A new vision in mining

NAUTILUS MINERALS INC. Annual Report 2007

a team committed to a new vision in mining

1. We have the ground

• 365,000 km² of tenement licences and exploration applications • Pipeline of opportunity for the harvesting of high-grade mineral deposits on the seafloor

2. The people

• A team of more than 40 experienced professionals • Each dedicated to delivering the world's first seafloor mine in 2010* *Subject to permitting

3. The knowledge

• Alliances with major technical, scientific and investment partners • Offering best-in-class project delivery and production method

4. The capital

• US$310 million cash** in the bank • Well capitalized to continue exploration in 2008 and deliver Solwara 1 to production*

*Subject to permitting **at December 31, 2007

5. A collaborative approach

• Committed to advancing the science of mineral deposits on the seafloor by partnering with scientific institutions around the world
• Actively working with local community organizations to ensure transparency and accountability

contents

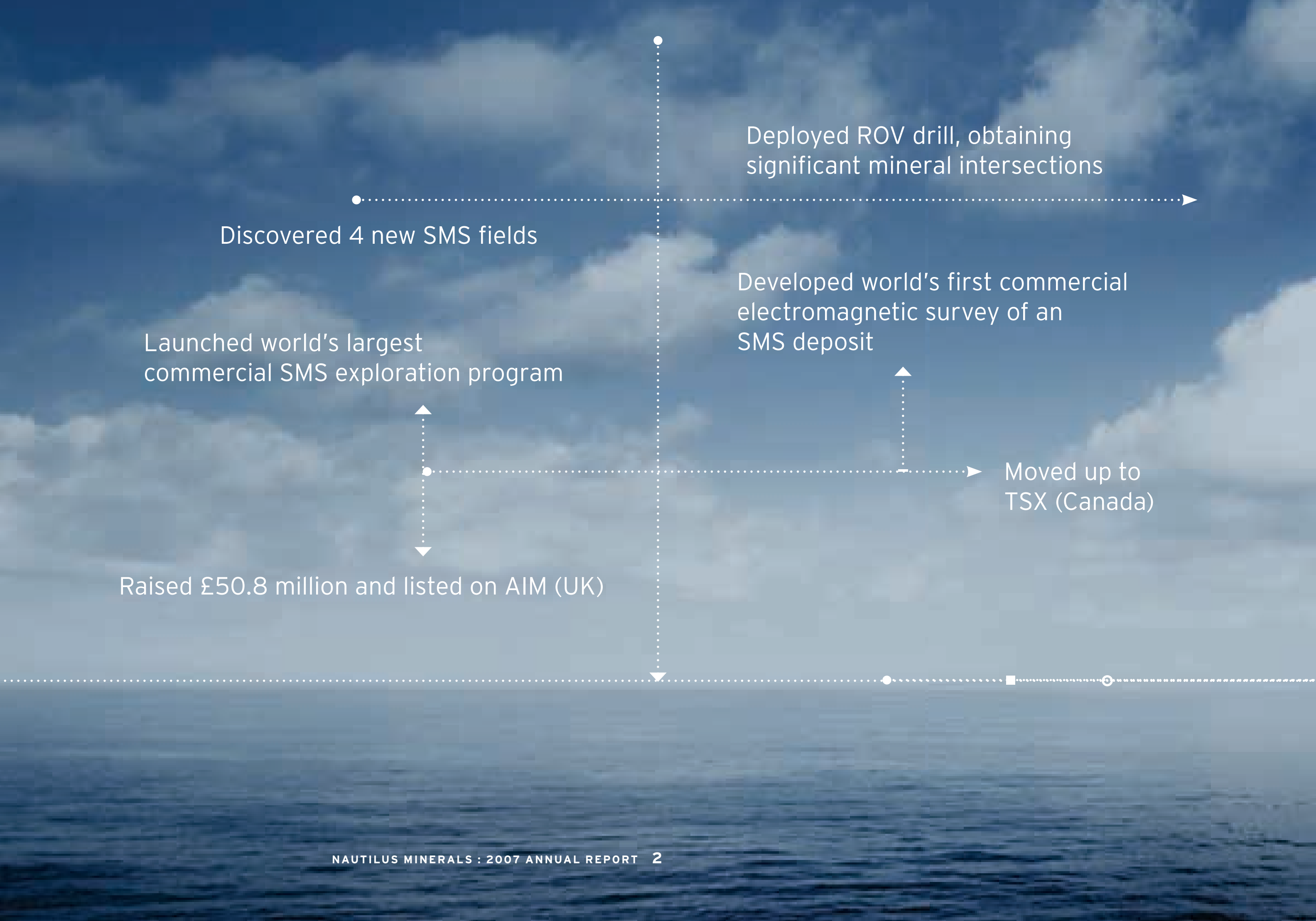
Letter to *Shareholders*

A COMMITTED TEAM AND A CLEAN SHEET OF PAPER

2007 was a year of significant progress and success for Nautilus Minerals Inc. ("Nautilus"). Our exploration team discovered four new mineralized systems and registered a series of world firsts in Remote Operated Vehicle ("ROV") drilling, geophysics and the world's first NI 43-101 compliant resource estimate for a Seafloor Massive Sulphide ("SMS") system.

These breakthroughs and achievements are symptomatic of the whole Nautilus team; a team that is proud to be at the forefront of exploration and technological advancement. Our focus is not solely on the development of a new mine but on a new industry, on the big picture and on the changes this can bring to the planet. The team relishes the opportunity to start with a clean sheet of paper and define world's best practice.

NAUTILUS MINERALS 2007 MILESTONES



This is a responsibility we take very seriously and work to accomplish under the banner of Nautilus CARES ("Community Accountable, Responsible Environmentally and Safe").

EXPLORATION & ENVIRONMENTAL TEAMS

Our exploration and environmental teams are rewriting the textbooks of geological knowledge of SMS deposits and their deep ocean environs. The teams provide research scientists valuable ship time and access to samples which they would not normally have.

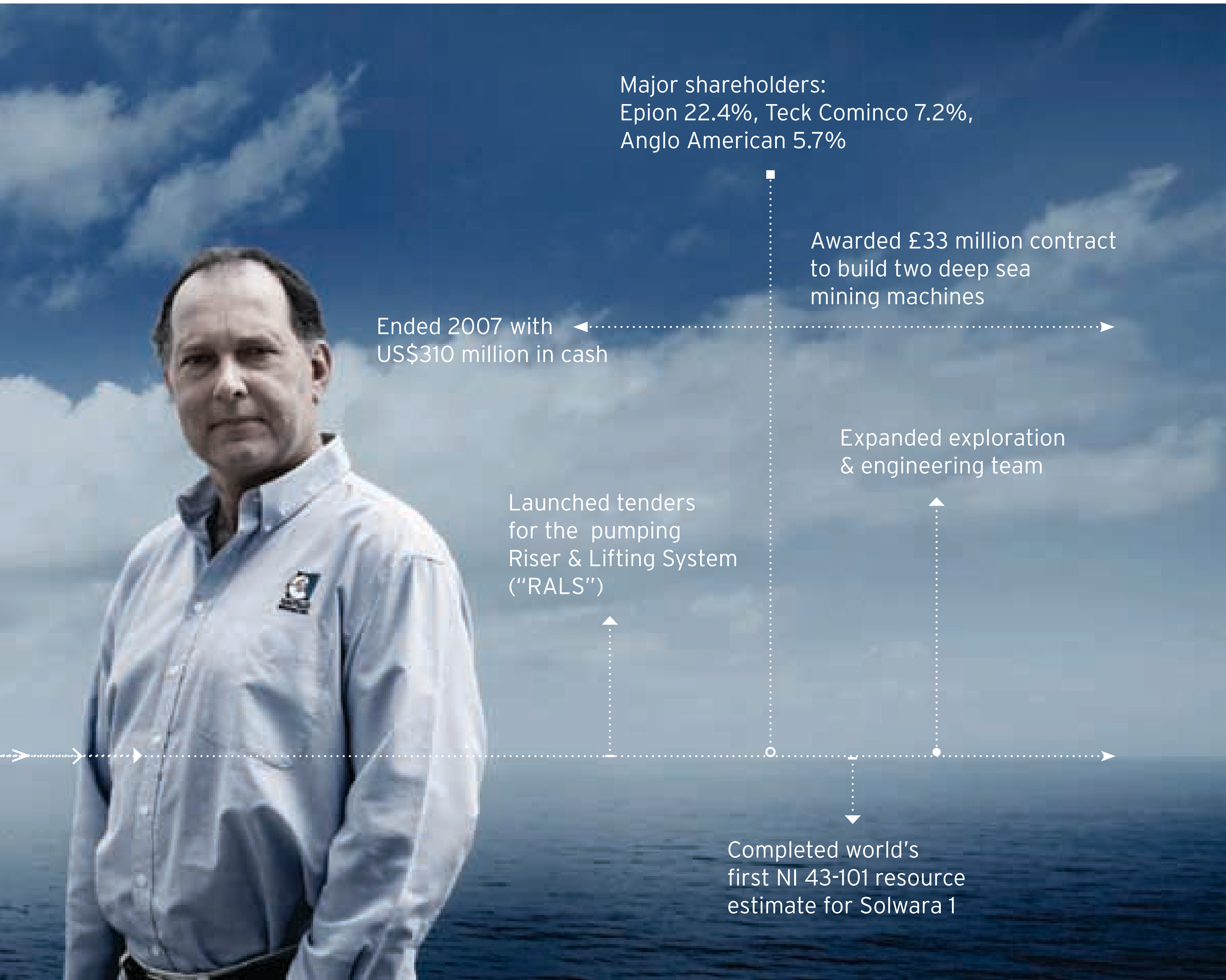
They also continue to have open and honest exchanges of environmental information and ideas with scientific organizations and local communities, as well as Non-Governmental Organizations ("NGOs"). These informative collaborations have helped us to identify pertinent issues in this new industry and prepare the Environmental Impact Statement ("EIS") for Solwara 1.

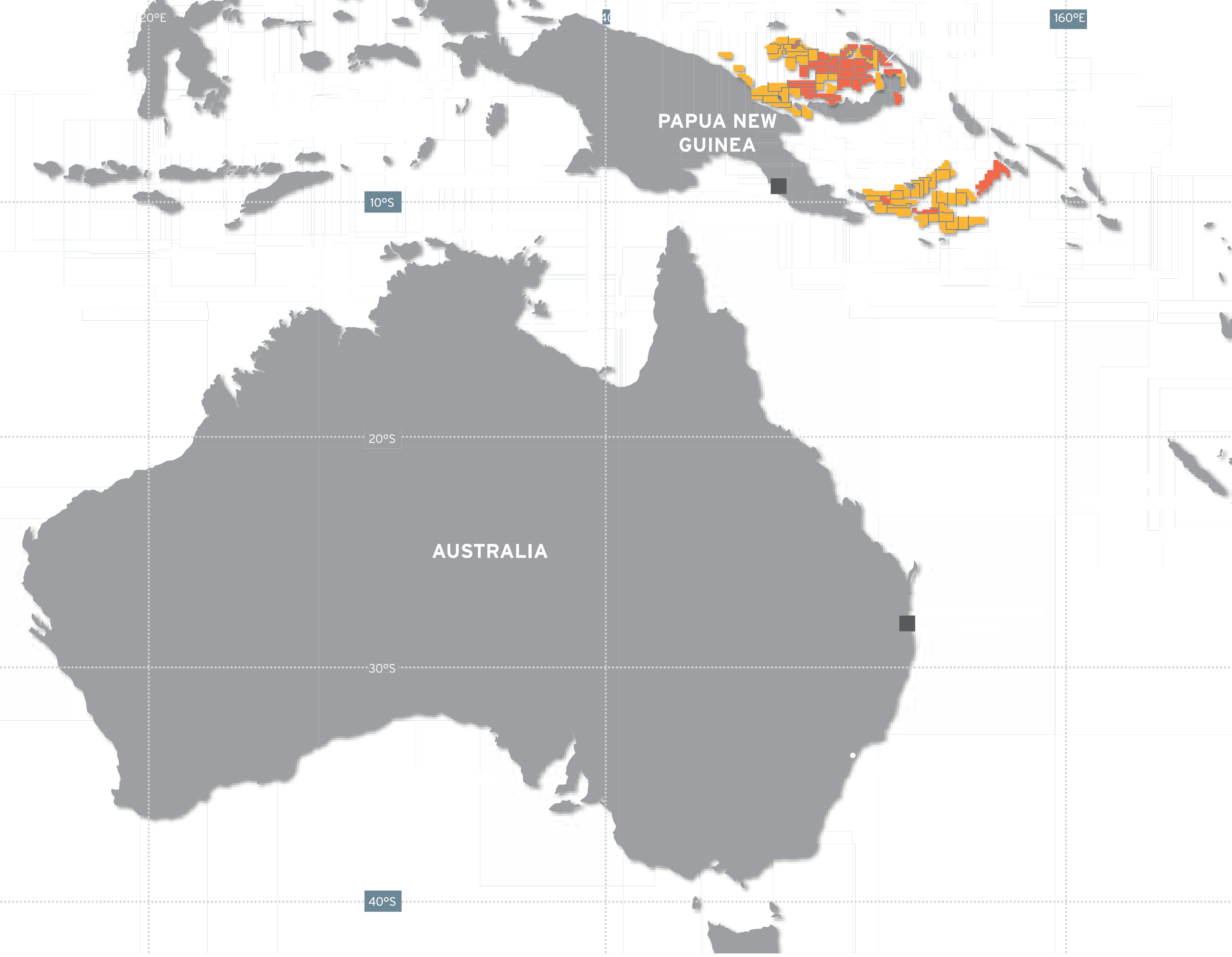
ENGINEERING TEAM

Our engineering team is part of the solution to meet the world's demand for new sources of much needed copper and zinc, but without the social disturbance, large ecological footprint of infrastructure, and waste rock dumps that are generally associated with land-based operations.

The team is developing new tools and techniques that will have broader applications across other industries, beyond seafloor mining. They oversaw the tender and award of

David Heydon, President & Chief Executive Officer of Nautilus Minerals Inc.





significant contracts for the two remote seafloor mining machines as well as the pumps and Riser and Lifting System ("RALS") that will be used to transport ore to the surface.

ENSURING SAFETY

With the adoption by necessity of Remote Operated Vehicles ("ROV") and machine drills, Nautilus leads the industry trend to remove workers from the dangerous mining face, thereby providing a safer operating environment. Significantly, we had no lost time injuries during our offshore exploration in 2007.

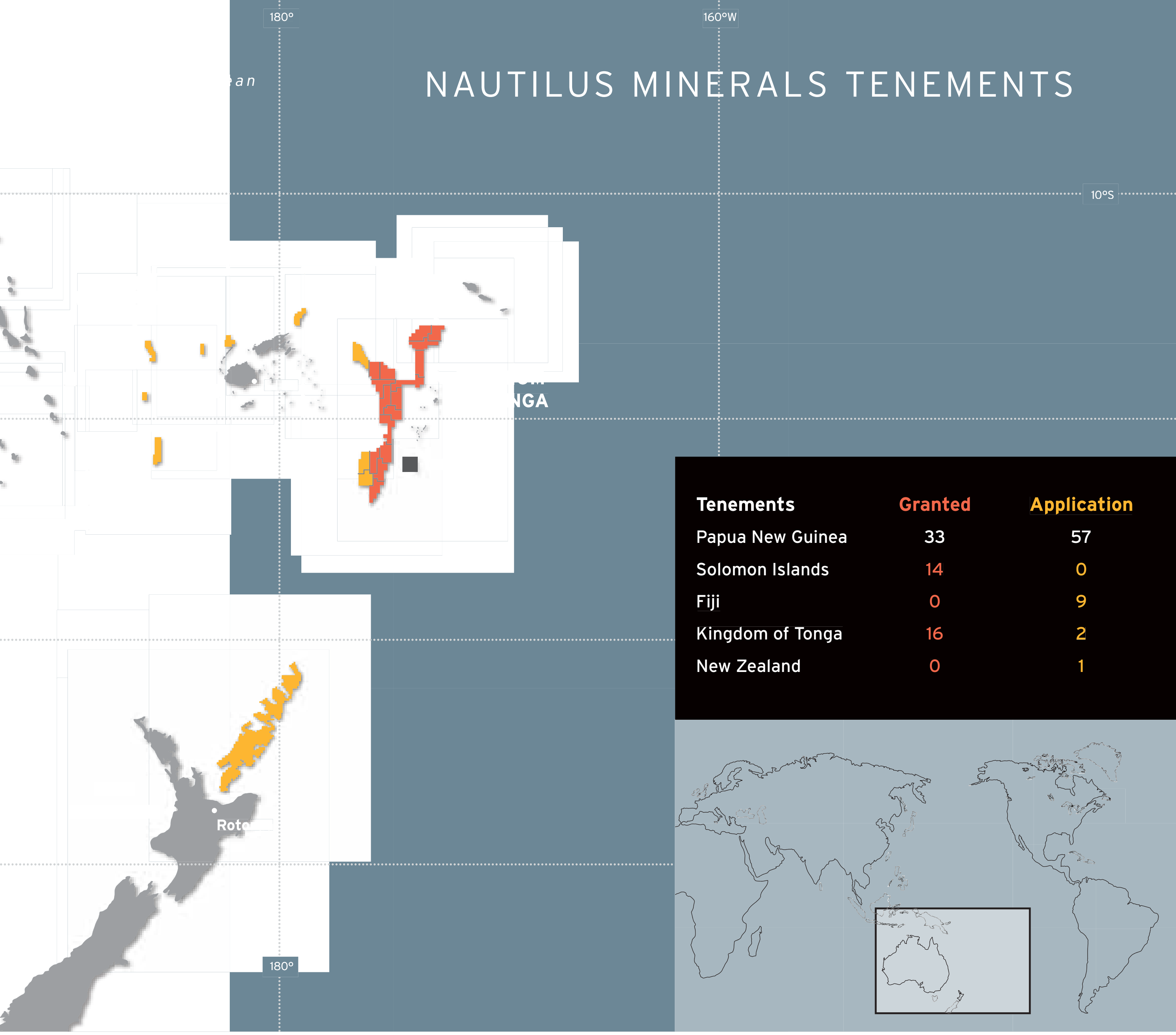
STRONG CAPITAL POSITION

Our finance team completed capital raisings totalling US$214 million in 2007 while securing a dual listing on the AIM exchange which is managed by the London Stock Exchange ("LSE") and transition to the TSX in Toronto. At the close of 2007, the Company was in a debt-free position with US$310 million in cash, none of which was in asset-backed paper.

