

# **Nautilus Minerals Inc.**

(an exploration stage company)

## **Interim Consolidated Financial Statements**

**For the three and nine months ended September 30, 2011 and September 30, 2010**

(Expressed in US Dollars)

(unaudited)

# Nautilus Minerals Inc.

## Consolidated Statements of Financial Position

(expressed in US Dollars)

(unaudited)

	September 30, 2011	December 31, 2010
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 4)	155,143,091	165,132,935
Prepaid expenses and advances	1,677,123	556,500
	<u>156,820,214</u>	<u>165,689,435</u>
<b>Non-current assets</b>		
Restricted Cash	751,406	745,793
Property, plant and equipment (Note 6)	57,929,295	28,442,184
Mineral properties (Notes 5, 8)	39,619,369	12,213,367
	<u>98,300,070</u>	<u>41,401,344</u>
<b>TOTAL ASSETS</b>	<u>255,120,284</u>	<u>207,090,779</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	3,901,771	14,062,102
Joint venture contribution (Note 1)	1,797,081	-
	<u>5,698,852</u>	<u>14,062,102</u>
<b>Non-current liabilities</b>		
Accounts payable and accrued liabilities	2,621,857	435,241
	<u>8,320,709</u>	<u>14,497,343</u>
<b>Equity attributable to owners of the Company</b>		
Share Capital (Note 7)	417,126,794	343,635,585
Contributed Surplus	45,447,260	45,356,638
Deficit	(215,774,479)	(196,523,642)
	<u>246,799,575</u>	<u>192,468,581</u>
<b>Non-controlling interest</b>		
	-	124,855
Total Equity	<u>246,799,575</u>	<u>192,593,436</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>255,120,284</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 nine months ended September 30, 2011 and 2010

(expressed in US Dollars)

(unaudited)

	Three months ended September 30 2011	Three months ended September 30 2010	Nine months ended September 30 2011	Nine months ended September 30 2010
	\$	\$	\$	\$
<b>Operating expenses</b>				
Exploration costs (Note 8)	1,598,627	2,711,240	5,861,537	5,980,422
General and Administration (Note 9)	5,079,283	3,134,484	11,141,108	9,801,164
Environment	45,531	85,198	217,185	289,238
Technology	413,304	122,212	792,202	261,018
Development	87,846	3,011,041	328,496	7,118,162
<b>Operating loss</b>	<b>7,221,591</b>	<b>9,064,175</b>	<b>18,340,528</b>	<b>23,450,004</b>
Interest Income	(134,918)	(332,482)	(624,024)	(1,128,282)
Rent and other income	(199,443)	-	(207,114)	-
Foreign exchange (gains)/losses	4,501,409	(4,983,361)	1,866,303	179,210
<b>Loss and comprehensive loss for the period</b>	<b>11,391,639</b>	<b>3,748,332</b>	<b>19,375,692</b>	<b>22,500,932</b>
<b>Loss and comprehensive loss attributable to:</b>				
Equity owners of the Company	11,391,639	3,779,499	19,375,692	22,568,373
Non-controlling interest	-	(31,167)	-	(67,441)
<b>Loss and comprehensive loss for the period</b>	<b>11,391,639</b>	<b>3,748,332</b>	<b>19,375,692</b>	<b>22,500,932</b>
Weighted average number of shares outstanding, basic and diluted	162,750,501	155,558,884	158,053,923	155,558,884
<b>Loss per share</b>				
Basic and diluted	0.07	0.02	0.12	0.14

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

# Nautilus Minerals Inc.

## Consolidated Statements of Cash Flows

For the nine months ended September 30, 2011 and 2010

(expressed in US Dollars)

(unaudited)

