

Nautilus Minerals Inc.

(an exploration stage company)

Interim Consolidated Financial Statements

For the three and six months ended June 30, 2011 and June 30, 2010

(Expressed in US Dollars)

(unaudited)

Nautilus Minerals Inc.

Consolidated Statements of Financial Position

(expressed in US Dollars)

(unaudited)

	June 30, 2011	December 31, 2010
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents (Note 4)	111,977,206	165,132,935
Prepaid expenses and advances	700,936	556,500
	<u>112,678,142</u>	<u>165,689,435</u>
Non-current assets		
Restricted Cash	794,841	745,793
Property, plant and equipment (Note 6)	47,219,789	28,442,184
Mineral properties (Notes 5, 8)	35,719,713	12,213,367
	<u>83,734,343</u>	<u>41,401,344</u>
TOTAL ASSETS	<u>196,412,485</u>	<u>207,090,779</u>
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	6,867,510	14,062,102
Joint venture contribution (Note 1)	1,797,081	-
	<u>8,664,591</u>	<u>14,062,102</u>
Non-current liabilities		
Accounts payable and accrued liabilities	2,130,111	435,241
	<u>10,794,702</u>	<u>14,497,343</u>
Equity attributable to owners of the Company		
Share Capital (Note 7)	344,300,056	343,635,585
Contributed Surplus	45,700,567	45,356,638
Deficit	(204,382,840)	(196,523,642)
	<u>185,617,783</u>	<u>192,468,581</u>
Non-controlling interest		
	-	124,855
Total Equity	<u>185,617,783</u>	<u>192,593,436</u>
TOTAL LIABILITIES AND EQUITY	<u>196,412,485</u>	<u>207,090,779</u>

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

Contingencies and Commitments (Note 10)

Subsequent events (Note 11)

Approved by the Board of Directors

Signed: "Russell Debney"
Director

Signed: "Stephen Rogers"
Director

Nautilus Minerals Inc.

Consolidated Statements of Loss and Comprehensive Loss For the three and six months ended June 30, 2011 and 2010

(expressed in US Dollars)
(unaudited)

	Three months ended June 30 2011 \$	Three months ended June 30 2010 \$	Six months ended June 30 2011 \$	Six months ended June 30 2010 \$
Operating expenses				
Exploration costs (Note 8)	1,503,345	2,442,519	4,160,312	3,183,474
General and Administration (Note 9)	2,999,994	3,196,992	5,900,010	6,501,524
Environment	167,630	97,392	167,630	199,028
Technology	178,356	53,495	368,240	135,138
Development	158,603	2,840,380	234,872	4,001,032
Depreciation expense	135,767	182,378	284,874	365,633
Foreign exchange (gains)/losses	(110,800)	2,782,669	(2,635,107)	5,162,571
Operating loss	5,032,895	11,595,825	8,480,831	19,548,400
Interest Income	(182,241)	(341,507)	(489,106)	(795,800)
Rent and other income	(2,056)	-	(7,672)	-
Loss and comprehensive loss for the period	4,848,598	11,254,318	7,984,053	18,752,600
Loss and comprehensive loss attributable to:				
Equity owners of the Company	4,848,598	11,281,384	7,984,053	18,788,874
Non-controlling interest	-	(27,066)	-	(36,274)
Loss and comprehensive loss for the period	4,848,598	11,254,318	7,984,053	18,752,600
Weighted average number of shares outstanding, basic and diluted	155,706,433	155,558,884	155,666,713	155,558,884
Loss per share				
Basic and diluted	0.03	0.07	0.05	0.12

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

Nautilus Minerals Inc.