MAJOR SHAREHOLDERS

Nautilus has attracted among our cornerstone shareholders two of the world's leading resource companies: Teck Cominco Ltd. and Anglo American plc. In addition, our major shareholder Epion Holdings Ltd. is controlled by the founder of Metalloinvest, one of the largest and fastest growing mining and metallurgical holdings in Russia. Their support in 2007

NAUTILUS MINERALS TENEMENTS



Tenements	Granted	Application
Papua New Guinea	33	57
Solomon Islands	14	0
Fiji	0	9
Kingdom of Tonga	16	2
New Zealand	0	1

is acknowledged as being critical, providing the financial and technical strength behind the Company to allow it to grow at such a rapid pace.

A NEW VISION IN MINING

The team at Nautilus has grown by over 70% in the last year and I would like to personally compliment all of the employees, contractors and Directors, for their work and dedication throughout 2007. If not for the motivation and drive of everyone in the Company, Nautilus would not be the world leader in this field and would not have attracted the capital and major shareholders that it has. Nautilus' success is truly a testament to their initiative and efforts. I leave you with the testimonial spreads in this Annual Report, and thank our shareholders for also sharing in Nautilus' new vision for mining. We begin 2008 on solid footing.

David Heydon, Chief Executive Officer

visionaries

A STRONG EXECUTIVE TEAM

THE MANDATE OF THE MANAGEMENT TEAM is to find a better way to produce copper, zinc and gold, with less impact on the environment. We want to change the mining industry. We are equally committed to rewarding employees and shareholders and ensuring that we provide a lasting and positive impact in the communities where we operate. What excites us about Nautilus is the amalgamation of technologies from the mining, oil and gas and marine industries. There is so much that can be achieved when people from different backgrounds work together towards a common goal. — Tony O'Sullivan

LEFT TO RIGHT:
DAVID HEYDON, Chief Executive Officer
SHONTEL NORGATE, Chief Financial Officer
STEVE ROGERS, Chief Development Officer
MIKE JOHNSTON, Vice President, Corporate Development
TONY O'SULLIVAN, Chief Operating Officer
SCOTT TREBILCOCK, Vice President Business Development (not shown)

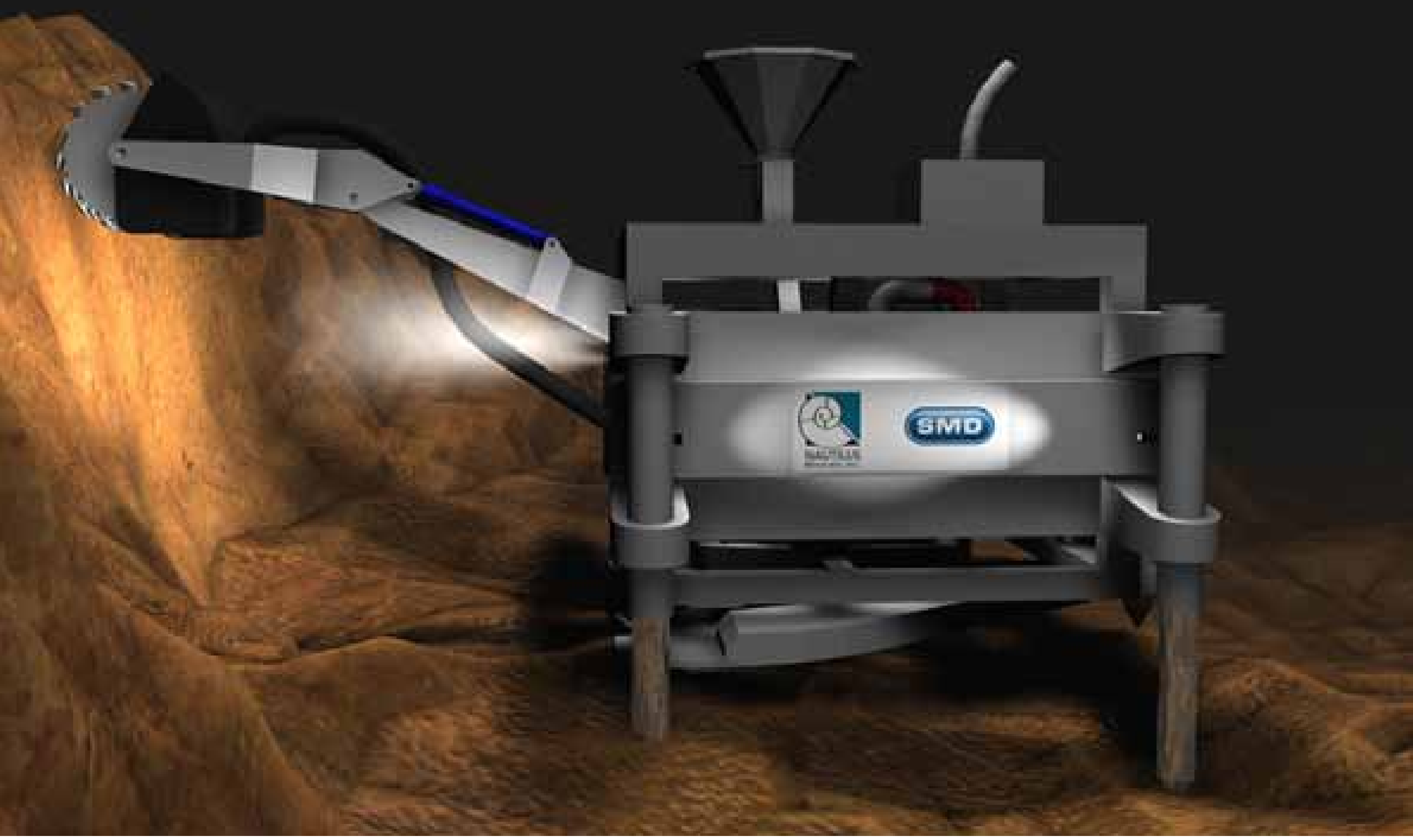
Futurists

PROJECT DEVELOPMENT UPDATE

LEFT TO RIGHT:
KEN ADAMS, Project Manager, Mining
STEPHEN MCLAY, Project Manager, Processing

Our primary goal is to deliver a world-class seafloor mining system on time and within budget while meeting all of our environmental, health and safety commitments. We are excited to be part of a motivated team where everyone is focused on the same vision: successfully extracting copper-rich mineral deposits from 1,700 metres below water. We look forward to a lot of "firsts" along the way. — Ken Adams

PROJECT DEVELOPMENT UPDATE



DELIVERING MINING OPERATIONS ON TIME AND WITHIN BUDGET

Steve Rogers leads the Project Development team which is focused on delivering the vessels and equipment on time, and within budget, for mining operations at Solwara 1. Equally important is meeting both environmental, health and safety commitments.

Combining skills from onshore mining, dredging and deep-water construction, the team scoped out the specifications for the three main components of the mining system, which are:

- The Seafloor Mining Tool ("SMT");
- The Riser and Lifting System ("RALS"); and
- The Mining Support Vessel ("MSV").

The first step in the mining process involves cutting the seafloor material and drawing it into the suction mouth of the SMT as slurry. It is then transported to a pumping module and lifted up a riser pipe to the MSV overhead where the material is dewatered. After dewatering, the ore is transferred to barges on a continuous cycle for shipment to a nearby port facility.

SEAFLOOR MINING TOOL ("SMT") CONTRACT

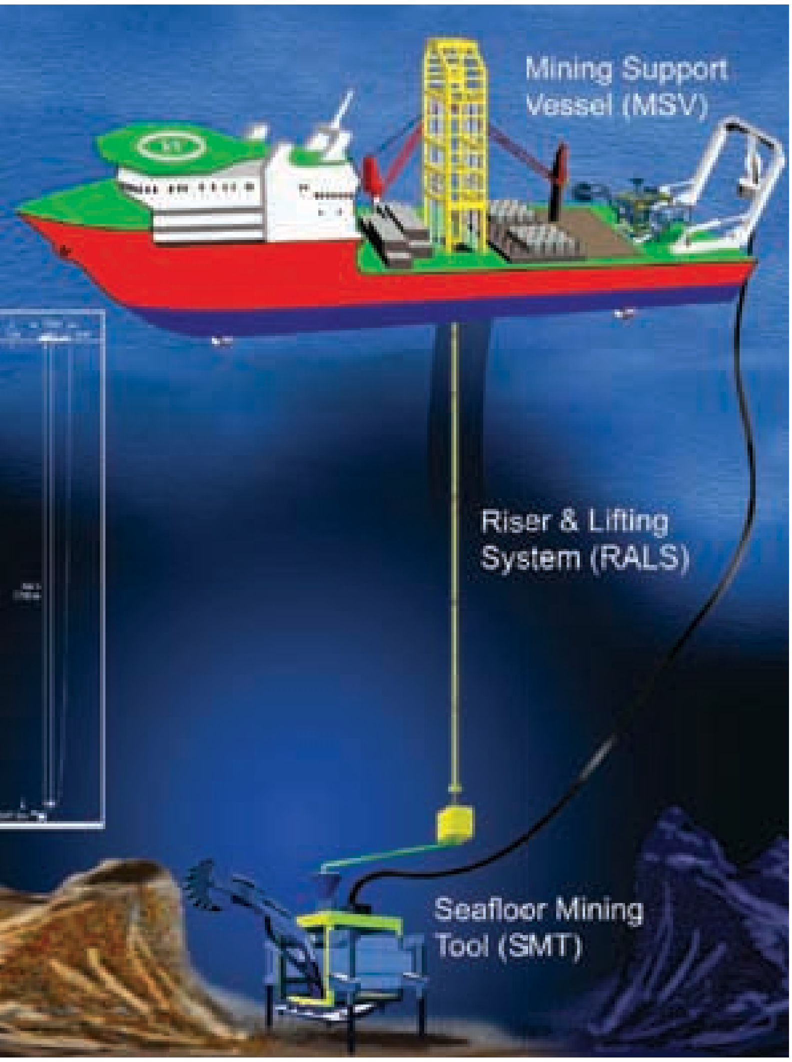
On December 18, 2007 the contract for the SMT was awarded to Soil Machine Dynamics of Newcastle upon Tyne, UK. The £33 million contract is for the design and production of two identical 190 tonne SMTs which will be used for production on the Solwara 1 Project. The system is designed to operate at production rate of 6,000 tonnes/day. The schedule provides for the completion of assembly, testing and integration work on the MSV to meet the production timeline for the third quarter, 2010.

RISER AND LIFTING SYSTEM ("RALS") CONTRACT

A second contract with a US$116 million target price was awarded on April 3, 2008 to Technip USA Inc. to provide engineering procurement and construction management services for the Riser and Lifting System ("RALS") components of the deepwater SMS extraction system, comprising the following:

- subsea pumps;
- riser pipe;
- riser handling system; and
- associated deck equipment.

FAR LEFT: *Seafloor Mining Tool ("SMT").* **BELOW LEFT:** *Proposed Mining System.*
BELOW RIGHT: *Geotechnical drilling for possible port infrastructure.*



MINING SERVICES CONTRACT

The third and final contract, planned to be awarded in the second quarter 2008, is for the Mining Services Agreement under which a contractor would provide, at its cost, the MSV for support of the mining operations. The scope of contract includes provision of the engineering and management of the vessel integration works, commissioning of the completed mining system and management of daily production operations on a performance incentivized basis.

MINERALIZATION

In February 2008, preliminary results from first phase mineralogical and metallurgical investigations of ore, from a representative 1.2 tonne drill core sample recovered during the 2007 drilling campaign at the Company's Solwara 1 Project, indicated that the copper was held almost exclusively in chalcopyrite. The chalcopyrite is coarse-grained and can be liberated from the gangue with high recovery to produce a marketable concentrate. The material was also found to be soft with a bond work index of 10-12. Further metallurgical test work to extend the current single stage cleaning to three stage production of a separate pyrite concentrate for gold deportment and optimization of reagent use is underway. This work is anticipated to be completed by the second quarter, 2008.

In addition to these major contracts the Project Development team continues its work on mine planning, materials handling, shipping, metallurgical testing and processing studies.

Technical Experts

EXPLORATION OVERVIEW

LEFT TO RIGHT:
JAMES CARPENTER, Geologist
EPHRAIM MALANA, Geologist
NICK DAVIES, Chief Geologist

Our team is responsible for the planning, retrieval and assessment of geological data from our SMS deposits. Without doubt, the biggest buzz the team has experienced was discovering Solwara 5, 6, 7 and 8 during the 2007 campaign, and being involved with the world's first underwater resource drilling program at Solwara 1. The whole team feels extremely privileged to be involved in such a fantastic project. — Nick Davies

EXPLORATION OVERVIEW

EXPLORING MINING'S NEWEST FRONTIER

The Company is exploring for high-grade Seafloor Massive Sulphide ("SMS") deposits of copper, zinc, gold and silver with its main geographic focus being the western Pacific Ocean. The majority of work in 2007 was undertaken in the territorial waters and the Exclusive Economic Zone ("EEZ") of Papua New Guinea ("PNG") located to the north of Australia.

In March 2007, Nautilus launched the world's largest commercial exploration program for high-grade SMS systems. This program involved technical input from representatives seconded to Nautilus from Teck Cominco Ltd. and included resource definition drilling, sampling and related metallurgical and mine development studies on the Company's Solwara 1 Project located 50 km north of Rabaul, the main port of the East New Britain Province of PNG. In addition, regional exploration in the Bismarck Sea of PNG confirmed the prospective potential of the region, with the discovery of four new sulphide systems known as Solwara 5, 6, 7 and 8.

APPLYING NEW TECHNOLOGIES

During 2007 Nautilus continued to refine and develop its SMS exploration strategy, related techniques and tools for this new industry.

— ROV drill

A major 111-hole core drilling program was undertaken using new "state of the art" Remote Operated Vehicle ("ROV") mounted drill rigs that were deployed on the seafloor and are capable of drilling up to 19 metres into the seafloor.

— Deep ocean electromagnetic exploration

Nautilus partnered with Teck Cominco Ltd. and the Vancouver-based Ocean Floor Geophysics Inc. to develop, deploy and protect the intellectual property associated with new deep-ocean Electromagnetic ("EM") technology. With this EM technique in our exploration toolbox, Nautilus will be able to better target future drilling, allowing the Company to test future systems more rapidly and cost effectively, and to build on our current competitive advantages in the world of seafloor resource development.

FAR LEFT: *Nautilus' Susan John, Geologist and Matt White, Chief Geologist, Project Generation, examining Solwara 1 drill core.*
TOP & BOTTOM LEFT: *Nautilus' Paul Lahari, Senior Geologist, examining SMS sample.*
TOP RIGHT: *Preparing to deploy the ROV drill.* **BOTTOM RIGHT:** *Solwara 1 core samples.*

WORLD'S FIRST NI 43-101 RESOURCE ESTIMATE

A successful exploration year culminated in Nautilus releasing the world's first NI 43-101 compliant resource estimate for a portion of the SMS system at the Company's Solwara 1 Project. Results were as follows:

INDICATED MINERAL RESOURCE:
870 kt @ 6.8% Cu, 4.8 g/t Au, 23 g/t Ag, 0.4% Zn.

INFERRED MINERAL RESOURCE:
1,300 kt @ 7.5% Cu, 7.2 g/t Au, 37 g/t Ag, 0.8% Zn.