	Nine months ended September 30 2011 \$	Nine months ended September 30 2010 \$
<b>Cash flows from operating activities</b>		
Loss for the period	(19,375,692)	(22,500,932)
Adjustment for items not affecting cash:		
Depreciation and amortization	402,387	536,616
Unrealized foreign exchange loss/(gains)	1,836,900	119,887
Share-based payments	706,049	1,469,481
Changes in non-cash working capital		
Prepaid expenses and advances	(1,120,623)	(239,620)
Accounts payable and accrued liabilities	(6,813,255)	(4,424,730)
<b>Net cash from operating activities</b>	<u>(24,364,234)</u>	<u>(25,039,298)</u>
<b>Cash flows from investing activities</b>		
Restricted cash	(5,613)	(142,749)
Joint venture contribution received	1,797,081	-
Non-controlling interest	-	(67,440)
Purchase of plant and equipment	(31,201,370)	(5,130,372)
Mineral property costs	(27,254,590)	-
<b>Net cash from investing activities</b>	<u>(56,664,492)</u>	<u>(5,340,561)</u>
<b>Cash flows from financing activities</b>		
Issuance of shares for cash - net of issue costs	72,875,782	-
<b>Net cash from financing activities</b>	<u>72,875,782</u>	<u>-</u>
<b>Effect of exchange rate changes on cash</b>	(1,836,900)	(119,887)
<b>Net decrease in cash and cash equivalents</b>	(9,989,844)	(30,499,746)
<b>Cash and cash equivalents - Beginning of period</b>	165,132,935	209,339,066
<b>Cash and cash equivalents - End of period (Note 4)</b>	<u>155,143,091</u>	<u>178,839,320</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)

	Share capital		Contributed Surplus	Deficit	Total	Non- controlling interest	Total equity
	Number of shares	Amount \$					
Balance Jan 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	1,065,000	1,543,724	-	-	1,543,724	-	1,543,724
Issue of shares in Share Loan Plan	200,000	-	-	-	-	-	-
Issue of shares in private placement	27,987,853	71,332,058	-	-	71,332,058	-	71,332,058
Share-based payments	-	-	706,049	-	706,049	-	706,049
Transfer of value on exercise of share options	-	615,427	(615,427)	-	-	-	-
Acquisition of non-controlling interest	-	-	-	124,855	124,855	(124,855)	-
Loss and comprehensive loss for the period	-	-	-	(19,375,692)	(19,375,692)	-	(19,375,692)
Balance Sep 30, 2011	184,831,737	417,126,794	45,447,260	(215,774,479)	246,799,575	-	246,799,575
Balance Jan 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	-	-	1,469,481	-	1,469,481	-	1,469,481
Loss attributable to non- controlling interest	-	-	-	67,441	67,441	(67,441)	-
Loss and comprehensive loss for the period	-	-	-	(22,568,373)	(22,568,373)	-	(22,568,373)
Balance Sep 30, 2010	155,558,884	343,598,701	44,692,378	(175,995,804)	212,295,275	142,531	212,437,806

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 nine months ended September 30, 2011 and 2010

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(expressed in US Dollars)

(unaudited)

### 1 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 focused 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 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, Nautilus announced that the State of PNG had signed an agreement and exercised its option to acquire a 30% stake in the Company's 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 (“Petromin”), a wholly owned company of the State, and which holds the State's mining and petroleum assets.

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

# Nautilus Minerals Inc.

## Notes to Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2011 and 2010

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(expressed in US Dollars)

(unaudited)

### 1 Corporate Information (continued)

#### *Corporate Development (continued)*

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”).

### 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 12 discloses the impact of the transition to IFRS on the Company’s reported equity as at September 30, 2010 and comprehensive loss for the three and nine months ended September 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 November 11, 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.

# Nautilus Minerals Inc.

## Notes to Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2011 and 2010

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(expressed in US Dollars)

(unaudited)

### 3 Accounting standards issued but not yet applied

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

IFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9’s full impact or whether it will adopt the standard early.

#### *IFRS 10, IFRS 11, IFRS 12, IAS 27 IFRS 13 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) 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*.