Consolidated Statements of Cash Flows

For the three and six months ended June 30, 2011 and 2010

(expressed in US Dollars)

(unaudited)

	Six months ended June 30 2011 \$	Six months ended June 30 2010 \$
Cash flows from operating activities		
Loss for the period	(7,984,053)	(18,752,600)
Adjustment for items not affecting cash:		
Depreciation and amortization	284,874	365,633
Unrealized foreign exchange gains	(3,127,918)	5,187,015
Share-based payments	532,277	1,126,838
Changes in non-cash working capital		
Prepaid expenses and advances	(144,436)	111,787
Accounts payable and accrued liabilities	(9,883,924)	(3,989,633)
Net cash from operating activities	<u>(20,323,180)</u>	<u>(15,950,960)</u>
Cash flows from investing activities		
Restricted cash	(49,048)	4,097
Joint venture contribution	1,797,081	-
Non-controlling interest	-	(36,274)
Purchase of plant and equipment	(15,163,360)	(3,514,083)
Mineral property costs	(23,021,263)	-
Net cash from investing activities	<u>(36,436,590)</u>	<u>(3,546,260)</u>
Cash flows from financing activities		
Issuance of shares for cash - net of issue costs	476,123	-
Net cash from financing activities	<u>476,123</u>	<u>-</u>
Effect of exchange rate changes on cash	3,127,918	(5,187,015)
Net increase/decrease in cash and cash equivalents	(53,155,729)	(24,684,235)
Cash and cash equivalents - Beginning of period	<u>165,132,935</u>	<u>209,339,066</u>
Cash and cash equivalents - End of period (Note 4)	<u>111,977,206</u>	<u>184,654,831</u>

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

Nautilus Minerals Inc.

Consolidated Statements of Changes in Equity

(expressed in US Dollars)

(unaudited)

	Share capital		Contributed Surplus	Deficit	Total	Non-controlling interest	Total equity
	Number of shares	Amount					
		\$	\$	\$	\$	\$	\$
Balance January 1, 2011	155,578,884	343,635,585	45,356,638	(196,523,642)	192,468,581	124,855	192,593,436
Exercise of share options	291,000	476,123	-	-	476,123	-	476,123
Share-based payments	-	-	532,277	-	532,277	-	532,277
Transfer of value on exercise of share options	-	188,348	(188,348)	-	-	-	-
Acquisition of non-controlling interest	-	-	-	124,855	124,855	(124,855)	-
Loss for the period	-	-	-	(7,984,053)	(7,984,053)	-	(7,984,053)
Balance June 30, 2011	155,869,884	344,300,056	45,700,567	(204,382,840)	185,617,783	-	185,617,783
Balance January 1, 2010	155,558,884	343,598,701	43,222,897	(153,494,872)	233,326,726	209,972	233,536,698
Share-based payments	-	-	1,126,838	-	1,126,838	-	1,126,838
Loss attributable to non-controlling interest	-	-	-	36,274	36,274	(36,274)	-
Loss for the period	-	-	-	(18,788,874)	(18,788,874)	-	(18,788,874)
Balance June 30, 2010	155,558,884	343,598,701	44,349,735	(172,247,472)	215,700,964	173,698	215,874,662

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

Nautilus Minerals Inc.

Notes to Consolidated Interim Financial Statements

For the three and six months ended June 30, 2011 and 2010

(expressed in US Dollars)

(unaudited)

15 Corporate Information

Nature of Operations

Nautilus Minerals Inc. (the “Company”, “Nautilus” or “NMI”) is engaged in the exploration of the ocean floor for copper and gold rich seafloor massive sulphide deposits primarily focussed in the western pacific ocean. To date the Company has not earned any revenues and is considered to be in the exploration stage. The Company has one segment being mineral property exploration. The Company's main focus for 2011 is the Solwara 1 Project in Papua New Guinea (“PNG”) in the western Pacific Ocean. The proposed principal operations of the Company subject to permitting will be the extraction of copper, zinc, gold and silver deposits where there are economically viable discoveries. The Company’s consolidated financial statements (“Consolidated Financial Statements”) are presented in US Dollars.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

Nautilus is a company incorporated in British Columbia, Canada. The head office and principal offices of the Company are located at:

Head Office (Vancouver, Canada)

Nautilus Minerals Inc.
Suite 1400
400 Burrard Street
Vancouver, BC
V6C 3A6

Corporate Office (Toronto, Canada)

Nautilus Minerals Inc.
Suite 1702, 141 Adelaide Street West
Toronto, Ontario M5H 3L5
Canada

Operations (Brisbane, Australia)

Nautilus Minerals Inc.
Level 7, 303 Coronation Drive
Milton Queensland, Australia 4064
PO Box 1213, Milton Queensland,
Australia 4064

Corporate Development

On March 29, 2011, the Company announced that the State of PNG had signed an agreement and exercised its option to acquire a 30% stake in Nautilus' Solwara 1 Project in the Bismarck Sea.