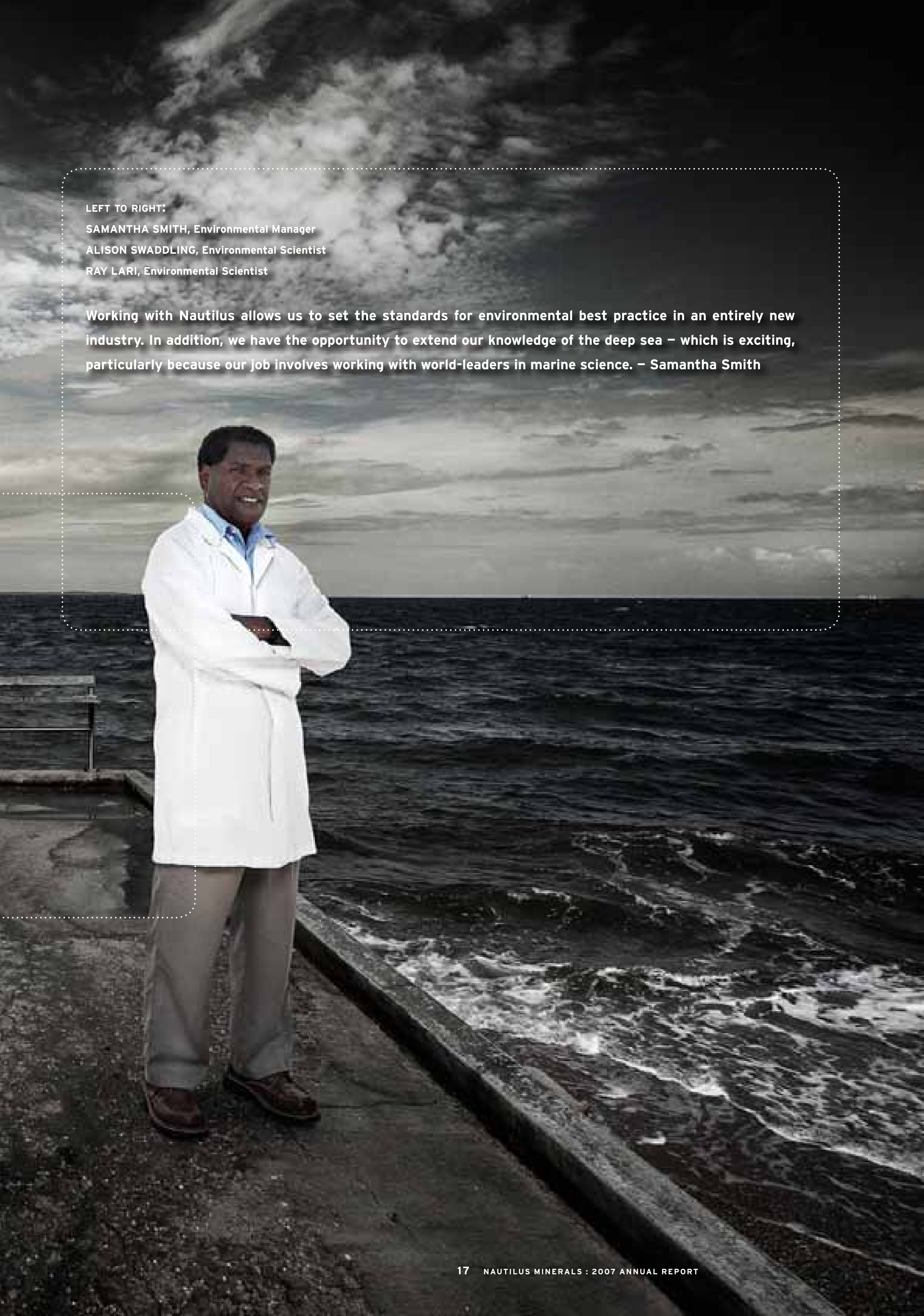
The deposit is open to the west and at depth with 44% of drill holes still in mineralization at the end of the hole. The estimate is based on the results of 111 core drill holes drilled from the seafloor in 2007, surface mapping and sampling (133 samples), and supporting information from 35 core holes drilled in 2006. This estimate is potentially further supported by an EM survey which outlines the surface extent of massive sulphide mineralization. A cut-off of 4.0% Cu was used.

TENEMENTS

The Company maintained its momentum in staking new ground. At the end of 2007 Nautilus had approximately 154,000 km^2 of granted tenements, and approximately 210,000 km^2 of applications for tenements in the territorial waters and EEZ of Papua New Guinea, Tonga, Solomon Islands, Fiji and New Zealand, for a total area of 365,000 km^2.

Going forward, the 2008 exploration program will focus on expanding the Nautilus project pipeline further with a six month program planned for Tonga and PNG. In Tonga, the principal focus will be the Valu Fa Ridge, a 300 km zone containing a number of known high-grade mineralized systems. In PNG, the focus will be on the prospective brownfield terrain in the vicinity of Solwara 1 and 4.

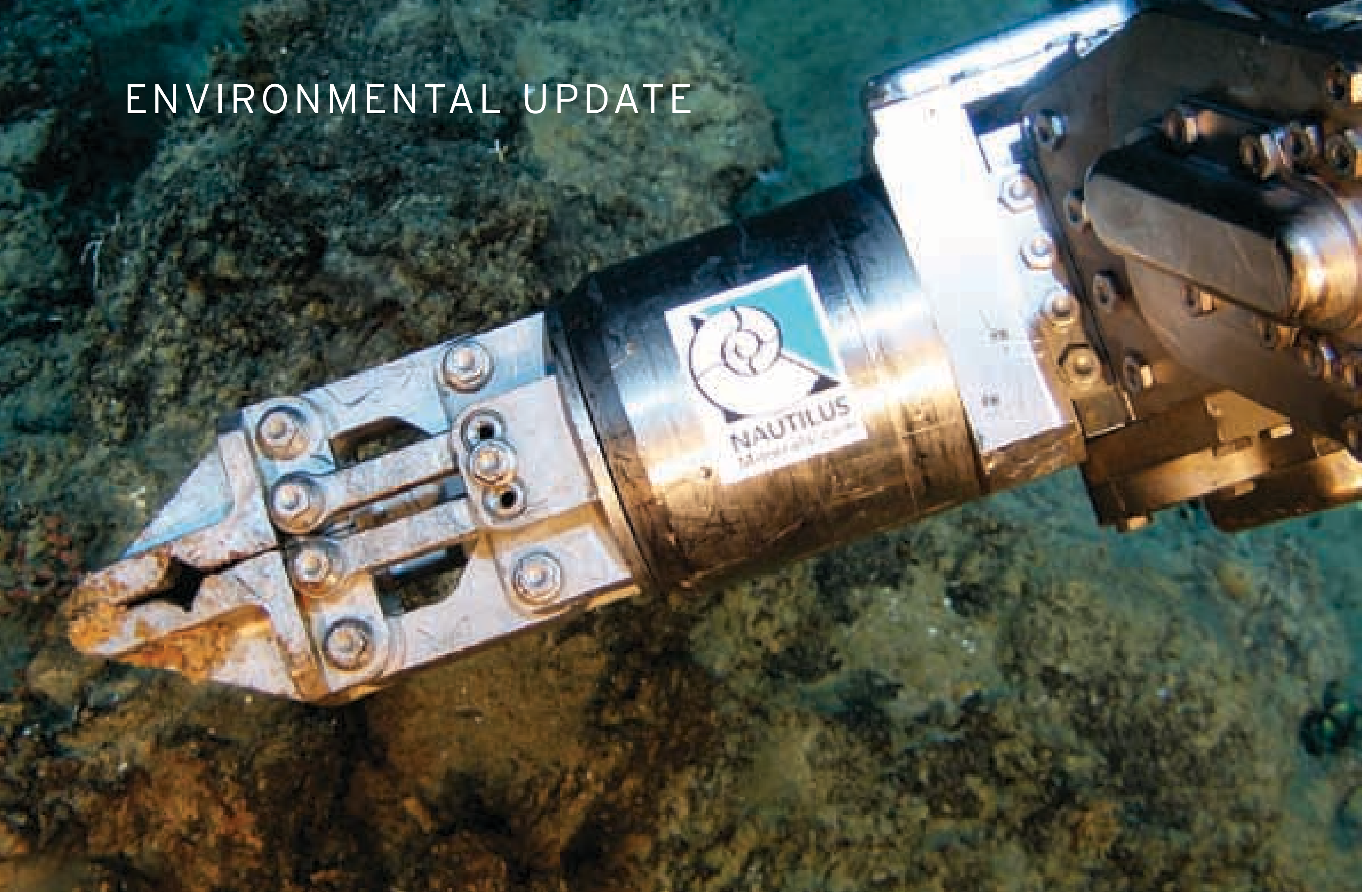

Scientists
ENVIRONMENTAL UPDATE



LEFT TO RIGHT:
SAMANTHA SMITH, Environmental Manager
ALISON SWADDLING, Environmental Scientist
RAY LARI, Environmental Scientist

Working with Nautilus allows us to set the standards for environmental best practice in an entirely new industry. In addition, we have the opportunity to extend our knowledge of the deep sea — which is exciting, particularly because our job involves working with world-leaders in marine science. — Samantha Smith

ENVIRONMENTAL UPDATE



NAUTILUS AND THE ENVIRONMENT: PLANNING AND PRACTICE

The study of the seafloor and oceans is an established science. A strong regulatory framework and established industry practice exists for operating on the seafloor. Industry sectors such as the offshore dredging and the oil and gas industries have developed operating and monitoring frameworks across multiple jurisdictions, often covering sensitive and complex operations. It is this solid foundation of work on which we build our minng operations.

Nautilus draws on the skills and techniques of both researchers and consultants who are experienced in servicing these well-established offshore industries.

In 2007 Nautilus continued its major environmental program with three primary objectives:

- To understand the existing environment;
- To understand the potential impacts of activities; and
- To understand and implement mitigating strategies to minimize the impacts of those activities.

ENVIRONMENTAL WORK TO DATE

Nautilus is currently completing its Environmental Impact Statement ("EIS") for the Solwara 1 Project located in the territorial waters of PNG. The environmental program involves diverse scientific and environmental studies in the Bismarck Sea (located in PNG). The lead EIS consultant is Coffey Natural Systems ("Coffey"), a specialist environmental and social impact assessment consultancy servicing the mining, oil and gas and infrastructure sectors. Based in Australia, Coffey has over 29 years experience conducting environmental and social impact assessments for PNG-based projects. Upon completion of these investigations, it is expected that the data and findings will be submitted to the government of Papua New Guinea in the third quarter, 2008.

RESEARCH INSTITUTIONS & CONSULTANT GROUPS INVOLVED IN THE SOLWARA 1 EIS

Duke University, USA
Scripps Institution of Oceanography, USA
University of Toronto, Canada
Commonwealth Scientific Industrial Research Organization, Australia
Hydrobiology, Australia
University of Papua New Guinea, PNG
Coffey Natural Systems, Australia
Rabaul Volcano Observatory, PNG
Asia Pacific Applied Science Associates, Australia

FAR LEFT: *An ROV's 7 function manipulator used to collect samples on the seafloor.*
BELOW LEFT: *Nautilus Environmental Scientist, Ray Lari.*
BOTTOM LEFT: *ROV configured for environmental work.*

FIVE ADVANTAGES TO SEAFLOOR MINING:

LIMITED SOCIAL DISTURBANCE—Seafloor mining does not require the social dislocation common to land-based operations with the resulting impact on culture or disturbance of traditional lands.

LITTLE MINING INFRASTRUCTURE—As the SMS deposits are located on the seafloor, mining production will be limited to a floating ship and a concentrator located close to shore. There will be no intensive land use requiring post-production restoration.

WORKER SAFETY—The operation is high-tech and will not require operators' exposure to typically dangerous mining or "cutting face".

MINIMAL MINING WASTE—The Company will mine and raise high-grade ore, resulting in the surgical extraction of a small ore footprint, with no requirement for waste rock dumping.

MINIMAL OVERBURDEN OR STRIPPING—The ore generally occurs directly on the seafloor and will not require large pre-strips or overburden removal.

PROCESS FOR MINING PERMIT APPROVAL

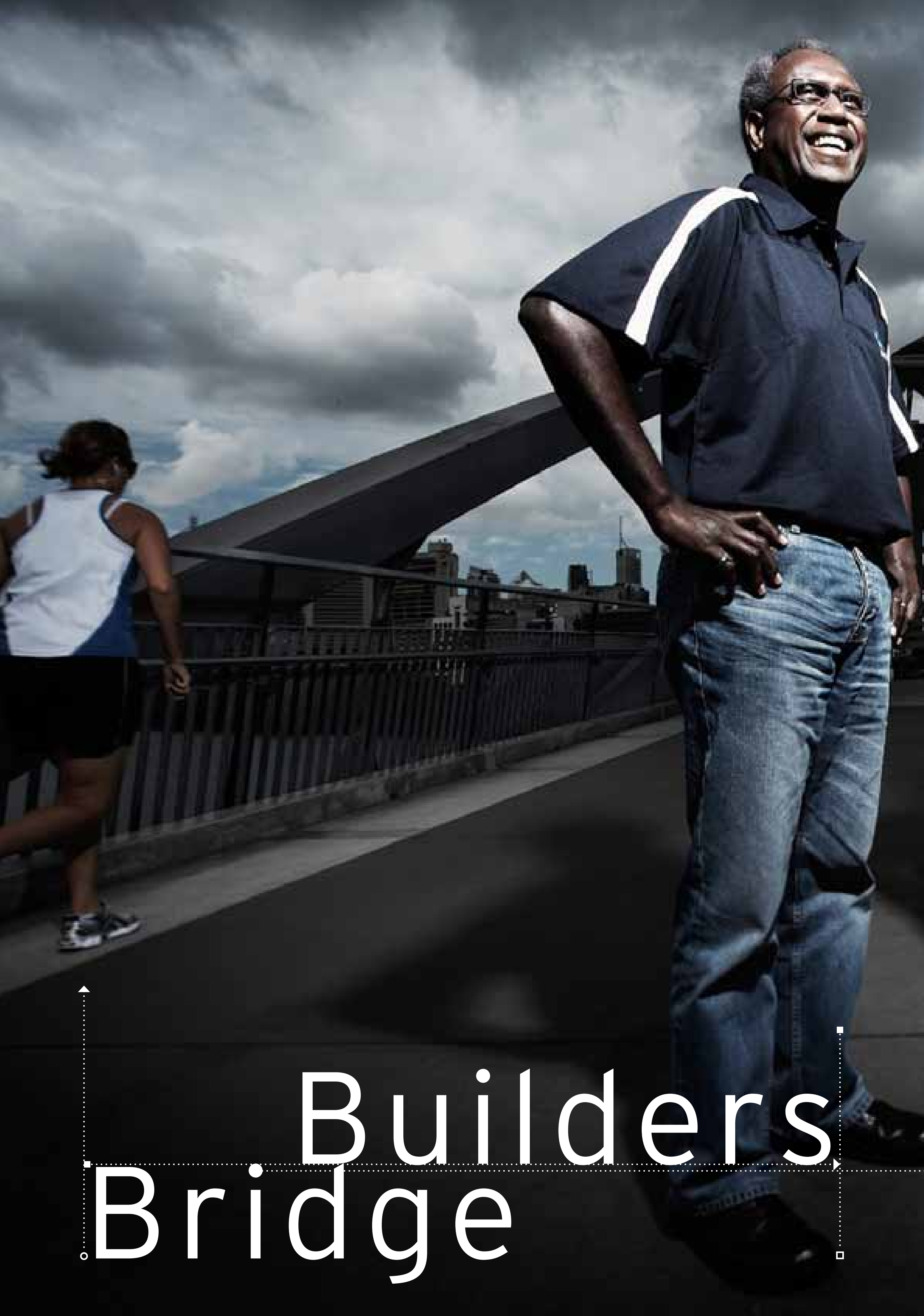
The Company currently has a licence to explore and gather data on its tenements. Prior to obtaining a Mining Lease in PNG, the Company must pursue a rigorous permitting process involving the following steps:

1. ENVIRONMENTAL INCEPTION REPORT ("EIR"): The first step in the development of a complete EIS is the Environmental Inception Report ("EIR"). The EIR outlines the project description and the studies that will be conducted for the Environmental Impact Assessment. In designing the study, input from the following constituents was included: domestic and international Non-Governmental Organizations ("NGO's"), scientists, consultants, environmentalists and other world-renowned experts in the field of marine and social science. The Papua New Guinea Department of Environment and Conservation ("DEC") approved the Nautilus EIR in 2007.

2. ENVIRONMENTAL IMPACT ASSESSMENT ("EIA"): In 2006 and 2007 Nautilus conducted five offshore environmental campaigns in the Bismarck Sea. This work included oceanography, biology, chemistry, water quality and sedimentation rate studies. During this time, over 5,000 seafloor observations were logged.

3. ENVIRONMENTAL IMPACT STATEMENT ("EIS"): Nautilus anticipates submitting the EIS to the PNG government in the third quarter 2008, along with all the detailed EIA studies.

4. EIS REVIEW: Nautilus has been advised by the DEC that independent scientists and other experts will be asked to comment on the EIS. Most importantly, the public and local communities will have the chance to provide their comments on the EIS and the Solwara 1 development proposal through a public hearings process.



Builders
Bridge

LEFT TO RIGHT:

MEL TOGOLO, Papua New Guinea Country Manager

PAUL TAUMOEPEAU, Tonga Country Manager

One of the most exciting things about our job is the adrenaline rush to pursue production by 2010 while creating value for the communities where we operate. We are proud to be part of a team that believes we can create wealth for developing countries in the Southwest Pacific. We never imagined that while working in Tonga and Papua New Guinea, such an opportunity would find us. — Mel Togolo

NAUTILUS CARES

NAUTILUS CARES

NAUTILUS CARES
COMMUNITY ACCOUNTABLE,
RESPONSIBLE ENVIRONMENTALLY & SAFE

Nautilus is working hard to create goodwill by ensuring our Company will be a good neighbour and partner in every community in which we conduct business. We are sensitive to the communities in which we operate and we respect their values, cultures, customs and beliefs.

Nautilus is committed to:

- Complying with all national and provincial laws, regulations and policies pertaining to community engagements;
- Engaging with relevant stakeholders and neighbours in the areas of operations;
- Engaging in a culturally appropriate and sensitive manner, respecting the fact that the Company is a visitor to the area;
- Establishing systems and processes to manage any issues related to our presence; and
- Working with local not-for-profit organizations to maximize community benefits of our operations and ensure skill-building whenever possible.

