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Nautilus Minerals - Early Results from the Effort to Commercialize Seafloor Massive Sulphides Jamaica - March 2011

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Nautilus Mission



- To create sustainable value for stakeholders through the discovery and development of mineral resources on the ocean floor



Nautilus Key Corporate Facts



Company

- US\$165 million in cash (as of Dec 31, 2010)
- World class partners and investors

Teck



AngloAmerican

Gazmetall

Focus on Seafloor Massive Sulphides

- >500,000 km² exploration tenements western Pacific (as of Sept 30, 2010)
- Large known mineral belts
- High-grade copper, gold, silver and zinc
- High discovery rates 35 systems to date

Near Term Production from Solwara 1, Bismarck Sea, PNG

- Target production 30 month project build from board sanction
- Engineering well advanced (24 months work)
- Located in PNG with established regulatory regime
- Approx 1.5 million t/year yielding 80,000-100,000te Cu and approx 150,000 – 200,000oz gold

Talk Outline



1 Why go to the sea?

2 What are SMS systems?

3 The business case

4 The challenges

5 How are we going to do it

6 Obtaining AND maintaining a license to operate

The Challenge for the Mining Industry



www.blog.lessrain.com/open-pit-mine-in-russia

- Quality of resource grades are dropping
- Most belts are maturing
- Rate of discovery is dropping
- Average discovery costs are rising
- Quality acreage is very hard to find

Why Go to the Sea?



- World's demand for metals continues to rise
- Every human activity impacts on the environment
- Land resources are stretched
- The seafloor hosts significant resources of minerals.

Talk Outline



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2 What are SMS systems?

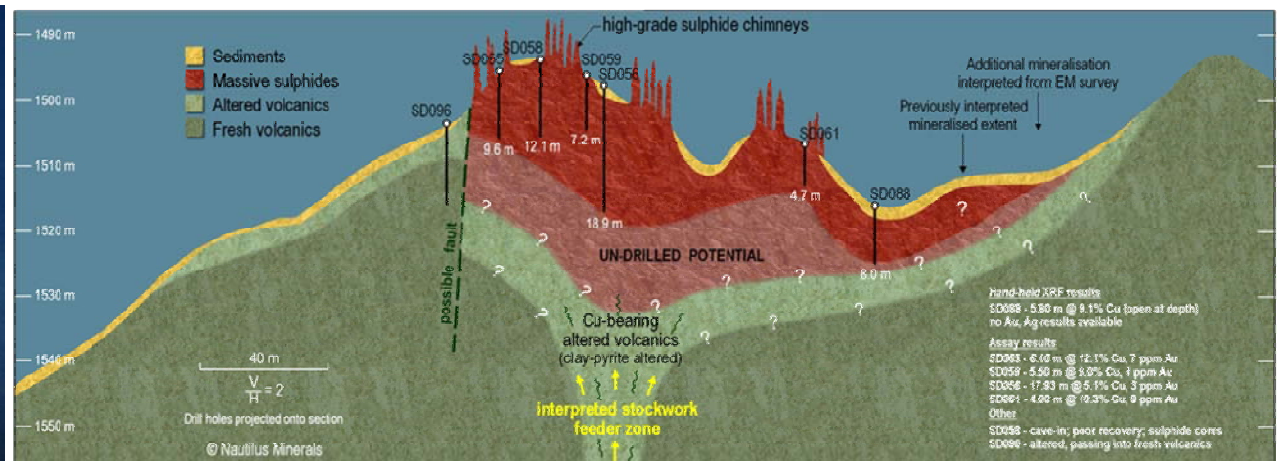
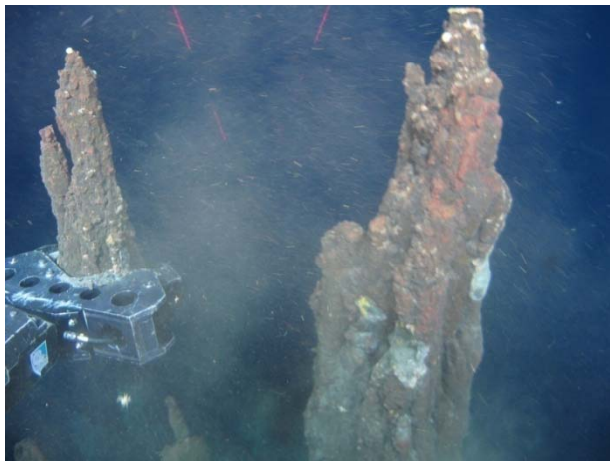
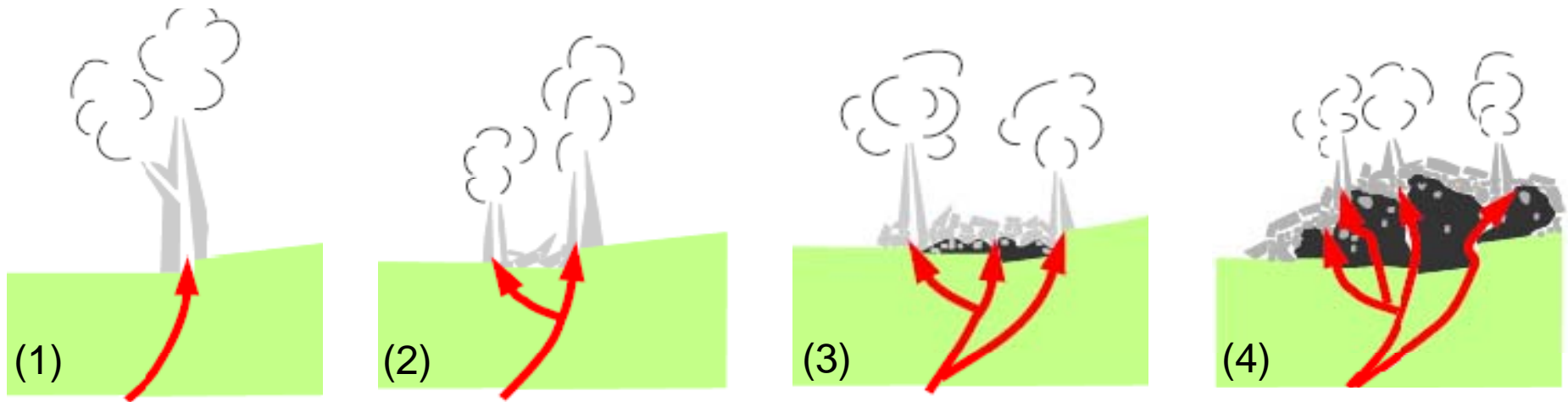
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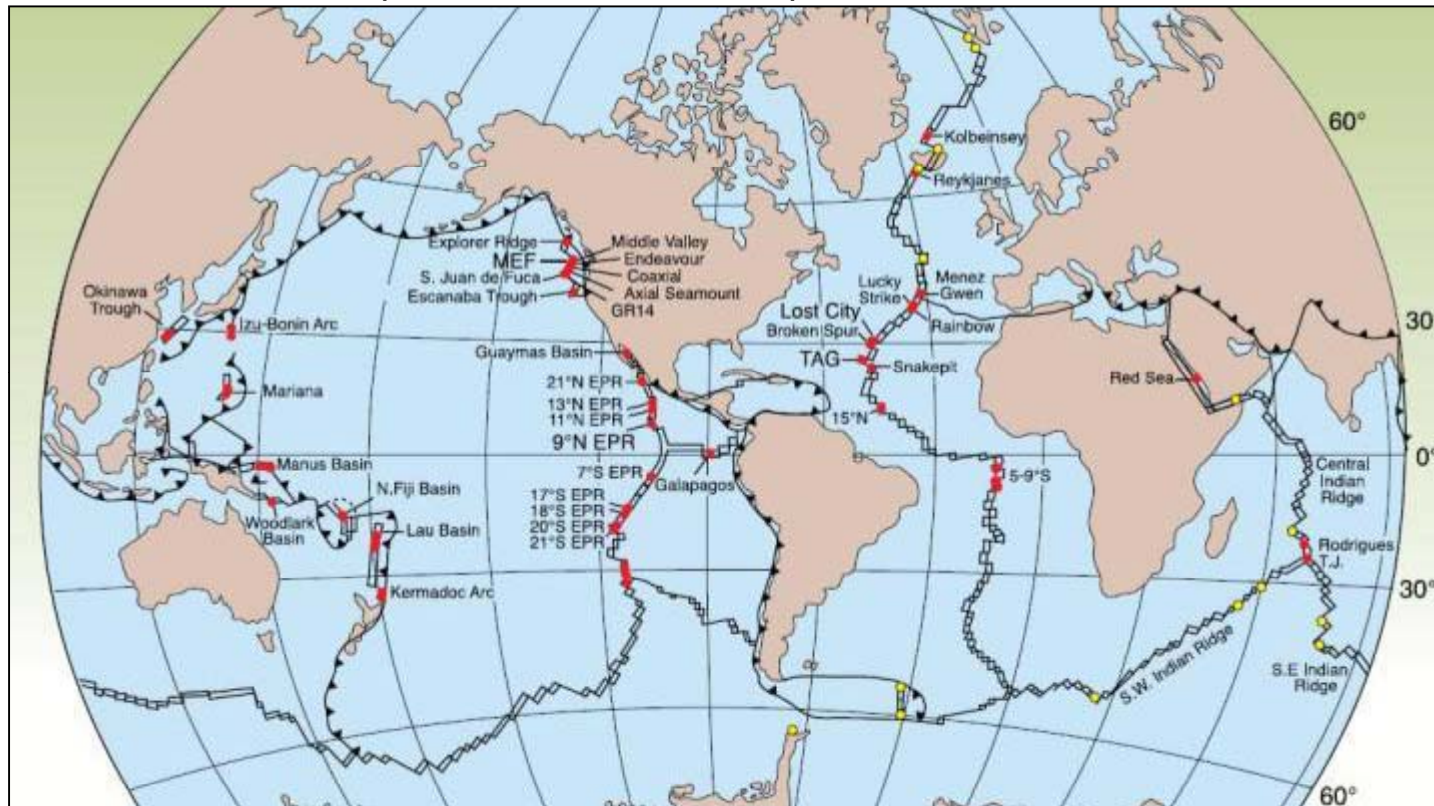
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Seafloor Massive Sulphides (SMS)



