

Nautilus Minerals Inc.

(an exploration stage company)

Consolidated Financial Statements

**For the quarter ended March 31, 2018 and
March 31, 2017**

(Expressed in US Dollars)

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING AND NOTICE OF NO AUDITOR REVIEW

The preparation and presentation of the accompanying consolidated financial statements, Management Discussion and Analysis (“MD&A”) are the responsibility of management and have been approved by the Board of Directors.

Under section 4.3(3)(a) of National Instrument 51-102 *Continuous Disclosure Standards*, if an auditor has not performed a review of the interim financial statements, the statements must be accompanied by a notice indicating that the interim financial statements have not been reviewed by the auditor.

The Company's independent auditor has not performed a review of the accompanying interim financial statements.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Financial statements, by nature, are not precise since they include certain amounts based upon estimates and judgements. When alternative methods exist, management has chosen those it deems to be the most appropriate in the circumstances.

Management, under the supervision of and the participation of the President and Chief Financial Officer, have a process in place to evaluate disclosure controls and procedures and internal control over financial reporting as required by Canadian securities regulations. We, as President and Chief Financial Officer, will certify our annual filings with the CSA as required in Canada by National Instrument 52-109.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee which is independent from management.

The Audit Committee is appointed by the Board of Directors and reviews the consolidated financial statements and MD&A; considers the report of the external auditors; examines the fees and expense for audit services; and recommends to the Board the independent auditors for appointment by the shareholders. The independent auditors have full and free access to the Audit Committee and meet with the Audit Committee to discuss their audit work, the Company’s internal control over financial reporting and financial reporting matters. The Audit Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders.

Signed: “Michael Johnston”

President and Chief Executive Officer

Signed: “Glenn Withers”

Chief Financial Officer

Nautilus Minerals Inc.

Consolidated Statements of Financial Position

(expressed in US Dollars)

| | March 31, 2018 \$ | December 31, 2017 \$ |
|---|-------------------------|----------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents (Note 4) | 171,730 | 240,636 |
| Prepaid expenses and advances | 692,879 | 610,342 |
| | 864,609 | 850,978 |
| Non-current assets | | |
| Restricted cash (Note 8) | 703,881 | 716,625 |
| Prepaid expenses and advances (Note 11) | 8,500,000 | 8,500,000 |
| Property, plant and equipment (Note 10) | 260,647,629 | 252,653,567 |
| Exploration and evaluation assets (Note 9) | 55,223,587 | 54,502,840 |
| | 325,075,097 | 316,373,032 |
| TOTAL ASSETS | 325,939,706 | 317,224,010 |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Note 5) | 25,816,823 | 19,830,646 |
| Loans payable (Note 6) | 3,781,670 | - |
| Project partner contribution (Note 7) | 16,874,686 | 15,630,061 |
| Provision for employee entitlements | 653,378 | 735,954 |
| | 47,126,557 | 36,196,661 |
| Non-current liabilities | | |
| Accounts payable and accrued liabilities (Note 5) | 645,190 | 645,190 |
| Project partner contribution (Note 7) | 34,968,823 | 37,818,403 |
| Provision for employee entitlements | 226,396 | 226,396 |
| | 35,840,409 | 38,689,989 |
| TOTAL LIABILITIES | 82,966,966 | 74,886,650 |
| Equity (Note 13) | | |
| Share Capital | 547,642,121 | 547,642,121 |
| Contributed Surplus | 53,764,212 | 50,632,591 |
| Deficit | (358,433,593) | (355,937,352) |
| Total Equity | 242,972,740 | 242,337,360 |
| TOTAL LIABILITIES AND EQUITY | 325,939,706 | 317,224,010 |

Going Concern (Note 2)

Commitments (Note 16)

Subsequent Events (Note 18)

Approved by the Board of Directors

Signed: "Tariq Al Barwani"

Signed: "John McCoach"

Tariq Al Barwani

John McCoach

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

Nautilus Minerals Inc.

Consolidated Statements of Loss and Comprehensive Loss For the three months ended March 31, 2018 and 2017

(expressed in US Dollars)

| | Three months ended March 31, 2018 \$ | Three months ended March 31, 2017 \$ |
|---|---|---|
| Operating expenses | | |
| Exploration (Note 14) | 310,778 | 914,388 |
| General and administration (Note 15) | 1,904,173 | 1,053,329 |
| Corporate social responsibility | 158,046 | 568,494 |
| Technology | 18,485 | 54,604 |
| Development – PSV management | 24,387 | 23,722 |
| Foreign exchange loss / (gain) | 171,526 | (194,094) |
| Operating loss | 2,587,395 | 2,420,443 |
| Interest income | - | (2,647) |
| Rent and other income | (91,154) | (46,751) |
| Loss and comprehensive loss for the year | 2,496,241 | 2,371,045 |
| Weighted average number of shares outstanding, basic and diluted | 702,504,191 | 646,842,614 |
| Loss per share | | |
| Basic and diluted | 0.004 | 0.004 |

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

Nautilus Minerals Inc.