COMMUNITY OUTREACH AND SKILL BUILDING

In 2007 we expanded our outreach program, working with local communities in Papua New Guinea ("PNG") to discern the best ways we can help. A key outreach program included a partnership with the Port Moresby City Mission to help street kids develop lifeskills and find employment. In 2007, we committed K300,000 (approx. US$100,000) to the Mission. This initiative helps to provide youths in their teens and twenties with accommodation and job training in rural centres, away from the negative influences of peer groups. Once the individuals obtain the necessary skills, the Mission eases their transition to urban society and helps them obtain gainful employment.

Nautilus also set up a program to encourage skill and capacity building in PNG, employing and providing vocational training for four geologists, a geophysicist, and an environmental scientist.

We are equally committed to developing scientific knowledge within PNG and the other Pacific island nations, with the aim to actively support students who pursue studies in SMS deposits. In

FAR LEFT: *Youth benefitting from Nautilus' support of Port Moresby City Mission* BELOW LEFT: *Nautilus' Kledy Koloa, Geophysicist.* BOTTOM LEFT: *Mel Togolo, PNG Manager for Nautilus congratulating Ms. Martha Mungkaje on the award of herDuke University Opportunity Bursary.* FAR RIGHT: *Nautilus' Susan John, Geologist.*

the summer of 2007, sponsored by Nautilus Minerals, University of Papua New Guinea student Martha Mungkaje was awarded Duke University's Opportunity Bursary. Nautilus' sponsorship allowed Martha to travel to the USA and learn state-of-the-art techniques under the supervision of Dr. Cindy Lee Van Dover (Duke, USA), a deep-sea biologist with a special interest in the ecology of chemosynthetic ecosystems.

WORKING WITH THE COMMUNITY: AWARENESS AND ACCOUNTABILITY

Prior to being granted exploration licences, Nautilus engages in community awareness of proposed activities in the provinces of PNG where such exploration licences exist. With respect to the Solwara 1 development project, the Company regularly engages the community in both the provinces of New Ireland and East New Britain.

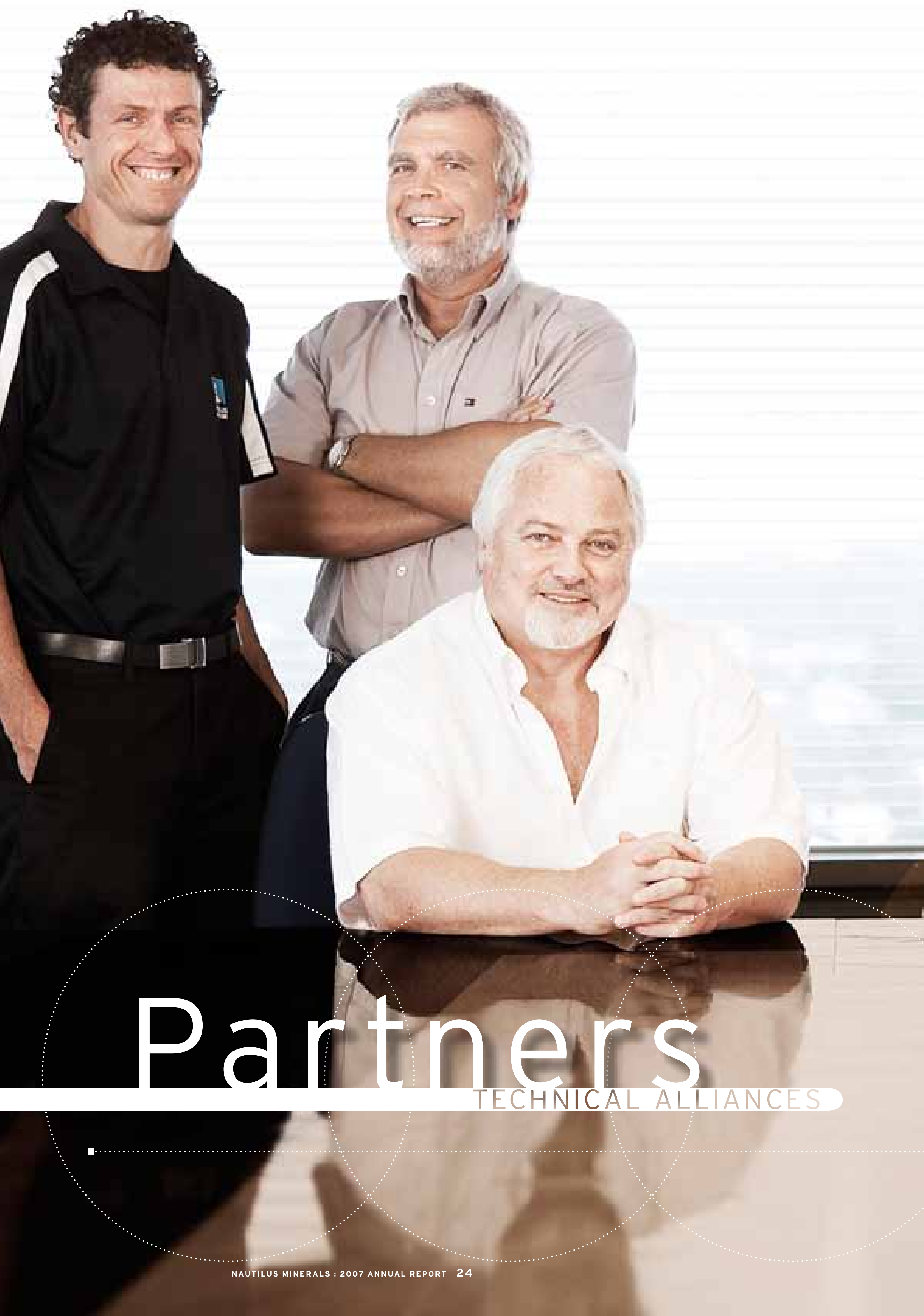
While the Solwara 1 deposit lies in the New Ireland Province, we are considering having logistical land-based operations in East New Britain. In addition to meetings with the communities, administration and governments of both provinces, we have also held workshops which have included members of local NGOs, churches, women's groups, educational facilities, local level government, fishing and tourism industries.

With the Solwara 1 Project located approximately 30 km offshore of the New Ireland Province, we visited 32 villages and surrounding communities, and provided briefings on the project and development proposal to almost 2,000 people. National and Provincial Government officers accompanied us on these visits.

SAFETY

Safety is the number one priority for Nautilus. Ensuring that we develop safe practices for the community, the environment and our employees is essential to our operations. In 2007 Nautilus embarked on its first offshore program and completed 200 operating days over two vessels with no lost time injury.

In the entirety of 2007 there was zero lost time for injury.



Partners

TECHNICAL ALLIANCES

LEFT TO RIGHT:

PETER CROWHURST, Senior Geologist, Teck Cominco, (under secondment to Nautilus)

WAYNE SPILSBURY, Director Seafloor Exploration, Teck Cominco

COLIN JOUDRIE, Director Business Evaluations, Teck Cominco

SEATED LEFT TO RIGHT:

FRED DALY, Vice President Exploration, Teck Cominco

JOEL JANSEN, Senior Geophysicist, Teck Cominco, (under secondment to Nautilus)

BOB HOLROYD, Director Exploration Technologies, Teck Cominco

Teck Cominco's offshore minerals exploration team, consisting of 12 professionals, loves the challenges, the opportunities, and the uniqueness of this project. The opportunity to work at the frontier of science, discovery and development is a privilege. Knowing that just around the next outcrop, behind that sonar image or underneath that bathymetric anomaly, lies the potential for a significant new scientific and economic discovery keeps us up all night in anticipation! — Fred Daley

STRONG TECHNICAL ALLIANCES

STRONG TECHNICAL ALLIANCES

Nautilus is intent on applying the most current technical knowledge to the projects while ensuring that best practice is followed throughout the proposed development programs. In order to do this, Nautilus has formed strong technical alliances with companies who are at the forefront of their industry and represent best-in-class technology.

SOIL MACHINE DYNAMICS ("SMD") of the UK was awarded the contract to build the two remote operated subsea mining machines for Nautilus. SMD is one of the world's leading subsea engineering companies, specializing in the design and manufacture of ROV systems.

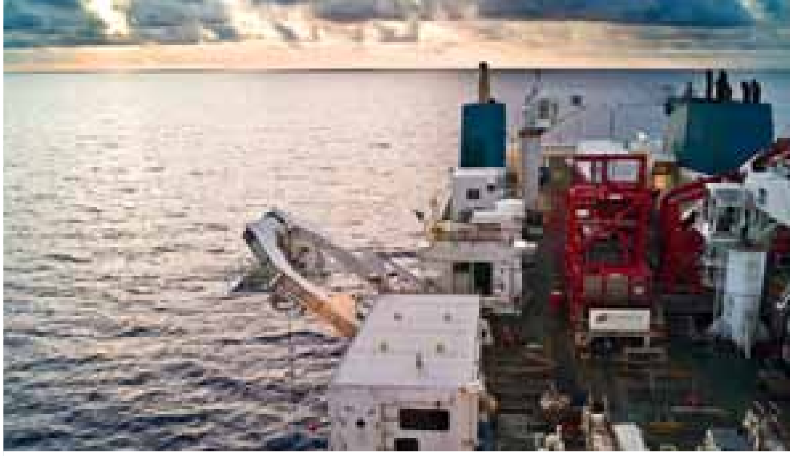
TECHNIP, an integrated group providing engineering, technologies and construction services to the oil/gas and petrochemical industry was awarded the contract for the Solwara 1 subsea pumping, Riser And Lifting System ("RALS"). With a workforce of 22,000 people worldwide, and annual revenues of almost 7 billion euros, Technip ranks among the five major players in full-service engineering and construction services in the field of hydrocarbons and petrochemicals.

CANYON OFFSHORE (part of Helix Energy Solutions) was awarded in 2007 a contract for provision of marine services and "state of the art" ROV drilling equipment to support Nautilus' exploration programs. Canyon provides ROV systems and skilled offshore teams for critical-path deepwater construction and specialty marine contracting projects worldwide.

OCEAN FLOOR GEOPHYSICS: Nautilus, together with its shareholder Teck Cominco Limited, partnered with the Vancouver-based Ocean Floor Geophysics Inc. to develop, deploy and protect the intellectual property associated with new deep-ocean Electromagnetic technology.

STRONG EXPLORATION PARTNERSHIP

Teck Cominco Ltd. ("Teck") has the right to form joint ventures with Nautilus on certain areas of the western Pacific, excluding the Solwara 1 to 8 projects. These projects, which cover a 17,500 km^2 tenement package in Papua New Guinea as well as exploration licences and applications in Tonga and Fiji applied for before October 20, 2006, remain 100% owned by Nautilus. In 2007, Teck seconded two key personnel to the Nautilus exploration team. In 2008, Teck proposes to conduct a US$12 million ship-based exploration program in one or more of four designated areas in Papua New Guinea, Tonga and New Zealand. Teck has assembled an exploration team in Brisbane dedicated to this project.



FAR LEFT: *Preparing to deploy the ROV.*
LEFT: *Peter Crowhurst, Senior Geologist, Teck Cominco Ltd. (under secondment to Nautilus).* **TOP RIGHT:** *Canyon ROV deployed .*
BOTTOM RIGHT: *Nautilus Geophysicist Kledy Koloa and Teck Cominco Ltd. secondee, Senior Geophysicist, Joel Jansen.*

STRONG SHAREHOLDERS

EPION HOLDINGS LTD. (22.4%)*

Following a total investment of US $109 million in 2006 and 2007, Epion Holdings Ltd. ("Epion") holds 22.4% of the Company's issued shares. Epion is a company controlled by Mr. Alisher Usmanov, who is the founder of the Metalloinvest Group, Russia's largest iron ore producer. Metalloinvest Group also owns several integrated steel operations and is one of the largest and fastest growing mining and metallurgical holdings in Russia.

TECK COMINCO LTD. (7.2%)*

Teck Cominco Limited ("Teck"), a diversified mining and metals company headquartered in Vancouver, Canada, invested in 2006 and 2007 a total of US$40 million in equity capital. Teck is a world leader in the production of zinc and metallurgical coal, a significant producer of copper, gold and specialty metals. They also have interests in several oil sands development assets.

ANGLO AMERICAN PLC (5.7%)*

Through a subsidiary, Anglo American plc ("Anglo") invested US$25 million in 2006 and holds 5.7% of Nautilus. Anglo is one of the world's largest mining and natural resource groups with a market capitalization of approximately US$80 billion as at December 31, 2007. It is a global leader in platinum group metals, gold and diamonds, with significant interests in coal, base and ferrous metals, industrial minerals and paper and packaging. Nautilus and Anglo have signed a Heads of Agreement under which Anglo may assist Nautilus in its development of Solwara and other projects by seconding personnel with specialist skills to the project at Anglo's cost. Technical input by Anglo may take the form of advice and expertise in exploration, geophysics, metallurgy and mining. As part of its 2006 subscription, Anglo was granted a right to subscribe for shares representing 11.1% of the common shares on issue at October 31, 2008, at a purchase price which is between 1.1 and 1.2 times the volume weighted average trading price of the Company's shares during the month of October 2008.

These three major shareholders have agreed that if a takeover bid is made for Nautilus and recommended by the Board of Directors, that they will accept the bid or make a higher counter offer.

* *Shareholdings as at March 2008.*

FINANCIAL HIGHLIGHTS

		(as at December 31, 2007)
FINANCIAL POSITION		
Total assets	US$	327.1
Cash and cash equivalents	US$	310.0
Working capital	US$	302.1
Total long-term debt	US$	0.0
Total shareholder's equity	US$	319.3
Market capitalization (undiluted)		
NUS: TSX	C$	547.2
PER SHARE INFORMATION		
Cash per share	US$	2.12
Book value per share	US$	2.24
Share price		
NUS: TSX	C$	3.75
Number of shares outstanding *(thousands)*		
Undiluted		145,923,471
Diluted		175,555,438

contents

Management's Discussion & Analysis of Financial Condition and Results of Operations

(US dollars, in accordance with Canadian GAAP)

The following Management Discussion and Analysis ("MD&A") has been prepared as at March 28, 2008. It includes references to United States dollars, Canadian dollars, Papua New Guinea Kina, United Kingdom pounds Sterling and Euros. All dollar amounts referenced, unless otherwise indicated, are expressed in United States dollars and the Canadian dollars are referred to as C$, Papua New Guinea Kina are referred to as PGK, United Kingdom pounds Sterling are referred to as £ and Euros are referred to as €.

The MD&A of Nautilus Minerals Inc. (the "Company", "NMI" or "Nautilus") should be read in conjunction with the audited consolidated financial statements and related notes prepared as of March 28, 2008 for the year ended December 31, 2007. This section contains forward-looking statements that involve risks and uncertainties. The Company's actual results may differ materially from those discussed in forward-looking statements as a result of various factors, including those described under "Forward-Looking Information."

FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such forward-looking statements relate to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration of the Company's exploration properties. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievement of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

OUR BUSINESS

Overview

Nautilus (TSX and AIM:NUS) is the first company to commercially explore the ocean floor for gold and copper Seafloor Massive Sulphide ("SMS") deposits, and subject to timely permitting, is positioning itself to become an emerging producer in 2010. The Company's main focus for 2008 is the Solwara 1 Project which is located in the territorial waters of Papua New Guinea in the western Pacific Ocean. The proposed operations of the Company, also subject to permitting and financing, will be the exploration for and the mining of copper, zinc, gold and silver where there are economically viable discoveries.

History and corporate structure

The Company, as it is currently structured, was formed on May 8, 2006 when the Company acquired all of the issued and outstanding shares of Nautilus Minerals Niugini Limited ("NMN") (formerly Nautilus Minerals Corporation) and Nautilus Minerals Oceania Limited ("NMO"), by issuing 30,519,541 common shares to the shareholders of NMN and NMO. Since the shareholders of NMN and NMO acquired in excess of 90% of the outstanding common shares of Nautilus, the transaction was accounted for as a reverse take-over ("RTO"). As a result, the comparative information included in the MD&A is that of NMN and NMO combined for the financial year from January 1, 2005 to December 31, 2005 and the period from January 1, 2006 to May 8, 2006 and NMI from May 9, 2006 to December 31, 2006. The results for the current financial year, being from January 1 to December 31, 2007 are those of NMI.

