Nautilus Minerals Inc.

(an exploration stage company)

Consolidated Financial Statements
For the years ended December 31, 2017 and December 31, 2016

(Expressed in US Dollars)

MANAGEMENT'S RESPONSIBIILTY FOR FINANCIAL REPORTING

The preparation and presentation of the accompanying consolidated financial statements, Management Discussion and Analysis ("MD&A") and all financial information in the Annual Report are the responsibility of management and have been approved by the Board of Directors.

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

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

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

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

Signed: "Michael Johnston"

President and Chief Executive Officer

Signed: "Glenn Withers"

Chief Financial Officer

March 19, 2018

Independent Auditor's Report

To the Shareholders of
Nautilus Minerals Inc.

We have audited the accompanying consolidated financial statements of Nautilus Minerals Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nautilus Minerals Inc. as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 2 in the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Nautilus Minerals Inc.'s ability to continue as a going concern.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Nautilus Minerals Inc.

Consolidated Statements of Financial Position

(expressed in US Dollars)

	December 31, 2017 $	December 31, 2016 $
ASSETS		
Current assets		
Cash and cash equivalents (Note 5)	240,636	26,843,958
Prepaid expenses and advances	610,342	802,882
	850,978	27,646,840
Non-current assets		
Restricted cash (Note 9)	716,625	673,301
Prepaid expenses and advances (Note 12)	8,500,000	8,500,000
Property, plant and equipment (Note 11)	252,653,567	225,760,059
Exploration and evaluation assets (Note 10)	54,502,840	52,147,208
	316,373,032	287,080,568
TOTAL ASSETS	317,224,010	314,727,408
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	19,830,646	12,981,682
Project partner contribution (Note 7)	15,630,061	5,598,832
Provision for employee entitlements	735,954	418,826
	36,196,661	18,999,340
Non-current liabilities		
Accounts payable and accrued liabilities (Note 6)	645,190	543,028
Project partner contribution (Note 7)	37,818,403	53,135,249
Provision for employee entitlements	226,396	330,308
	38,689,989	54,008,585
TOTAL LIABILITIES	74,886,650	73,007,925
Equity (Note 15)		
Share Capital	547,642,121	537,626,519
Contributed Surplus	50,632,591	50,525,078
Deficit	(355,937,352)	(346,432,114)
Total Equity	242,337,360	241,719,483
TOTAL LIABILITIES AND EQUITY	317,224,010	314,727,408

Going Concern (Note 2)
Commitments (Note 18)
Subsequent Events (Note 20)
Approved by the Board of Directors

Signed: "Tariq Al Barwani" Signed: "John McCoach "

Tariq Al Barwani John McCoach

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

Nautilus Minerals Inc.

Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2017 and 2016
(expressed in US Dollars)

	December 31, 2017 $	December 31, 2016 $
Operating expenses		
Exploration (Note 16)	1,804,492	2,391,175
General and administration (Note 17)	5,803,362	9,351,626
Corporate social responsibility	1,462,640	1,177,790
Technology	189,504	357,894
Development – PSV management	203,652	1,272,682
Foreign exchange (gain) / loss	266,274	(261,327)
Operating loss	9,729,924	14,289,840
Interest income	(5,991)	(57,890)
Rent and other income	(218,695)	(198,332)
Loss and comprehensive loss for the year	9,505,238	14,033,618
Weighted average number of shares outstanding, basic and diluted	681,126,044	581,616,366
Loss per share		
Basic and diluted	0.01	0.02

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

Nautilus Minerals Inc.

Consolidated Statements of Cash Flows
For the years ended December 31, 2017 and 2016
(expressed in US Dollars)

	December 31, 2017 $	December 31, 2016 $
Operating activities		
Loss for the year	(9,505,238)	(14,033,618)
Adjustments for:		
Depreciation and amortization	286,326	332,388
Unrealized foreign exchange (gain) loss	260,301	636,070
Share-based payments	112,864	156,359
Changes in non-cash working capital:		
Prepaid expenses and advances	460,072	(72,696)
Accounts payable and accrued liabilities	81,791	(1,742,541)
Net cash used in operating activities	(8,303,884)	(14,724,038)
Investing activities		
Restricted cash	(43,323)	(157,157)
Purchase of plant and equipment	(25,713,583)	(31,693,799)
Exploration and evaluation assets	(2,713,715)	(5,412,302)
Net cash used in investing activities	(28,470,621)	(37,263,258)
Financing activities		
Issuance of shares for cash – net of issue costs	10,000,000	23,464,678
Options exercised	10,250	-
Net cash generated from financing activities	10,010,250	23,464,678
Effect of exchange rate changes on cash and cash equivalents	160,933	(1,090,244)
Decrease in cash and cash equivalents	(26,603,322)	(29,612,862)
Cash and cash equivalents - Beginning of year	26,843,958	56,456,820
Cash and cash equivalents - End of year (Note 5)	240,636	26,843,958

