Project Overview

STATUS: Development of the various components of the seafloor production system continued during the past year with significant progress made on the seafloor production tools, the riser and lifting system, the launch and recovery system and the production support vessel.

Seafloor Production Tools
During the year at Soil Machine Dynamic’s (SMD) facility in Newcastle upon Tyne, UK, work advanced on the mechanical and hydraulic assembly of the Bulk Cutter, Collecting Machine and the Auxiliary Cutter, resulting in the commencement of commissioning of all three Seafloor Production Tools (SPTs). In total the SPTs are more than 95 percent finished and it’s anticipated that following Factory Acceptance Testing (FAT) completion, delivery of all three SPTs is expected by the end of 2015. The three umbilical winches that store and manage the power and control umbilicals were designed, procured and assembled at SMD. In March 2015 the Company announced that the umbilical winches for the three SPTs had successfully completed FAT. The umbilical cables will soon be installed onto the umbilical winches and they will be delivered to the shipyard by Q4 2015 for integration on to the Production Support Vessel.

Launch and Recovery System
The Launch and Recovery System (LARS) which will be used to lift the tools in and out of the water, is comprised of A frames, lift winches, hydraulic power units, electric power units and deck control cabins. They are complete and in storage at the individual manufacturers locations in Poland, Korea and Norway respectively. The LARS will be consolidated at the shipyard in late 2015 or early 2016.

The Solwara 1 deposit, which sits on the seafloor at a water depth of some 1600 metres, boasts a copper grade of approximately 7%. That compares with land-based copper mines, where the copper grade today averages 0.6%. In addition, gold grades of well over 20 g/tonne have been recorded in some intercepts at Solwara 1 and the average grade is approximately 6 g/tonne*.

Key Facts about Solwara 1
- Located in the Bismarck Sea, Papua New Guinea
- 30 km from nearest coast (New Ireland Province)
- Small extraction area: 0.1 km²
- Fully permitted
- The Project has strong local and national support

* please refer to page 17 for further details of the Solwara 1 mineral resource estimate

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Project Overview

THOUSAND CYCLES ACHIEVED WITH NO DEGRADATION OF THE VALVE INNERS.

Riser and Lifting System
GE Oil and Gas, the primary contractor for the Riser and Lifting System manufacture, has begun retrieval and inspection of the components that were previously in storage or in mid assembly when the contracts were terminated in 2012. The manufacture of components such as the derrick and riser handling systems, surface seawater pumps, pull in skids, riser transfer hoses and other ancillary equipment is to be resumed with delivery dates dictated by the shipyard requirements for the Production Support Vessel (PSV). These components are to be integrated onto the PSV during vessel manufacture.

Final full scale loop testing of the Subsea Slurry Lift Pump (SSLP) was conducted during the past year with 168,000 cycles achieved with no degradation of the valve inners and is now complete. The SSLP will recommence assembly in July 2015.

In total, the delivery of the Riser and ancillary equipment is expected by the end of December 2015 with delivery of the SSLP expected in the first half of 2016.

FIRST MINING OPERATIONS PLANNED TO BEGIN AT SOLWARA 1.

Production Support Vessel
In November 2014, Nautilus announced an agreement for the charter of a PSV to be first deployed at the Solwara 1 Project, the final component of its seafloor production system.

Marine Assets Corporation (MAC), a marine solutions company based in Dubai which specialises in the delivery of new build support vessels for the offshore industry, will own and provide the marine management of the PSV. The PSV will be chartered to Nautilus for a minimum period of five years at a rate of US$199,910 per day, with options to either extend the charter or purchase the PSV at the end of the five year period.

Fujian Mawei Shipbuilding Ltd., based in Fujian province in south-eastern China has been contracted by MAC, to design and construct the PSV in accordance with Nautilus’ specifications.