Consolidated Statements of Cash Flows

For the three months ended March 31, 2018 and 2017

(expressed in US Dollars)

| | Three months ended March 31, 2018 \$ | Three months ended March 31, 2017 \$ |
|---|---|---|
| Operating activities | | |
| Loss for the year | (2,496,241) | (2,371,045) |
| Adjustments for: | | |
| Depreciation and amortization | 58,771 | 74,256 |
| Unrealized foreign exchange (gain) loss | 153,409 | (193,696) |
| Share-based payments | 1,779 | 40,629 |
| Changes in non-cash working capital: | | |
| Prepaid expenses and advances | (177,077) | 185,568 |
| Accounts payable and accrued liabilities | 1,154,769 | 1,501,558 |
| Net cash used in operating activities | (1,304,590) | (762,730) |
| Investing activities | | |
| Restricted cash | 12,744 | (47,137) |
| Purchase of plant and equipment | (4,582,524) | (7,522,492) |
| Exploration and evaluation assets | (691,127) | (1,196,166) |
| Net cash used in investing activities | (5,260,907) | (8,765,795) |
| Financing activities | | |
| Issuance of shares for cash – net of issue costs | - | 2,000,000 |
| Proceeds from loans | 6,650,000 | - |
| Net cash generated from financing activities | 6,650,000 | 2,000,000 |
| Effect of exchange rate changes on cash and cash equivalents | (153,409) | 193,696 |
| Decrease in cash and cash equivalents | (68,906) | (7,334,829) |
| Cash and cash equivalents - Beginning of year | 240,636 | 26,843,958 |
| Cash and cash equivalents - End of year (Note 5) | 171,730 | 19,509,129 |

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 equity |
|--|---------------------|--------------------|------------------------|----------------------|--------------------|
| | Number of shares | Amount | | | |
| | | \$ | \$ | \$ | \$ |
| Balance January 1, 2018 | 701,770,858 | 547,642,121 | 50,632,591 | (355,937,352) | 242,337,360 |
| Issue of shares in share loan plan | 8,245,000 | - | - | - | - |
| Warrants Issued | - | - | 3,129,842 | - | 3,129,842 |
| Share-based payments | - | - | 1,779 | - | 1,779 |
| Loss for the year | - | - | - | (2,496,241) | (2,496,241) |
| Balance March 31, 2018 | 710,015,858 | 537,626,519 | 53,764,212 | (358,433,593) | 242,972,740 |
| Balance January 1, 2017 | 644,432,476 | 537,626,519 | 50,525,078 | (346,432,114) | 241,719,483 |
| Shares issued through private placement | 16,221,118 | 2,000,000 | - | - | 2,000,000 |
| Expiration of loan shares | (3,000,000) | - | - | - | - |
| Share-based payments | - | - | 40,629 | - | 40,629 |
| Loss for the year | - | - | - | (2,371,045) | (2,371,045) |
| Balance March 31, 2017 | 657,653,594 | 539,626,519 | 50,565,707 | (348,803,159) | 241,389,067 |

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

Nautilus Minerals Inc.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017

(expressed in US Dollars)

1 Corporate Information

Nature of Operations

Nautilus Minerals Inc. (the “Company”, “Nautilus” or “NMI”) is a company whose common shares are listed on the Toronto Stock Exchange and is also a member of the Nasdaq International Designation program.

Nautilus is engaged in the exploration and development of the ocean floor for copper and gold rich seafloor massive sulphide deposits and for manganese, nickel, copper and cobalt nodule deposits. To date the Company has not earned any revenues from operations and is considered to be in the exploration stage. The Company has one segment being mineral property exploration in Australasia. The exploration activity involves the search for deepwater copper and gold rich seafloor massive sulphides in the western Pacific Ocean and nodule deposits in the eastern Pacific Ocean. The Company’s main focus is to create shareholder value by demonstrating the seafloor production system and establishing a pipeline of development projects to maximize the value of mineral licenses and exploration applications that Nautilus holds in various locations in the Pacific Ocean. The Company's principal project is the Solwara 1 Project in Papua New Guinea (PNG) in the Bismarck Sea. The proposed principal operations of the Company subject to permitting and funding requirements will be the extraction of copper, zinc, gold and silver deposits where there are economically viable discoveries.

