent person would exhibit in comparable circumstances. Directors are expected to attend all Board and committee meetings either in person or by teleconference and to review and be familiar with Board and committee materials. Our shareholders can vote annually for, or against, the election of individual Directors, rather than being required to vote for or against a combined group of Director nominees.

Integrity

The Board expects Directors, officers and employees of Nautilus to act ethically at all times and to adhere to our Charter.

Goals (cont'd)

Transparency

The Board has adopted a Disclosure and Insider Trading Policy, which includes detailed procedures regarding timely disclosure of material information. Public disclosure documents are reviewed for accuracy and compliance with applicable disclosure requirements by senior Company executives before being released.

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 planning. The Nomination and Remuneration Committee operates in accordance with a charter adopted by the Board. The Nomination and Remuneration Committee consists of three Board members who are all non-executive Directors with the majority being independent.

Board Members	Board Meetings		Audit Committee Meetings		Nomination & Remuneration Committee Meetings	
	Number of meetings attended	Number of meetings held during the year for the time the Director held office during the year	Number of meetings attended	Number of meetings held during the year for the time the Director held office during the year	Number of meetings attended	Number of meetings held during the year for the time the Director held office during the year
Geoff Loudon	8	8	2	4	2	2
Stephen Rogers ⁽¹⁾	3	3	N/A	N/A	N/A	N/A
Russell Debney	8	8	4	4	2	2
David De Witt	7	8	N/A	N/A	2	2
John O'Reilly	7	8	4	4	N/A	N/A
Farhad Moshiri	3	8	N/A	N/A	N/A	N/A
David Heydon ⁽²⁾	6	6	N/A	N/A	N/A	N/A

(1) Stephen Rogers was appointed as a Director on June 4, 2008.

(2) David Heydon ceased being a Director on October 16, 2008.



Board of Directors and Management

BOARD OF DIRECTORS

Geoff Loudon, Chairman

Geoff Loudon is a London-based resource professional with qualifications in geology and engineering. His international experience is extensive and covers resource exploration development, production and finance. Mr. Loudon has worked in Australasia, Asia, the Americas and Europe.

Mr. Loudon was founder and Chairman of Niugini Mining, discoverer of the Lihir gold deposit in PNG, which was developed by Rio Tinto in 1995. Mr. Loudon remains a founding Director of Lihir Gold Limited, listed on the NASDAQ, TSX and Australian Securities Exchange and is Chairman of L&M Petroleum Limited, listed on the Australian Securities Exchange and the New Zealand Stock Exchange. Mr. Loudon is also a fellow of the Australasian Institute of Mining and Metallurgy.

Stephen Rogers, President, Chief Executive Officer and Director

Stephen Rogers has been the President and CEO of the Nautilus Minerals Group since June 2008. His primary focus is on engineering, permitting and financing 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 deepwater minerals resource 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 30 years of experience in the offshore industry with a background in corporate and project management. For the last 15 years Mr. Rogers has worked on major capital-intensive projects at the steering committee and Project Director levels.

Before joining Nautilus, Mr. Rogers worked with Clough (one of Australia's leading engineering and construction companies) as CEO Oil and Gas, and prior to that he was Managing Director of

Technip Oceania, Europe's leading oil and gas services group and one of the world's leading deepwater subsea contractors.

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 Ltd., 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 Aluminum Corporation of China in 2007. Mr. De Witt is currently a Director of Bear Creek Mining Corp.

Russell Debney, Director

Russell 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 their development strategy, almost since inception. He is based in Sydney, Australia and is a commercial and corporate lawyer as well as 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-



Front row L to R: Farhad Moshiri, Geoff Loudon, Stephen Rogers; Back row L to R: Russell Debney, John O'Reilly, David De Witt.

leading offshore oil and gas engineering company for almost 15 years.

Farhad Moshiri, Director

Farhad Moshiri joined the Board in June 2007. Mr. Moshiri is Chief Executive of London-listed Europe Steel plc. He is a qualified Chartered Certified Accountant, having previously been employed by Deloitte & Touche. He has extensive experience with a number of Russian and UK-based steel and mining companies. His directorships include Gazmetall, Ural Steel, ZAO Metalloinvest, and Gallagher Holdings Limited.