# Nautilus Minerals Inc.

## Notes to Consolidated Interim Financial Statements

For the three and nine months ended September 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 and IAS 28 (continued)*

##### *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.

### 4 Cash and cash equivalents

	<b>September 30, 2011</b>	<b>December 31, 2010</b>
	\$	\$
Cash	86,810,327	7,188,052
Cash Equivalents	68,332,764	157,944,883
	<u>155,143,091</u>	<u>165,132,935</u>

### 5 Mineral properties

In 2006, the Company entered into an agreement with Barrick Gold Inc to acquire the remaining interest which Barrick held in certain PNG exploration licences in return for Barrick being issued with common shares in the Company. The Company thereby secured a 100% interest in the PNG exploration licences. The value of the shares issued to Barrick was \$12,213,367, which was capitalized as mineral property acquisition costs in 2006.

As a result of 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, accordingly, has commenced capitalising exploration and evaluation costs associated with the Solwara 1 deposit.

# Nautilus Minerals Inc.

## Notes to Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2011 and 2010

(expressed in US Dollars)

(unaudited)

### 5 Mineral properties (continued)

\$

#### Period ended September 30, 2011

<b>Opening balance at January 1, 2011</b>	<b>12,213,367</b>
Boat charter and fuel	5,518,127
Drilling	11,504,933
Engineering services	1,171,839
Environmental consulting	28,916
Project management and oversight	8,432,521
Geological services and field expenses	727,250
Mineral property fees	22,416
<b>Closing balance at September 30, 2011</b>	<b>39,619,369</b>

The Company has titles granted and applications lodged that provide the Company with rights to explore for minerals in offshore Papua New Guinea, Tonga, Fiji, Solomon Islands and the Clarion Clipperton Zone in the eastern Pacific. In addition, the Company has lodged exploration or prospecting applications in the exclusive economic zone of 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 September 30, 2011

	<b>Opening Cost Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Closing Cost Balance</b>	<b>Accum Dep'n</b>	<b>Closing Carrying Value</b>
Leasehold improvements	627,325	77,872	-	705,197	(613,784)	91,413
Plant and equipment	771,151	2,574	(6,241)	767,484	(285,909)	481,575
Office equipment	2,367,404	232,356	-	2,599,760	(2,035,987)	563,773
Motor vehicles	162,794	2,768	-	165,562	(47,563)	117,999
Land	112,337	354,632	-	466,969	-	466,969
Subsea equipment under construction	26,984,140	29,223,426	-	56,207,566	-	56,207,566
<b>Total property, plant &amp; equipment</b>	<b>31,025,151</b>	<b>29,893,628</b>	<b>(6,241)</b>	<b>60,912,538</b>	<b>(2,983,243)</b>	<b>57,929,295</b>

# Nautilus Minerals Inc.

## Notes to Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2011 and 2010

(expressed in US Dollars)

(unaudited)

### 6 Property, plant and equipment (continued)

	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
<b>Total property, plant &amp; equipment</b>	<b>21,441,113</b>	<b>9,584,038</b>	<b>-</b>	<b>31,025,151</b>	<b>(2,582,967)</b>	<b>28,442,184</b>

### 7 Equity

#### Share options

There were 900,000 share options granted during the nine months ended September 30, 2011 at an exercise price of C\$2.91. There were 1,275,000 share options granted at a weighted average exercise price of C\$2.29 during the nine months ended September 30, 2010.

The changes in share options are as follows:

	Share options	Weighted average exercise price C\$
<b>At January 1, 2010</b>	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
<b>At December 31, 2010</b>	<b>10,996,000</b>	<b>2.67</b>
Granted	900,000	2.91
Exercised	(1,085,000)	1.43
Forfeited	(805,000)	3.24
Expired	(875,000)	2.87
<b>At September 30, 2011</b>	<b>9,151,000</b>	<b>2.77</b>

# Nautilus Minerals Inc.

## Notes to Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2011 and 2010

(expressed in US Dollars)

(unaudited)

### 7 Equity (continued)

#### *Share Options (continued)*

Information relating to share options outstanding at September 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	350,000	0.99	0.99	3.3
1.00 – 1.99	3,991,000	2,655,800	1.34	1.31	13.0
2.00 – 2.99	2,175,000	510,000	2.55	2.29	27.6
5.00 – 5.99	2,635,000	-	5.35	-	14.0
	<u>9,151,000</u>	<u>3,515,800</u>	<u>2.77</u>	<u>1.42</u>	<u>16.4</u>

#### *Restricted Shares*

The Company's share loan plan (the "Loan Plan") was approved by the Company's shareholders at the Annual General Meeting in July 2011. The Loan Plan provides for security-based compensation in a manner similar to a stock option plan by enabling participants to acquire an equity interest in the Company using a limited recourse loan provided by a subsidiary of the Company.