Known Seafloor Massive Sulphides (SMS)

Map of Discovered SMS Deposits



- Known SMS sites
- Areas of activity as indicated by mid-water chemical anomalies

Figure after Baker et al., 1995; German and Von Damm, 2004; Hannington et al., 2005; Koschinsky et al., 2006

- Estimated potential 3,000 - 4,000 sites worldwide (Dr Steve Scott, 2008)
- Land fossil record indicates typical size of 2 Mte commercially viable material

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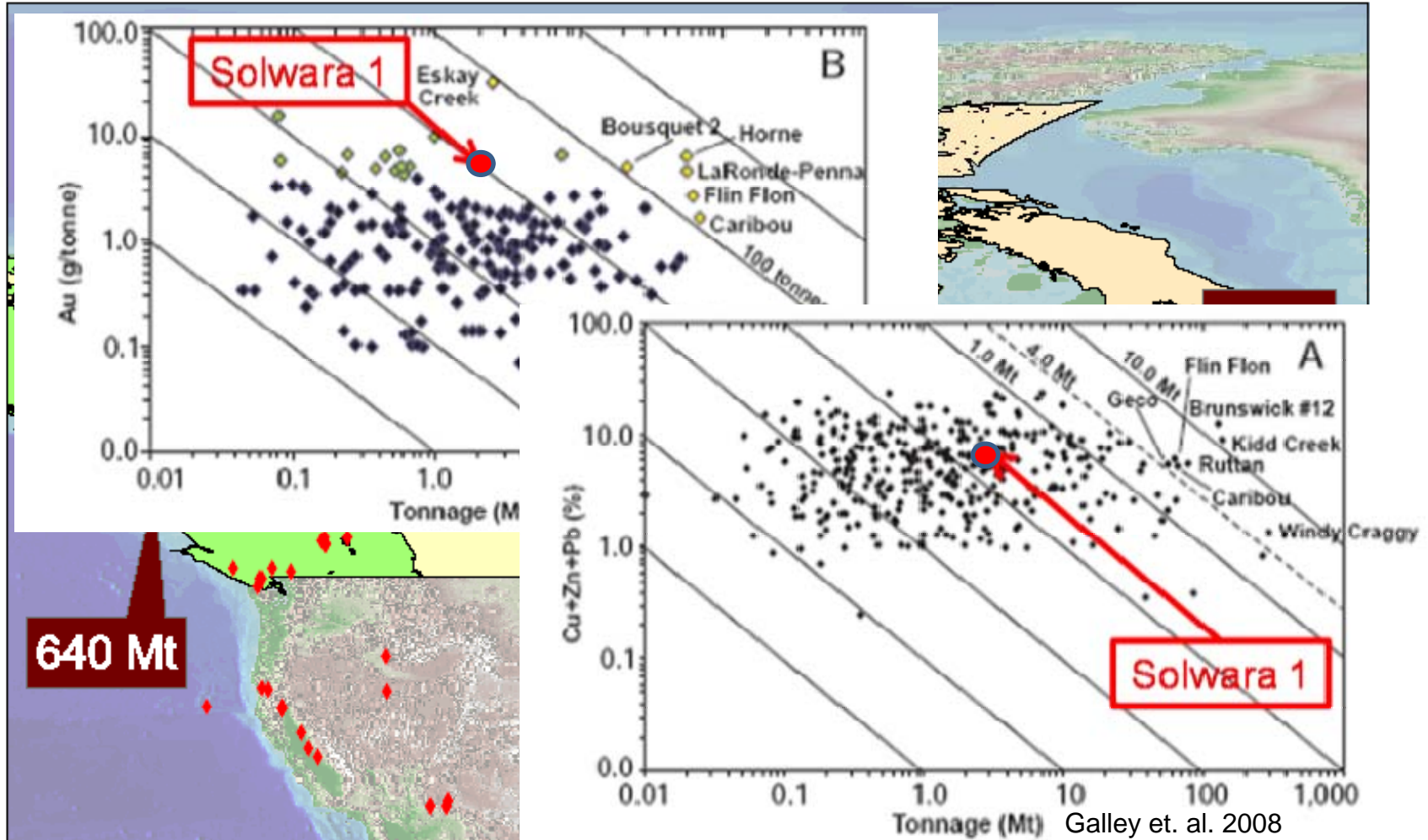
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Canadian VMS Deposits - Tonnes Versus Grade

