

# **Nautilus Minerals Inc.**

(an exploration stage company)

## **Interim Consolidated Financial Statements**

**September 30, 2009**

(expressed in U.S. dollars)

(unaudited)

**Nautilus Minerals Inc.**  
(an exploration stage company)

**Interim Consolidated Balance Sheets**

(expressed in U.S. dollars)  
(unaudited)

	<b>September 30</b>	<b>December 31</b>
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	217,641,011	231,143,802
Prepaid expenses and advances	508,847	1,230,705
	<u>218,149,858</u>	<u>232,374,507</u>
<b>Restricted cash</b> (note 5)	394,189	4,398,936
<b>Property, plant and equipment</b> (note 6)	19,258,614	20,996,536
<b>Mineral properties</b> (note 7)	12,213,367	12,213,367
	<u>250,016,028</u>	<u>269,983,346</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	3,378,378	13,891,578
	<u>216,955</u>	<u>243,134</u>
<b>Non-controlling interest</b> (note 10)		
	<u>216,955</u>	<u>243,134</u>
<b>Shareholders' Equity</b>		
<b>Share capital</b> (note 9a)	343,598,701	343,598,701
<b>Contributed surplus</b> (note 9b)	39,445,374	36,144,187
<b>Deficit</b>	<u>(136,623,380)</u>	<u>(123,894,254)</u>
	<u>246,420,695</u>	<u>255,848,634</u>
	<u>250,016,028</u>	<u>269,983,346</u>
<b>Commitments and contingencies</b> (note 12)		

**On behalf of the Board:**

Signed: "Russell Debney"

Signed: "Stephen Rogers"

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

**Nautilus Minerals Inc.**  
(an exploration stage company)

**Interim Consolidated Statements of Loss and Comprehensive Loss and Deficit**

(expressed in U.S. dollars)  
(unaudited)

	Three months ended September 30 2009 \$	Three months ended September 30 2008 \$	Nine months ended September 30 2009 \$	Nine months ended September 30 2008 \$
<b>Expenses</b>				
Exploration costs ( <i>note 7</i> )	4,638,763	16,605,375	10,507,251	28,350,302
Stock-based compensation	1,308,180	1,758,002	3,301,187	5,845,232
Wages and salaries	595,053	1,137,468	2,024,298	1,858,932
Management fees and salaries	454,827	937,181	1,350,498	1,977,291
General administrative	495,732	610,010	1,277,955	1,513,809
Depreciation	207,567	209,754	701,715	530,393
Professional fees	122,598	173,902	426,474	680,468
Travel	131,330	99,117	302,063	406,111
Listing and filing fees	27,814	30,962	124,247	161,555
Shareholder information	32,216	122,259	92,927	370,664
Foreign exchange loss (gain)	(204,635)	20,320,502	(5,647,104)	15,136,305
	<u>7,809,445</u>	<u>42,004,532</u>	<u>14,461,511</u>	<u>56,831,062</u>
<b>Other Income (Expense)</b>				
Interest income	448,622	3,024,201	1,687,085	9,530,216
Rent and other income	687	13,460	19,146	32,922
Recovery of exploration costs	-	531,739	-	531,739
Loss on sale of fixed assets	-	-	(25)	(20,978)
	<u>449,309</u>	<u>3,569,400</u>	<u>1,706,206</u>	<u>10,073,899</u>
<b>(Income)/Loss and comprehensive (income)/ loss before non-controlling interest</b>	7,360,136	38,435,132	12,755,305	46,757,163
Non-controlling interest	4,811	30,780	26,179	337,425
<b>(Income)/Loss and comprehensive (income)/ loss</b>	7,355,325	38,404,352	12,729,126	46,419,738
<b>Deficit - Beginning of period</b>	129,268,055	50,320,151	123,894,254	42,304,765
<b>Deficit - End of period</b>	136,623,380	88,724,503	136,623,380	88,724,503
<b>(Income)/Loss per share – basic and diluted</b>	0.05	0.26	0.08	0.32
<b>Weighted average number of shares outstanding – basic and diluted</b>	155,558,884	146,625,182	155,558,884	146,237,390