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

Nautilus Minerals Inc.

Consolidated Statements of Changes in Equity

(expressed in US Dollars)

	Share capital		Contributed Surplus	Deficit	Total equity
	Number of shares	Amount			
		$	$	$	$
Balance January 1, 2016	**445,502,865**	**514,161,841**	**50,368,719**	**(332,398,496)**	**232,132,064**
Rights issue (Note 15)	188,425,531	21,464,678	-	-	21,464,678
Shares issued through private placement	15,539,080	2,000,000	-	-	2,000,000
Expiration of loan shares	(5,635,000)	-	-	-	-
Issue of shares in share loan plan	600,000	-	-	-	-
Share-based payments	-	-	156,359	-	156,359
Loss for the year	-	-	-	(14,033,618)	(14,033,618)
Balance December 31, 2016	**644,432,476**	**537,626,519**	**50,525,078**	**(346,432,114)**	**241,719,483**
Shares issued through private placement	62,708,382	10,000,000	-	-	10,000,000
Expiration of loan shares	(5,450,000)	-	-	-	-
Exercise of share options	80,000	10,250	-	-	10,250
Transfer of value on exercise of share options		5,352	(5,352)	-	-
Share-based payments	-	-	112,865	-	112,865
Loss for the year	-	-	-	(9,505,238)	(9,505,238)
Balance December 31, 2017	**701,770,858**	**547,642,121**	**50,632,591**	**(355,937,352)**	**242,337,360**

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

1 Corporate Information

Nature of Operations

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

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

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

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

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

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

Operations (Brisbane, Australia)
Nautilus Minerals Inc.
Level 3, 33 Park Road
Milton Queensland, Australia 4064

2 Going Concern

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

The Company has no source of revenue and will require significant additional funding to be able to complete the build and deployment of the seafloor production system. This production system is to be utilized on the Solwara 1 Project by the Company and its joint venture partner (as to 15%), the Independent State of Papua New Guinea's nominee. As at 31 December 2017, the Company has a working capital deficiency, excluding the project partner forecast allocation, of $19,715,622 and an accumulated deficit of $355,937,352.

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

On October 11, 2017 Metalloinvest Holding (Cyprus) Limited ("Metallo") and Mawarid Offshore Mining Ltd ("Mawarid") entered into an agreement to terminate the subscription agreement among the Company, Metallo and Mawarid dated August 21, 2016, as amended (the "Bridge Financing Agreement"). As a result, no further amounts may be drawn by the Company under the Bridge Financing Agreement. The agreement allowed for the Company to call for a total of $20 million of which $8 million remained callable as at September 30, 2017 and the Company had issued a total of 78,247,462 common shares for gross proceeds of $12 million received under the Bridge Financing Agreement.

In replacement of the Bridge Financing Agreement on October 11, 2017 the Company announced that it has entered into a Funding Mandate Agreement (the "Agreement") with Deep Sea Mining Finance Ltd. ("DSMF") pursuant to which DSMF will seek to leverage the international expertise and financial relationships of Nautilus' two major shareholders to assist in advancing the development of the Company's Solwara 1 Project. The Agreement allows for funding of up to $34 million (where $18 million is subject to shareholder approval). As at March 19, 2018 an amount of $6.65 million has been drawn down against this facility. Further details of this agreement are set out in note 20.

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

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

The Company previously disclosed that the construction and development of the entire seafloor production system for initial deployment and testing operations at the Solwara 1 Project, was scheduled to occur during the first quarter of 2018 based on the Company's project timetable and subject to securing additional project funding. Since, as indicated above, the necessary additional project funding has not been secured, the Company now believes that, in the event that the required funding is secured on a timely basis and the Company is able to continue development of the Solwara 1 Project, the schedule would be delayed to the third quarter of 2019.