John O'Reilly, Director

John O'Reilly joined the Board in December 2007. Mr. O'Reilly holds a BSc in Metallurgy and an MSc in Mineral Process Design. He has over 40 years of experience in the international mining industry including 19 years with Rio Tinto plc ("Rio Tinto"), where he was head of technology and head of gold and other minerals. He was also seconded to the Lihir Management Company as Managing Director and was the inaugural Chief Executive Officer of Lihir Gold Limited in Papua New Guinea, a plus-40 million ounces gold resource, where he was responsible for the design, engineering, construction and initial operation of the US\$900 million Lihir mine, plant, and associated infrastructure. He retired as a non-executive Director of Lihir Gold Limited at the end of 2006.

SENIOR MANAGEMENT TEAM

Anthony O'Sullivan, Chief Operating Officer

Anthony O'Sullivan joined Nautilus as Vice President of 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. A member of the BHP Billiton Exploration Management Team since 2001, he managed the company's base metal and bulk commodities (iron ore, coal, bauxite) exploration effort.

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

Shontel Norgate, Chief Financial Officer and Corporate Secretary

Prior to joining Nautilus, Shontel Norgate was the financial controller of Macarthur Coal Ltd., a publicly-listed coal mining company on the Australian Securities Exchange. Before joining Macarthur, Ms. Norgate 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 brings extensive commercial experience in the resources industry including debt and equity finance, financial reporting, project management, corporate governance, commercial negotiations and business analysis.

Michael Johnston, VP Strategic Development

Michael Johnston was formerly General Manager of Exploration with Placer Dome, where he oversaw Placer Dome's exploration efforts in Australia and Asia. He was also 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 of 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 regulations 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 deepwater production, through his management of Placer Dome's involvement in Nautilus' Solwara projects.

Scott Trebilcock, VP Business Development and Investor Relations

Scott Trebilcock has over 12 years of experience in the metallurgical, mining and materials industries. Mr. Trebilcock was a process engineer with Hatch Associates from 1994 to 1997 where he earned his Professional Engineering licence. Mr. Trebilcock moved to Noranda Inc. where he marketed for their zinc and copper assets. In 2000, he helped start-up a joint venture with Dupont Canada, and left Noranda in 2001.

After completing his MBA, Mr. Trebilcock joined the boutique management consulting firm PRTM, based in Boston, MA. From 2002 to 2007, he consulted to Fortune 100 chemicals, materials and energy firms to help drive value from mergers, acquisitions and other large change projects. Mr. Trebilcock joined Nautilus in September 2007 as Vice President of Business Development and Investor Relations.

Glen Smith, Chief Technology Officer

Glen Smith joined Nautilus as Chief Technology Officer in January 2009. Mr. Smith has over 21 years of experience in the offshore oil and gas industry comprising 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 and was 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.

CORPORATE INFORMATION**Board Of Directors**

Geoff Loudon
Chairman

Stephen Rogers
President, CEO & Director

David De Witt
Director

Russell Debney
Director

Farhad Moshiri
Director

John O'Reilly
Director

Officers and Management

Stephen Rogers
President & CEO

Anthony O'Sullivan
Chief Operating Officer

Shontel Norgate
Chief Financial Officer and
Corporate Secretary

Michael Johnston
VP Strategic Development

Scott Trebilcock
VP Business Development and
Investor Relations

Glen Smith
Chief Technology Officer

Mel Togolo
Papua New Guinea, Country Manager

Paul Taumoepeau
Tonga, Country Manager

TRANSFER AGENT AND REGISTRAR

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

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

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

Inquiries in the United Kingdom:

Telephone: 0870.702.0003

Or write to:

Computershare Investor Services plc

PO Box 82, The Pavilions,
Bridgwater Road
Bristol BS997NH, United Kingdom

NOMINATED ADVISER AND BROKER (AIM)

Numis Securities Limited

INVESTOR RELATIONS CONTACT

Institutional and individual investors seeking financial information about the Company are invited to contact Scott Trebilcock, VP Business Development and Investor Relations.

Telephone: 1.416.551.1100

e-mail: investor@nautilusminerals.com

web: www.nautilusminerals.com

STOCK EXCHANGE LISTING AND SYMBOLS

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

AUDITORS

PricewaterhouseCoopers LLP

BANKERS

Canadian Imperial Bank of Commerce

ANZ Banking Corporation

ANNUAL MEETING

The Annual General Meeting of Shareholders will be held at 10:00 am, June 25, 2009, at Numis Securities Limited, The London Stock Exchange Building, 10 Paternoster Square, London EC4M 7LT, United Kingdom



New Vision

New World

New Resources

Nautilus Minerals is exploring and developing natural resources from the world's oceans.

We are focused on Seafloor Massive Sulphide systems – a future source of high grade copper, gold, zinc and silver.



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