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**Nautilus Minerals Inc.**  
(an exploration stage company)

**Interim Consolidated Statements of Cash Flows**

(expressed in U.S. dollars)  
(unaudited)

	Three months ended September 30 2009 \$	Three months ended September 30 2008 \$	Nine months ended September 30 2009 \$	Nine months ended September 30 2008 \$
<b>Cash flows from (used in) operating activities</b>				
Income/(Loss) for the period	(7,355,325)	(38,404,352)	(12,729,126)	(46,419,738)
Items not affecting cash				
Stock-based compensation	1,308,180	1,758,002	3,301,187	5,845,232
Non-controlling interest	(4,811)	(30,780)	(26,179)	298,810
Depreciation	207,567	209,754	701,715	530,393
Unrealised FX Loss/(Gain)	(189,264)	20,035,367	(5,452,554)	14,806,510
Change in non-cash working capital items				
Prepaid expenses and advances	(76,712)	(709,982)	721,858	(160,368)
Accounts payable and accrued liabilities	873,508	10,649,872	(7,863,200)	8,666,487
	<u>(5,236,857)</u>	<u>(6,492,119)</u>	<u>(21,346,299)</u>	<u>(16,432,674)</u>
<b>Cash flows from financing activities</b>				
Share capital issued, net of share issuance costs	-	-	-	1,041,876
Loans payable	-	43,528	-	67,365
	<u>-</u>	<u>43,528</u>	<u>-</u>	<u>1,109,241</u>
<b>Cash flows from (used in) investing activities</b>				
Restricted cash	(5,118)	(2,530,286)	4,004,747	(4,154,525)
Purchase of equipment	(808,437)	(3,397,417)	(1,613,793)	(9,109,828)
	<u>(813,555)</u>	<u>(5,927,703)</u>	<u>2,390,954</u>	<u>(13,264,353)</u>
<b>Unrealised FX Gain/(Loss)</b>	189,264	(20,035,367)	5,452,554	(14,806,510)
<b>Increase (decrease) in cash and cash equivalents</b>	(5,861,148)	(32,411,661)	(13,502,791)	(43,394,296)
<b>Cash and cash equivalents - Beginning of period</b>	223,502,159	298,986,510	231,143,802	309,969,145
<b>Cash and cash equivalents - End of period</b>	<u>217,641,011</u>	<u>266,574,849</u>	<u>217,641,011</u>	<u>266,574,849</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

**Nautilus Minerals Inc.**  
(an exploration stage company)

**Notes to Interim Consolidated Financial Statements**

September 30, 2009  
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**1. Basis of Presentation, Operations and Subsidiaries**

*Basis of Presentation*

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

These interim 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 gold and copper seafloor massive sulphide deposits. The Company is an enterprise in the exploration stage. The exploration activity involves exploration of underwater gold and copper seafloor massive sulphide deposits in the western Pacific Ocean. The Company's main focus for 2009 is the Solwara 1 Project in Papua New Guinea in the western Pacific Ocean. The proposed principal operations of the Company subject to permitting will be the mining of copper, zinc, gold and silver deposits where there are economically viable discoveries.

*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 interim 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**

*Basis of Presentation*

These unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and follow the same accounting policies and methods of their application as the most recent annual financial statements, except as noted below. These unaudited interim financial statements do not contain all the disclosures required by Canadian GAAP for annual financial statements and should be read in conjunction with the audited consolidated financial statements as at December 31, 2008.

**3. New Accounting Pronouncements**

The CICA has issued new standards which are effective for the Company for interim and annual periods beginning January 1, 2009. The adoption of these new standards has not had any material impact on the Company's financial results.

## **Notes to Interim Consolidated Financial Statements**

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### **3. New Accounting Pronouncements (continued)**

#### **Section 3064 – Goodwill and Intangible Assets**

This Section establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The standard is effective for our fiscal year beginning January 1, 2009. Adoption of this standard did not have a significant impact on our financial statements.