While the Company has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future. Nautilus' opinion concerning liquidity and its ability to avail itself in the future of the financing options mentioned above are based on currently available information. To the extent that this information proves to be inaccurate, future availability of financing may be adversely affected.

Factors that could affect the availability of funding include Nautilus' performance (as measured by various factors including the progress and results of its exploration work), the state of international debt and equity markets, investor perceptions and expectations of past and future performance, the global financial climate, metal and commodity prices, political events in the south Pacific, obtaining operating approvals from the PNG government for the Solwara 1 Project, drilling and metallurgical testing results on the Company's tenements, ongoing results from environmental studies, engineering studies and detailed design and delivery of equipment. Current market conditions, the Company's history, current financial position of the Company, combined with the Company's contractual obligations as stated in the Note 18 give rise to a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and, therefore, its ability to realize its assets and discharge its liabilities in the normal course of business.

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

3 Summary of significant accounting policies

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

3.1 Basis of measurement

The consolidated financial statements of Nautilus Minerals Inc. have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost convention, as modified by any financial assets and financial liabilities measured at fair value through profit or loss.

The consolidated financial statements were authorized for issue by the Board of Directors on March 19, 2018.

3.2 Consolidation

The financial statements of the Company consolidate the accounts of Nautilus Minerals Inc and its subsidiaries. All intercompany transactions, balances and any unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are all entities (including structured entities) over which Nautilus Minerals Inc. has control. We control an entity when we are exposed to, or have rights to, variable returns from its involvement with the entity and have the ability to affect those returns through our power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date which control is transferred to us until the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

These consolidated financial statements include the accounts of the Company which is incorporated in Canada and all of its subsidiaries. The Company's significant subsidiaries include Nautilus Minerals Niugini Limited (Papua New Guinea), Nautilus Minerals Pacific Proprietary Limited (Australia), Nautilus Minerals (Tonga) #1 Limited, Tonga Offshore Mining Limited (Tonga), Nautilus Minerals Singapore Limited and Koloa Moana Resources Inc (Canada), all of which are wholly owned subsidiaries.

3.3 Foreign currency translation

a) Functional and presentational currency

The consolidated financial statements are presented in United States Dollars, which is the functional and presentational currency of Nautilus Minerals Inc. Items included in the financial statements of each consolidated entity in the Nautilus Minerals group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency for all significant entities within the consolidated group is United States Dollars.

b) Transactions and balances

Foreign currency transactions are accounted for at the rates of exchange 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 statement of loss.

3.4 Cash and cash equivalents

The Company considers cash and cash equivalents to comprise amounts held in banks and highly liquid investments with maturities at time of purchase of 90 days or less.

3.5 Financial assets

a) Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All of the Company's financial assets are currently classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise restricted cash and cash and cash equivalents. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

c) Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognises an impairment loss as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

3.6 Property, plant and equipment

Equipment is recorded at cost less accumulated depreciation. The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

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	3 – 15
Office equipment	1 – 20
Motor vehicles	6 - 8

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

3.7 Exploration and evaluation assets

All costs directly related to the acquisition of rights to explore for minerals are capitalized.

Once the right to explore has been obtained, the Company will incur exploration and evaluation expenditures to advance an area of interest. Such expenditures include:

- Exploratory drilling;
- Geological, geochemical and geophysical studies;
- Sampling;
- The depreciation of equipment used in the above activities, and
- Activities involved in evaluating the technical feasibility and commercial viability of extracting mineral resources.

The Company expenses all exploration and evaluation expenditures until management conclude that a future economic benefit is more likely than not to be realized. In evaluating if expenditures meet this criterion to be capitalized, management considers the following:

- The extent to which reserves or resources, as defined in National Instrument 43-101 have been identified in relation to the project in question;

- The status of cost assessments or scoping studies;
- The status of environmental permits, and
- The status of mining leases or permits.

Once the Company considers that a future economic benefit is more likely than not to be realized from an area of interest, all subsequent costs directly relating to the advancement of the related area of interest are capitalized. Capitalized costs are considered to be tangible assets as they form part of the underlying mineral property and are recorded within 'exploration and development assets' at cost less impairment charges, if applicable. No amortization is charged during the exploration and evaluation phase because the asset is not available for use. When the Company considers that the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, capitalized exploration and evaluation costs are reclassified to mineral properties.