The Loan Plan provides for loans to be made to eligible employees who will apply the proceeds toward a subscription for shares. The loans will be made by a subsidiary of the Company and the shares issued by Nautilus will be registered in the name of an administrative agent for the benefit of the applicable employee.

The loans will not bear interest, and the Lender's recourse will be limited to the value of the shares. If the employee elects to sell the shares, the proceeds will be used to repay the loan and any brokerage and other fees, and the employee will be entitled to any remaining balance.

Employees can only elect to sell the shares if the then-current market price is greater than the subscription price paid for those shares, such that the net proceeds of the sale will equal or exceed the outstanding loan balance in respect the shares being sold. An employee may, during the term of the loan, elect to repay the loan and become the registered holder of the shares. If an employee ceases to be eligible to participate in the Loan Plan or if the term of the loan expires before the loan is repaid, the administrative agent will return the shares to the Company, and both the loan and the shares will be cancelled.

Shares issued pursuant to the Loan Plan are referred to as "Restricted Shares" as long as they are outstanding and registered in the name of the agent.

# Nautilus Minerals Inc.

## Notes to Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2011 and 2010

(expressed in US Dollars)

(unaudited)

### 7 Equity (continued)

#### *Restricted Shares (continued)*

There were 200,000 restricted shares issued under the Company's share loan plan during the nine months ended September 30, 2011 at an issue price of C\$2.91.

The changes in restricted share are as follows:

	Restricted Shares	Weighted average subscription price C\$
<b>At January 1, 2011</b>	-	-
Granted	200,000	2.91
<b>At September 30, 2011</b>	<b>200,000</b>	<b>2.91</b>

Information relating to restricted shares outstanding at September 30, 2011 is as follows:

Price range C\$	Outstanding restricted shares	Vested restricted shares	of outstanding restricted shares	Weighted average subscription price C\$	Weighted average subscription price of vested restricted shares C\$	Weighted average remaining life of outstanding restricted shares (months)
2.00 – 2.99	200,000	-	-	2.91	-	35.0
	200,000	-	-	2.91	-	35.0

# Nautilus Minerals Inc.

## Notes to Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2011 and 2010

(expressed in US Dollars)

(unaudited)

### 8 Exploration Expenditures

	Three months ended September 30 2011 \$	Three months ended September 30 2010 \$	Nine months ended September 30 2011 \$	Nine months ended September 30 2010 \$
Boat charter and fuel	691,136	-	2,205,233	-
Drilling	26,864	8,498	1,078,861	8,498
Engineering services	-	751,272	-	2,449,966
General and administration	19,186	119,524	57,656	146,089
Geological services and field expenses	43,615	127,206	151,595	353,220
Mineral property fees	253,567	868,926	877,236	1,025,812
Professional services	11,433	59,436	40,468	62,581
Travel	25,189	125,058	51,875	192,011
Wages and salaries	501,634	600,176	1,270,012	1,605,393
Total Exploration Expenditures	1,572,624	2,660,096	5,732,936	5,843,570

The Company's 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 whether joint ventures are formed in the future. Based on tenements granted at June 30, 2011, total rental commitments are \$4.4 million and total expenditure commitments are \$17.3 million over the life of the licenses which extend to a maximum of two years.