#### **EIC 173 – Credit Risk and Fair Value of Financial Assets and Liabilities**

This EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. This standard is effective for our fiscal year beginning January 1, 2009 with retrospective application. The application of this EIC did not have a significant effect on our financial statements.

#### **EIC 174 – Mining Exploration Costs**

This EIC provides guidance on accounting for capitalization and impairment of exploration costs and is effective for our fiscal year beginning January 1, 2009. The application of this EIC did not have a significant effect on our financial statements.

#### **Future Accounting Pronouncements**

##### **International Financial Reporting Standards (“IFRS”)**

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

At this time the impact that the future adoption of IFRS will have on our financial position and results of operations is not reasonably determinable or estimable, however, such impact may be material. Additional information will be provided as we move towards the changeover date.

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

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

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**Notes to Interim Consolidated Financial Statements**

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**4. Financial Instruments - Disclosures**

*Interest rate risk*

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

For the period ending September 30, 2009, with other variables unchanged, a 1% increase (decrease) in the interest rate would have increased (decreased) our net earnings by \$1.7 million. There would be no significant effect on other comprehensive income.

*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, British 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 September 30, 2009 the Company held its cash in the following currencies:

<b>Currency Denomination</b>	<b>% of total cash in US\$ terms held</b>
USD	67
GBP	19
EUR	8
AUD	3
CAD	3
	<hr/>
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**5. Restricted Cash**

\$394,189 (December 31, 2008 - \$4,398,936) has been provided as security for leases, tenements held in Papua New Guinea, superannuation bank accounts held on behalf of employees, and electricity and information technology deposits.

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**6. Property, Plant and Equipment**

Details are as follows:

	September 30, 2009			December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$	\$	\$	\$
Leasehold improvements	603,031	513,383	89,648	595,649	331,946	263,703
Plant and equipment	657,146	114,304	542,842	651,428	60,209	591,219
Office equipment	294,209	53,017	241,192	259,466	31,038	228,428
Computer hardware	698,572	430,438	268,134	665,269	264,088	401,181
Computer software	1,000,481	565,922	434,559	887,418	296,087	591,331
Tradeshaw display equipment	3,876	3,655	221	3,876	3,590	286
Motor vehicle	72,202	11,995	60,207	69,017	4,686	64,331
Land	30,101	-	30,101	30,101	-	30,101
Subsea equipment under construction	17,591,710	-	17,591,710	18,825,956	-	18,825,956
	<u>20,951,328</u>	<u>1,692,714</u>	<u>19,258,614</u>	<u>21,988,180</u>	<u>991,644</u>	<u>20,996,536</u>

At December 31, 2008, an estimate was made based on all available information for costs incurred and not yet settled in relation to SubSea Equipment Under Construction. All terminated contracts relating to the construction of the subsea equipment have now been settled. The actual settled amount was US\$2.6 million below the estimated amount included in Subsea Equipment under Construction at December 31, 2008 and the associated cost was adjusted in the period ended September 30, 2009.

**7. 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.

**Nautilus Minerals Inc.**  
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**Notes to Interim Consolidated Financial Statements**

September 30, 2009  
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**7. Mineral Properties (continued)**

**Exploration Expenditures**

	<b>Three months ended September 30 2009 \$</b>	<b>Three months ended September 30 2008 \$</b>	<b>Nine months ended September 30 2009 \$</b>	<b>Nine months ended September 30 2008 \$</b>
Assaying and sampling	12,287	60,311	44,025	185,797
Boat charters and fuel	867,530	10,984,159	3,030,684	12,182,302
Drilling	-	195,937	-	195,937
Engineering services	13,531	824,020	77,209	3,515,990
Environmental consulting	141,055	265,776	367,675	1,448,753
General	1,803,490	1,157,329	2,640,656	2,092,945
Geological and field expenses	135,962	263,858	255,373	675,167
Maps, reports and data	7,127	4,718	21,238	11,078
Mineral property fees	242,435	207,295	621,932	1,384,099
Supplies	25,174	307,407	99,072	527,494
Travel	258,961	800,503	595,804	1,631,482
Wages and salaries	1,131,211	1,534,062	2,753,583	4,499,258
	<b>4,638,763</b>	<b>16,605,375</b>	<b>10,507,251</b>	<b>28,350,302</b>

In order to maintain the exploration leases, licenses and permits in which the Company is involved, the Company is expected to fulfil 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 September 30, 2009, total rental commitments are \$3.8 million and total expenditure commitments are \$22.9 million over the life of the licenses which extend to a maximum of two years.