An unincorporated joint venture will be formed to hold the mining assets of the Solwara 1 Project, with Nautilus to retain a 70% holding and the State of PNG to acquire a 30% share (the “Mining JV”). The State’s interest in the Mining JV will be held through Petromin PNG Holdings Ltd. (“Petromin”), a wholly owned company of the State, and which holds the State’s mining and petroleum assets.

Nautilus Minerals Inc.

Notes to Consolidated Interim Financial Statements

For the three and six months ended June 30, 2011 and 2010

(expressed in US Dollars)

(unaudited)

1 Corporate Information (continued)

Corporate Development (continued)

On April 13, 2011, the Company announced the formation of a strategic partnership with German shipping company Harren & Partner (“Harren”).

A joint venture company (the “Vessel JV”) is to be formed to own and operate a production support vessel which will serve as the operational base for Nautilus to produce high grade copper and gold ore at its first development project, Solwara 1, in the Bismarck Sea of Papua New Guinea (“PNG”).

Under the terms of the strategic partnership, Harren will design and construct the vessel at a cost of approximately €127 million, with delivery scheduled for the first half of 2013.

On delivery, the vessel will be sold to the Vessel JV in which Harren will hold a 50.01% interest. The remaining 49.99% of the Vessel JV will be controlled by Nautilus through a holding company in which the PNG government will own a 5% stake through its wholly owned company Petromin.

The Vessel JV will charter the vessel to the Mining JV, in which Nautilus holds a 70% stake and Petromin holds a 30% stake, to carry out its seafloor production operations, for a period of eight years, at an average daily rate of US\$70,000. Harren will provide crewing, logistics and ship management services to the Vessel JV at a daily rate of US\$10,000 to the Mining JV. The Mining JV will provide a charterer’s guarantee to the Vessel JV for an initial value of US\$10 million reducing over a five year period to US\$2.5 million.

Funding for the Vessel JV will include approximately €75 million in bank debt to be procured by Harren, which also will contribute €6 million in equity and loans. Nautilus will contribute approximately €32 million in equity and loans, and Petromin will contribute €4 million. Petromin has paid an initial deposit to Nautilus of \$1.8 million as part payment for its interest.

Completion of the Harren transaction is conditional on Harren securing a debt funding package for the Vessel JV, and the project sanction by the Nautilus Board of Directors.

The Nautilus Board has approved the revised Solwara 1 project plan, together with the cost information relating to the project, and is aiming to provide full sanction of the project upon securing appropriate financing.

On May 6, 2011 Nautilus Minerals lifted the suspension on the order for the Subsea Slurry Lift Pump (SSLP) with GE Oil & Gas. The current remaining authorised value of the contract as at June 30, 2011 is \$27.1 million. The contract with GE Oil and Gas is cancellable by the Company at any time, however, in the event of cancellation, the Company would be liable for any costs incurred by GE Oil & Gas up to that point in time. No other penalties or cancellation fees are payable under this contract.

Nautilus Minerals Inc.

Notes to Consolidated Interim Financial Statements

For the three and six months ended June 30, 2011 and 2010

(expressed in US Dollars)

(unaudited)

2 Basis of preparation and adoption of IFRS

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011.

Accordingly, the Company commenced reporting on this basis in its interim consolidated financial statements. In these financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

These condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including *IAS 34, Interim Financial Reporting* and *IFRS 1, First-time Adoption of International Financial Reporting Standards*. The accounting policies followed in these interim financial statements are the same as those applied in the Company’s interim financial statements for the period ended March 31, 2011. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 15 discloses the impact of the transition to IFRS on the Company’s reported equity as at June 30, 2010 and comprehensive loss for the three and six months ended June 30, 2010, including the nature and effect of significant changes in accounting policies from those used in the Company’s consolidated financial statements for the year ended December 31, 2010.