2007 HIGHLIGHTS

- Raised US$214 million (equivalent) gross proceeds through three equity financings
- US$310 million (equivalent) in cash and cash equivalents held on deposit with major banks
- Secured new exploration licences covering approximately 140,000 km^2 in Papua New Guinea Solomon Islands and Tonga (granted in 2007)
- Discovered 4 new Solwara Prospects
- Graduated to Toronto Stock Exchange ("TSX")
- Strengthened Board of Directors with two new appointments
- Launched the development of the world's first Seafloor Massive Sulphide ("SMS") resource project – Solwara 1
- Teck Cominco Ltd. ("Teck Cominco") exercised 3 million $5.00 warrants
- Teck Cominco plans to undertake ship-based exploration during 2008
- Completed world's first SMS resource estimate

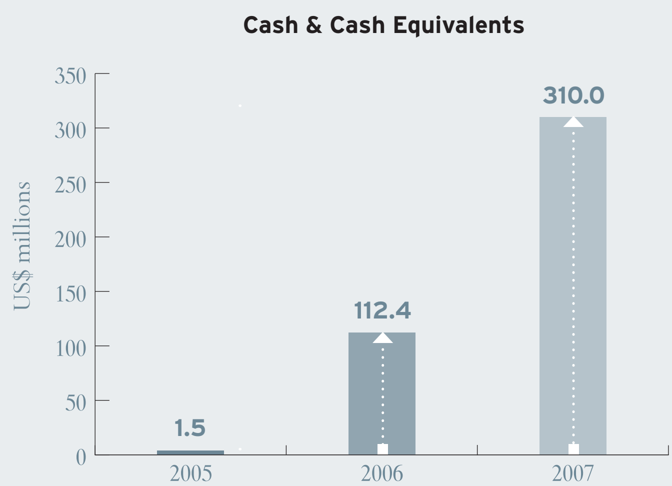
Raised $214 million (equivalent) in gross proceeds through three equity financings
During 2007 the Company completed three successful equity financings.

On February 2, 2007, Nautilus was admitted to AIM, a market operated by the London Stock Exchange plc, following the successful placing of 27,438,606 common shares, including 5,499,109 common shares to Epion Holdings Limited ("Epion"), at a price of 185 pence per share. This financing raised gross proceeds of £50.8 million (equal at that time to US$100 million) for the Company.

On February 20, 2007, the Company completed the private placement in North America of 20,344,850 Units at C$4.35 per Unit for gross proceeds of C$88.5 million (equal at that time to US$75 million). Each Unit consisted of one common share and one-half of one warrant of the Company. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of C$5.655 per share prior to February 21, 2009. In the event that the volume weighted average price of the Company's common shares on the TSX exceeds C$6.525 for a period of at least 20 consecutive trading days, Nautilus has the right to give notice to the holders of the warrants that the warrants will expire if not exercised within 30 days.

On November 29, 2007, the Company completed a private placement with the Company's major shareholder, Epion, for a total of 10,859,690 units (the " Epion Units") at a price of C$3.60 per Epion Unit for gross proceeds of C$39.1 million.

Each Epion Unit consists of one common share in the capital of the Company and one-fifth of one warrant, with each whole warrant entitling Epion to purchase an additional common share for C$3.80 for a period of two years from the date of issuance of the warrants.



$310 million (equivalent) in cash and cash equivalents held on deposit with major banks
Nautilus is in a strong financial position with $310 million equivalent in cash and cash equivalents held on deposit with banks holding an S&P rating of A+ or better.

Secured new exploration licences covering approximately 140,000 km² in Papua New Guinea, Solomon Islands and Tonga
During the year Nautilus was granted 26 new exploration licences covering an area of 59,803 km² within the territorial waters of Papua New Guinea ("PNG").

In addition, in 2007 the Company was granted 16 offshore exploration licences covering 78,977 km², being an area containing most known indications of SMS systems within the 1887 Proclamation Area of the Kingdom of Tonga in the western Pacific. A further 14 tenements covering 8,273 km² in the Exclusive Economic Zone of the Solomon Islands were also granted in 2007, extending the Company's tenement holding in the highly prospective Woodlark Basin to the east of PNG.

Nautilus now has approximately 155,000 km² of granted tenements, and approximately 210,000 km² of tenement applications in the territorial waters and Exclusive Economic Zones of Papua New Guinea, Tonga, Solomon Islands, Fiji and New Zealand.

Discovered 4 new Solwara prospects
During the year Nautilus completed the world's largest successful commercial exploration program for high grade SMS systems. This was conducted on the Company's exploration licences in the territorial waters of PNG. During the program the Company discovered four new SMS systems, which were called Solwara 5, 6, 7 and 8.

The four new mineralized zones were discovered during a four week exploration program and highlighted the rigour of the program. It further demonstrated the effective use of modern technology and techniques and the potential for further discoveries in the region. The four new SMS systems were located following the reprocessing by Nautilus of geophysical data gathered in 2005 by the Company's then joint venture partner, Placer Dome.

Laboratory testing of samples from the Solwara 5, 6, 7 and 8 Prospects gave the following results:

2007 SURFACE SAMPLING

Prospect	Samples	Gold g/t	Copper %	Zinc %	Lead %	Silver g/t
Solwara 5	12	14.6	6.0	8.3	1.6	282
Solwara 6	9	19.2	13.4	15.2	0.6	191
Solwara 7	11	10.9	3.7	15.6	1.2	261
Solwara 8	31	13.4	10.1	19.7	1.4	205

Graduated to Toronto Stock Exchange ("TSX")
Effective as of August 24, 2007 trading in the Company's common shares moved from the TSX Venture Exchange ("TSXV") to the TSX.

Strengthened Board of Directors with two new appointments
The Nautilus Board of Directors was strengthened during the year with the appointment of Mr. Farhad Moshiri and Mr. John O'Reilly. Each of the new Directors adds a wealth of international experience to the senior leadership of the Company.

Mr. Farhad Moshiri is a qualified Chartered Certified Accountant and is currently the Chief Executive of London-listed Europe Steel Plc and has extensive experience with a number of Russian and UK-based steel and mining companies. His directorships include Epion Holdings Limited, Ural Steel, ZAO Metalloinvest and Gallagher Holdings Limited.

Mr. John O'Reilly, who holds a BSc in Metallurgy and an MSc in Mineral Process Design, brings with him over 40 years experience in the international mining industry. His experience includes 19 years with Rio Tinto Plc, including Head of Technology and Head of Gold and Other Minerals, based in London, and a secondment to the Lihir Management Company as Managing Director. John was the inaugural CEO of Lihir Gold Ltd in Papua New Guinea, a plus 40 million ounces gold resource, where he was responsible for the design, engineering, construction and initial operation of the US$900 million Lihir mine, plant and associated infrastructure. John retired as a non-executive director of Lihir Gold Ltd at the end of 2006.

Launched the development of the world's first Seafloor Massive Sulphide resource project — Solwara 1

Following the lapse of the Heads of Agreement with Jan De Nul announced on July 6, 2007, Nautilus took over the development of Solwara 1 with significant progress made during the second half of 2007 focusing on the tendering for the provision of the three key mining system components:

1) Seafloor Mining Tool ("SMT");
2) The Riser and Lifting System ("RALS"); and
3) Mining services, including provision of the mining vessel.

The approach adopted by Nautilus was to award the contracts sequentially with the SMT and RALS contracts to be awarded first. The mining services contract will then be awarded as the configuration of the two subsea systems has bearing on the optimal surface vessel configuration that the mining contractor will be required to provide.

The SMT contract was awarded on December 18, 2007 to Soil Machine Dynamics ("SMD") of Newcastle upon Tyne, UK for the design and build of two SMTs at a cost of £33 million.

In December 2007 a competitive, paid, front end engineering design program was launched for the RALS, involving "world's best" international contractors. This ran for eight weeks and Nautilus expects to select the RALS design and build contractor before the end of April 2008.

The mining services contract will be finalized in the second quarter of 2008, following a subsequent competitive, paid, front end engineering design study with several high calibre international groups. The objective of the design program will be for contractors to assess the subsea mining equipment (i.e. the SMT and RALS), identify the required integration with the proposed vessels and demonstrate that the contractor groups are proposing optimal vessel configurations. Under the mining services agreement, the successful contractor will provide the mining support vessel and manage the daily production operations on a performance incentivized basis.

Following the engineering study and the award of the mining services contract, the Company will be in a position to announce its target capital expenditure and operating costs.

In addition to managing the awarding of the three major contacts, the Nautilus Project Development team has many studies underway including mine planning, materials handling, shipping, metallurgical testing and processing studies. In February 2008 preliminary results from first phase mineralogical and metallurgical investigations of ore from a representative 1.2 tonne drill core sample recovered during the 2007 drilling campaign at the Company's Solwara 1 Project indicated that the copper was held almost exclusively in chalcopyrite, which is coarse grained and can be liberated from the gangue with high recovery and should produce a marketable concentrate. The material was also found to be soft with bond work index of 10-12.

Further test work to extend the current single stage cleaning to three stage production of a separate pyrite concentrate for gold deportment and optimization of reagent use is underway. This work is anticipated to be completed by the end of April 2008.

Teck Cominco Ltd. ("Teck Cominco") exercised 3 million US$5.00 warrants

On December 20, 2007 Teck Cominco exercised its share purchase warrants to acquire 3,000,000 additional common shares of the Company at a price of US$5.00 per share for a total of US$15 million.

Teck Cominco planning to undertake ship-based exploration during 2008

Teck Cominco and Nautilus agreed that Teck Cominco may utilize the US$12 million option payment, previously committed as an option to form joint ventures with Nautilus, to conduct and manage a ship-based exploration program in 2008 in one or more of four designated areas in Papua New Guinea, Tonga and New Zealand ("the Areas"). Excluded from the Areas are the Solwara 1 to 8 Prospects, a 14,000 km^2 tenement package in Papua New Guinea and exploration licences and applications in Tonga and Fiji applied for before October 20, 2006 which remain 100% owned by Nautilus.

The agreement calls upon Teck Cominco to establish an exploration team to develop and carry out a ship-based program in 2008 in the Areas, and to commit to that sea based program by notice to Nautilus on or before June 30, 2008.

If Teck Cominco does not make the commitment for any particular Area before June 30, 2008 it will lose the right to form a joint venture with Nautilus in that Area and will be restrained from competing with Nautilus until August 31, 2011 in that Area. If Teck Cominco does not make a commitment to any of the Areas before June 30, 2008 it has agreed to pay Nautilus any shortfall in the US$12 million expenditure requirement.

Teck Cominco will not earn an equity interest in any tenements through this US$12 million expenditure but it will then have the right to select, by December 31, 2008, from the Areas for a country earn-in.

Completed world's first Seafloor Massive Sulphide resource estimate
On December 20, 2007, Golder Associates Pty Ltd., ("Golder") completed the world's first NI 43-101 compliant resource estimate for an SMS system at the Company's Solwara 1 Prospect, located in the territorial waters of PNG:

- Indicated Mineral Resource: 870 kt @ 6.8% Cu, 4.8 g/t Au, 23 g/t Ag, 0.4% Zn.
- Inferred Mineral Resource: 1,300 kt @ 7.5% Cu, 7.2 g/t Au, 37 g/t Ag, 0.8% Zn.

The estimate from Golder is based on the following:

- Results of 111 core holes drilled from the seafloor in 2007;
- Surface mapping and sampling (133 samples); and
- Supporting information from 35 core holes drilled in 2006.

The estimate is further supported by an Electromagnetic ("EM") survey which effectively outlines the surface extent of massive sulphide mineralization. A cut-off of 4.0% Cu was used for the estimate.

The area drilled in 2007 was constrained by the time available for drilling as a result of the vessel contract term, and the depth limitations of the new Remote Operated Vehicle ("ROV") rigs. As a result, it was not possible to pursue the western extensions of the system, nor test a number of interesting EM anomalies in the vicinity. The ROV drill technology developed and employed during the year resulted in a step change improvement in core recovery (73% in massive sulphide) from previous subsea drilling systems. However, the design capability of this new system was limited to drilling to a maximum of 19 metres in depth. Currently the Company is in discussions with groups developing drilling systems with extended depth capability to effectively evaluate the deeper potential in 2009.

SELECTED ANNUAL INFORMATION

The following table sets out selected annual financial information of Nautilus Minerals Inc. and is derived from the Company's audited consolidated financial statements per the periods ended December 31, 2007, 2006 and 2005. The information set out below should be read in conjunction with the MD&A and consolidated financial statements and related Notes prepared as of March 28, 2007 for the year ended December 31, 2006. Amounts are expressed in US dollars unless otherwise indicated.

		2007		*2006*		*2005*
Sales	$	Nil	$	Nil	$	Nil
Loss for the year	$	31,258,557	$	8,739,788	$	611,738
Loss per share (basic and diluted)	$	0.24	$	0.16	$	0.01
Total assets	$	327,096,020	$	125,169,648	$	2,506,235
Total long-term liabilities	$	Nil	$	Nil	$	Nil
Dividends declared	$	Nil	$	Nil	$	Nil

Loss for the year
The increase in the net loss for the year was primarily attributable to a substantial increase in exploration expenditures resulting from the exploration programs on Solwara 1 through 8. The increase in stock-based compensation was more than offset by an increase in interest revenue and foreign exchange gains. In accordance with the Company's accounting policy of expensing mineral property costs in the period in which they occur, the Company recorded an exploration expense of $40.9 million in 2007 compared to $3.3 million in 2006.

Total assets
The increase in total assets for the year is primarily attributable to an increase in cash and cash equivalents from $112.4 million in 2006 to $310.0 million in 2007 as a result of the private placement completed in conjunction with the admission to AIM in February 2007, further private placements in North America, and with Epion Holdings Limited in February 2007 and November 2007, respectively, as well as the exercise of warrants by Teck Cominco in December 2007.

RESULTS OF OPERATIONS
The following discussion provides an analysis of Nautilus' financial results.

For the year ended December 31, 2007
Loss for the period

Net loss
For the year ended December 31, 2007, the Company recorded a loss of $31.3 million ($0.24 loss per share) as compared to a loss of $8.7 million ($0.16 loss per share) for the same period in 2006.

Exploration expense
Exploration expense increased to $40.9 million (2006 — $3.3 million) due to an increase in the level of exploration activities undertaken during the period.

Interest income
Interest income earned on cash and cash equivalents held during 2007 was $12.5 million (2006 — $1.2 million). The increase was attributable to the increase in cash held during the year. The Company maintains its cash and cash equivalents with banks with an S&P rating of A+ or better.

Non-cash stock based compensation
A total of $6.9 million in non-cash stock based compensation was expensed during the period (2006 — $3.0 million).

Foreign exchange gains and losses
A foreign exchange gain of $10.3 million was recorded during the period (2006 – loss of $0.3 million).

Depreciation expense
Depreciation expense increased to $0.2 million (2006 — $0.03 million) due to an increase in property, plant and equipment acquired.

Other general and administrative costs
Other general and administrative expenses consist of:

- Management fees and salaries of $1.4 million (2006 — $0.4 million), an increase of $1.0 million as a result of higher activity at a corporate and project level over the last 12 months;
- Wages and salaries of $1.1 million (2006 — $0.4 million), an increase of $0.7 million as a result of increased employee numbers over the last 12 months;
- General administrative expenses of $1.2 million (2006 — $0.2 million) an increase of $1.0 million resulting from increased overhead costs including office costs in Canada, Papua New Guinea and Australia;
- Shareholder information expenses of $0.7 million (2006 — $0.4 million) resulting from increased investor relations costs to service investors on both TSX and AIM;
- Travel expenses of $0.6 million (2006 — $0.3 million);
- Professional fees of $0.6 million (2006 — $1.5 million); and
- Listing and filing fees of $0.5 million (2006 – $0.2 million).

Overall, Nautilus' expenses increased to $43.8 million for the year ended December 31, 2007, up from $9.9 million for the same period in 2006.

Cash flows

Operating activities

Cash used in operating activities for the year ended December 31, 2007 was $20.6 million as compared to cash flows from operating activities of $5.2 million for the year ended December 31, 2006. The increase in cash used in operating activities is a consequence of the expenditures described above offset by interest income of $12.5 million.

Investing activities

Cash used in investing activities for the year ended December 31, 2007 was $1.3 million as compared to $0.3 million in the year ended December 31, 2006. The increase in cash used in investing activities is primarily attributable to the acquisition of equipment of $1.2 million compared to $0.2 million in the year ended December 31, 2006.

Financing activities

Cash from financing activities for the year ended December 31, 2007 was $219.5 million as compared to $116.4 million in the year ended December 31, 2006. The cash from financing activities resulted from private placements and exercise of warrants completed during the year.

SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

The following table sets out selected unaudited quarterly financial information of Nautilus and is derived from unaudited quarterly consolidated financial statements prepared by management. The Company's interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and expressed in US dollars.

Period	*Revenues*	*Loss & Comprehensive loss for the Period (in millions)*	*Basic & Diluted Loss per Share*
4th Quarter 2007	Nil	$(7.5)	$(0.06)
3rd Quarter 2007	Nil	$(12.4)	$(0.10)
2nd Quarter 2007	Nil	$(6.2)	$(0.05)
1st Quarter 2007	Nil	$(5.1)	$(0.05)
4th Quarter 2006	Nil	$(4.6)	$(0.07)
3rd Quarter 2006	Nil	$(2.0)	$(0.04)
2nd Quarter 2006	Nil	$(1.5)	$(0.04)
1st Quarter 2006	Nil	$(0.7)	$(0.01)

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial objective is to ensure that it has sufficient liquidity in the form of cash and/or debt capacity, to finance its ongoing requirements to support its strategy of becoming an emerging producer in 2010.

Key financial measures

The Company uses the following key financial measures to assess its financial condition and liquidity:

	2007	*2006*
Debt to Equity	Nil	Nil
Current Ratio	39.8 to 1	112.8 to 1
Working Capital	$302.1 million	$111.6 million
Cash and Cash Equivalents	$310.0 million	$112.4 million

Under the Company's Investment Policy, cash cannot be invested for more than 90 days and must be held on deposit with banks with an S&P credit rating of A+ or better.