### 9 General and Administration Expenditures

	Three months ended September 30 2011 \$	Three months ended September 30 2010 \$	Nine months ended September 30 2011 \$	Nine months ended September 30 2010 \$
Office and general	1,100,294	669,982	2,647,444	1,905,029
Professional services	1,476,244	378,347	2,757,475	2,072,963
Salaries and wages	1,666,096	1,706,787	3,839,502	4,726,173
Shareholder related costs	145,013	102,888	465,255	354,423
Travel	609,018	217,352	1,186,999	518,292
Total General & Administration Expenditures	4,996,665	3,075,356	10,896,675	9,576,880

# Nautilus Minerals Inc.

## Notes to Consolidated Interim Financial Statements

For the three and nine months ended September 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, for 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 Exploration Licence 1196 ("EL 1196") 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.

#### (b) Commitments

##### *Non-cancellable commitments*

	<b>September 30 2011 \$</b>
<i>Non-cancellable operating leases</i>	
Not later than 1 year	1,037,145
Later than 1 year and not later than 2 years	942,846
Later than 2 years and not later than 3 years	942,846
Later than 3 years and not later than 4 years	711,012
Later than 4 years and not later than 5 years	15,512
	<u>3,649,360</u>
<b>Commitments</b>	<u>3,649,360</u>

# Nautilus Minerals Inc.

Notes to Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2011 and 2010

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(expressed in US Dollars)

(unaudited)

## 10 Contingencies and Commitments

### (b) Commitments (continued)

#### *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 entered into various contracts for the design and build of the seafloor productions system. As at September 30, 2011, the remaining value of the contracts is US\$132.4 million (equivalent). The contracts are cancellable by the Company at any time; however, in the event of cancellation, the Company would be liable for any costs incurred up to that point in time. No other penalties or cancellation fees are payable under these contracts.

## 11 Subsequent events

### **Final Tranche of Private Placement Closed**

On October 6, 2011 Nautilus received gross proceeds of C\$27.6 million from the issue of the second tranche of shares forming the final part of the private placement announced in August, 2011. A total of 10,940,004 shares were issued in the second tranche at the issue price of C\$2.52 per share.

The shares formed part of a total capital raising of C\$98.1 million, before expenses, involving the issue of approximately 39 million shares. The first tranche of approximately 28 million shares was issued on September 8, 2011.

# Nautilus Minerals Inc.

## Notes to Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2011 and 2010

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(expressed in US Dollars)

(unaudited)

### 12 Transition to IFRS

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

#### 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 nine months ended September 30, 2011 and 2010

(expressed in US Dollars)

(unaudited)

### 15 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 December 31, 2010

	Note	Cdn GAAP	Adj	IFRS
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents		165,132,935	-	165,132,935
Prepaid Expenses and Advances		556,500	-	556,500
		<u>165,689,435</u>	-	<u>165,689,435</u>
<b>Non-current Assets</b>				
Restricted Cash		745,793	-	745,793
Property, plant and equipment		28,442,184	-	28,442,184
Mineral properties		12,213,367	-	12,213,367
		<u>41,401,344</u>	-	<u>41,401,344</u>
<b>Total Assets</b>		<u>207,090,779</u>	-	<u>207,090,779</u>
<b>LIABILITIES AND EQUITY</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities		14,062,102	-	14,062,102
		<u>14,062,102</u>	-	<u>14,062,102</u>
<b>Non-current Liabilities</b>				
Accounts payable and accrued liabilities		435,241	-	435,241
<b>Non-controlling interests</b>	(i)	124,855	(124,855)	-
<b>Equity</b>				
Share capital		343,635,585		343,635,585
Contributed surplus	(ii)	44,851,558	505,080	45,356,638
Deficit	(ii)	(196,018,562)	(505,080)	(196,523,642)
Non-controlling interest	(i)	-	124,855	124,855
<b>Total Equity</b>		<u>192,468,581</u>	<u>124,855</u>	<u>192,593,436</u>
<b>Total Liabilities and Equity</b>		<u>207,090,779</u>	-	<u>207,090,779</u>

# Nautilus Minerals Inc.

## Notes to Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2011 and 2010

(expressed in US Dollars)

(unaudited)