The accounting policies applied in these condensed consolidated interim financial statements are based on IFRS effective for the year ended December 31, 2011, as issued and outstanding as of August 15, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these condensed consolidated interim financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed consolidated interim financial statements should be read in conjunction with the Company’s Canadian GAAP annual financial statements for the year ended December 31, 2010, and the Company’s interim financial statements for the quarter ended March 31, 2011 prepared in accordance with IFRS applicable to interim financial statements.

3 Accounting standards issued but not yet applied

International Financial Reporting Standard 9, Financial Instruments (“IFRS 9”)

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortised cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognised at fair value through profit or loss or at fair value through other comprehensive income. IFRS 9 has also been updated to include guidance on financial liabilities and derecognition of financial instruments. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

Nautilus Minerals Inc.

Notes to Consolidated Interim Financial Statements

For the three and six months ended June 30, 2011 and 2010

(expressed in US Dollars)

(unaudited)

3 Accounting standards issued but not yet applied (continued)

IFRS 10, IFRS 11, IFRS 12, IAS 27 IFRS 13, IAS 19 and IAS 28

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: IFRS 10, *Consolidated Financial Statements* (IFRS 10), IFRS 11, *Joint Arrangements* (IFRS 11), IFRS 12, *Disclosure of Interests in Other Entities* (IFRS 12), IAS 27, *Separate Financial Statements* (IAS 27), IFRS 13, *Fair Value measurement* (IFRS 13), IAS 19, *Employee Benefits* and amended IAS 28, *Investments in Associates and Joint Ventures* (IAS 28). Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

The following is a brief summary of the new standards:

International Financial Reporting Standard 10, Consolidation (“IFRS 10”)

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation – Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

International Financial Reporting Standard 11, Joint Arrangements (“IFRS 11”)

IFRS 11 requires a venture to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionally consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Controlled Entities – Non-monetary Contributions by Venturers*.

International Financial Reporting Standard 12, Disclosure of Interests in Other Entities (“IFRS 12”)

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

International Financial Reporting Standard 13, Fair Value Measurement (“IFRS 13”)

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Nautilus Minerals Inc.

Notes to Consolidated Interim Financial Statements

For the three and six months ended June 30, 2011 and 2010

(expressed in US Dollars)

(unaudited)

International Accounting Standard 19, Employee benefits ("IAS 19)

IAS 19 is amended to reflected (i) significant changes to recognition and measurement of defined benefit pension expense and termination benefits, and (ii) expanded disclosure requirements. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

4 Cash and cash equivalents

	June 30, 2011	December 31, 2010
	\$	\$
Cash	19,160,559	7,188,052
Cash Equivalents	92,816,647	157,944,883
	<u>111,977,206</u>	<u>165,132,935</u>

5 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. The value of the shares issued to Barrick was \$12,213,367, which was capitalized as mineral property acquisition costs in 2006.

Following the grant of the mining lease (ML154) for the Solwara 1 deposit on January 13, 2011 the Company believes that an economic benefit from the Solwara 1 deposit is more likely than not and has commenced capitalising exploration and evaluation costs associated with the Solwara 1 deposit.

\$

Period ended June 30, 2011

Opening balance at January 1, 2011	12,213,367
Boat charter and fuel	5,508,695
Drilling	11,185,278
Engineering services	519,012
Environmental consulting	4,273
Project management and oversight	5,669,976
Geological services and field expenses	599,002
Mineral property fees	20,110
Closing balance at June 30, 2011	<u>35,719,713</u>

Nautilus Minerals Inc.

Notes to Consolidated Interim Financial Statements

For the three and six months ended June 30, 2011 and 2010

(expressed in US Dollars)

(unaudited)

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.