Outlook and capital requirements

The Company's known contractual obligations at December 31, 2007, are quantified in the table below:

Year	*Operating Leases ($000)*	*Non-Cancellable Consulting Agreements ($000)*	*Total ($000)*
2008	419	370	789
2009	246	Nil	246
2010	8	Nil	8
2011	7	Nil	7
2012	3	Nil	3
Thereafter	Nil	Nil	Nil
Total	683	370	1,053

The Company is involved in mineral exploration which is a high risk activity and relies on results from each exploration program to determine if areas justify any further exploration and the extent and method of appropriate exploration to be conducted.

The Company has budgeted over $20 million for exploration work in 2008 on its Solwara 1 Project and its other regional exploration programs.

If exploration results and engineering studies are positive, the Company may consider committing additional funds to finance further engineering and exploration studies. In addition, the Company may consider further increases in staffing levels.

In order to maintain the exploration leases, licences and permits in which the Company is involved, the Company is expected 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 or decrease depending on whether additional applications are granted, relinquished or form joint ventures in the future.

Based on tenements granted at December 31, 2007, total rental commitments are $680,000 and total expenditure commitments are $31.8 million over the life of the licences which extend to a maximum of five years.

On December 18, 2007 the contract for the Seafloor Mining Tool ("SMT") was awarded to Soil Machine Dynamics ("SMD") of Newcastle upon Tyne, UK. The £33 million contract is for the design and production of two identical 190 tonne SMTs which will be used for production on the Solwara 1 Project. The system is designed to produce on average 100 m^3/hr with peak production of 6,000 tonnes/day. The schedule provides for SMTs to be completed and tested in the third quarter, 2009 with integration work on the mining support vessel commencing in the first quarter, 2010.

The Company may need to obtain significant additional capital to develop any of its exploration properties and debt financing may not be obtainable for a project such as that contemplated. The Company may need to rely on the equity markets for future financing of the Company's development of Solwara 1, divest equity in the project or obtain financing from offtake agreements.

Nautilus expects that the cash and cash equivalents will be sufficient to pay for the continued budgeted exploration and general and administrative costs of the Solwara 1 Project for the next 12 months. Depending upon future events, the rate of expenditures and other general and administrative costs could increase or decrease. Other than as disclosed above, the Company has not attempted to secure sources of additional financing to fund future expenditures.

However, in the event that the pace of expenditures increases, Nautilus may plan to secure future financing from issuance of additional equity, debt, or financing from other sources.

Nautilus' opinion concerning liquidity and its ability to avail itself in the future of the financing options mentioned in the above forward-looking statements 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 financing 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 approvals from the Papua New Guinea government for the Solwara 1 Project, drilling and metallurgical testing results, results from engineering studies and detailed design of equipment.

Foreign currency exchange rate risk
The Company's operations are located in several different countries, including Canada, Australia, Papua New Guinea, Tonga, Solomon Islands, Fiji and New Zealand and may require equipment to be purchased from several different countries. Nautilus' future profitability could be affected by fluctuations in foreign currencies relative to these countries' currencies as well as the United States dollar, Canadian dollar, Australian dollar, British pounds Sterling, Euro and Papua New Guinea Kina. The Company has not entered into any foreign currency contracts or other derivatives to establish a foreign currency protection program but may consider such transactions in the future.

The Company maintains its cash in a "basket" of currencies that reflect its current and expected cash outflows to take advantage of natural hedges. As at December 31, 2007 the Company held its cash in the following currencies:

Currency	*% held*
USD	29
EUR	22
CAD	13
GBP	32
AUD	4
TOTAL	100

TRANSACTIONS WITH RELATED PARTIES

Included in management fees is $51,578 (2006: $197,317) for management fees paid to a company controlled by a director.

Included in professional fees is $Nil (2006 – $65,566) for legal fees paid to a company controlled by a director.

Included in accounts payable and accrued liabilities is $21,781 (2006 – $9,738) for amounts owed to a company controlled by a director of the Company for management and consulting fees.

CRITICAL ACCOUNTING POLICIES

The details of the Company's accounting policies are presented in Note 2 of the audited consolidated financial statements for the year ended December 31, 2007. The following policies are considered by management to be essential to understanding the processes and reasoning that go into the preparation of the Company's financial statements and the uncertainties that could have a bearing on its financial results.

Resource properties
Acquisition and exploration costs are expensed as incurred since the Company is in the process of exploring its mineral tenements and has not yet determined whether these properties contain ore reserves that are economically recoverable. If and when the Company's management determines that economically extractable resources have been established, the subsequent costs incurred to develop such property, including costs to further delineate the ore body will be capitalized.

Adoption of new accounting standards
On January 1, 2007, the Company adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, Financial Instruments — Recognition and Measurement, along with two companion standards, Section 1530, Comprehensive Income, and Section 3865, Hedges, and the amendments to CICA Handbook sections and accounting guidelines resulting from the issuance of these sections. The adoption of these new standards had no impact on the Company's financial results.

The CICA has issued three new standards which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2008. The Company will adopt the requirements commencing in the interim period ended March 31, 2008. The adoption of these new standards is not expected to have any material impact on the Company's financial results.

Section 1535 — Capital disclosures
This section establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard the Company will be required to disclose the following, based on the information provided internally to the entity's key management personnel:

(i) qualitative information about its objectives, policies and processes for managing capital;

(ii) summary quantitative data about what it manages as capital;

(iii) whether during the period it complied with any externally imposed capital requirements to which it is subject; and

(iv) when the Company has not complied with such externally imposed capital requirements the consequences of such non-compliance.

Section 3031 — Inventories
This section prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

Section 3862 — Financial instruments — Disclosures
This section requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Entities will be required to disclose the measurement basis or bases used, and the criteria used to determine classification for different types of instruments.

The section requires specific disclosures to be made, including the criteria for:

(i) designating financial assets and liabilities as held for trading;

(ii) designating financial assets as available-for-sale; and

(iii) determining when impairment is recorded against the related financial asset or when an allowance account is used.

OUTSTANDING SHARE DATA

The following is a summary of the Company's outstanding share data as of March 28, 2008.

Common shares

A total of 145,937,471 common shares are outstanding.

Convertible securities

The Company now has 13,681,697 options and 15,881,697 warrants outstanding.

Convertible securities

A total of 15,881,697 warrants are issued and outstanding, with each warrant entitling the holder to purchase one common share of the Company with expiry dates ranging from May 3, 2008 through to November 28, 2009 at prices ranging from C$1.50 to C$5.66 per share, $3.30 to $5.00 and £2.15 to £2.31.

A total of 13,681,697 stock options are issued and outstanding, with expiry dates ranging from May 8, 2008 through November 30, 2012. The weighted average exercise price for all stock options is C$3.94. All stock options entitle the holders to purchase common shares of the Company.

INTERNAL CONTROLS

Disclosure controls and procedures

Management has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures during the period covered by this Management Discussion and Analysis and has concluded that they provide reasonable assurance that information required to be disclosed by the Company is recorded, processed, summarized and reported within the appropriate time period.

Internal control over financial reporting

Management has evaluated the design of the Company's internal controls over financial reporting during the period covered by this Management Discussion and Analysis, and has determined that the internal controls over financial reporting provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

However, certain weaknesses arise primarily from the limited number of personnel employed in the accounting and financial reporting area, a situation common to smaller companies. As a consequence of this situation: (i) it is not feasible to achieve complete segregation of duties; and (ii) the Company does not have full "in house" expertise in complex areas of accounting, such as accounting for stock options and warrants.

The Company's management does not expect that its internal controls and procedures will completely prevent all error and all fraud. The Company believes that the weaknesses identified in its systems of internal control are mitigated by the thorough review of the Company's financial statements by senior management, the Audit Committee of the Board and by consulting with external experts. In addition, senior management is active in the Company's day-to-day operations and in monitoring the Company's financial reporting. Regardless, these mitigating factors cannot completely eliminate the possibility that a material misstatement will occur as a result of the weaknesses identified in the Company's internal control over financial reporting. A cost effective system of internal controls over financial reporting, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the internal controls over financial reporting are achieved.

ADDITIONAL SOURCES OF INFORMATION

Additional sources of information regarding Nautilus Minerals Inc. is on SEDAR at www.sedar.com and is on the Company's website www.nautilusminerals.com

Auditors' Report
Audited Consolidated Financial Statements
for the Year 31 December 2007

(US dollars, in accordance with Canadian GAAP)

TO THE SHAREHOLDERS OF NAUTILUS MINERALS INC.

We have audited the consolidated balance sheet of Nautilus Minerals Inc. (the "Company") as at December 31, 2007 and 2006 and the consolidated statements of loss, comprehensive loss and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP, Chartered Accountants
Vancouver, B.C. Canada
March 28, 2007

Consolidated Balance Sheets

(expressed in U.S. dollars)

	December 31, 2007	December 31, 2006
ASSETS		
Current assets		
Cash and cash equivalents	309,969,145	112,356,865
Prepaid expenses and advances	874,313	285,178
	310,843,458	112,642,043
Restricted cash (note 6)	201,436	101,674
Property, plant and equipment (note 7)	3,837,759	212,564
Mineral properties (note 8)	12,213,367	12,213,367
	$ 327,096,020	$ 125,169,648
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	7,819,826	998,207
Shareholders' equity		
Share capital (note 10a and 10b)	331,406,593	126,257,367
Contributed surplus (note 10c)	30,174,366	8,960,282
Deficit	(42,304,765)	(11,046,208)
	319,276,194	124,171,441
	$ 327,096,020	$ 125,169,648

Commitments and contingencies (note 12)

On behalf of the Board:

David Heydon

Russell Debney

Consolidated Statements of Loss, Comprehensive Loss and Deficit

(expressed in U.S. dollars)

		year ended December 31, 2007		year ended December 31, 2006
EXPENSES				
Exploration costs (note 8)		40,876,742		3,280,937
Stock-based compensation (note 10d)		6,897,376		3,001,000
Management fees and salaries		1,414,540		423,410
Wages and salaries		1,140,248		365,965
General administrative		1,150,238		222,590
Shareholder information		677,996		376,509
Travel		606,800		291,518
Professional fees		580,781		1,523,096
Listing and filing fees		496,633		158,277
Depreciation		238,714		27,567
Foreign exchange loss (gain)		(10,292,810)		277,115
	$	43,787,258	$	9,947,984
OTHER INCOME				
Interest income		12,528,701		1,158,196
Recovery of exploration costs		–		50,000
		12,528,701		1,208,196
Loss and comprehensive loss for the year		31,258,557		8,739,788
Deficit – Beginning of year		11,046,208		2,306,420
Deficit – End of year		42,304,765		11,046,208
Loss per share – Basic and diluted	$	0.24	$	0.16
Weighted average number of shares outstanding		127,892,271		53,513,241

Consolidated Statements of Cash Flows

(expressed in U.S. dollars)

		year ended December 31, 2007		year ended December 31, 2006
CASH FLOWS USED IN OPERATING ACTIVITIES				
Loss for the period		(31,258,557)		(8,739,788)
Items not affecting cash				
Stock-based compensation		6,897,376		3,001,000
Depreciation		238,714		27,567
Change in non-cash working capital items				
Prepaid expenses and advances		(589,135)		(261,580)
Accounts payable and accrued liabilities		4,111,308		802,406
	$	(20,600,294)	$	(5,170,395)
CASH FLOWS FROM FINANCING ACTIVITIES				
Share capital issued, net of share issuance costs		219,465,934		115,412,755
Promissory note		–		730,100
Loan payable		–		(199,213)
Deferred charges		–		445,552
	$	219,465,934	$	116,389,194
CASH FLOWS USED IN INVESTING ACTIVITIES				
Restricted cash		(99,762)		(101,674)
Cash acquired on acquisition of Nautilus Minerals Inc		–		4,359
Purchase of equipment		(1,153,598)		(240,131)
	$	(1,253,360)	$	(337,446)
INCREASE IN CASH AND CASH EQUIVALENTS		197,612,280		110,881,353
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR		112,356,865		1,475,512
CASH AND CASH EQUIVALENTS – END OF YEAR	$	309,969,145	$	112,356,865
NON-CASH INVESTING AND FINANCING ACTIVITIES				
Shares issued for acquisition of Nautilus Minerals Inc.		–		(749,299)
Common shares issued for mineral properties		–		12,213,367

Notes to Consolidated Financial Statements

December 31, 2007 (expressed in U.S. dollars)

1. BASIS OF PRESENTATION, OPERATIONS AND SUBSIDIARIES

Basis of Presentation

These consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

These consolidated financial statements are presented in United States Dollars ("USD"), the functional and presentational currency of the Company.

Operations

Nautilus Minerals Inc. (the "Company", "Nautilus" or "NMI") is engaged in the exploration of the ocean floor for gold and copper Seafloor Massive Sulphide ("SMS") deposits. The Company is an enterprise in the exploration stage. The exploration activity involves exploration of underwater gold-copper and zinc deposits in the western Pacific Ocean. The Company's main focus for 2008 is the Solwara 1 Project in Papua New Guinea in the western Pacific Ocean. The proposed principal operations of the Company subject to permitting and financing will be the mining of copper, zinc, gold and silver deposits where there are economically viable discoveries.

Subsidiaries

Subsidiaries, which are those entities in which the Company has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Company controls another entity.

Intercompany transactions, balances, income and expenses are eliminated on consolidation.

These consolidated financial statements include the accounts of the Company (Canada) and all of its subsidiaries. The significant subsidiaries include Nautilus Minerals Niugini Limited (Papua New Guinea), Nautilus Minerals Oceania Limited (Vanuatu) and Nautilus Minerals Pacific Proprietary Limited (Australia).

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to prior periods, unless otherwise stated.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and highly liquid investments with maturities at time of purchase of 90 days or less.

Mineral Properties

The Company expenses all exploration and evaluation expenditures until management conclude that a future economic benefit is more likely than not of being realized. In evaluating if expenditures meet this criterion to be capitalized, management utilize several different sources of information depending on the level of exploration. While the criteria for concluding that an expenditure should be capitalized is always probable, the information that management use to make that determination depends on the level of exploration.

Costs relating to property acquisitions are capitalized as mineral properties.

Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while those costs for the prospects abandoned are written off.

The recoverability of the amounts capitalized for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Mineral Properties (cont'd)

The Company assesses its capitalized resource property costs when events or changes in circumstances suggest they are potentially impaired. Estimated undiscounted future net cash flows for properties are calculated using estimates by reference to the timing of exploration and development work, work programs proposed, the explorations results achieved to date and the likely proceeds receivable if the Company sold the properties to third parties. If the estimated undiscounted future net cash flows are less than the carrying value, the estimated fair value is calculated using the discounted future net cash flows and the asset is written down to the fair value with an impairment charge to operations. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

Property, Plant and Equipment

Equipment is carried at cost less accumulated depreciation. Depreciation is calculated over the estimated useful life of the assets on a straight-line basis as follows:

	Estimated useful life (in years)
Leasehold improvements	3
Plant and equipment	5–15
Computer equipment	3
Office equipment (Australia)	1–20
Computer software	1–2.5
Tradeshow display equipment (Canada)	4

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals are determined by comparing the proceeds received with the carrying amount of the asset and are included in the income statement.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

Impairment of Non-current Assets Other than Mineral Properties

Property, plant and equipment and intangible assets (excluding goodwill), are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

If the estimated undiscounted future net cash flows relating to an asset is less than the carrying value, the estimated fair value of the asset is calculated using the discounted future net cash flows and the asset is written down to the fair value with an impairment charge to operations. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

Management's Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of accrued liabilities, share capital, contributed surplus, share issuance costs and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of stock-based compensation during the reported periods. Actual results could differ from those estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign Currency Translation

Functional and presentation currency

The consolidated financial statements are presented in United States Dollars, which is the functional and presentation currency of Nautilus Minerals Inc.

Transactions and balances

Foreign currency transactions are accounted for at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities are translated at year-end exchange rates. Gains and losses arising on settlement of such transactions and from the translation of foreign currency monetary assets and liabilities are recognized in the income statement.

Income Taxes

Future income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Future income tax is measured at tax rates that are expected to apply in periods in which the temporary differences reverse based on tax rates and law enacted or substantively enacted at the balance sheet date.

Future tax assets are recognized to the extent that it is more likely than not that future taxable profit will be available against which the temporary differences can be utilized.

Future income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing income (or loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method which assumes that any proceeds from the exercise of share options or warrants would be used to purchase common shares at the average market price during the period. During years when the Company has generated a loss, the potential shares to be issued from the assumed exercise of options and warrants are not included in the computation of diluted per share amounts since the result would be anti-dilutive.

Share Capital

Ordinary shares are classified as equity.

Incremental external costs directly attributable to the issue of new ordinary shares, other than in connection with business combinations, are shown in equity as a deduction, net of tax, in share capital.

Stock-Based Compensation

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognized as an expense over the vesting period.

None of the Company's equity-settled transactions have any market based performance conditions.

Fair value for equity-settled share based payments is estimated by use of the Black-Scholes pricing model.

At each balance sheet date, before vesting, the cumulative expense is calculated based on management's best estimate of the number of equity instruments that will ultimately vest. The movement in this cumulative expense is recognized in the income statement, with a corresponding entry in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Stock-Based Compensation (cont'd)

Where an equity-settled award is cancelled by the Company, it is treated as if it had vested on the date of cancellation and any cost not yet recognized in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

The proceeds from the exercise of stock options and warrants, in addition to the estimated fair value attributable to those options and warrants exercised, are recorded as share capital in the amount for which the options or warrants were exercised.

Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns which are different from those of segments operating in other economic environments.