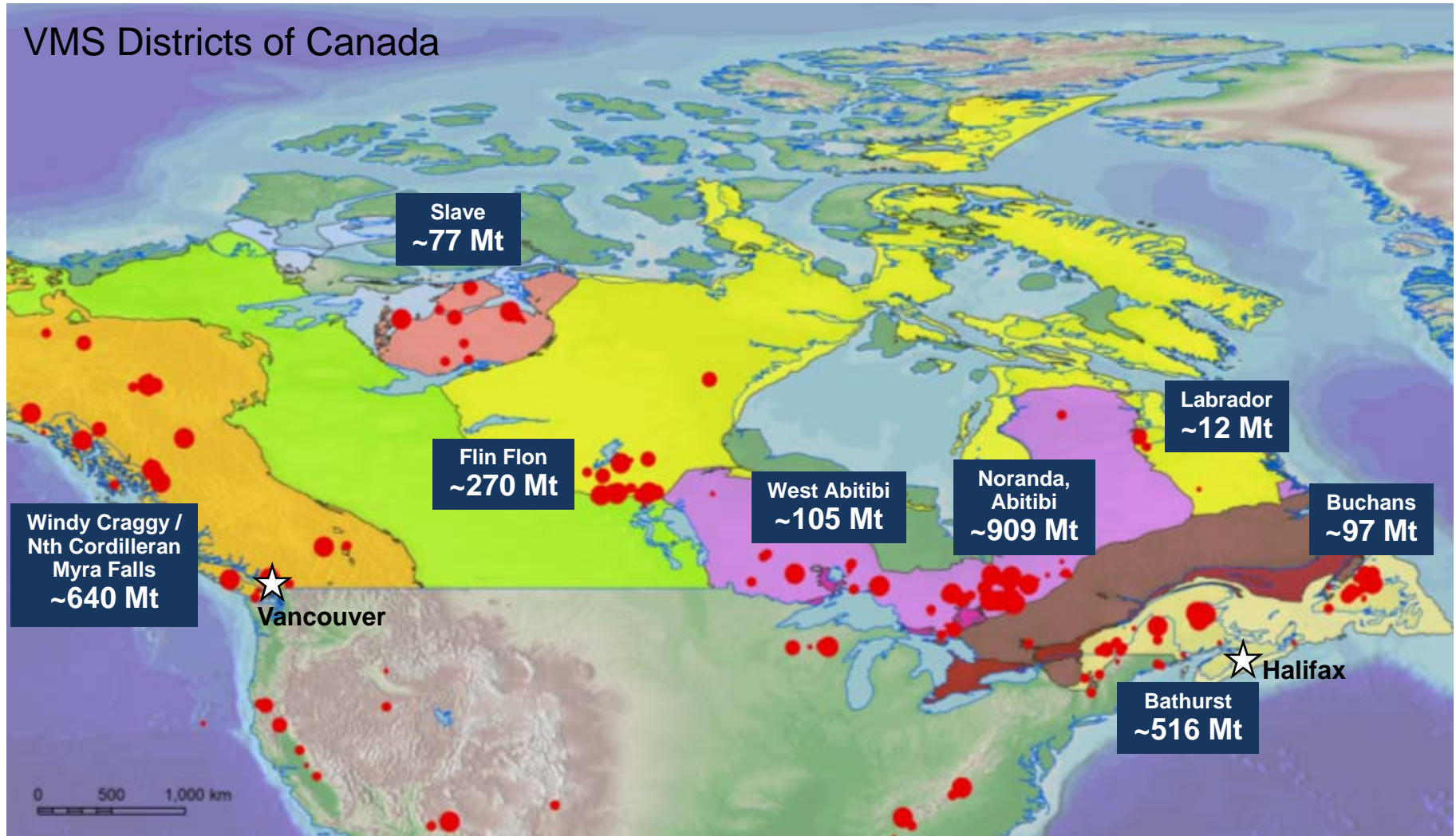


Solwara 1 Resource									
	tonnes	Cu %	Cu tonnes	Au (g/t)	Au tonnes	Au (oz)	Ag (g/t)	Ag tonnes	Ag (oz)
Indicated	870,000	6.80%	59,160	4.8	4.18	134,262	23	20.01	643,337
Inferred	1,300,000	7.50%	97,500	7.2	9.36	300,931	37	48.10	1,546,451