The Company’s consolidated financial statements and those of its controlled subsidiaries (“consolidated financial statements”) are presented in US Dollars.

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

Registered Office (Vancouver, Canada)

Nautilus Minerals Inc.
Floor 10
595 Howe St
Vancouver, BC, V6C 2T5
Canada

Head Office (Vancouver, Canada)

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

Operations (Brisbane, Australia)

Nautilus Minerals Inc.
Level 3, 33 Park Road
Milton Queensland, Australia 4064

Nautilus Minerals Inc.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017

(expressed in US Dollars)

2 Going Concern

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

The Company has no source of revenue and will require significant additional funding to be able to complete the build and deployment of the seafloor production system. This production system is to be utilized on the Solwara 1 Project by the Company and its joint venture partner (as to 15%), the Independent State of Papua New Guinea's nominee. As at 31 March 2018, the Company has a working capital deficiency, excluding the project partner forecast allocation, of \$29,387,262 and an accumulated deficit of \$358,433,593.

In view of the Company's funding requirements, the Company is exploring alternatives for securing immediate bridge financing to allow the Company the time required to secure the significant additional project funding that is needed and also to explore alternative transactions aimed at maximizing shareholder value.

In early January 2018, the Company commenced receiving secured bridge loans from Deep Sea Mining Finance Ltd. ("DSMF"), a private entity controlled by the Company's two largest shareholders. The bridge loans are intended to form part of a larger secured structured credit facility in the amount of up to \$34 million to be provided by DSMF to the Company (the "Facility"). The Company and DSMF are currently in the process of negotiating the definitive agreements for the Facility. Upon the execution of such definitive agreements, all of the existing bridge loans provided by DSMF to the Company will become loans under the Facility.

As at May 15, 2018 an amount of \$11.25 million in bridge loans has been advanced to the Company by DSMF. Further details of the loans are set out in note 12.

The Company has reviewed all aspects of its business during this process and as result, has implemented certain measures aimed at preserving the Company's capital position. These measures include reducing the Company's workforce, terminating contracts for the construction of any seafloor production equipment that was in the early stages of development and not entering into any new construction contracts until further additional funding required is secured. Failure to secure project financing may result in the Company taking further steps aimed at maximizing shareholder value, including suspending or terminating the development of the seafloor production system and the Solwara 1 Project, and engaging in various transactions including, without limitation, asset sales, joint ventures and capital restructurings.

There can be no assurances that any transaction will result from these matters and any transaction will be subject to all necessary stock exchange and, if applicable, shareholder approvals as well as compliance with all other regulatory requirements.

The Company had previously disclosed that the Company was planning to commence initial production activities at the Solwara 1 Project during the third quarter of 2019, subject to securing project financing, finalizing the ship build contract delivery date between the shipyard and MAC Goliath Pte. Ltd. ("MAC") and finalizing the vessel equipment integration methodology (due in Q2 2018). As a result of the delays in securing the remaining project financing and delays in resolving the MAC default situation, the timing for initial production at the Solwara 1 Project is expected to be delayed past Q3 2019.

While the Company has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future. Nautilus' opinion concerning liquidity and its ability to avail itself in the future of the

Nautilus Minerals Inc.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017

(expressed in US Dollars)

financing options mentioned above are based on currently available information. To the extent that this information proves to be inaccurate, future availability of financing may be adversely affected.

Factors that could affect the availability of funding include Nautilus' performance (as measured by various factors including the progress and results of its exploration work), the state of international debt and equity markets, investor perceptions and expectations of past and future performance, the global financial climate, metal and commodity prices, political events in the south Pacific, obtaining operating approvals from the PNG government for the Solwara 1 Project, drilling and metallurgical testing results on the Company's tenements, ongoing results from environmental studies, engineering studies and detailed design and delivery of equipment. Current market conditions, the Company's history, current financial position of the Company, combined with the Company's contractual obligations as stated in the Note 16 give rise to a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and, therefore, its ability to realize its assets and discharge its liabilities in the normal course of business.

These consolidated financial statements do not reflect the adjustments to the carrying values of the assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumptions deemed to be inappropriate. These adjustments could be material.

3 Summary of significant accounting policies

a) Basis of presentation

These condensed interim consolidated financial statements should be read in conjunction with our audited consolidated annual financial statements for the year ended December 31, 2017.