Due to the nature of the Company's operations, the Company has one business segment, which operates in two different geographic locations.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

Fair value of financial instruments

On January 1, 2007, the Company adopted CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement, along with two companion standards, Section 1530, Comprehensive Income, and Section 3865, Hedges, and the amendments to CICA handbook sections and accounting guidelines resulting from the issuance of these sections. The adoption of these new standards had no impact on the Company's financial results.

Financial assets are classified, as appropriate, as financial assets at fair value through profit or loss; loans and receivables; held to maturity investments or as available for sale. The Company's financial instruments consist of cash and cash equivalents, accounts receivable, notes receivable and accounts payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

The Company determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The subsequent measurement of financial assets depends on their classification, as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit or loss or available-for-sale. Such assets are initially measured at fair value and subsequently carried at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the loans and receivables are de-recognized or impaired, as well as through the amortization process.

Financial liabilities

When a financial liability is initially recognized, the Company measures it at its fair value plus, in the case of a financial liability not measured at fair value with changes in value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability. Financial liabilities include trade payables, other payables and accrued liabilities.

December 31, 2007 (expressed in U.S. dollars)

3. ADOPTION OF NEW ACCOUNTING STANDARDS (cont'd)

Fair values

The fair value of quoted investments is determined by reference to appropriate market prices at the close of business on the balance sheet date. Where there is no active market, fair value is determined using valuation techniques. These include using pricing models and discounted cash flow analyses. Otherwise assets are carried at cost.

Interest rate risk

The Company holds cash and cash equivalents which earn interest at variable rates as determined by financial institutions.

Credit risk

The Company only places its cash with banks with an S&P credit rating of A+ or better.

Foreign exchange risk

All of the Company's activities are located in several different countries, including Canada, Australia and Papua New Guinea and may require equipment to be purchased from several different countries and currencies. Nautilus' future profitability could be affected by fluctuations in foreign currencies relative to the United States dollar, Canadian dollar, Australian dollar, British pounds Sterling, Euro and Papua New Guinea Kina.

The Company has not entered into any foreign currency contracts or other derivatives to establish a foreign currency protection program.

Foreign exchange risk is mitigated by the Company maintaining its cash in a "basket" of currencies that reflect its current and expected cash outflows. As at December 31, 2007 the Company held its cash in the following currencies:

Currency	*% held*
USD	29
Euro	22
CAD	13
GBP	32
AUD	4
	100

4. NEW ACCOUNTING PRONOUNCEMENTS

The CICA has issued three new standards which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2008. The company will adopt the requirements commencing in the interim period ended March 31, 2008. The adoption of these new standards is not expected to have any material impact on the Company's financial results.

Section 1535 — Capital Disclosures

This Section establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard the Company will be required to disclose the following, based on the information provided internally to the entity's key management personnel:

(i) qualitative information about its objectives, policies and processes for managing capital;

(ii) summary quantitative data about what it manages as capital;

(iii) whether during the period it complied with any externally imposed capital requirements to which it is subject; and

(iv) when the company has not complied with such externally imposed capital requirements the consequences of such non-compliance.

4. **NEW ACCOUNTING PRONOUNCEMENTS (cont'd)**

Section 3031 — Inventories

This Section prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

Section 3862 — Financial Instruments — Disclosures

This Section requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Entities will be required to disclose the measurement basis or bases used, and the criteria used to determine classification for different types of instruments.

The Section requires specific disclosures to be made, including the criteria for:

(i) designating financial assets and liabilities as held for trading;

(ii) designating financial assets as available-for-sale; and

(iii) determining when impairment is recorded against the related financial asset or when an allowance account is used.

5. **INCOME TAX**

a) A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2007		*2006*
Loss before income taxes	$	(31,258,557)	$	(8,739,788)
Canadian statutory tax rate		34.12%		34.12%
Expected income tax (recovery)		(10,665,420)		(2,982,016)
Difference in foreign tax rates		1,398,681		163,227
Items (deductible)/not deductible for income tax purposes		(6,761,175)		994,203
Change in combined statutory tax rate		(765,149)		35,856
Change in valuation due to foreign exchange on reporting currencies		(4,645,831)		(730,645)
Change in valuation allowance		21,438,894		2,519,375
Total income taxes (recovery)	$	–	$	–
Represented by:				
Current income tax		–		–
Future income tax (recovery)		–		–

5. **INCOME TAX (cont'd)**

b) The significant components of the Company's future income tax assets and liabilities are as follows:

		2007		*2006*
Future income tax assets				
Non-capital losses	$	7,485,164	$	1,364,109
Capital losses		2,875,227		–
Unamortized share issue costs		3,650,912		1,042,194
Tax value of resource properties and plant and equipment costs in excess of net book value of resource property and plant and equipment		10,488,188		654,294
		24,499,491		3,060,597
Less: Valuation allowances		(24,499,491)		(3,060,597)
	$	–	$	–

c) The Company has non-capital loss carry forwards as follows:

		Canada		*Australia*		*Papua New Guinea*
2009	$	47,000	$	–	$	–
2010		169,000		–		–
2014		184,000		–		–
2015		297,000		–		–
2019		–		–		18,000
2020		–		–		5,000
2021		–		–		7,000
2022		–		–		10,000
2023		–		–		54,000
2024		–		–		42,000
2025		–		–		12,000
2026		3,325,000		–		186,000
2027		19,900,000		–		–
Not limited		–		3,070,000		–
Total non-capital losses	$	23,922,000	$	3,070,000	$	334,000

The Company has incurred certain resource related expenditures of approximately $50,200,000 (2006–$2,180,978), which may be carried forward indefinitely and used to reduce prescribed taxable income in future years.

December 31, 2007 (expressed in U.S. dollars)

5. INCOME TAX (cont'd)

c) The Company has non-capital loss carry forwards (cont'd)
Future income tax assets are not recorded for the above tax loss carry-forwards due to complete uncertainty of their recovery. The tax losses may be subject to audit and adjustment by local tax authorities as well as other local regulations.

6. RESTRICTED CASH

Restricted cash of $201,436 (2006 – $101,674) has been provided as security for two leases and 26 tenements held in Papua New Guinea. $93,393 (2006 – $50,248) is being held on deposit at the Australia and New Zealand Banking Group in Australia as security for the office lease for Nautilus Minerals Pacific Pty Ltd. $51,685 (2006 – $51,426) is being held on deposit at the Australia and New Zealand Banking Group Limited in Papua New Guinea as security for a vehicle that has been leased by the Company. The funds are restricted until the expiration of the leases being 30 May 2009 and 10 August 2009 respectively. $56,358 (2006 - Nil) is being held on deposit at Mineral Resources Authority of Papua New Guinea as security for tenement licences.

7. PROPERTY, PLANT AND EQUIPMENT

Details are as follows:

	Cost	*Accumulated Amortization*	*Written-down Value*	*Cost*	*Accumulated Amortization*	*Written-down Value*
Leasehold improvements	296,611	84,868	211,743	71,133	11,725	59,408
Plant & equipment	285,345	14,690	270,655	–	–	–
Office equipment	151,128	8,533	142,595	39,265	1,010	38,255
Computer hardware	352,843	87,808	265,035	75,716	9,624	66,092
Computer software	303,926	66,914	237,012	50,141	4,627	45,514
Tradeshow display equipment	3,876	3,468	408	3,876	581	3,295
Subsea equipment under construction	2,710,311	–	2,710,311	–	–	–
	$4,104,040	$266,281	$3,837,759	$240,131	$27,567	$212,564

8. MINERAL PROPERTIES

The Company has titles granted and applications lodged that provide the Company with rights to explore for minerals in offshore Papua New Guinea, Tonga and Solomon Islands. In addition, the Company has lodged exploration or prospecting applications in the Exclusive Economic Zones of Fiji and New Zealand.

Acquisition of Mineral Properties

In 2006, the Company entered into an agreement with Barrick Gold Inc. ("Barrick"), following its acquisition of Placer Dome, to terminate the farm-in agreement and convert its joint venture interest into an equity interest in the Company. Pursuant to the terms of this termination agreement, Nautilus Minerals Niugini Ltd. acquired the remaining interest which Barrick held in the PNG Licences in return for Barrick being issued with Common Shares in the Company. The Company thereby secured a 100% interest in all the PNG Licences. In addition, pursuant to the terms of the termination arrangements, Barrick transferred all of Placer Dome's expertise, intellectual property and know-how in relation to the farm-in, together with, access to key consultants and relevant business relationships to the Company, allowing the Company to itself thereafter manage and operate the Solwara Projects. The value of the shares issued to Barrick was $12,213,367, which was capitalized as mineral property acquisition costs in 2006.

December 31, 2007 (expressed in U.S. dollars)

8. MINERAL PROPERTIES (cont'd)

Acquisition of Mineral Properties (cont'd)

		year ended December 31, 2007		year ended December 31, 2006
Assaying and sampling	$	178,303	$	12,820
Boat charters and fuel		13,367,234		6,229
Drilling		497,812		–
Engineering services		8,560,942		191,584
Environmental consulting		800,283		60,953
General		3,361,713		2,060,596
Geological and field expenses		7,005,377		179,957
Maps, reports and data		2,098,204		768
Mineral property fees		838,928		272,385
Supplies		286,636		53,349
Travel		1,182,826		55,880
Wages and salaries		2,698,484		386,416
	$	40,876,742	$	3,280,937

In order to maintain the exploration leases, licences and permits in which the Company is involved, the Company is expected 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 or decrease depending on whether additional applications are granted, relinquished or form joint ventures in the future.

Based on tenements granted at December 31, 2007, total rental commitments are $680,000 and total expenditure commitments are $31.8 million over the life of the licences which extend to a maximum of five years.

9. RELATED PARTY TRANSACTIONS

Except as noted elsewhere in these financial statements, related party transactions for the year ended December 31, 2007 are as follows:

a) Included in management fees is $51,578 (2006 – $197,317) for management fees paid to a company controlled by a director;

b) Included in professional fees is $Nil (2006 – $65,566) for legal fees paid to firms in which a director is a partner; and

c) Included in accounts payable and accrued liabilities is $21,781 (2006 – $9,738) for amounts owed to a company controlled by a director of the Company for management and consulting.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed between the related parties.

10. SHARE CAPITAL

a) Details of share capital

Authorized: Unlimited common shares without par value

	Shares	Amount
Issued and allotted		
Balance – December 31, 2005	–	$ 4,472,809
Balance NMI shares pre-acquisition	12,442,892	–
Adjustment to shares issued in NMI as at acquisition (6 for 1 consolidation)	(10,369,076)	–
	2,073,816	4,472,809
Shares issued on acquisition of NMI	30,519,541	(281,765)
Shares issued for cash - private placement	44,759,092	117,411,234
Fractional shares issued	51	–
Shares issued on exercise of options	220,250	272,680
Shares issued on exercise of special warrant	4,783,163	12,213,367
Fair market value of options exercised	–	139,104
Share issuance costs	–	(7,970,062)
Balance – December 31, 2006	82,355,913	126,257,367
Shares issued for cash - Private placement	58,643,146	214,905,189
Proportional allocation of warrants attached to private placements	–	(15,817,775)
Shares issued on exercise of warrants	4,557,830	19,456,304
Shares issued on exercise of options	366,582	679,584
Fair market value of options exercised	–	376,376
Fair market value of warrants exercised	–	4,572,030
Share issuance costs	–	(15,575,143)
Agent's warrants issued as share issuance costs	–	(3,447,339)
Balance – December 31, 2007	145,923,471	$ 331,406,593

b) Private placements

On February 2, 2007, the Company completed, in conjunction with an AIM listing, a private placement of 27,438,606 common shares at 185 pence per share for gross proceeds of £50,761,421 ($100,000,000 on date of transaction). The costs related to this issue, in aggregate of $9,076,340 have been netted against the new capital raised. In addition, 549,395 broker warrants at a price of £2.31 per share and 549,910 warrants at price of £2.15 per share to be exercised prior to February 2, 2009 were issued in relation to the placement. The estimated fair value of these warrants was $1,756,484.

10. **SHARE CAPITAL (cont'd)**

b) Private placements (cont'd)

On February 20, 2007, the Company completed a private placement of 20,344,850 Units at C$4.35 per Unit for gross proceeds of C$88,500,097 ($75,225,082 on date of transaction). Each Unit consists of one common share and one-half of one warrant of the Company. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of C$5.655 per share prior to February 21, 2009. The estimated fair value of the warrants was calculated using the Black-Scholes options pricing model. The estimate of the fair value of the warrants was based upon a volatility of 75%, a risk free interest rate of 4.06% and an expected life of 2 years. The costs related to this issue, in aggregate of $4,613,767 have been netted against the new capital raised. In addition, 368,449 broker warrants at a price of C$5.655 per share to be exercised prior to February 21, 2009 were issued in relation to the placement. The estimated fair value of these warrants was $555,153.

On November 29, 2007, the Company completed a private placement to Epion Holdings Limited of 10,859,690 Units at C$3.60 per Unit for gross proceeds of C$39,094,884 ($39,372,461 on date of transaction). Each Unit consists of one common share and one-fifth of one warrant of the Company. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of C$3.80 per share prior to November 29, 2009. The estimated fair value of the warrants of $2,745,599 was calculated using the Black-Scholes options pricing model. The estimate of the fair value of the warrants was based upon a volatility of 77.97%, a risk free interest rate of 4.10% and an expected life of 2 years. The costs related to this issue, in aggregate of $6,164,079 have been netted against the new capital raised. In addition, 1,085,969 broker warrants at a price of C$3.80 per share to be exercised prior to November 29, 2009 were issued in relation to the placement. The fair value of these warrants was $1,967,406.

c) Details of contributed surplus:

		Amount
Balance — December 31, 2005		239,738
Fair value of stock-based compensation		3,001,000
Fair value of warrants issued		5,858,648
Fair value of exercised options		(139,104)
Issue of special warrant		12,213,367
Transferred to share capital on exchange of special warrant for common shares		(12,213,367)
Balance — December 31, 2006		8,960,282
Proportional allocation of warrants attached to private placements		15,817,775
Agent's warrants issued as share issuance costs		3,447,339
Fair value of stock-based compensation		6,897,376
Fair market value of options exercised		(376,376)
Fair market value of warrants exercised		(4,572,030)
Balance — December 31, 2007	$	30,174,366

d) Share purchase options

The Company has established a share purchase option plan whereby the Board of Directors may, from time to time, grant options to directors, officers, employees or consultants. Options granted must be exercised no later than five years from the date of grant or such lesser period as determined by the Company's Board of Directors. The exercise price of an option must be determined in accordance with the share purchase option plan. The Board of Directors must determine the vesting period in accordance with the share purchase option plan.

December 31, 2007 (expressed in U.S. dollars)

10. **SHARE CAPITAL (cont'd)**

d) Share purchase options

The changes in share purchase options outstanding are as follows:

	Number of options	Weighted average exercise price (in C$)	Contractual weighted average remaining life (in years)
Balance – December 31, 2005	1,800,000	0.63	2.3
Acquired on acquisition of Orca	100,500	1.99	
Granted	5,997,964	2.71	
Exercised	(220,250)	1.43	
Expired/cancelled	(350,000)	2.20	
Balance – December 31, 2006	7,328,214	2.76	2.0
Granted	7,433,639	5.18	
Exercised	(366,583)	1.90	
Expired/cancelled	(645,000)	6.14	
Balance – December 31, 2007	13,750,270	3.93	2.9

The following table summarizes information about stock options as at December 31, 2007:

TOTAL OPTIONS OUTSTANDING				EXERCISABLE OPTIONS	
Range of average exercise price (in C$)	Shares	Weighted average remaining contractual life (in years)	Weighted average exercise price (in C$)	Shares	Weighted average exercise price (in C$)
1.00 - 1.99	601,667	0.5	1.40	451,667	1.40
2.00 - 2.99	3,409,964	1.2	2.20	2,175,964	2.20
3.00 - 3.99	2,445,000	2.8	3.20	1,161,500	3.20
4.00 - 4.99	2,303,639	2.5	4.69	337,012	4.82
5.00 - 5.99	4,550,000	4.7	5.33	60,000	5.12
6.00 - 6.99	440,000	2.5	6.38	88,000	6.38
	13,750,270	2.9	3.93	4,274,143	2.72

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

	Options issued in 2007
Expected dividend yield	Nil
Expected stock price volatility	75.48%
Risk-free interest rate	4.01%
Expected life of options in years	4.16

The weighted average fair value of the options granted was C$2.31.