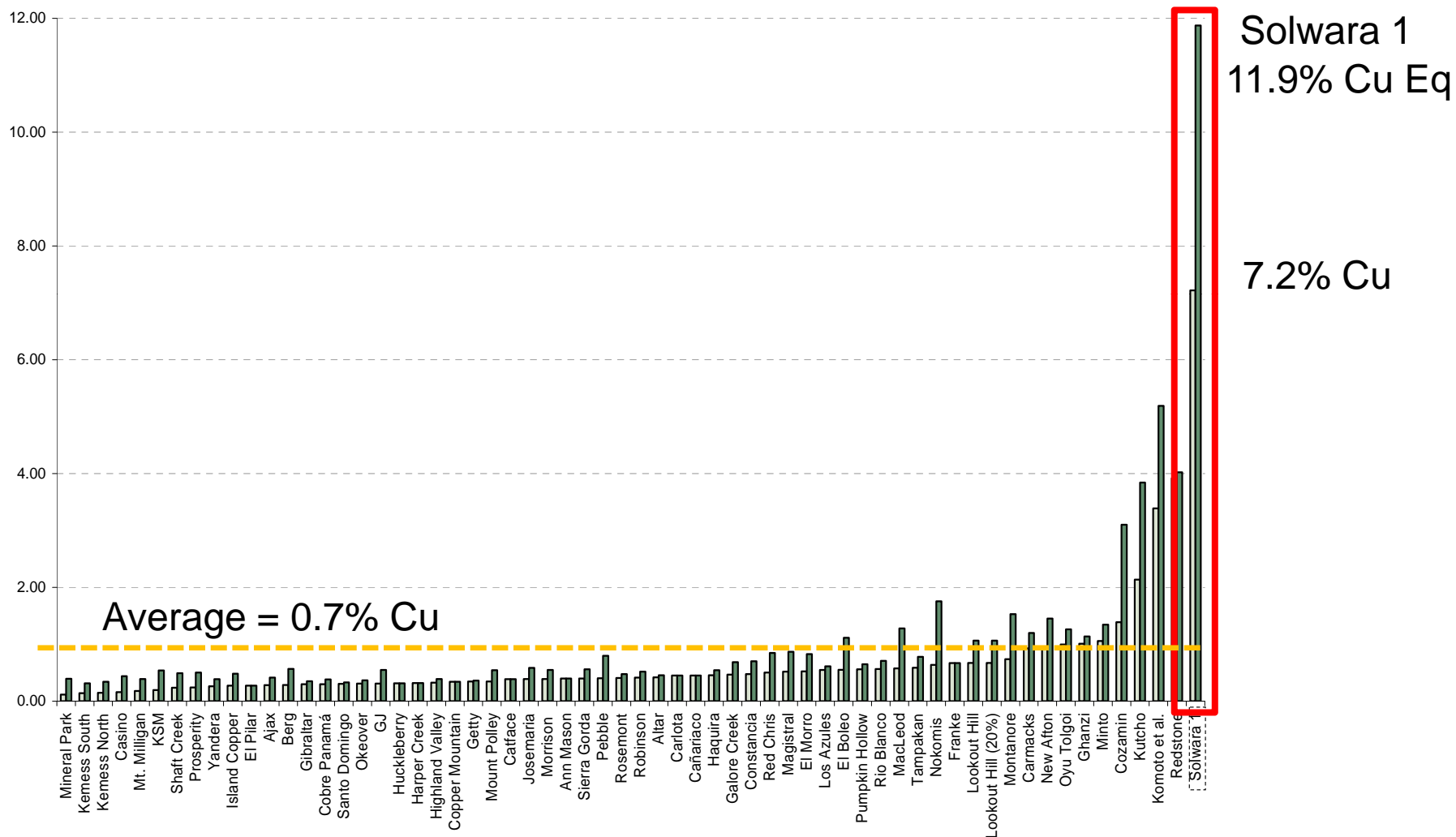
VMS deposits – occur in “camps”



VMS Districts of Canada

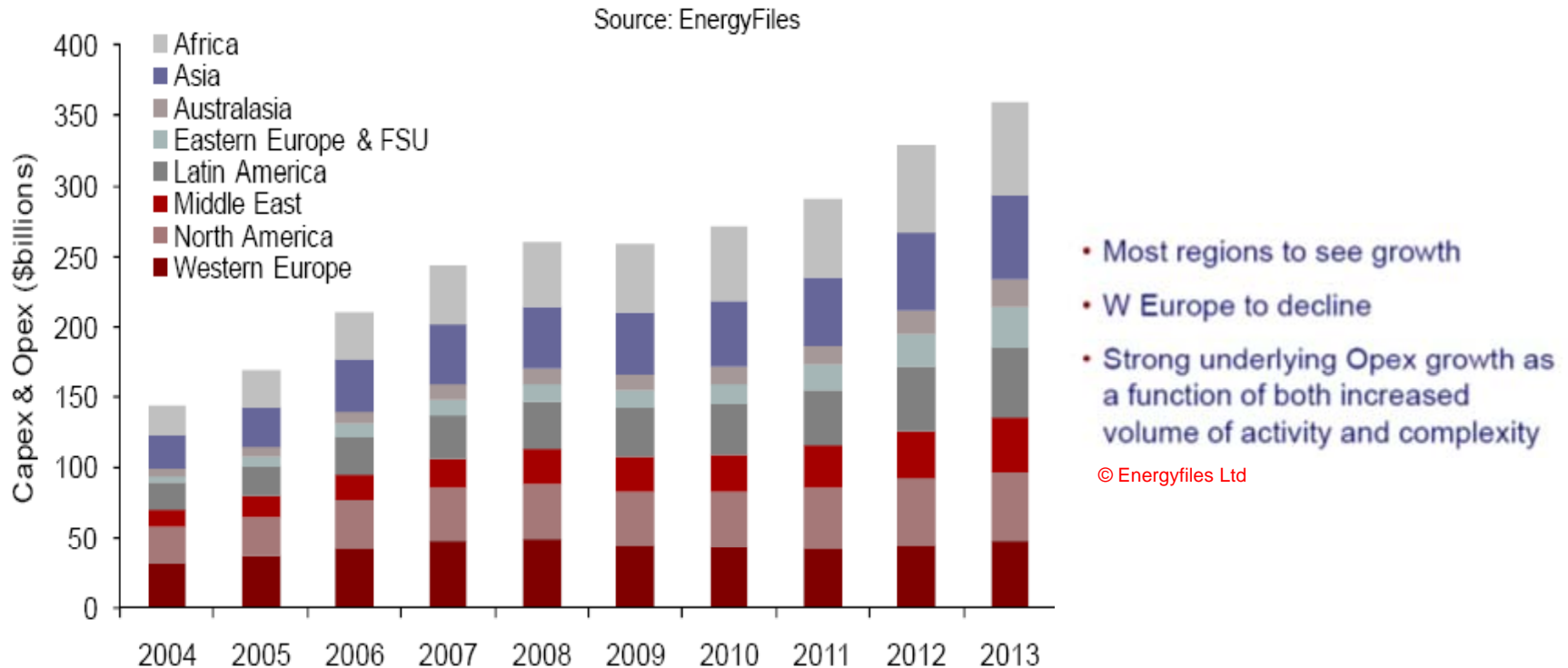


Solwara 1 – High Grade Deposit



Courtesy of Craig Miller, TD Securities, Mar 2010, Nautilus Minerals NI 43-101 resource

Offshore Oil & Gas Production & Spend to Grow



Source Douglas Westwood - *Global FPS Prospects - World FPS Congress 2009, London*

- Main growth area within the upstream offshore oil and gas division are:
 - Deepwater (greater than 500m) due to shallow water decline
 - Floating production – mainly deep water
 - Subsea production – both deepwater and many shallow-water tiebacks
 - Maintenance, modifications and operations to existing fields.