3.8 Joint Arrangements

Under IFRS 11 Joint Arrangements, investments in joint arrangements are typically classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Under the terms of the unincorporated joint venture agreement between the Company and the State Nominee, Nautilus and the State Nominee each beneficially own, 85% and 15% respectively, of the Solwara 1 project and the subsea equipment tools. They are tenants in common in proportion to their ownership interest.

Accordingly, the Company records its 85% interest in the assets and liabilities and income and expenses of the unincorporated joint venture in the consolidated financial statements. The impact of this is similar to proportionate consolidation.

3.9 Impairment of non-financial assets

Property, plant and equipment, and mineral properties are considered for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If an impairment indicator is identified, the asset's recoverable amount is calculated and compared to the carrying amount. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or "CGUs"). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Fair value is determined as the amount that would be obtained by the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value of mineral assets is generally determined as the present value of the estimated cash flows expected to arise from the continued use of the asset, including any expansion projects.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and from its ultimate disposal.

Impairment is normally assessed at the level of CGUs, which are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets.

Non-financial assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed. When a reversal of a previous impairment is recorded, the reversal amount is adjusted for depreciation that would have been recorded had the impairment not taken place.

3.10 Share based payments

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

The company grants either stock options or loan shares as remuneration for directors and as a part of a long term incentive plan for certain employees. Where the shared based payment is for remuneration they generally vest over 2.5 years (20% every six months) and expire after three years. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Where the share based payment is as part of a long term incentive plan they generally vest in a single tranche 2.5 years from issue and expire after 3.5 years. In both instances the fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model.

At each period end, 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 recognised in the income statement, with a corresponding entry in equity.

The proceeds from the exercise of stock options in addition to the carrying value attributable to those options exercised are recorded as share capital.

3.11 Employee Benefits

a) Annual Leave

The liability for accrued annual leave is recognised in respect of employees' services up to the end of the reporting period and is measured at the amounts expected to be paid when the liability is settled. All liabilities recognised in respect of annual leave are classified as current given the Company does not have an unconditional right to defer settlement of these amounts.

d) Long Service Leave

The provision for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using an appropriate risk-free rate at the end of the reporting period, giving consideration to the terms and currencies that match, as closely as possible to the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit and loss.

Where the Company does not have an unconditional right to defer settlement for at least the next twelve months, regardless of when the actual settlement is to occur, the liability is recognised as current, with all other amounts recognised as non-current.

3.12 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.13 Income tax

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred 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 statement of financial position date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred 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.

3.14 Share capital

Incremental external costs directly attributable to the issue of new common shares are deducted from share capital.

3.15 Loss per share

Basic loss per share is computed by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion or exercise of securities only when such conversion or exercise would have a dilutive effect on earnings per share. The dilutive effect of outstanding stock options 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 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 are not included in the computation of diluted per share amounts because the result would be anti-dilutive.

3.16 Significant accounting judgements and estimates

The preparation of the financial statements in conformity of IFRS requires the use of judgements and estimates that affect the amount reported and disclosed in the consolidated financial statements and related notes. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the financial statements. Information about such judgements and estimates is contained in the accounting policies and notes to the financial statements.

The area of judgement that has the most significant effect on the amounts recognised in these consolidated financial statements is the review of asset carrying values and impairment assessment.

In considering whether any impairment indicators occurred in respect of the Company's Property plant and equipment and exploration and evaluation assets as at December 31, 2017, management took into account a number of factors such as long term metal prices, projected costs to operate equipment, availability and costs of finance, cost and state of completion of subsea equipment construction, exploration successes in other areas, the existence and terms of binding off-take agreements and the Company's market capitalization compared to its net asset value. Based on the factors above, no impairment indicators were observed. As a result, management has concluded that no impairment was required to be recognized at December 31, 2017 in respect of the exploration and evaluation assets and the subsea equipment currently under construction.

4 Changes in accounting policy and disclosures

New and amended standards adopted by the Company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after January 1, 2018 that would be expected to have a material impact on the Company.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2018. The company has reviewed the disclosure requirements of changes in IFRS 2 'Share based payments', IFRS 9 'Financial Instruments: Classification and Measurement' and IFRS 7 'Financial Instruments: Disclosure', however this does not currently require any changes to disclosures within the financial statements of the Company.