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 - Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). The comparative information has also been prepared on this basis.

These condensed interim consolidated financial statements were approved on May 15, 2018 by the Board of Directors.

b) Changes in accounting policies

The accounting policies applied in the preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2017, except for the adoption of IFRS 9, Financial Instruments which is effective and has been applied from January 1, 2018. The impact of adoption and the accounting policies applied with regards to IFRS 9 are discussed in Note 3 (b) (i). These amendments were applied retroactively and no adjustments were required from the adoption of these standards.

(i) Financial instruments under IFRS 9

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39, Financial Instruments: Recognition and Measurement. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset.

Nautilus Minerals Inc.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017

(expressed in US Dollars)

The Company's financial assets previously classified as loans and receivables and measured at amortized cost continue to be classified at amortized cost.

Financial liabilities are measured at amortized cost, unless they are required to be measured at fair value through profit or loss (such as instruments held for trading or derivatives) or where the Company has opted to measure at fair value through profit or loss.

The impact on the balance sheet from the change relating to IFRS 9 has been summarised below.

We have assessed the classification and measurement of our financial assets and liabilities under IFRS 9 as follows:

| | IAS 39 | IFRS 9 |
|---------------------------------------|----------------|----------------|
| Financial Assets | | |
| Cash and cash equivalents | Amortised cost | Amortised cost |
| Financial Liabilities | | |
| Accounts Payable, accrued liabilities | Amortised cost | Amortised cost |
| Debt – Loans payable | Amortised cost | Amortised cost |

4 Cash and cash equivalents

| | March 31, 2018 \$ | December 31, 2017 \$ |
|------|-------------------------|----------------------------|
| Cash | 171,730 | 240,636 |
| | <u>171,730</u> | <u>240,636</u> |

5 Accounts payable and accrued liabilities

| | March 31, 2018 \$ | December 31, 2017 \$ |
|---------------------|-------------------------|----------------------------|
| <i>Current</i> | | |
| Accounts Payable | 12,137,673 | 7,465,600 |
| Accrued Liabilities | 8,653,341 | 7,565,520 |
| Retention Payable | 5,025,809 | 4,799,526 |
| | <u>25,816,823</u> | <u>19,830,646</u> |

Nautilus Minerals Inc.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017

(expressed in US Dollars)

| | March 31, 2018 | December 31, 2017 |
|--------------------|---------------------------|------------------------------|
| | \$ | \$ |
| <i>Non-current</i> | | |
| Accounts payable | 645,190 | 645,190 |
| | <u>645,190</u> | <u>645,190</u> |

The current Retention Payable represents the contractual retention from payments to Soil Machine Dynamics and Tree C Technology to be paid on completion of the contract for the construction of the Seafloor Production Tools.

6 Loans payable

| | March 31, 2018 | December 31, 2017 |
|--|---------------------------|------------------------------|
| | \$ | \$ |
| <i>Current</i> | | |
| Balance, beginning of the year | - | - |
| Loans received – Deep Sea Mining Finance Ltd | 6,650,000 | - |
| Transaction costs | (3,410,479) | - |
| Finance charges | 542,149 | - |
| | <u>3,781,670</u> | <u>-</u> |

The loans from DSMF are expected to form part of a larger secured structured credit facility of up to \$34,000,000. The loans bear interest at 8% per annum, payable bi annually in arrears with a one year maturity date. As at March 31, 2018 the Company has issued to DSMF a total of 28,565,291 share warrants of the Company. The share purchase warrants were fair valued at \$3,129,842 (Note 13). The above loans are secured by way of a general security agreement providing a first floating charge over all present and after-acquired assets of the Company.

7 Project Partner Contribution

Following the signing of the PNG Equity Agreement between the Company and the State on April 24, 2014, the Company received cash proceeds of \$120,000,000 in relation to the agreement to form the joint venture with the State Nominee (see Note 12).

The project partner contribution liability is the unearned portion of the purchase price of the State's initial 15% interest of the Solwara 1 JV recorded as a current liability, being 15% of the approved project budget for the next 12 months, with the balance recorded as non-current.