Small Environmental and Social Footprint



Minimal infrastructure

Limited social disturbance



Minimal overburden or stripping



Increased worker safety



Minimal waste



Environmental Permit Granted from Papua New Guinea Authorities December 2009

Single Offshore SMS Vessel: Significant Amounts of Copper and Gold



Illustrative Single SMS Mining Vessel Potential

Element	Illustrative Value*
Annual Production	1.5 million tons ore
Assumed Copper / Gold Recovery**	90% / 80%
Annual Copper Production	95,000 t/y Cu
Annual Gold Production	220,000 Oz/yr
Annual Copper Revenue @ \$1.80/lb - \$3.00/lb	\$320 – \$540 million
Annual Gold Revenue @ \$700 - \$1000 / Oz	\$180 – \$250 million
Annual Total Revenue	\$500 - \$790 million \$330 - \$530 per ton ore

* Values are for illustration of the potential of seafloor mining equipment and are not necessarily representative of the Solwara 1 project

** Copper and gold recovery are assumed here for illustrative purposes. Solwara 1 recoveries will depend on the treatment .

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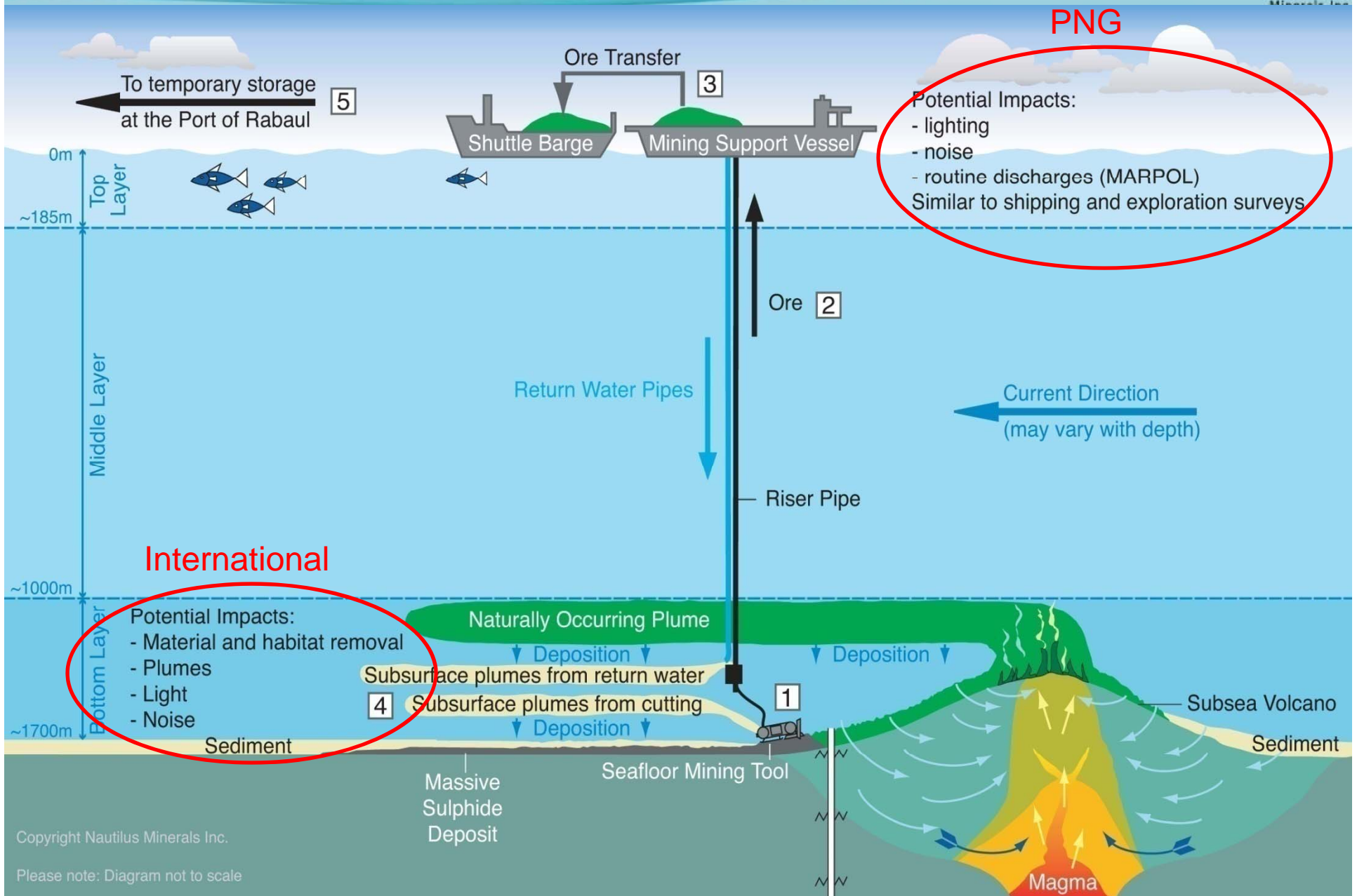
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Potential Impacts (note: cartoon only)