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

6 Property, plant and equipment

Period ended June 30, 2011

	Opening Cost Balance	Additions	Disposals	Closing Cost Balance	Accum Dep'n	Closing Carrying Value
Leasehold improvements	627,325	75,839	-	703,164	(610,618)	92,546
Plant and equipment	771,151	1,392	(6,241)	766,302	(260,980)	505,322
Office equipment	2,367,404	165,734	-	2,533,138	(1,951,555)	581,583
Motor vehicles	162,794	2,768	-	165,562	(42,579)	122,983
Land	112,337	-	-	112,337	-	112,337
Subsea equipment under construction	26,984,140	18,820,878	-	45,805,018	-	45,805,018
Total property, plant & equipment	31,025,151	19,066,611	(6,241)	50,085,521	(2,865,732)	47,219,789

Year ended December 31, 2010

	Opening Cost Balance	Additions	Disposals	Closing Cost Balance	Accum Dep'n	Closing Carrying Value
Leasehold improvements	604,677	22,648	-	627,325	(584,136)	43,189
Plant and equipment	661,569	109,582	-	771,151	(213,078)	558,073
Office equipment	2,064,821	302,583	-	2,367,404	(1,753,112)	614,292
Motor vehicles	90,391	72,403	-	162,794	(32,641)	130,153
Land	30,101	82,236	-	112,337	-	112,337
Subsea equipment under construction	17,989,554	8,994,586	-	26,984,140	-	26,984,140
Total property, plant & equipment	21,441,113	9,584,038	-	31,025,151	(2,582,967)	28,442,184

7 Equity

Share options

No share options were granted during the six months ended June 30, 2011. There were 175,000 share options granted at an exercise price of C\$2.17 during the six months ended June 30, 2010.

Nautilus Minerals Inc.

Notes to Consolidated Interim Financial Statements

For the three and six months ended June 30, 2011 and 2010

(expressed in US Dollars)

(unaudited)

7 Equity (continued)

Share options (continued)

The changes in share options are as follows:

	Share options	Weighted average exercise price C\$
At January 1, 2010	14,533,500	3.08
Granted	1,275,000	2.29
Exercised	(20,000)	1.28
Forfeited	(1,070,000)	3.01
Expired	(3,722,500)	4.06
At December 31, 2010	10,996,000	2.67
Exercised	(291,000)	1.60
Forfeited	(600,000)	2.73
Expired	(875,000)	2.87
At June 30, 2011	9,230,000	2.68

Information relating to share options outstanding at June 30, 2011 is as follows:

Price range C\$	Outstanding share options	Vested stock options	Weighted average exercise price of outstanding options C\$	Weighted average exercise price of vested options C\$	Weighted average remaining life of outstanding options (months)
0.00 – 0.99	350,000	280,000	0.99	0.99	6.3
1.00 – 1.99	4,795,000	3,341,000	1.34	1.33	14.9
2.00 – 2.99	1,275,000	255,000	2.29	2.29	25.3
5.00 – 5.99	2,810,000	-	5.35	-	17.0
	9,230,000	3,876,000	2.68	1.37	16.7

Nautilus Minerals Inc.

Notes to Consolidated Interim Financial Statements

For the three and six months ended June 30, 2011 and 2010

(expressed in US Dollars)

(unaudited)

8 Exploration Expenditures

	Three months ended June 30 2011 \$	Three months ended June 30 2010 \$	Six months ended June 30 2011 \$	Six months ended June 30 2010 \$
Boat charter and fuel	558,325	-	1,514,097	-
Drilling	158,324	-	1,051,997	-
Engineering services	-	1,691,840	-	1,698,694
General and administration	19,042	920	38,470	26,565
Geological services and field expenses	98,669	41,071	107,980	226,014
Mineral property fees	153,371	147,103	623,669	156,886
Professional services	17,323	3,145	29,035	3,145
Travel	16,002	38,656	26,686	66,953
Wages and salaries	482,289	519,784	768,378	1,005,217
Total Exploration Expenditures	1,503,345	2,442,519	4,160,312	3,183,474

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 June 30, 2011, total rental commitments are \$3.7 million and total expenditure commitments are \$16.3 million over the life of the licenses which extend to a maximum of two years.