Nautilus Minerals Inc.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017

(expressed in US Dollars)

| | March 31, 2018 | December 31, 2017 |
|---|---------------------------|------------------------------|
| | \$ | \$ |
| Opening Balance | 53,448,464 | 58,734,081 |
| Subsea equipment under construction | (1,431,018) | (4,715,968) |
| Exploration and evaluation asset | (127,191) | (415,700) |
| Management Fee | (46,746) | (153,949) |
| Total project partner contribution | 51,843,509 | 53,448,464 |
| Current project partner contribution | 16,874,686 | 15,630,061 |
| Non current project partner contribution | 34,968,823 | 37,818,403 |

The current project partner contribution liability as at March 31, 2018 has increased due to the increase in forecasted Solwara 1 project expenditure for the year ending December 31, 2018.

8 Restricted cash

An amount of \$703,881 (December 31, 2017 - \$716,625) has been provided as security for leases and tenements held in Papua New Guinea.

9 Exploration and evaluation assets

In 2006, the Company through its 100% owned subsidiary Nautilus Minerals Niugini Ltd acquired a 100% interest in certain PNG subsea exploration licenses by issuing common shares with an estimated fair value of \$12,213,367 to Barrick Gold Inc.

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

With the formation of the joint venture (Note 12) between the Company and the State Nominee on December 11, 2014, the Company commenced recording its 85% share of the related joint venture expenditure on the Solwara 1 exploration and evaluation assets.

Nautilus Minerals Inc.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017

(expressed in US Dollars)

| | March 31, 2018 \$ | December 31, 2017 \$ |
|----------------------------------|-------------------------|----------------------------|
| Opening balance | 54,502,840 | 52,147,208 |
| Boat charter and fuel | - | - |
| Engineering services | 189,813 | 512,396 |
| Environmental consulting | 15,063 | 115,883 |
| Project management and oversight | 467,014 | 1,630,415 |
| General and administration | 3,106 | 77,746 |
| Mineral property fees | 45,752 | 19,192 |
| | <u>720,747</u> | <u>2,355,632</u> |
| Closing balance | 55,223,587 | 54,502,840 |

Although the Company has taken steps to verify title to exploration and evaluation assets in which it has an interest, 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.

10 Property, plant and equipment

Period ended March 31, 2018

| | Opening Cost Balance \$ | Additions \$ | Disposals \$ | Closing Cost Balance \$ | Accum Dep'n \$ | Closing Carrying Value \$ |
|--|----------------------------------|------------------|-----------------|-------------------------------|----------------------|------------------------------------|
| Leasehold improvements | 96,825 | - | - | 96,825 | (69,995) | 26,830 |
| Plant and equipment | 1,655,195 | 13,627 | (73,867) | 1,594,955 | (875,306) | 719,649 |
| Office equipment | 3,117,106 | - | - | 3,117,106 | (2,987,043) | 130,063 |
| Motor vehicles | 307,035 | - | - | 307,035 | (224,847) | 82,188 |
| Land | 466,969 | - | - | 466,969 | - | 466,969 |
| Subsea equipment under construction (Note 11) | 251,112,827 | 8,109,103 | - | 259,221,930 | - | 259,221,930 |
| Total property, plant & equipment | <u>256,755,957</u> | <u>8,122,730</u> | <u>(73,867)</u> | <u>264,804,820</u> | <u>(4,157,191)</u> | <u>260,647,629</u> |

All property and equipment are pledged as part of a general security agreement to secure the credit facility described in Note 6.

Nautilus Minerals Inc.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017

(expressed in US Dollars)

Period ended December 31, 2017

| | Opening Cost Balance | Additions | Disposals | Closing Cost Balance | Accum Dep'n | Closing Carrying Value |
|--|----------------------------|------------|-----------|-------------------------|----------------|------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Leasehold improvements | 69,950 | 26,875 | - | 96,825 | (67,000) | 29,825 |
| Plant and equipment | 1,239,001 | 416,194 | - | 1,655,195 | (856,893) | 798,302 |
| Office equipment | 3,109,882 | 12,947 | (5,723) | 3,117,106 | (2,963,146) | 153,960 |
| Motor vehicles | 307,035 | - | - | 307,035 | (215,351) | 91,684 |
| Land | 466,969 | - | - | 466,969 | - | 466,969 |
| Subsea equipment under construction (Note 10) | 224,389,009 | 26,723,818 | - | 251,112,827 | - | 251,112,827 |
| Total property, plant & equipment | 229,581,846 | 27,179,834 | (5,723) | 256,755,957 | (4,102,390) | 252,653,567 |

11 Joint Arrangements

On December 11, 2014, the Company announced that all terms of the PNG Equity Agreement had been met and the unincorporated joint venture between Nautilus and the State Nominee in respect of the Solwara 1 Project was formed. The table below presents the carrying value of the project assets on this date that were transferred on formation of the joint venture.