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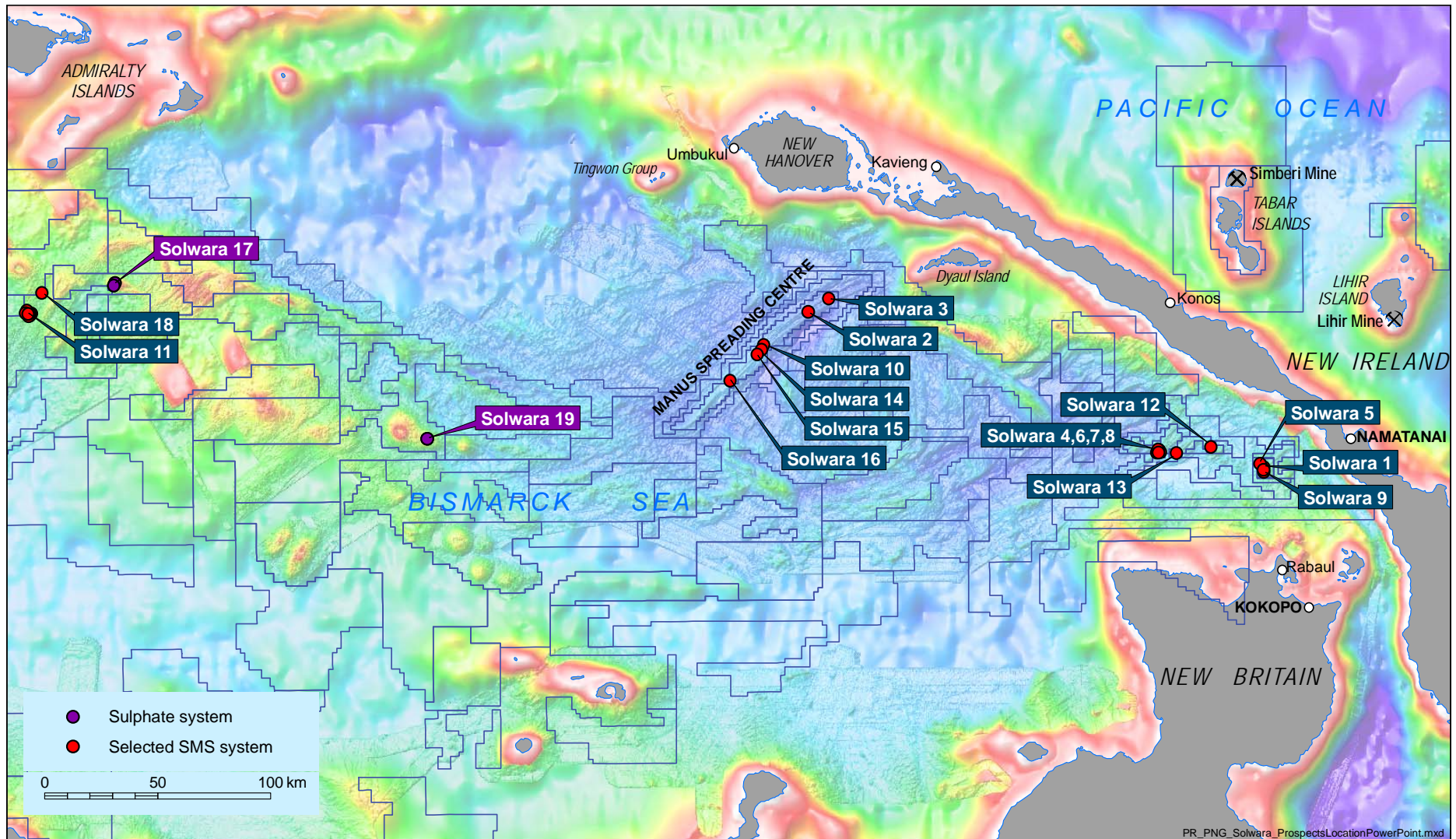
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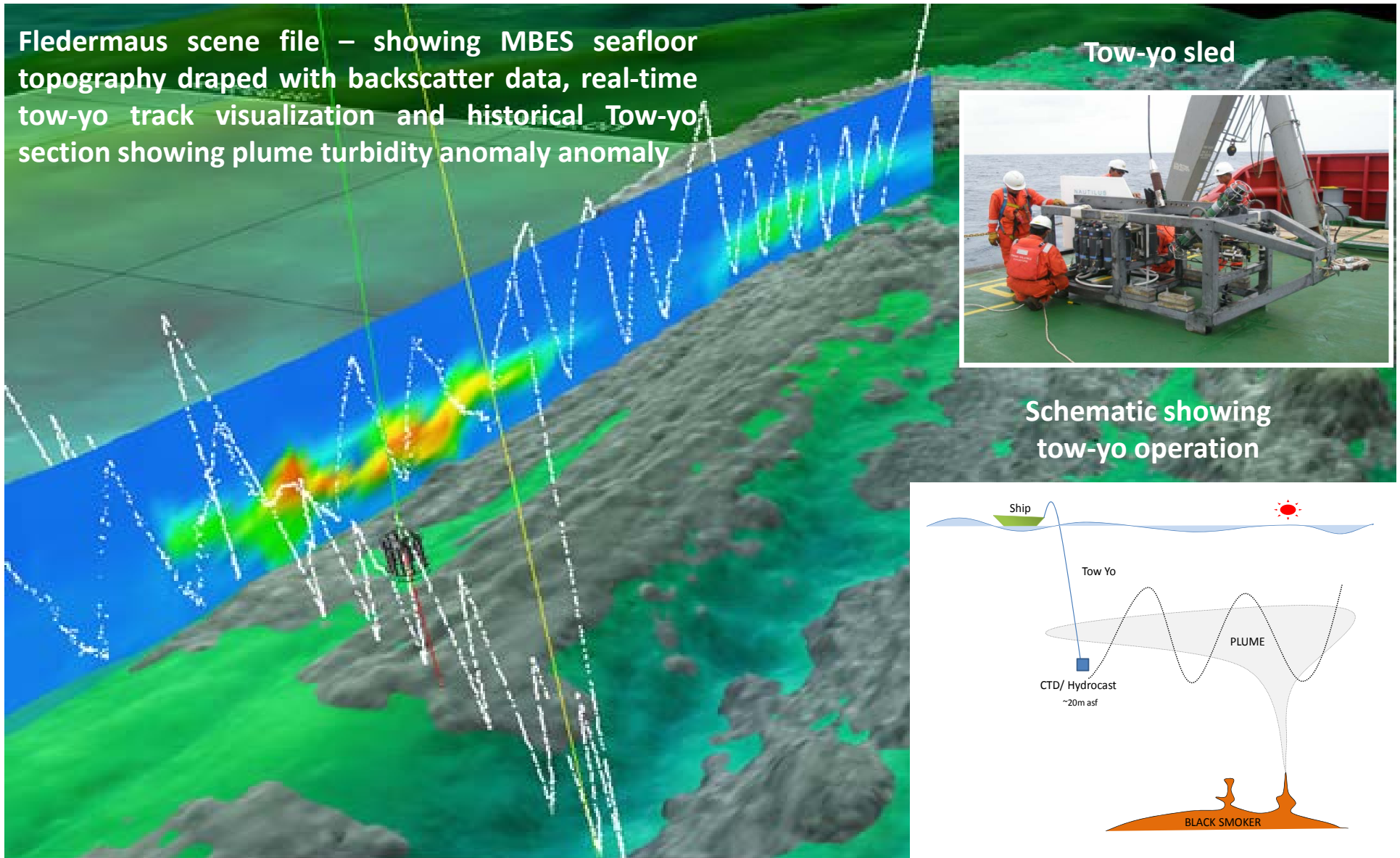
Bismarck Sea, Papua New Guinea



Project/Target Generation: Tow-yo



Fledermaus scene file – showing MBES seafloor topography draped with backscatter data, real-time tow-yo track visualization and historical Tow-yo section showing plume turbidity anomaly anomaly