9 General and Administration Expenditures

	Three months ended June 30 2011 \$	Three months ended June 30 2010 \$	Six months ended June 30 2011 \$	Six months ended June 30 2010 \$
Office and general	839,769	733,099	1,547,150	1,235,047
Professional services	941,311	793,296	1,281,231	1,694,616
Salaries and wages	608,240	1,390,011	2,173,406	3,019,386
Shareholder related costs	173,741	121,105	320,242	251,535
Travel	436,933	159,481	577,981	300,940
Total General & Administration Expenditures	2,999,994	3,196,992	5,900,010	6,501,524

Nautilus Minerals Inc.

Notes to Consolidated Interim Financial Statements

For the three and six months ended June 30, 2011 and 2010

(expressed in US Dollars)

(unaudited)

10 Contingencies and Commitments

(a) Contingencies

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, being the issue of up to 300,000 fully paid common shares in the Company in stages, is subject to the achievement of various project milestones for Solwara 1.

(b) Commitments

Non-cancellable commitments

	June 30 2011 \$
<i>Non-cancellable operating leases</i>	
Not later than 1 year	1,140,536
Later than 1 year and not later than 2 years	1,032,831
Later than 2 years and not later than 3 years	1,020,253
Later than 3 years and not later than 4 years	1,020,253
Later than 4 years and not later than 5 years	16,786
	<u>4,230,659</u>
<i>Non-cancellable development agreements</i>	
Not later than 1 year	380,604
	<u>380,604</u>
Total non-cancellable commitments	<u><u>4,611,263</u></u>

Cancellable commitments

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.

The Company has contracted with Soil Machine Dynamics ("SMD") of Newcastle upon Tyne, UK for the design and build of the seafloor production tools. As at June 30, 2011, the remaining value of the contract is US\$68.5 million (equivalent). The contract with SMD is cancellable by the Company at any time; however, in the event of cancellation, the Company would be liable for any costs incurred by SMD up to that point in time. No other penalties or cancellation fees are payable under this contract.

On May 6, 2011 Nautilus lifted the suspension on the order for the Subsea Slurry Lift Pump (SSLP) with GE Oil & Gas. The current remaining authorised value of the contract as at June 30, 2011 is \$27.1 million. The contract with GE Oil and Gas is cancellable by the Company at any time, however, in the event of cancellation, the Company would be liable for any costs incurred by GE Oil & Gas up to that point in time. No other penalties or cancellation fees are payable under this contract.

Nautilus Minerals Inc.

Notes to Consolidated Interim Financial Statements

For the three and six months ended June 30, 2011 and 2010

(expressed in US Dollars)

(unaudited)

10 Contingencies and Commitments (continued)

(b) Commitments (continued)

Cancellable commitments (continued)

The Company has entered into an EPCM contract with Technip Oceania Pty Ltd. ("Technip") for engineering design, procurement and construction management for the integration of the subsea mining equipment onto a production support vessel. The current remaining authorised value of the contract as at June 30, 2011 is \$Nil.

The contract with Technip is cancellable by the Company at any time, however, in the event of cancellation, the Company would be liable for any costs incurred by Technip up to that point in time. No other penalties or cancellation fees are payable under this contract.

The Company has entered into a contract for the detailed design and management of construction for the dewatering plant to DRA Pacific Pty Ltd, the Australian subsidiary of a South African materials handling specialist with experience in the offshore diamond mining industry. As at June 30, 2011 the remaining value of the contract is \$2.6 million (equivalent). The contract with DRA is cancellable by the Company at any time, however, in the event of cancellation, the Company would be liable for any costs incurred by DRA up to that point in time. No other penalties or cancellation fees are payable under this contract.

The Technip USA EPCM contract for the Riser and Lifting system is the only contract that remains suspended without penalty. The contract will not incur any additional costs, unless instructed by the Company to continue with engineering studies, until those contracts are reactivated. As at June 30, 2011, the remaining value of the suspended contract was \$13.8 million. The suspended contract also contain provisions allowing the Company to cancel at any time.

