

# Press Release

Number 2018 – 11

## Nautilus Announces Preliminary Economic Assessment for its Solwara 1 Project

**Toronto Ontario, February 27, 2018 - Nautilus Minerals Inc. (TSX:NUS, OTC:NUSMF Nasdaq Intl Designation)** (the "Company" or "Nautilus") is pleased to announce the results of a Preliminary Economic Assessment ("PEA") prepared by AMC Consultants Pty Ltd ("AMC"), contained in an independent National Instrument 43-101 ("NI 43-101") technical report, for the development of the Solwara 1 Project in the Bismarck Sea of Papua New Guinea ("PNG").

The PEA details the proposed production system and methodology, and provides estimates of operating costs, CAPEX to completion, metal production, and cash flows.

Highlights include:

- Solwara 1 is fully permitted
- PNG Government is a 15% partner
- 15 month ramp up to "steady state" production (~3,200 t/mth)
- Steady-state payable metal production per quarter ~ 20 kt Cu and 29 koz Au
- C1 costs\*
  - US\$1.36/lb Cu for the entire deposit
  - US\$0.80/lb Cu when at projected "steady state" (3,200 t/d)
- Undiscounted post-tax net cash flow of US\$179 million
- Discounted net cash flow, discounting at 15% per annum, of US\$56 million
- IRR base case 28%\*, rising to 40% using average forward curve metal prices for copper and gold during the production period (as at the PEA's effective date)
- ~US\$243 million of CAPEX remaining to be raised (subject to financing) and spent until production commences
- Taxes and royalty payments from Solwara 1 are estimated to be more than USD\$100 million over the 3 year project life (including ramp-up)

The PEA models first production starting Q3 2019, and also shows that the Project has a high fixed cost component (~52%), largely vessel related, and is highly leveraged to metal grade, metal prices, equipment utilization and production rates. The maximum capacity of the production system is designed at ~6,000 tpd. AMC believes that if a steady-state production rate of 4,500 tpd is achieved, not an unreasonable target in their assessment, then C1 costs would be expected to be lowered to around USD\$0.63/lb Cu (net of by-products), well in the lower half of the first quartile of the world copper production curve.

Mike Johnston, Nautilus' CEO commented: "We are very excited by the results of the PEA. Expected C1 operating costs at US\$1.36/lb Cu for the entire project are in the lower half of the cost curve, and include the 15 month ramp up period. Expected "steady-state" C1 operating costs of US\$0.80/lb Cu sit comfortably in the lower half of the first quartile of the production curve, and highlight the potentially seriously disruptive nature of seafloor mining to the world's mining industry. These are very competitive capital and operating costs, and have additional room to move."

The production systems on which the PEA is based are currently under construction.

The Nautilus business model is based on using the capital, IP, and know how that Nautilus has developed for the Solwara 1 Project, and applying it to future discoveries at minimal additional CAPEX cost, and with a much reduced "ramp up curve" for subsequent projects.

The oceans have significant potential to provide the key minerals (copper, gold, silver, zinc, nickel, cobalt and manganese) needed by the world as it transitions to a low carbon future based on electric vehicles and batteries. Nautilus' seafloor production system with its very small environmental footprint, lack of tailings, and industry leading OPEX and CAPEX costs, will allow the Company and its partner, Eda Kopa (Solwara) Limited to lead the world in this exciting new industry.

### **About AMC and the Technical Report**

The Company's subsidiary, Nautilus Minerals Niugini Ltd, engaged AMC to undertake the PEA for the Solwara 1 Project and compile a technical report compliant with NI 43-101. AMC is one of the world's most trusted mining consulting companies and operates from eight offices in Australia, Canada, Singapore, Russia and the United Kingdom. It helps mining leaders find smarter ways to mine and unearth hidden business value. AMC provides specialist services in geology and mineral resource estimation, mining engineering, mineral processing, geometallurgy, and geotechnical engineering. Its global team of experts prepares mine feasibility studies, conducts studies to optimize and improve operating mines, and provides specialist technical reports for corporate and financial transactions. AMC has a long track record of producing high-quality results that provide confidence to explorers, miners and investors.