Bismarck Sea High Grade Pipeline



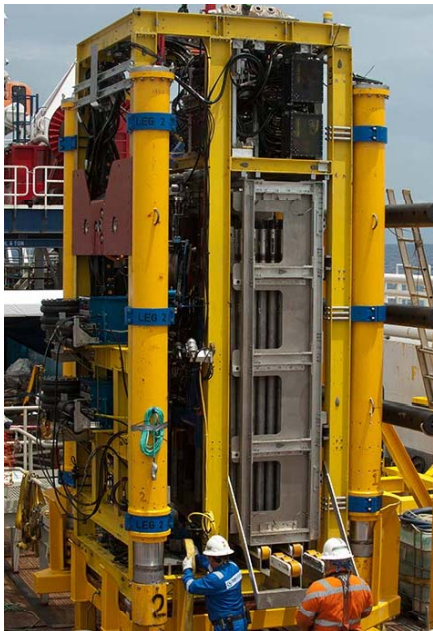
Prospects	Cu % *	Zn %*	Au g/t*	Ag g/t*	Grab Sample Count
Solwara 2	1.1	24.2	10.8	345	67
Solwara 3	0.5	11.0	30.6	3375	2
Solwara 4 (+8)	11.1	23.0	14.9	259	54
Solwara 5	6.0	8.3	14.6	282	12
Solwara 6	11.7	18.4	16.1	203	7
Solwara 7	5.1	21.5	15.0	359	8
Solwara 9	6.3	10.6	19.9	296	17
Solwara 10	7.7	15.2	2.5	165	12
Solwara 11	1.6	16.9	1.2	180	26
Solwara 12	7.0	22.6	13.7	425	10
Solwara 13	9.1	30.7	4.7	546	7
Solwara 14	1.4	19.2	3.3	97	14
Solwara 16	2.1	18.6	2.8	105	6
Solwara 18	0.3	19.6	0.2	110	2

Figures current as of March 2010

* Note –mean values of surface grab samples

Solwara 15 not sampled. Solwara 17 and 19 are sulphate systems and only weakly mineralised at surface. All three systems require additional evaluation to assess their true potential.

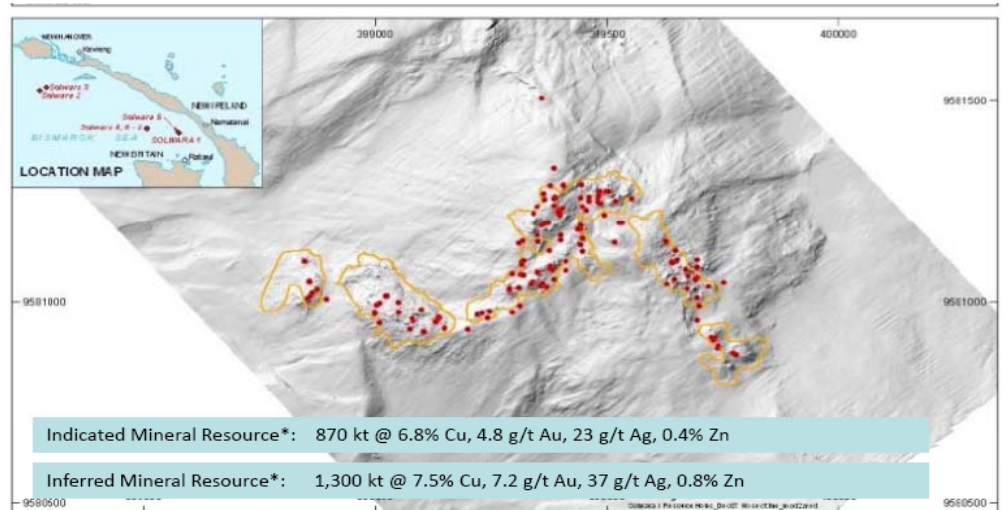
2010/2011 Drilling Campaign



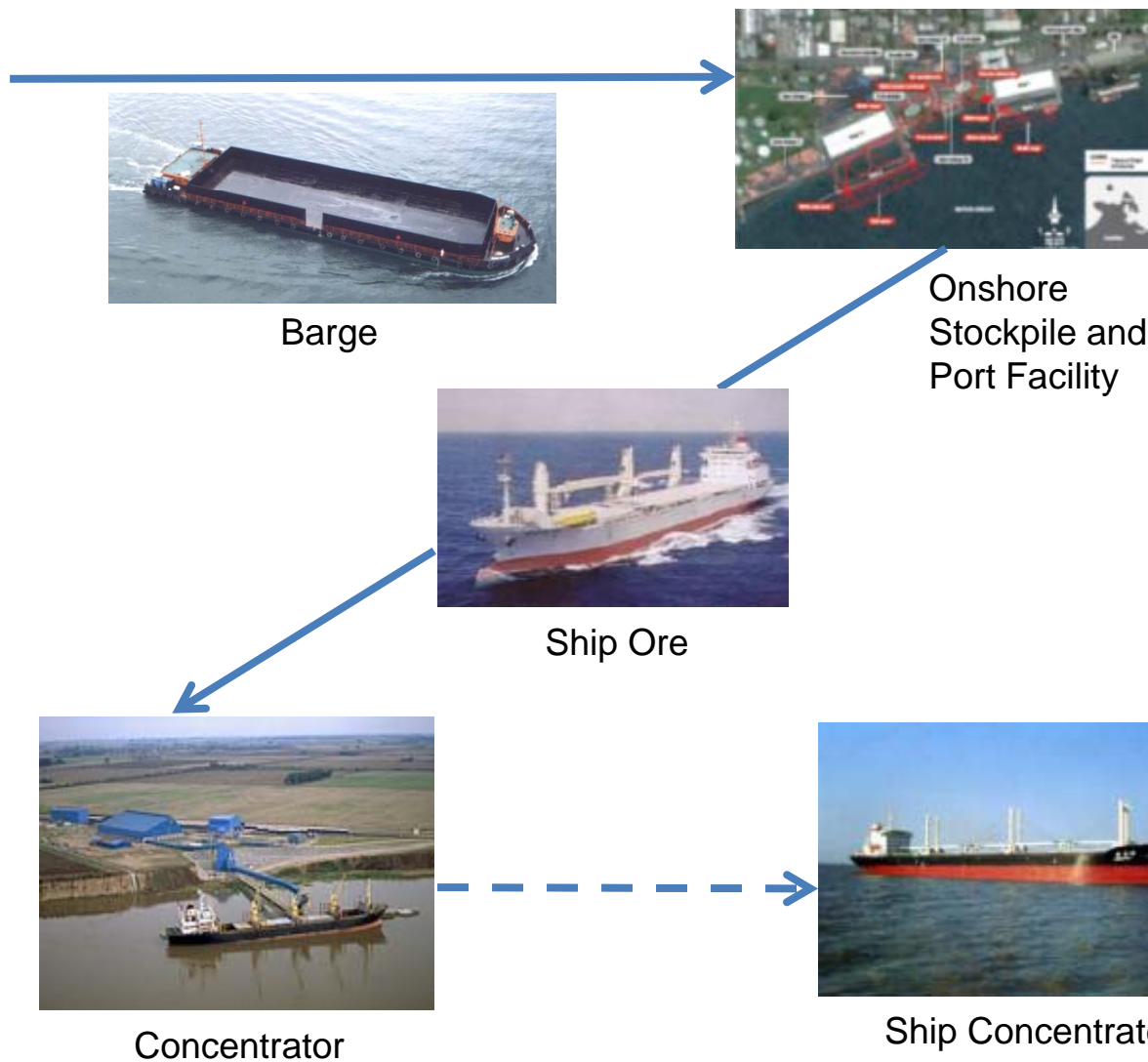
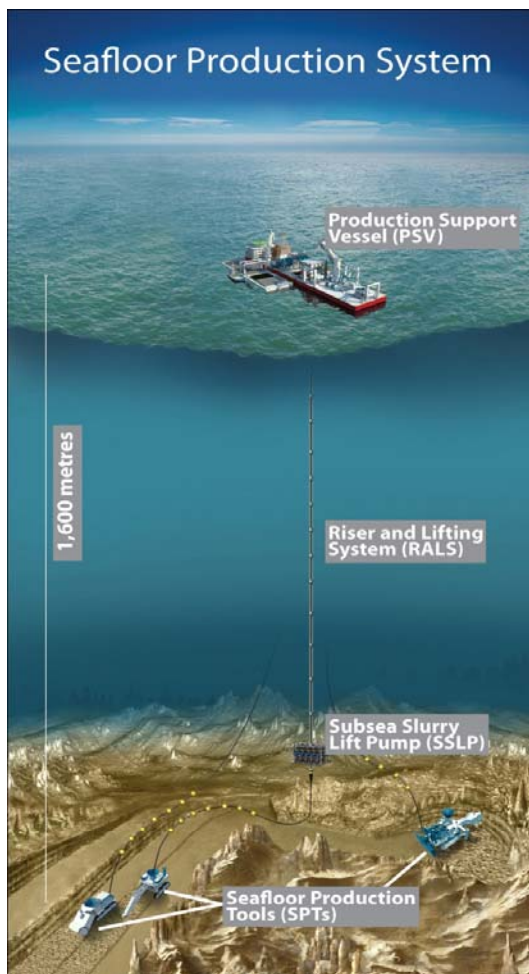
Solwara 1 Project