11 Subsequent events

(a) Nautilus awarded exploration tenements in Eastern Pacific

On July 22, 2011 Nautilus Minerals' Tongan subsidiary, Tonga Offshore Mining Ltd. ("TOML"), became one of the first private sector organizations to be granted exploration licences in the highly prospective Clarion Clipperton Zone ("CCZ") of the Eastern Pacific.

Sponsored by the Tongan Government, TOML has been granted approximately 75,000 km² of prime exploration territory in the CCZ, which lies in international waters between Hawaii and Mexico.

As a result of exploration conducted in the 1980s, the CCZ is known to host significant deposits of polymetallic nodules, which are golf ball sized nuggets, rich in copper, nickel, manganese and cobalt, lying on the seafloor in water depths starting at 4500 metres.

The International Seabed Authority, which is the organization responsible for administering activity on the seafloor in international territory, made the historic decision to grant the TOML licence at its annual meeting in Jamaica this week. The licence is for an initial period of 15 years.

Nautilus Minerals Inc.

Notes to Consolidated Interim Financial Statements

For the three and six months ended June 30, 2011 and 2010

(expressed in US Dollars)

(unaudited)

11 Subsequent events (continued)

(b) Nautilus granted exploration tenements in Fijian waters

On August 11, 2011, Nautilus announced it had become the first private sector organisation to be granted offshore exploration licences in Fiji.

The Fijian Government granted the company 14 special prospecting licences, covering a total of approximately 60,000 km². The territory is considered highly prospective, having been the subject of marine research by Japanese, French and other scientific cruises in the late 1980s and early 1990s. The licences each have an initial term of two years.

Under the terms of a regional area of interest agreement signed with Teck Resources in 2007, Teck holds the right to earn an interest in the Fijian tenements by contributing to exploration spending. Teck has not yet indicated whether it intends to exercise that right.

12 Transition to IFRS

The effect of the company's transition to IFRS, described in Note 2, is summarised in this note as follows:

- a. Transition elections
- b. Reconciliation of the statement of financial position and comprehensive loss as previously reported under Canadian GAAP to IFRS
- c. Impact on the statement of cash flows

a. Transition elections

Set out below are the applicable IFRS 1 exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS:

- i. Exemption for share-based payment transactions
An IFRS 1 exemption allows the Company to not apply IFRS 2, "Share-based payment", to equity instruments granted after November 7, 2002 and vested before the date of transition to IFRS. The Company has elected to take the exemption and, as a result, was only required to recalculate the impact on any share based payments that have not vested at the date of transition, January 1, 2010.
- ii. Business combinations
An IFRS 1 exemption allows the Company to not apply IFRS 3(R), "Business Combinations", to business combinations that occurred before the date of transition to IFRS. The Company has elected to take this exemption.

Nautilus Minerals Inc.

Notes to Consolidated Interim Financial Statements

For the three and six months ended June 30, 2011 and 2010

(expressed in US Dollars)

(unaudited)

12 Transition to IFRS (continued)

b. Reconciliation of statement of financial position and comprehensive loss as previously reported under Canadian GAAP to IFRS

i. Statement of Financial Position as at June 30, 2010

	Note	Cdn GAAP	Adj	IFRS
ASSETS				
Current Assets				
Cash and Cash Equivalents		184,654,831	-	184,654,831
Prepaid Expenses and Advances		303,596	-	303,596
		<u>184,958,427</u>	-	<u>184,958,427</u>
Non-current Assets				
Restricted Cash		338,211	-	338,211
Property, plant and equipment		21,745,728	-	21,745,728
Mineral properties		12,213,367	-	12,213,367
		<u>34,297,306</u>	-	<u>34,297,306</u>
Total Assets		<u>219,255,733</u>	-	<u>219,255,733</u>
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities		3,176,559	-	3,176,559
		<u>3,176,559</u>	-	<u>3,176,559</u>
Non-current Liabilities				
Accounts payable and accrued liabilities		204,512	-	204,512
Non-controlling interests	(i)	173,698	(173,698)	-
Equity				
Share capital		343,598,701	-	343,598,701
Contributed surplus	(ii)	42,806,474	1,543,261	44,349,735
Deficit	(ii)	(170,704,211)	(1,543,261)	(172,247,472)
Non-controlling interest	(i)	-	173,698	173,698
Total Equity		<u>215,700,964</u>	<u>173,698</u>	<u>215,874,662</u>
Total Liabilities and Equity		<u>219,255,733</u>	-	<u>219,255,733</u>

Nautilus Minerals Inc.