| | 100% | Nautilus 85% | State Nominee 15% |
|-------------------------------------|-------------|-----------------|----------------------|
| Subsea equipment under construction | 205,419,165 | 174,606,290 | 30,812,875 |
| Exploration and evaluation assets | 33,067,447 | 28,107,330 | 4,960,117 |
| | 238,486,612 | 202,713,620 | 35,772,992 |

The table below presents the carrying value of the project assets as at March 31, 2018.

| | 100% | Nautilus 85% | State Nominee 15% |
|-------------------------------------|-------------|-----------------|----------------------|
| Prepaid Charterers Guarantee | 10,000,000 | 8,500,000 | 1,500,000 |
| Subsea equipment under construction | 304,966,977 | 259,221,930 | 45,745,047 |
| Exploration and evaluation assets | 49,258,134 | 41,869,414 | 7,388,720 |
| | 364,225,111 | 309,591,344 | 54,633,767 |

Nautilus Minerals Inc.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017

(expressed in US Dollars)

As at March 31, 2018 Nautilus Minerals Inc recognised its share of the joint venture assets as follows.

| | March 31, 2018 | December 31, 2017 |
|---|---------------------------|------------------------------|
| | \$ | \$ |
| Prepaid Charterers Guarantee | 8,500,000 | 8,500,000 |
| Subsea equipment under construction (Note 10) | 259,221,930 | 251,112,827 |
| Exploration and evaluation assets (Note 9) | 41,869,414 | 41,148,667 |
| | <u>309,591,344</u> | <u>300,761,494</u> |

12 Related party transactions

For the period ended March 31, 2018 the Company incurred costs of \$0 (2017 – \$134,530) for services provided by United Engineering Services LLC (“UES”), a wholly owned subsidiary of MB Holding Company LLC (“MB Holding”).

On January 18, 2016, the Company announced that it had signed agreements with UES to provide support services associated with wet testing the Company's seafloor production equipment and storing the equipment as it is delivered from various suppliers prior to integration onto the Production Support Vessel.

In early January 2018, the Company commenced receiving secured bridge loans from Deep Sea Mining Finance Ltd. ("DSMF"), a private entity controlled by the Company's two largest shareholders, MB Holding and Metalloinvest Holding (Cyprus) Limited. The bridge loans are intended to form part of a larger secured structured credit facility in the amount of up to \$34 million to be provided by DSMF to the Company (the "Facility"). The Company and DSMF are currently in the process of negotiating the definitive agreements for the Facility. Upon the execution of such definitive agreements, all of the existing bridge loans provided by DSMF to the Company will become loans under the Facility. As at May 15, 2018, an amount of \$11.25 million in bridge loans has been advanced to the Company by DSMF, and a total of 48,324,740 share purchase warrants have been issued by the Company to DSMF as partial consideration for such bridge loans.

The bridge loans will assist the Company's immediate working capital requirements and facilitate payments required to continue the development of the Company's seafloor production system to be first utilized at the Company's Solwara 1 Project. The loans bear interest at 8% per annum, payable bi-annually in arrears with a one year maturity date. The Company will be entitled to pre-pay each loan prior to maturity, by paying 108% of the outstanding principal of the loan plus accrued and unpaid interest. Each loan is represented by a promissory note and will initially be secured against the assets of the Company through a general security agreement. DSMF may subsequently require the loans to be guaranteed by the Company's material operating subsidiaries and secured against the assets of such subsidiaries.

Nautilus Minerals Inc.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017

(expressed in US Dollars)

13 Equity

a) Share options

Outstanding share options

| | Share options | Weighted average exercise price C\$ |
|-----------------------------|------------------|---|
| At January 1, 2017 | 3,650,000 | 0.39 |
| Expired | (1,970,000) | 0.46 |
| Exercised | (80,000) | 0.17 |
| At December 31, 2017 | 1,600,000 | 0.31 |
| Granted | 6,632,000 | 0.23 |
| At March 31, 2017 | 8,232,000 | 0.25 |

Information relating to share options outstanding at March 31, 2018 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) |
|--------------------|------------------------------|-------------------------|---|--|---|
| 0.01 – 0.99 | 8,232,000 | 2,938,000 | 0.25 | 0.28 | 49.0 |
| | <u>8,232,000</u> | <u>2,938,000</u> | 0.25 | 0.28 | 49.0 |