The Company is today filing the technical report dated February 27, 2018, prepared by AMC entitled "Nautilus Solwara 1 PEA". The authors of the technical report, all of whom are "qualified persons" under NI 43-101, are Ian Thomas Lipton, Edward Vincent Gleeson, and Peter Munro. The technical report will be available under the Company's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com) as well as on the Company's website at [www.nautilusminerals.com](http://www.nautilusminerals.com).

### **About Solwara 1**

The Solwara 1 Project is a deep-sea mining project located in the Bismarck Sea of PNG. Construction of a commercial-scale mining operation to extract deep-sea metallic mineral resources is well advanced. Production has not yet occurred.

The PEA is based on the existing mineral resource estimate at the Solwara 1 Project. The Company cautions that the PEA is preliminary in nature, that it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized. A pre-feasibility study has not been undertaken. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

All dollar amounts in this release are presented in US dollars unless otherwise stated.

The results of the PEA represent forward-looking information that are subject to a number of risks, uncertainties and other factors that may cause results to differ materially from those presented herein. See "Forward-Looking Statements" below. Completion of the production system and initiation of mining operations at the Solwara 1 Project are also dependent on the Company raising the remaining capital required, and there can be no assurances that this can be achieved.

All scientific and technical information contained in this news release has been reviewed and approved by Ian Lipton, Principal Geologist at AMC, who is a "qualified person" under NI 43-101.

\* **Notes:** The PEA is based on a first production date of Q3 2019. The Company is currently forecasting a Q2 2019 first production date (subject to financing), but this is also subject to finalizing the ship build contract delivery date between Mawei Shipyard and MAC, and finalizing the integration philosophy and methodology (due early Q2 2018). The PEA's effective date is 1<sup>st</sup> January 2018. Metal prices used in the PEA's base case were \$7,319/t Cu, \$1,200/Oz Au, \$18.00/Oz Ag. The upside case used copper and gold prices averaged over the forward curve for the proposed production period (out to Q2 2022), on the effective date (1<sup>st</sup> January 2018), and were estimated by AMC using US\$7,981/tonne Cu, and US\$1,391/Oz Au prices. All other cost and production parameters are detailed in the PEA.

C1 cash costs per pound is a financial performance measure based on cost of sales and includes treatment and refinement charges and by-product credits, but excludes the impact of depreciation and royalties. C1 does not have any standardized meaning under Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards, and may not be comparable to similar measures of performance presented by other companies.

For more information please refer to [www.nautilusminerals.com](http://www.nautilusminerals.com) or contact:

Investor Relations  
Nautilus Minerals Inc. (Toronto)  
Email: [investor@nautilusminerals.com](mailto:investor@nautilusminerals.com)  
Tel: +1 416 551 1100

**The TSX does not accept responsibility for the adequacy or accuracy of this press release.**

### **Forward-Looking Statements**

Certain of the statements made in this news release contain "forward-looking information" within the meaning of applicable Canadian securities laws and "forward-looking statements" within the meaning of applicable United States securities legislation. This information and these statements, referred to herein as "forward-looking statements", are made as of the date of this news release. Forward-looking statements relate to future events or future performance and reflect current estimates, predictions, expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the PEA including estimated amount of future production; life of mine estimates; and estimates of capital costs, operating costs and economic returns from an operating mine at the Solwara 1 Project. The cost information is also prepared using current values, but the time for incurring the costs will be in the future and it is assumed that costs will remain stable over the relevant period.