Notes to Consolidated Interim Financial Statements

For the three and six months ended June 30, 2011 and 2010

(expressed in US Dollars)

(unaudited)

12 Transition to IFRS (continued)

b. Reconciliation of statement of financial position and comprehensive loss as previously reported under Canadian GAAP to IFRS (continued)

ii. Reconciliation of comprehensive loss as previously reported under Canadian GAAP to IFRS

	Note	Three months ended June 30, 2010			Six months ended June 30, 2010		
		Cdn GAAP	Adj	IFRS	Cdn GAAP	Adj	IFRS
Operating Expenses							
Exploration Costs	(ii)	2,498,807	(56,288)	2,442,519	3,292,750	(109,276)	3,183,474
General and Administration	(ii)	3,569,116	(372,124)	3,196,992	7,246,844	(745,320)	6,501,524
Environment	(ii)	116,167	(18,775)	97,392	235,473	(36,445)	199,028
Technology	(ii)	53,495	-	53,495	135,138	-	135,138
Development	(ii)	2,870,403	(30,023)	2,840,380	4,059,305	(58,273)	4,001,032
Depreciation		182,378	-	182,378	365,633	-	365,633
Other gains and losses (net)		2,782,669	-	2,782,669	5,162,571	-	5,162,571
Operating Loss		12,073,035	(477,210)	11,595,825	20,497,714	(949,314)	19,548,400
Interest income		(341,507)	-	(341,507)	(795,800)	-	(795,800)
Loss and comprehensive loss for the period		11,731,528	(477,210)	11,254,318	19,701,914	(949,314)	18,752,600
Loss and comprehensive loss attributable to:							
Equity owners of the Company		11,758,594	(477,210)	11,281,384	19,738,188	(949,314)	18,788,874
Non-controlling interests		(27,066)	-	(27,066)	(36,274)	-	(36,274)
Loss and comprehensive loss for the period		11,731,528	(477,210)	11,254,318	19,701,914	(949,314)	18,752,600

Explanatory Notes

- (i) Under IFRS, the non-controlling interests' share of the net assets of subsidiaries is included in equity and their share of the comprehensive loss of subsidiaries is allocated directly to equity. Under Canadian GAAP, non-controlling interests were presented as a separate item between liabilities and equity in the statement of financial position, and the non-controlling interests' share of income and other comprehensive income were deducted in calculating net income and comprehensive income of the entity. Non-controlling interest of \$173,698 at June 2010 and \$124,855 at December 31, 2010 as determined under Canadian GAAP, has been reclassified to equity.

There was no adjustment to the balance of the non-controlling interest on the adoption of IFRS.

Nautilus Minerals Inc.

Notes to Consolidated Interim Financial Statements

For the three and six months ended June 30, 2011 and 2010

(expressed in US Dollars)

(unaudited)

12 Transition to IFRS (continued)

b. Reconciliation of statement of financial position and comprehensive loss as previously reported under Canadian GAAP to IFRS (continued)

Explanatory Notes (continued)

- (ii) Under IFRS the calculation of fair value of stock options granted should take into account graded vesting and incorporate the expected forfeiture rate relating to those options. Under Canadian GAAP, forfeitures could be accounted for as they occurred. Any expense recorded relating to forfeited stock options that do not vest is reversed such that the impact on income is the same under Canadian GAAP and IFRS. Based on historical forfeitures the forfeiture percentage associated with stock options is 10% over the life of the stock options. The Company has therefore adjusted the stock based compensation to reflect the historical forfeiture rate. Share based payment adjustments are allocated to the functions in which they relate.

The loss for the three months and six months ended June 30, 2010 was decreased by \$477,210 and \$949,314 respectively.

c. Adjustments to the statement of cash flows

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the company.