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b) Loan shares

Outstanding loan shares

| | Loan shares | Weighted average exercise price C\$ |
|----------------------|-------------------------|---|
| At January 1, 2017 | 6,450,000 | 0.52 |
| Expired | <u>(5,450,000)</u> | 0.57 |
| At December 31, 2017 | <u>1,000,000</u> | 0.28 |
| Granted | <u>8,245,000</u> | 0.23 |
| At March 31, 2018 | <u>9,245,000</u> | 0.24 |

Information relating to loan shares outstanding at March 31, 2018 is as follows:

| Price range C\$ | Outstanding share loan shares | Vested loan shares | Weighted average exercise price of outstanding loan shares C\$ | Weighted average exercise price of vested loan shares C\$ | Weighted average remaining life of outstanding loan shares (months) |
|--------------------|-------------------------------------|-----------------------|---|--|---|
| 0.00 – 0.99 | <u>9,245,000</u> | <u>2,821,250</u> | 0.24 | 0.25 | 54.4 |
| | <u>9,345,000</u> | <u>2,821,250</u> | 0.24 | 0.25 | 54.4 |

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c) Share purchase warrants

i) The company issued 3,221,649 share purchase warrants in conjunction with bridge loans from Deep Sea Mining Finance Ltd on January 8, 2018. The share purchase warrants have an exercise price of C\$0.17 and have a life of 5 years. The share purchase warrants were treated as share issue costs related to the bridge loans.

ii) The company issued 8,591,065 share purchase warrants in conjunction with bridge loans from Deep Sea Mining Finance Ltd on January 10, 2018. The share purchase warrants have an exercise price of C\$0.17 and have a life of 5 years. The share purchase warrants were treated as share issue costs related to the bridge loans.

iii) The company issued 8,591,065 share purchase warrants in conjunction with bridge loans from Deep Sea Mining Finance Ltd on February 8, 2018. The share purchase warrants have an exercise price of C\$0.17 and have a life of 5 years. The share purchase warrants were treated as share issue costs related to the bridge loans.

iv) The company issued 8,161,512 share purchase warrants in conjunction with bridge loans from Deep Sea Mining Finance Ltd on March 2, 2018. The share purchase warrants have an exercise price of C\$0.17 and have a life of 5 years. The share purchase warrants were treated as share issue costs related to the bridge loans.

Outstanding Share warrants

| | Warrants | Weighted average exercise price C\$ |
|---------------------------|-------------------|--|
| At January 1, 2018 | - | - |
| Granted | 28,565,291 | 0.17 |
| At March 31, 2018 | 28,565,291 | 0.17 |

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Information relating to share purchase warrants outstanding at March 31, 2018 is as follows:

| Expiry date | Outstanding share warrants | Exercise price C\$ | Estimated grant date fair value US\$ | Remaining contractual life (years) |
|--------------------|-----------------------------------|---------------------------|---|---|
| January 8, 2023 | 3,221,649 | 0.17 | 305,412 | 4.78 |
| January 10, 2023 | 8,591,065 | 0.17 | 812,055 | 4.78 |
| February 8, 2023 | 8,591,065 | 0.17 | 864,787 | 4.86 |
| March 2, 2023 | 8,161,512 | 0.17 | 1,147,587 | 4.92 |
| | 28,565,291 | 0.17 | 3,129,841 | 4.85 |

The fair value of the share purchase warrants is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

| | Warrants granted in 2018 | Warrants granted in 2017 |
|-----------------------------------|---------------------------------|---------------------------------|
| Expected dividend yield | Nil | N/A |
| Expected stock price volatility | 88%-90% | N/A |
| Risk-free interest rate | 1.98%-2.01% | N/A |
| Expected life of options in years | 5.00 | N/A |

The weighted average fair value of the options granted was C\$0.17 (2017 – N/A).

The Black-Scholes pricing models used to price options and loan shares require the input of highly subjective assumptions including the estimate of the share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate

14 Exploration Expenditures

| | Period ended March 31, 2018 | 2017 |
|--|------------------------------------|----------------|
| | \$ | \$ |
| General and administration | 4,306 | 9,748 |
| Geological services and field expenses | 125,749 | 483,584 |
| Mineral property fees | 68,404 | 75,443 |
| Professional services | 24,650 | 47,957 |
| Travel | 10,219 | 49,348 |
| Wages and salaries | 77,450 | 248,308 |
| Total operating expenses | 310,778 | 914,388 |

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(expressed in US Dollars)

In accordance with our policy on exploration and evaluation assets, all exploration expenditure incurred for the Solwara 1 project is capitalised to exploration and evaluation assets, with all other exploration expenditure expensed to the Statement of Loss.