IFRS 9, Financial Instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option to present fair value changes in other comprehensive income. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

The completed version of IFRS 9 is effective for annual periods beginning on or after January 1, 2018. This standard is not expected to have any material impact on the Company's financial position or results when it is adopted.

IFRS 16 Leases will be effective for accounting periods beginning on or after January 1, 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. i.e.

(expressed in US Dollars)

the customer ('lessee') and the supplier ('lessor'). The Company is in the process of assessing the impact on the financial statements of this new standard.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on our consolidated financial statements.

5 Cash and cash equivalents

	December 31, 2017 $	December 31, 2016 $
Cash	240,636	26,508,399
Term Deposits	-	335,559
	240,636	26,843,958

6 Accounts payable and accrued liabilities

	December31, 2017 $	December31, 2016 $
Current		
Accounts Payable	7,465,600	227,880
Accrued Liabilities	7,565,520	7,741,574
Retention Payable	4,799,526	5,012,228
	19,830,646	12,981,682

	December31, 2017 $	December31, 2016 $
Non-current		
Accounts payable	645,190	543,028
	645,190	543,028

(expressed in US Dollars)

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

7 Project Partner Contribution

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

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

	December 31, 2017 $	**December 31, 2016 $**
Opening Balance	**58,734,081**	**64,626,768**
Subsea equipment under construction	(4,715,968)	(4,859,263)
Exploration and evaluation asset	(415,700)	(861,792)
Management Fee	(153,949)	(171,632)
Total project partner contribution	53,448,464	58,734,081
Current project partner contribution	15,630,061	5,598,832
Non current project partner contribution	**37,818,403**	**53,135,249**

The current project partner contribution liability as at December 31, 2017 has increased due to the increase in forecasted Solwara 1 project expenditure for the year ending December 31, 2018.

8 Income Tax

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

	December 31, 2017 $	**December 31, 2016 $**
Loss before income taxes	(9,505,238)	(14,033,618)
Canadian statutory tax rate	26.00%	26.00%
Income tax recovery based on the above rates	(2,471,362)	(3,648,741)
Increase/(decrease) due to:		
Non-deductible expenses and other	243,144	323,916
Effect of change in Canadian and foreign future tax rates	(176,293)	(239,099)
Tax effect of tax losses and temporary differences not recognized	2,404,511	3,563,924
Income tax expense/(recovery)	-	-

(expressed in US Dollars)

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

	December 31, 2017 $	December 31, 2016 $
Future income tax assets		
Non-capital losses	43,234,752	39,525,577
Capital losses	2,668,580	2,493,285
Unamortized share issue costs	19,599	124,323
Unrealized foreign exchange losses and other	7,390,826	6,217,757
Mineral properties and property, plant and equipment	32,430,207	34,978,511
Total future income tax assets	85,743,964	83,339,453
Less: Tax benefits not utilised	(85,743,964)	(83,339,453)
Net future income tax assets/(liabilities)	-	-

c) The Company has non-capital loss carry forwards of $160,973,935 that may be available for tax purposes. The loss carry forwards are as follows:

	Canada $	Australia, Singapore and Tonga $	Papua New Guinea $	Others $
Total non-capital losses	36,326,264	112,077,961	8,143,756	4,425,954

The losses in Papua New Guinea and Canada expire over the years 2018 to 2037. There is no expiry for the losses in Australia, Singapore and Tonga. Others losses of $350,042 expire from 2018 to 2020, with the remaining $4,075,954 having no expiry.

9 Restricted cash

An amount of $716,625 (December 31, 2016 - $673,301) has been provided as security for leases and tenements held in Papua New Guinea.

(expressed in US Dollars)

10 Exploration and evaluation assets

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

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

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

	December 31, 2017 $	**December 31, 2016 $**
Opening balance	**52,147,208**	**47,263,716**
Boat charter and fuel	-	24,114
Engineering services	512,396	633,055
Environmental consulting	115,883	333,702
Project management and oversight	1,630,415	3,369,581
General and administration	77,746	461,574
Mineral property fees	19,192	61,466
	2,355,632	4,883,492
Closing balance	**54,502,840**	**52,147,208**

Although the Company has taken steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee a clear title. Property title may be subject to unregistered prior agreements and regulatory requirements. The Company is not aware of any disputed claim of title.