### ii. Statement of Financial Position as at September 30, 2010

	Note	Cdn GAAP	Adj	IFRS
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents		178,839,320	-	178,839,320
Prepaid Expenses and Advances		655,003	-	655,003
		<u>179,494,323</u>	-	<u>179,494,323</u>
<b>Non-current Assets</b>				
Restricted Cash		485,057	-	485,057
Property, plant and equipment		24,150,179	-	24,150,179
Mineral properties		12,213,367	-	12,213,367
		<u>36,848,603</u>	-	<u>36,848,603</u>
<b>Total Assets</b>		<u>216,342,926</u>	-	<u>216,342,926</u>
<b>LIABILITIES AND EQUITY</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities		3,690,453	-	3,690,453
		<u>3,690,453</u>	-	<u>3,690,453</u>
<b>Non-current Liabilities</b>				
Accounts payable and accrued liabilities		214,526	-	214,526
<b>Non-controlling interests</b>	(i)	142,531	(142,531)	-
<b>Equity</b>				
Share capital		343,598,701	-	343,598,701
Contributed surplus	(ii)	43,764,830	927,548	44,692,378
Deficit	(ii)	(175,068,115)	(927,548)	(175,995,804)
Non-controlling interest	(i)	-	142,531	142,531
<b>Total Equity</b>		<u>212,295,416</u>	<u>142,531</u>	<u>212,437,806</u>
<b>Total Liabilities and Equity</b>		<u>216,342,926</u>	-	<u>216,342,926</u>

# Nautilus Minerals Inc.

## Notes to Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2011 and 2010

(expressed in US Dollars)

(unaudited)

### 15 Transition to IFRS (continued)

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

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

	Note	Three months ended September 30, 2010			Nine months ended September 30, 2010		
		Cdn GAAP	Adj	IFRS	Cdn GAAP	Adj	IFRS
<b>Operating Expenses</b>							
Exploration Costs	(ii)	2,729,777	(69,681)	2,660,096	6,022,527	(178,957)	5,843,570
General and Administration	(ii)	3,582,279	(506,923)	3,075,356	10,829,122	(1,252,242)	9,576,880
Environment	(ii)	106,841	(23,250)	83,591	342,314	(59,695)	282,619
Technology	(ii)	119,907	-	119,907	255,045	-	255,045
Development	(ii)	2,969,960	(15,718)	2,954,242	7,029,265	(73,991)	6,955,274
Depreciation		170,983	-	170,983	536,616	-	536,616
Other gains and losses (net)		(4,983,361)	-	(4,983,361)	179,210	-	179,210
<b>Operating Loss</b>		<b>4,696,386</b>	<b>(615,572)</b>	<b>4,080,814</b>	<b>25,194,099</b>	<b>(1,564,885)</b>	<b>23,629,214</b>
Interest income		(332,482)	-	(332,482)	(1,128,282)	-	(1,128,282)
<b>Loss and comprehensive loss for the period</b>		<b>4,363,904</b>	<b>(615,572)</b>	<b>3,748,332</b>	<b>24,065,817</b>	<b>(1,564,885)</b>	<b>22,500,932</b>
<b>Loss and comprehensive loss attributable to:</b>							
Equity owners of the Company		4,395,071	(615,572)	3,779,449	24,133,258	(1,564,885)	22,568,373
Non-controlling interests		(31,167)	-	(31,167)	(67,441)	-	(67,441)
<b>Loss and comprehensive loss for the period</b>		<b>4,363,904</b>	<b>(615,572)</b>	<b>3,748,332</b>	<b>24,065,817</b>	<b>(1,564,885)</b>	<b>22,500,932</b>

#### 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 loss and other comprehensive loss were deducted in calculating net loss and comprehensive loss of the entity. Non-controlling interest of \$142,531 at September 30 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 nine months ended September 30, 2011 and 2010

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(expressed in US Dollars)

(unaudited)

### 15 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 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 have not vested is reversed such that the overall 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 to which they relate.

The loss for the three months and nine months ended September 30, 2010 was decreased by \$615,572 and \$1,564,885 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.