15 General and Administration Expenditures

| | Period ended March 31, | |
|---|------------------------|-----------|
| | 2018 | 2017 |
| | \$ | \$ |
| Office and general | 450,788 | 412,451 |
| Professional services | 271,712 | 18,648 |
| Finance charges | 542,149 | - |
| Salary and wages | 458,629 | 464,165 |
| Shareholder related costs | 65,093 | 54,376 |
| Travel | 57,031 | 29,434 |
| Depreciation | 58,771 | 74,255 |
| Total general and administration expenses | 1,904,173 | 1,053,329 |

16 Commitments

a) Non-cancellable commitments

| | March 31 2018 \$ |
|---|------------------------|
| <i>Non-cancellable operating leases</i> | |
| Not later than 1 year | 3,836,901 |
| Later than 1 year and not later than 2 years | 37,560,488 |
| Later than 2 years and not later than 3 years | 55,404,257 |
| Later than 3 years and not later than 4 years | 73,678,973 |
| Later than 4 years and not later than 5 years | 68,167,253 |
| Later than 5 years | 90,564,228 |
| Total Commitments | 329,212,100 |

The non-cancellable commitments as at March 31, 2018 include \$330.1 million for payments to be made under the charter party arrangement with MAC, and other related PSV costs, with an amended commencement date no later than September, 2019.

b) 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

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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. Based on tenements granted at March 31, 2018, total variable expenditure commitments are estimated to be \$29.9 million, expected to be incurred over the next four years.

The Company has entered into various contracts for the design and build of the seafloor production system. As at March 31, 2018, the committed value of the contracts is \$26.1 million. The committed value of \$26.1 million reflects ongoing milestone payments for continuing contracts. The contracts are cancellable by the Company at any time, however, in the event of cancellation, the Company is liable for any costs incurred up to that point, with an estimate of costs for terminated contracts included in the accrued costs at period end. No other penalties or cancellation fees are payable under these contracts.

17 Financial risk management

The Company's activities expose it to a variety of financial risks: foreign exchange risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out under policies approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

a) *Capital Management*

The Company's objectives in the managing of the liquidity and capital are to safeguard the Company's ability to continue as a going concern and provide financial capacity to meet its strategic objectives. The capital structure of the Company consists of equity attributable to common shareholders, comprising of issue share capital, contributed surplus and deficit.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets to facilitate the management of its capital requirements. The Company prepares annual expenditure budgets that are updated as necessary depending upon various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. As at December 31, 2017 the Company does not have any long-term debt and is not subject to any externally imposed capital requirements. The current bridge loan facility has allowed the Company to continue to seek further investment alternatives for funding from various parties to meet its current operating and exploration and development obligations, as outlined in note 2.

b) *Foreign exchange risk*

The Company's operations are located in several different countries, including Canada, Australia, PNG, Tonga and Solomon Islands and require equipment to be purchased from several different countries. Nautilus has entered into key contracts in United States dollars, British pounds sterling and Euros. Future profitability could be affected by fluctuations in foreign currencies. The Company has not entered into any foreign currency contracts or other derivatives to establish a foreign currency protection program but may consider such actions in the future.

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At March 31, 2018 only USD currencies were held.

c) Credit Risk

The Company places its cash and cash equivalents only with banks with an S&P credit rating of A+ or better. Our maximum exposure to credit risk at the reporting date is the carrying value of cash and cash equivalents.

d) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by the delivery of cash or another financial asset. The Company manages liquidity by maintaining adequate cash and short-term investment balances. In addition, the Company regularly monitors and reviews both actual and forecasted cash flows. The Company has no source of revenue and has significant cash requirements to be able to meet its administrative overhead and maintain its property interests. In order to be able to continue to advance the development of the Solwara 1 Project and its mineral property interests, the Company will need to secure additional equity, debt and/or joint venture partner funding. Until that time, certain discretionary expenditures may be deferred and measures to reduce operating costs may be taken in order to preserve working capital. See note 2, Going concern.

18 Subsequent Events

On April 2, 2018 the Company issued an additional 12,886,597 share purchase warrants in conjunction with bridge loans from DSMF of \$3,000,000. The share purchase warrants have an exercise price of C\$0.205 and have a life of 5 years.

On April 30, 2018 the Company issued an additional 6,872,852 share purchase warrants in conjunction with bridge loans from DSMF of \$1,600,000. The share purchase warrants have an exercise price of C\$0.23 and have a life of 5 years. To date the Company has issued a total of 48,324,740 share purchase warrants to DSMF.