(expressed in US Dollars)

11 Property, plant and equipment

Period ended December 31, 2017

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

Period ended December 31, 2016

	Opening Cost Balance	Additions	Disposals	Closing Cost Balance	Accum Dep'n	Closing Carrying Value
	$	$	$	$	$	$
Leasehold improvements	69,950	-	-	69,950	(61,329)	8,621
Plant and equipment	975,514	263,487	-	1,239,001	(758,072)	480,929
Office equipment	3,059,263	62,666	(12,047)	3,109,882	(2,831,143)	278,739
Motor vehicles	237,426	69,609		307,035	(171,243)	135,792
Land	466,969	-	-	466,969	-	466,969
Subsea equipment under construction (Note 12)	196,853,189	27,535,820	-	224,389,009	-	224,389,009
Total property, plant & equipment	201,662,311	27,931,582	(12,047)	229,581,846	(3,821,787)	225,760,059

12 Joint Arrangements

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

(expressed in US Dollars)

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

The table below presents the carrying value of the project assets as at December 31, 2017.

	100%	Nautilus 85%	State Nominee 15%
Prepaid Charterers Guarantee	10,000,000	8,500,000	1,500,000
Subsea equipment under construction	295,426,855	251,112,827	44,314,028
Exploration and evaluation assets	48,410,196	41,148,667	7,261,529
	353,837,051	300,761,494	53,075,557

As at December 31, 2017 Nautilus Minerals Inc recognised its share of the joint venture assets as follows.

	December 31, 2017 $	December 31, 2016 $
Prepaid Charterers Guarantee	8,500,000	8,500,000
Subsea equipment under construction (Note 11)	251,112,827	224,389,009
Exploration and evaluation assets (Note 10)	41,148,667	38,793,035
	300,761,494	271,682,044

13 Compensation of Key Management

Key management includes the company's directors and members of the Executive Committee that includes the CEO, CFO and VP PNG Operation. Compensation awarded to key management included:

(expressed in US Dollars)

	December 31, 2017 $	December 31, 2016 $
Salaries and short-term employee benefits	1,054,455	1,804,370
Benefits paid on termination	-	866,350
Stock based compensation	4,670	278,805
Superannuation payments	100,173	303,273
	1,159,298	3,252,798

14 Related party transactions

Protection Group International Ltd, trading as PGI Strontium Ltd (“PGI”) is a company based in the United Kingdom which provides integrated, intelligence-led risk management solutions with respect to the protection of assets. PGI is a privately owned company of which 51% is owned by United Engineering Services LLC (“UES”), a wholly owned subsidiary of MB Holding Company LLC (“MB Holding”), one of the Company’s major shareholders. PGI provided risk assessment and training related services to the Company in the normal course of business and on an arm’s length basis. For the period ended December 31, 2017 the Company incurred costs of $6,861 (2016 - $98,055) for services provided by PGI.

For the period ended December 31, 2017 the Company incurred costs of $306,016 (2016 – $1,456,465) for services provided by UES.

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

On August 21, 2016, the Company announced that it signed a subscription agreement (the "Subscription Agreement") with Mawarid Offshore Mining Ltd. ("Mawarid") and Metalloinvest Holding (Cyprus) Limited ("Metallo", and together with Mawarid, the "Purchasers") under which the Purchasers agreed to purchase such number of common shares of the Company that was expected to raise gross proceeds of up to US$20 million.

Pursuant to the Subscription Agreement, the shares were purchased on a private placement during the period from December 1, 2016 through to November 30, 2017 (the "Financing Period"), at the election of the Company.

The Company determined the amount of funds to be raised under each tranche during each month of the Financing Period, subject to the limitations of receiving maximum subscription proceeds of US$2.0 million per month and an aggregate maximum total amount of US$20 million during the entire Financing Period.

Shares were issued under each tranche at a price that was equal to the volume weighted average trading price of the Company's common shares on the Toronto Stock Exchange (the “TSX”) for the 5-day period immediately prior to the date the Company issued the Purchasers a notice that the tranche will proceed.