**8. Related Party Transactions**

Related party transactions for the nine month period ended September 30, 2009 are as follows:

- a) Included in management fees is \$Nil (2008 - \$38,575) for management fees paid to a company controlled by a director.
- b) Included in accounts payable and accrued liabilities is \$Nil (2008 - \$3,732) for amounts owed to a company controlled by a director of the Company for management and consulting
- c) Included in loans payable is \$Nil (2008 - \$67,365) for amounts owed to a director

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.

**9. Share Capital**

**Nautilus Minerals Inc.**  
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**Notes to Interim Consolidated Financial Statements**

September 30, 2009  
(expressed in U.S. dollars)  
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**a) Details of share capital**

Authorized:

Unlimited common shares without par value

	Shares	Amount \$
Balance – December 31, 2008 and September 30, 2009	155,558,884	343,598,701

**b) Details of contributed surplus**

	Amount \$
Balance – December 31, 2008	36,144,187
Fair value of stock-based compensation	3,301,187
Balance – September 30, 2009	39,445,374

**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, 2008	14,012,306	3.92	2.2
Granted	6,101,000	1.30	
Exercised	-	-	
Expired/cancelled	(5,379,806)	3.25	
Balance – September 30, 2009	14,733,500	3.08	2.4

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**Notes to Interim Consolidated Financial Statements**

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**9. Share Capital (continued)**

**c) Share purchase options (continued)**

The following table summarizes information about stock options as at September 30, 2009:

<b>Total options outstanding</b>				<b>Exercisable options</b>	
<b>Range of exercise price C\$</b>	<b>Shares</b>	<b>Weighted average remaining contractual life (years)</b>	<b>Weighted average exercisable price C\$</b>	<b>Shares</b>	<b>Weighted average exercise price C\$</b>
0.00 – 0.99	550,000	2.3	0.99	110,000	0.99
1.00 – 1.99	6,126,000	3.0	1.35	155,000	1.48
2.00 – 2.99	975,000	1.6	2.85	390,000	2.85
3.00 – 3.99	1,542,500	1.0	3.20	1,534,500	3.20
4.00 – 4.99	1,625,000	0.8	4.73	1,333,000	4.75
5.00 – 5.99	3,660,000	3.1	5.34	80,000	5.10
6.00 – 6.99	255,000	0.7	6.38	204,000	6.38
	<u>14,733,500</u>	2.4	3.08	<u>3,806,500</u>	3.78

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:

	<b>Options Issued In 2009</b>
Expected dividend yield	Nil
Expected stock price volatility	72.48%
Risk-free interest rate	1.41%
Expected life of options in years	3

The weighted average fair value of the options granted was C\$0.51.

Option pricing models require the input of highly subjective assumptions including the estimate of the share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

**d) Warrants**

As at September 30, 2009, the following share purchase warrants were outstanding:

<b>Number</b>	<b>Price per Share</b>	<b>Expiry Date</b>
<u>3,257,907</u>	C\$3.80	November 26, 2009
<u>3,257,907</u>		

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**10. Non-controlling Interest**

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

**11. Segmented Information**

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

	Australasia \$	North America \$	Total \$
<b>September 30, 2009</b>			
Total assets	242,632,908	7,383,120	250,016,028
(Income)/Loss for the three months ended September 30, 2009	5,604,602	1,750,723	7,355,325
(Income)/Loss for the nine months ended September 30, 2009	14,350,111	(1,620,985)	12,729,126