December 31, 2007 (expressed in U.S. dollars)

10. **SHARE CAPITAL (cont'd)**

d) Share purchase options (cont'd)

Option pricing models 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, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

e) Warrants

As at December 31, 2007, the following share purchase warrants were outstanding:

Number	*Price per share*		*Expiry date*
48,611	C$	1.50	May 4, 2008
750,000	US$	5.00	June 1, 2008
185,000	US$	3.30	December 7, 2008
549,395	GBP£	2.31	February 2, 2009
549,910	GBP£	2.15	February 2, 2009
10,540,874	C$	5.655	February 21, 2009
3,257,907	C$	3.80	November 28, 2009
15,881,697			

During the year the following share purchase warrants were exercised:

Date exercised	*No. of warrants exercised*	*Price per share*		*Total proceeds*		*No. of shares issued*
November 1	1,145,000	US$	3.00	US$	3,435,000	1,145,000
November 2	305,000	US$	3.00	US$	915,000	305,000
December 11	98,028	C$	1.10	C$	107,831	107,830
December 20	3,000,000	US$	5.00	US$	15,000,000	3,000,000
	4,548,028					4,557,830

The changes in share purchase warrants outstanding are as follows:

	Number of warrants	*Weighted average exercise price (in $C)*	*Contractual weighted average remaining life (in years)*
Balance – December 31, 2005	–	–	–
Granted	5,531,639	4.94	
Balance – December 31, 2006	5,531,639	4.94	1.8
Granted	14,898,086	5.21	
Exercised	(4,548,028)	4.90	
Balance – December 31, 2007	15,881,697	5.21	1.3

11. SEGMENTED INFORMATION

The Company has one operating segment, being exploration. Details on a geographical basis are as follows:

	Australasia	North America	Total
DECEMBER 31, 2007			
Total assets	$ 161,978,986	$ 165,117,034	$ 327,096,020
Loss for the year ended 31 December 2007	$ 33,667,596	$ (2,409,039)	$ 31,258,557
DECEMBER 31, 2006			
Total assets	$ 13,350,545	$ 111,819,103	$ 125,169,648
Loss for the year ended 31 December 2006	$ 2,531,640	$ 6,208,148	$ 8,739,788

12. COMMITMENTS AND CONTINGENCIES

	December 31, 2007	December 31, 2006
a) Non-cancellable operating leases		
Not later than 1 year	418,909	138,817
Later than 1 year and not later than 2 years	245,610	144,803
Later than 2 years and not later than 3 years	8,100	66,331
Later than 3 years and not later than 4 years	6,894	2,207
Later than 4 years and not later than 5 years	3,484	3,329
Later than 5 years	–	–
	$ 682,997	$ 355,487
b) Non-cancellable consulting agreements		
Not later than 1 year	370,320	283,459
Later than 1 year and not later than 2 years	–	131,388
Later than 2 years and not later than 3 years	–	–
Later than 3 years and not later than 4 years	–	–
Later than 4 years and not later than 5 years	–	–
Later than 5 years	–	–
	$ 370,320	$ 414,847
Total Commitments	$ 1,053,317	$ 770,334

In order to maintain the exploration leases, licences 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 as at December 31, 2007 are detailed in Note 8.

12. COMMITMENTS AND CONTINGENCIES (cont'd)

In addition to the above, on December 18, 2007 the contract for the Subsea Mining Tool ("SMT") was awarded to Soil Machine Dynamics ("SMD") of Newcastle upon Tyne, UK. The contract is a £33 million milestone based contract for the design and production of two identical SMTs which will be used for production on the Solwara 1 Project. This contract is cancellable by the Company at any time; however the Company will be liable for any costs incurred by SMD at that point in time. No other penalties or cancellation fees are payable under the contract.

Contingencies

CSIRO

The Company is a party to a contract with the Commonwealth Scientific and Industrial Research Organization ("CSIRO") whereby the Company would pay A$500,000 when its Net Income first exceeds A$10 million; and a further A$500,000 when Net Income first exceeds A$20 million.

Jan De Nul

On July 6, 2007, the Company announced the lapse of an Agreement with Belgium-based dredging company, Jan De Nul. The Terms of Agreement entered into on October 1, 2006 stated that the Agreement would continue until one of the following events occurred, whichever was the first:

i) The parties signed a formal contract for the Works; or

ii) The Parties did not reach an agreement to costs, engineering design and performance of the Special Equipment on or before July 1, 2007.

The Agreement also provided that if the Terms of Agreement was terminated by Nautilus under item (ii) above then a cancellation fee of €1 million ($1.47 million) would be reimbursed to Jan De Nul. The parties did not reach agreement on costs, design and performance by July 1, 2007 and, although the Company sought an extension on June 29, 2007 of the Terms of Agreement, Jan De Nul would not agree to an extension and accordingly the Terms of Agreement lapsed. Jan De Nul has made a claim for a cancellation fee of €1 million. The Company has rejected their claim on the basis that the Company did not terminate the Agreement. The matter is unresolved.

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, are 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 E1196 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.

Corporate Profile

Nautilus Minerals Inc. ("Nautilus") is following the lead by the petroleum industry to tap vast offshore resources and is planning to mine high-grade Seafloor Massive Sulphide ("SMS") deposits of copper, zinc gold and silver. Mine planning is well underway for the world's first seafloor copper gold mine in 1,500 metres of water at the Solwara 1 project in Bismarck Sea in PNG, 50 km north of the Rabaul township. The Company holds 365,000 km^2 of tenement licences and exploration applications in the territorial waters of Papua New Guinea, Fiji, Tonga, the Solomon Islands and New Zealand along the western Pacific Ocean's Rim of Fire. Listed on the Toronto (TSX) and London (AIM) exchanges, Nautilus has among its cornerstone shareholders three of the world's largest resource companies and its alliances and technical partnerships position it as the world leader in underwater exploration of SMS deposits.

	Information as at March 31, 2008 *Shares on issue*
Common shares outstanding	145,937,471
Warrants	15,881,697
Options	13,681,697
Fully diluted	175,500,865

		Market capitalization (March 31, 2008)
UNDILUTED		
NUS: TSX	C$	334,196,809
NUS: AIM	£	158,634,013

Corporate Governance

CORPORATE GOVERNANCE POLICY

Nautilus' Board of Directors and its management team are committed to a high standard of corporate governance.

The Board is aware of, and continues to have regard for, global developments in relation to corporate governance best practice. The Board, along with management, has adopted an approach of continuous improvement to review and develop appropriate policies and supporting systems to ensure transparency and the integrity of our business practices.

The Board of Directors has the following responsibilities:

- setting Nautilus' strategic objectives;
- evaluating corporate risks and opportunities;
- approving annual budgets;
- monitoring performance against such budgets;
- promoting ethical and responsible corporate conduct;
- addressing succession planning;
- evaluating Board needs and performance; and
- fostering a system of effective, accurate and timely public disclosure.

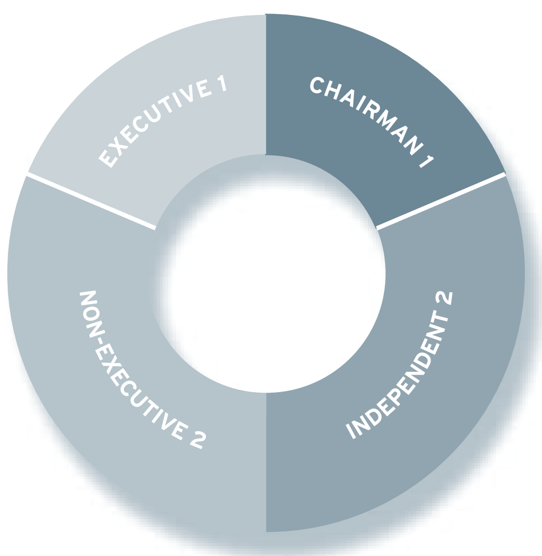
BOARD COMPOSITION

The Board made a number of changes to its composition during the year. Mr. Farhad Moshiri was added as a Non-Executive Director following the Company's AGM in 2007. Mr. Moshiri is Chief Executive of London-listed Europe Steel Plc. He is a qualified Chartered Certified Accountant, having previously been employed by Deloitte & Touche. He has extensive experience with a number of Russian and UK-based steel and mining companies. His directorships include Epion Holdings Limited, Ural Steel, ZAO Metalloinvest, and Gallagher Holdings Limited.

In addition, the Board strengthened its technical skills through the appointment of Mr. John O'Reilly. Mr. O'Reilly holds a BSc in Metallurgy and an MSc in Mineral Process Design. Mr. O'Reilly has over 40 years experience in the international mining industry including 19 years with Rio Tinto Plc. ("Rio Tinto"), including Head of Technology and Head of Gold and Other Minerals, based in London, and a secondment to the Lihir Management Company as Managing Director. Mr. O'Reilly was the inaugural Chief Executive Officer of Lihir Gold Limited. in Papua New Guinea, a plus 40 million ounces gold resource, where he was responsible for the design, engineering, construction and initial operation of the US$900 million Lihir mine, plant and associated infrastructure. Mr. O'Reilly retired as a Non-Executive Director of Lihir Gold Limited in end 2006.

BALANCE OF NON-EXECUTIVE AND EXECUTIVE DIRECTORS

The Chairman of the Board is independent, taking the total number of independent Directors to three. The Board continues to review the balance and composition of the Board and its Committees regularly to ensure that it has an appropriate balance and a good mix of skills and experience. The Board also considers the need to refresh the Board and its Committees.



BOARD COMMITTEES

Specific responsibilities have been delegated to two Board Committees which have access to independent expertise at the Company's expense. The Committees are:

- Audit Committee; and
- Nomination and Remuneration Committee

Audit Committee

The function of the Audit Committee is to assist the Board in fulfilling its responsibilities associated with the preparation and independent audit of the Company's accounts, its external financial reporting, its internal control structure, risk management systems and audit function. The Audit Committee operates in accordance with a charter adopted by the Board. The Audit Committee consists of three Board members who are all independent.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for, amongst other things, reviewing the remuneration of the Chief Executive Officer and other senior executives, establishing criteria for membership of the Board and its Committees, and processes for the identification of suitable candidates and reviewing management succession planning. The Nomination and Remuneration Committee operates in accordance with a charter adopted by the Board. The Nomination and Remuneration Committee consists of three Board members who are all non-executive directors with the majority being independent.

Board of Directors

GEOFF LOUDON
Chairman and Director

Geoff Loudon is a London-based mining professional with qualifications in geology and engineering. His international experience is extensive and covers resource exploration, development, production and finance. Mr. Loudon has worked in Australasia, Asia, the Americas and Europe.

Mr. Loudon was founder and chairman of Niugini Mining, discoverer of the Lihir gold deposit in Papua New Guinea which was developed by Rio Tinto in 1995. Mr. Loudon remains a founding director of Lihir Gold Limited, listed on the NASDAQ, TSX and Australian Stock Exchange, and is chairman of L&M Petroleum Limited, listed on the Australian Stock Exchange and the New Zealand Stock Exchange. Mr. Loudon is also a fellow of the Australasian Institute of Mining and Metallurgy.

DAVID HEYDON
President, Chief Executive Officer and Director

David Heydon, an applied geologist, has been president and CEO of the Nautilus Group since 2003. Mr. Heydon's primary focus is to commercialize the opportunity and position Nautilus as the world leader in this new offshore mining industry. Mr. Heydon is responsible for the corporate affairs of Nautilus and its development strategy, including the introduction of Epion Holdings Limited, Anglo American plc, and Teck Cominco Limited as major shareholders. In addition, Mr. Heydon led the Initial Public Offering ("IPO") of Nautilus on the TSX and AIM, and raised over US$360 million in the last two years to fund development of the world's first SMS mine.

Mr. Heydon is a foundation fellow of the Australian Institute of Company Directors, a director of the International Marine Minerals Society, a co-sponsor of the Underwater Mining Institute, a member of the International Society of Offshore and Polar Engineers and a member of the Australasian Institute of Mining and Metallurgy. He is also a member of the Engineering Committee on Oceanic Resources ("ECOR") Specialist Panel on deepwater mining.

DAVID E. DE WITT
Director

David De Witt is a founder and chairman of Pathway Capital Limited, a private venture capital firm, and is involved in all aspects of its investment activity including analysis of investment opportunities, negotiation and structuring of transactions and fundraising activities.

Prior to forming Pathway Capital Limited, Mr. De Witt was a partner in a venture capital corporation where he was involved in strategic planning, acquisitions and investment decisions. Mr. De Witt also spent 15 years as a practising lawyer specializing in corporate and securities law, initially with Clark Wilson in Vancouver and thereafter as a founding partner in his own law firm.

Mr. De Witt joined the Vancouver Stock Exchange in the Listings Department in 1980 where he was the first lawyer to be hired by the venture exchange. Mr. De Witt graduated with a Bachelor of Commerce degree from the University of British Columbia in 1975 and a Bachelor of Law degree, also from the University of British Columbia, in 1978.

He was previously a director and corporate secretary of Arequipa Resources Limited, which was acquired by Barrick Gold in 1996. Additionally, Mr. De Witt was a founder of and director of Peru Copper, which was acquired by the Aluminum Corporation of China in July, 2007. Mr. De Witt is currently a director of Bear Creek Mining Corp.

RUSSELL DEBNEY

Director

Russell Debney was chairman of the Board of Directors of Nautilus Minerals Niugini Limited and Nautilus Minerals Oceania Limited prior to the acquisition of those companies by Nautilus. He has been actively involved in their development strategy, almost since inception. He is based in Sydney, Australia and is a qualified commercial and corporate lawyer as well as a director of a number of companies in the mining and resources industry.

Mr. Debney has extensive experience in the management, financing and structuring of resource projects, particularly in the offshore environment. He was a director and senior vice president of Global Engineering Group, a world leading offshore oil and gas engineering company for nearly 15 years.

FARHAD MOSHIRI

Director

Farhad Moshiri joined the Board in June 2007. Mr. Moshiri is chief executive of London-listed Europe Steel Plc. He is a qualified Chartered Certified Accountant, having previously been employed by Deloitte & Touche. He has extensive experience with a number of Russian and UK-based steel and mining companies. His directorships include Epion Holdings Limited, Ural Steel, ZAO Metalloinvest and Gallagher Holdings Limited.

JOHN O'REILLY

Director

John O'Reilly joined the Board in December 2007. Mr. O'Reilly holds a BSc in Metallurgy and an MSc in Mineral Process Design. He has over 40 years experience in the international mining industry including 19 years with Rio Tinto Plc ("Rio Tinto"), including head of technology and head of gold and other minerals, based in London and a secondment to the Lihir Management Company as managing director. He was the inaugural chief executive officer of Lihir Gold Limited in Papua New Guinea, a plus 40 million ounces gold resource, where he was responsible for the design, engineering, construction and initial operation of the US$900 million Lihir mine, plant and associated infrastructure. He retired as a non-executive director of Lihir Gold Limited at the end of 2006.

Corporate Information

BOARD OF DIRECTORS
GEOFF LOUDON
Chairman of Directors

DAVID HEYDON
President & CEO

DAVID DE WITT
Director

RUSSELL DEBNEY
Director

FARHAD MOSHIRI
Director

JOHN O'REILLY
Director

OFFICERS & MANAGEMENT
DAVID HEYDON
President & CEO

ANTHONY O'SULLIVAN
Chief Operating Officer

SHONTEL NORGATE
Chief Financial Officer

MICHAEL JOHNSTON
Vice President, Corporate Development

STEPHEN ROGERS
Chief Development Officer

SCOTT TREBILCOCK
Vice President, Business Development

MEL TOGOLO
Papau New Guinea, Country Manager

PAUL TAUMOEPEAU
Tonga, Country Manager

TRANSFER AGENT AND REGISTRAR
The transfer agent and registrar for the shares of the Company is Computershare, its offices are located at:

9th Floor, 100 University Avenue
Toronto, ON M5J 2Y1 Canada

Computershare Trust Company Inc. located in Bristol, UK is acting as UK co-transfer agent.

ANNUAL INFORMATION FORM
The Company prepares an Annual Information Form ("AIF") which is filed with the securities commissions in Canada. Copies of the AIF, annual and quarterly reports are available at the Company's website: www.nautilusminerals.com

FOR SHAREHOLDER ACCOUNTS
Inquiries in Canada:
Telephone: 1.800.564.6253 (toll free in North America)
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Inquiries in the United Kingdom:
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Or write to: Computershare Investor Services plc
PO Box 82, The Pavilions, Bridgwater Road
Bristol BS997NH, United Kingdom

NOMINATED ADVISER & BROKER (AIM)
Numis Securities Limited

INVESTOR RELATIONS CONTACT
Institutional and individual investors seeking financial information about the Company are invited to contact Scott Trebilcock, Vice President, Business Development.
Telephone: 1.416.551.1100
e-mail: investor@nautilusminerals.com
web: www.nautilusminerals.com

STOCK EXCHANGE LISTING AND SYMBOLS
The Shares are listed on the Toronto Stock Exchange (TSX) and on the London Stock Exchange (AIM) under the symbol NUS.

AUDITORS
PricewaterhouseCoopers LLP

BANKERS
Canadian Imperial Bank of Commerce
ANZ Banking Corporation

ANNUAL MEETING
The Annual General Meeting of Shareholders will be held at 10:00 am, June 4, 2008, at Numis Securities Limited, The London Stock Exchange Building 10 Paternoster Square, London EC4M 7LT

ENVIRONMENTAL SAVINGS

This annual report was printed on 100% recycled paper, processed with chlorine-free 100% post-consumer waste fibre and manufactured using non-polluting, wind-generated energy and bio gas energy, all of which are alternative green energy sources. This process reduces greenhouse gas emissions that contribute to global warming. By choosing this paper stock we have achieved the following environmental savings:

Based on 4,500 annual reports printed*

TREES
23.78 trees preserved for the future

WATER
31.13 kg of waterborne waste not created

WASTE WATER
38,230 litres of waste water not created

SOLID WASTE
507 kg solid waste not generated

GHG EMISSIONS
997 kg greenhouse gasses prevented

ENERGY
16,840,880 BTUs energy not consumed

WRITING & CORDINATION:
The Capital Lab Inc.
www.thecapitallab.com

DESIGN:
Nectar Design + Communications
www.nectardesign.ca

PRINCIPAL PHOTOGRAPHY:
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www.bergandwest.com

PRINT:
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NEW WORLD
NEW RESOURCES

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NAUTILUS
Minerals Inc.