On October 11, 2017 Metallo and Mawarid entered into an agreement to terminate the subscription agreement among the Company, Metallo and Mawarid dated August 21, 2016, as amended (the "Bridge Financing Agreement"). As a result, no further amounts may be drawn by the Company under the Bridge Financing Agreement. The Company issued a total of 78,247,462 common shares for gross proceeds of US$12,000,000 under the Bridge Financing Agreement.

In replacement of the Bridge Financing Agreementon October 11, 2017 the Company announced that it has entered into a Funding Mandate Agreement (the "Agreement") with Deep Sea Mining Finance Ltd. ("DSMF") pursuant to which DSMF will seek to leverage the international expertise and financial relationships of Nautilus' two major shareholders to assist in advancing the development of the Company's Solwara 1 Project. The Agreement allows for funding of up to $34 million (where $18 million is subject to shareholder approval). As at March 19, 2018 an amount of $6.65 million has been drawn down against this facility. Further details of this agreement are set out in note 20.

15 Equity

a) *Common shares issues*

The authorized share capital consists of an unlimited number of common shares, with no par value.

On March 9, 2017, the Company issued 16,221,118 shares through a private placement at an issue price of C$0.161 per share for aggregate proceeds to the Company of US$2,000,000.

On April 10, 2017, the Company issued 12,507,042 shares through a private placement at an issue price of C$0.213 per share for aggregate proceeds to the Company of US$2,000,000.

On May 11, 2017, the Company issued 11,197,488 shares through a private placement at an issue price of C$0.239 per share for aggregate proceeds to the Company of US$2,000,000.

On June 6, 2017, the Company issued 11,021,052 shares through a private placement at an issue price of C$0.247 per share for aggregate proceeds to the Company of US$2,000,000.

Gross proceeds of C$13,600 were received from the exercise of 80,000 share options at a price of C$0.17 per common share during the six months ended June 30, 2017.

On July 24, 2017, the Company issued 11,761,682 shares through a private placement at an issue price of C$0.214 per share for aggregate proceeds to the Company of US$2,000,000.

(expressed in US Dollars)

b) Share options

Outstanding share options

	Share options	Weighted average exercise price C$
At January 1, 2016	5,645,000	0.43
Granted	1,200,000	0.17
Expired	(3,195,000)	0.38
At December 31,2016	**3,650,000**	**0.39**
Expired	(1,970,000)	0.46
Exercised (i)	(80,000)	0.17
At December 31, 2017	**1,600,000**	**0.31**

(i) The weighted average share price on the exercise dates for the 2017 stock option exercises was C$0.25. No options were exercised in 2016.

Information relating to share options outstanding at December 31, 2017 is as follows:

Price range C$	Outstanding share options	Vested stock options	Weighted average exercise price of outstanding options C$	Weighted average exercise price of vested options C$	Weighted average remaining life of outstanding options (months)
0.01 – 0.99	1,600,000	960,000	0.31	0.36	12.0
	1,600,000	960,000	0.31	0.36	12.0

(expressed in US Dollars)

c) Loan shares

Outstanding loan shares

	Loan shares	Weighted average exercise price C$
At January 1, 2016	**11,485,000**	0.51
Granted	600,000	0.17
Expired	(5,635,000)	0.47
At December 31, 2016	**6,450,000**	**0.52**
Expired	(5,450,000)	0.57
At December 31, 2017	**1,000,000**	**0.28**

Information relating to loan shares outstanding at December 31, 2017 is as follows:

Price range C$	Outstanding share loan shares	Vested loan shares	Weighted average exercise price of outstanding loan shares C$	Weighted average exercise price of vested loan shares C$	Weighted average remaining life of outstanding loan shares (months)
0.00 – 0.99	1,000,000	560,000	0.28	0.33	13.2
	1,000,000	560,000	0.28	0.33	13.2

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

(expressed in US Dollars)

	Options granted in 2016
Expected dividend yield	Nil
Expected stock price volatility	89.43%
Risk-free interest rate	0.74%
Expected life of options in years	2.5

The weighted average fair value of the options granted was C$0.09 in 2016. No options were granted in 2017.

	Loan shares granted in 2016
Expected dividend yield	Nil
Expected stock price volatility	89.43%
Risk-free interest rate	0.74%
Expected life of loan shares in years	2.5

The weighted average fair value of the loan shares granted was C$0.09 in 2016. No loan shares were granted in 2017.