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, 2008	14,898,086	5.12	0.3
Expired/cancelled	(11,640,179)	5.49	
Balance – September 30, 2009	3,257,907	3.80	0.1
<b>September 30, 2008</b>			
Total assets	171,917,595	121,968,146	293,885,741
(Income)/Loss for the three months ended September 30, 2008	(4,598,069)	43,002,421	38,404,352
(Income)/Loss for the nine months ended September 30, 2008	15,340,018	31,079,720	46,419,738

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**12. Commitments and Contingencies**

	<b>September 30 2009 \$</b>	<b>September 30 2008 \$</b>
<b>a) Non-cancellable operating leases</b>		
Not later than 1 year	200,727	426,990
Later than 1 year and not later than 2 years	89,326	118,362
Later than 2 years and not later than 3 years	5,935	88,184
Later than 3 years and not later than 4 years	1,466	7,827
Later than 4 years and not later than 5 years	-	1,431
Later than 5 years	-	-
	<u>297,454</u>	<u>642,794</u>
<b>b) Non-cancellable consulting agreements</b>		
Not later than 1 year	-	160,053
	-	<u>160,053</u>
<b>c) Non-cancellable exploration and vessel agreements</b>		
Not later than 1 year	4,050,000	13,788,707
Later than 1 year and not later than 2 years	-	10,320,000
Later than 2 years and not later than 3 years	-	31,222,648
Later than 3 years and not later than 4 years	-	31,430,177
Later than 4 years and not later than 5 years	-	23,828,084
Later than 5 years	-	31,571,065
	<u>4,050,000</u>	<u>142,160,681</u>
<b>d) Non-cancellable development agreements</b>		
Not later than 1 year	602,595	-
	<u>602,595</u>	-
 Total Commitments	 <u>4,950,049</u>	 <u>142,963,528</u>

In order to maintain the exploration leases, licenses and permits in which the Company is involved, the Company is committed to fulfil 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 \$77.3 million. The suspended contracts also contain provisions allowing the Company to cancel at any time. The vessel agreement with North Sea Shipping to provide a mining services vessel was also terminated.

All settlement amounts in relation to the terminated contracts have been finalised.

**12. Commitments and Contingencies (continued)**

## **Notes to Interim Consolidated Financial Statements**

September 30, 2009  
(expressed in U.S. dollars)  
(unaudited)

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### **Contingencies**

#### **CSIRO**

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

#### **Milestone based shares**

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

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

### **13. Subsequent Events**

#### **Port capacity at Rabaul secured**

On October 7, 2009 the Company announced that it has entered into a Port Upgrade and Operations Deed ("Deed") with PNG Ports Corporation Limited ("PNGPC") that provides Nautilus with a secure right to port handling capacity for 1.5 million tonnes of ore per year for three years with an option to commence operations as early as January 1, 2012. The Deed also provides Nautilus with the exclusive right to enter into a licence agreement to use the hardstand area of the Rabaul port for the Solwara 1 ore stockpiles. When Nautilus commences production from its Solwara 1 project, recovered ore will be shipped from the offshore site to Rabaul for temporary stockpiling prior to shipment for treatment overseas.

Nautilus and PNGPC entered into discussions in early 2008 and later commenced joint studies into the port's capability to unload the incoming barges, store the ore securely and re-load the ore onto outgoing export ships, while maintaining quality and environmental standards. These studies included an analysis of existing and future port usage, shoreline geotechnical studies, port berth strength capabilities, and risk analysis.

**Nautilus Minerals Inc.**  
(an exploration stage company)

**Notes to Interim Consolidated Financial Statements**

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(unaudited)

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**13. Subsequent Events (continued)**

**Port capacity at Rabaul secured (continued)**

The Deed provides for a methodology to jointly define the scope and contracting strategy required to deliver the required port upgrades to the stockpile hardstand areas, support infrastructure, mobile stacking and shiploading equipment. Operations covering ore unloading, stevedoring services, ore stacking, reclaiming and ship loading will be managed by PNGPC.

A final Port Services Agreement between Nautilus and PNGPC is planned for year-end.