The PSV will first serve as the operational base for the joint venture (Solwara 1 Joint Venture) formed by Nautilus and the Independent State of Papua New Guinea’s nominee, Eda Kopa (Solwara) Limited, a wholly owned subsidiary of Petromin PNG Holdings Limited, to support the operations carried out by the Solwara 1 Joint Venture to extract and to transport high grade copper and gold material from the Project site, in the Bismarck Sea of Papua New Guinea.
Project Overview

Marine Assets Corporation (MAC)
MAC has a proven track record in the turnkey delivery of new build vessels constructed to internationally recognised quality standards.

Over the last 10 years, MAC has overseen and participated in the successful delivery of over 30 vessels from shipyards in China. New build supervision is a speciality of MAC, with an on-the-ground Chinese and Chinese speaking team supported by an international management team.

Fujian Mawei Shipbuilding Ltd (Mawei)
Mawei Shipbuilding is a wholly state-owned enterprise with the largest shipbuilding and repair scale in Fujian province. Founded in 1866, it is the oldest shipbuilder in Southeast China. The company was restructured in 2001 by local government and became a fully-owned subsidiary of Fujian Shipbuilding Industry Group Corporation. Mawei Shipbuilding now has two shipbuilding bases in production: Mawei yard and Liya yard covering areas of about 280,000 m² and 400,000 m² respectively, and a third facility under construction at Culu Island, which is intended to cater for additional work for the offshore services market.

When completed, the PSV will measure 227 metres in length and 40 metres in width, with accommodation for up to 180 people and generate approximately 31MW of power. All of the below deck mining equipment will be installed in the PSV during the build process to minimize the equipment integration to be completed following delivery of the PSV.

(3Q) IS THE EXPECTED DELIVERY DATE FOR THE PSV.
HOW IT WILL WORK

Rock is disaggregated on the seafloor by two large robotic machines that excavate material by a continuous cutting process, not unlike coal or other bulk continuous mining machines on land. The Auxiliary Cutter (AC) is a preparatory machine that deals with rough terrain and creates benches for the other machines to work. It will operate on tracks and has a boom mounted cutting head for flexibility.

The second machine, the Bulk Cutter has higher cutting capacity but will be limited to working on flatter areas and benches created by the AC. Both machines leave cut material in temporary positions on the seafloor for collection by the third machine, the Collecting Machine (CM). The CM, also a large robotic vehicle, will collect the cut material by drawing it in as seawater slurry with internal pumps and pushing it through a flexible pipe to the Riser and Lifting System (RALS).

The RALS comprises a large pump and rigid riser pipe supported from the vessel which delivers the slurry to the surface. The pump is supported on a solid vertical (riser) pipe suspended beneath the support vessel.

On deck of the Production Support Vessel (PSV), the slurry is dewatered. The dewatered solid material is stored temporarily in the PSVs hull, and then discharged to a transportation vessel moored alongside. Filtered seawater is pumped back to the seafloor through the riser pipes and provides hydraulic power to operate the RALS pump. Discharge of the return water at the seafloor from where it came eliminates mixing of the water column, and minimizes the environmental impact of the operation.
Project Overview

COLLECTING MACHINE

LENGTH: 16.5 M
WIDTH: 6.0 M
HEIGHT: 7.6 M
COLLECTION RANGE – HEIGHT: -2 M +5 M
COLLECTION RANGE – WIDTH: + 4 M
WEIGHT: 200 TE

BULK CUTTER

LENGTH: 14.2 M
WIDTH: 4.2 M
HEIGHT: 6.8 M
CUTTER WIDTH: 4.2 M
CUTTING HEIGHT: +4 -0.5 M
WEIGHT: 310 TE
Project Overview

AUXILIARY CUTTER

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ANTICIPATED PROJECT TIMELINE

SPTs and LARS
- Commence commissioning
- Delivery
- Commence wet testing

RALS
- Delivery of Riser & Ancillary Equipment
- Delivery of Subsea Pump
- Dewatering Plant

Vessel
- Long lead time items
- Basic design completed
- Steel cutting
- Detailed design completed
- Keel laying
- Fitout
- Launch
- Delivery

Equipment Integration

FIRST PRODUCTION

Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4
JAN 2015 2015 2016 2017 2018