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

16 Exploration Expenditures

	Year ended December 31, 2017 $	2016 $
General and administration	50,893	41,886
Geological services and field expenses	653,844	708,350
Mineral property fees	93,448	154,020
Professional services	123,654	143,811
Travel	105,077	108,423
Wages and salaries	777,576	1,234,685
Total operating expenses	1,804,492	2,391,175

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

(expressed in US Dollars)

17 General and Administration Expenditures

	Year ended December 31, 2017 $	2016 $
Office and general	1,719,149	2,140,660
Professional services	1,279,470	1,212,919
Salary and wages	2,190,477	4,796,791
Shareholder related costs	126,842	474,624
Travel	201,098	394,243
Depreciation	286,326	332,389
Total general and administration expenses	5,803,362	9,351,626

18 Commitments

a) Non-cancellable commitments

	December 31 2017 $
Non-cancellable operating leases	
Not later than 1 year	6,068,584
Later than 1 year and not later than 2 years	19,149,472
Later than 2 years and not later than 3 years	73,970,805
Later than 3 years and not later than 4 years	73,678,973
Later than 4 years and not later than 5 years	68,167,253
Later than 5 years	90,564,228
Total Commitments	**331,599,315**

The non-cancellable commitments as at December 31, 2017 include $330.1 million for payments to be made under the charter party arrangement with MAC, and other related PSV costs, with an amended commencement date no later than September, 2019.

b) Cancellable commitments

In order to maintain the exploration leases, licenses and permits in which the Company is involved, the Company is committed to fulfil the minimum annual expenditure conditions under which the tenements are granted. These obligations may be varied from time to time, subject to approval, and are expected to be fulfilled in the normal course of operations of the Company. The exploration commitments are based on those exploration tenements that have been granted and may increase if applications are granted in the future. Based on tenements granted at December 31, 2017, total variable expenditure commitments are estimated to be $30.0 million, expected to be incurred over the next four years.

The Company has entered into various contracts for the design and build of the seafloor production system. As at December 31, 2017, the committed value of the contracts is $27.8 million. The committed value of $27.8 million reflects ongoing milestone payments for continuing contracts. The contracts are cancellable by the Company at any time, however, in the event of cancellation, the Company is liable for any costs incurred up to that point, with an estimate of costs for terminated contracts included in the accrued costs at period end. No other penalties or cancellation fees are payable under these contracts.

19 Financial risk management

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

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

a) Capital Management

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

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

b) *Foreign exchange risk*

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

At December 31, 2017 only USD currencies were held.

c) Credit Risk

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

d) Liquidity Risk

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

20 Subsequent Events

On January 8, 2018 the company announced that it has arranged to receive bridge loans from Deep Sea Mining Finance Ltd. (the "Lender") and has also entered into a funding mandate agreement (the "Funding Mandate") with M. Horn & Co. Ltd. (the "Advisor").

The bridge loans are expected to form part of a larger secured structured credit facility of up to US$34 million. The loans will assist the Company's immediate working capital requirements and facilitate payments required to continue the development of the Company's seafloor production system to be first utilized at the Company's Solwara 1 Project. The loans bear interest at 8% per annum, payable bi-annually in arrears with a one year maturity date. The bridge loan is secured by a fixed and floating charge over all assets of the group.

Pursuant to the Funding Mandate, the advisor has been appointed as the Company's exclusive financial advisor, for a period of one year, in respect of the remaining project financing of up to US$350 million required to complete the development of the Solwara 1 Project. The Funding Mandate replaces the existing funding mandate agreement dated October 9, 2017 between the Company and the Lender.

To date the Company has received bridge loans from the Lender totaling US$6.65 million. The Company has issued to the Lender an additional 8,161,512 warrants of the Company (the "Warrants"), for a total of 28,565,291 share purchase warrants issued to the Lender to date. Each Warrant entitles the Lender to purchase one common share of the Company at a price of C$0.17 for a period of five years from the date of issuance of the Warrant.

On January 16, 2018 – The Company announced that Mr Tariq Al Barwani has been appointed to the role of non-executive Chairman. Mr Al Barwani joined the Company's board in May 2016. He is a director and shareholder of MB Holding Company LLC, and Chief Executive Officer of Mawarid Mining LLC, a wholly owned subsidiary of MB Holding Company. MB Holding Company is Nautilus' largest shareholder.