All forward-looking statements are based on the Company's or its consultants' current beliefs as well as various assumptions made by and information currently available to them. These assumptions include: the presence and continuity of metals at the Solwara 1 Project at modelled grades; the geotechnical and metallurgical characteristics of mineralised material conforming to sampled results; the function, capacity and performance of various equipment and machinery involved in the seafloor production system; the availability of personnel and equipment at estimated prices; currency exchange rates; metals sales prices; appropriate discount rates applied to the cash flows in the economic analysis; tax rates and royalty rates applicable to the proposed mining operation; anticipated mining losses and dilution; metallurgical performance; reasonable contingency requirements; receipt of regulatory approvals on acceptable terms; the fulfilment of environmental assessment commitments and arrangements with local communities; and assumptions relating to the Company's funding requirements and progression of project funding. Even though our management believes the assumptions made and the expectations represented by such statements are reasonable, there can be no assurance that they will prove to be accurate. Many forward-looking statements are made assuming the correctness of other forward-looking statements, such as statements of net present value and internal rate of return, which are based on most of the other forward-looking statements and assumptions contained herein. Reference should be made to the entire technical report (at [www.sedar.com](http://www.sedar.com)) for all assumptions, details and risks relating to the PEA.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that estimates, forecasts, projections and other forward-looking statements will not be achieved or that assumptions do not reflect future experience. We caution readers not to place undue reliance on these forward-looking statements as a number of important factors could cause the actual outcomes to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates, assumptions and intentions expressed in such forward-looking statements. These risk factors may be generally stated as the risk that the assumptions and estimates expressed above do not occur as forecast, but specifically include, without limitation: variations in the mineral content within the material identified as mineral resources from that predicted; variations in rates of recovery and extraction; developments in world metals markets; increases in the estimated capital and operating costs or unanticipated costs; the risk that the seafloor production system will not operate as designed; difficulties attracting the necessary work force; tax rates or royalties being greater than assumed; changes in development or mining plans due to changes in logistical, technical or other factors; changes in project parameters as plans continue to be refined; risks relating to receipt of permits and regulatory approvals; delays in stakeholder negotiations; changes to the law and regulations applicable to the project from what currently exists;

the effects of competition in the markets in which the Company operates; operational and infrastructure risks; and management's discretion to alter the Company's short and long term business plans.

Please also refer to our most recently filed Annual Information Form in respect of material assumptions and risks related to the prospects of extracting minerals from the seafloor and other risks relating to the Company's business and plans for development of the Solwara 1 Project. Risks related to continuing the Company's operations and advancing the development of the Solwara 1 Project include the risk that the Company will be unable to obtain at all or on acceptable terms, and within the timeframes required, the remaining financings necessary to fund completion of the build, testing and deployment of the Company's seafloor production system; that the Company will be unable to rectify or arrange for the rectification of the default under the shipbuilding contract for the construction of the Production Support Vehicle (as announced on 11 December 2017); and that agreements with third party contractors for building slots within certain timeframes are not secured as required.

The Company cautions that the foregoing list of factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. The Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by the Company or on our behalf, except as required by law.

### **About Nautilus Minerals Inc.**

Nautilus is the first company to explore the ocean floor for polymetallic seafloor massive sulphide deposits. Nautilus was granted the first mining lease for such deposits at the prospect known as Solwara 1, in the territorial waters of Papua New Guinea, where it is aiming to produce copper, gold and silver. The Company has also been granted its environmental permit for this site.

Nautilus also holds highly prospective exploration acreage in the western Pacific (granted and under application), as well as in international waters in the Central Pacific.

A Canadian registered company, Nautilus is listed on the TSX:NUS stock exchange and is also a member of the Nasdaq International Designation program. Its corporate office is in Brisbane, Australia. Its major shareholders include MB Holding Company LLC, an Oman based group with interests in mining, oil & gas, which holds a 29.3% interest and Metalloinvest, the largest iron ore producer in Europe and the CIS, which has a 18.5% holding (each on a non-diluted basis, excluding loan shares outstanding under the Company's share loan plan).