- Located in the Bismarck Sea, PNG, at 1600m water depth
- 43-101 Resource: 1300 kt Inferred. 870kt Indicated*
- Environmental permit granted Dec 2009
- Mining lease granted Jan 2011
- Production plan - 1.3 million t/year containing 80,000 tonnes Cu and approx 150,000 – 200,000oz gold



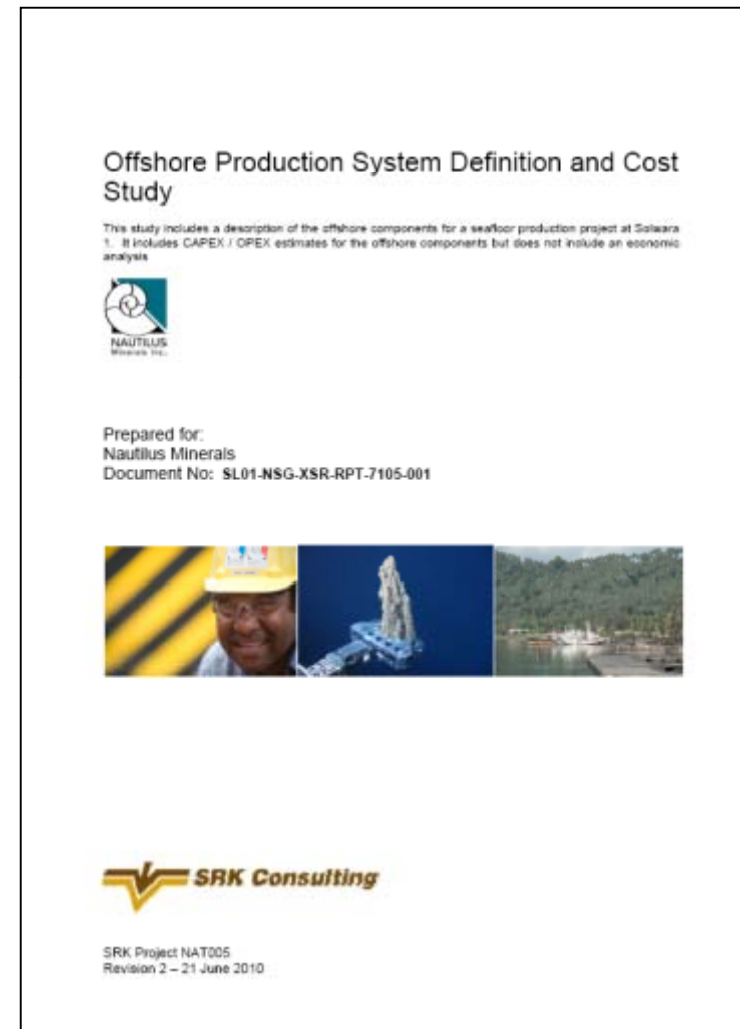
Plan Overview



Definition and Cost Study



- Competitive operating cost and low capital cost
 - US\$70 per tonne offshore production cost (to Port of Rabaul with 10% contingency)
 - US\$383 million CAPEX (for offshore equipment with 17.5% contingency)
- 30 month build schedule
 - SMD contract suspension released April 2010
 - Variation Order issued for revised seafloor tool configuration June 2010



Seafloor Production Tools (SPTs)



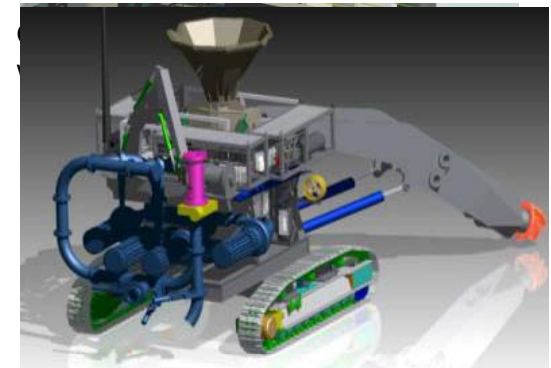
- Soil Machine Dynamics (UK) contract to design and build
 - Experts in deep sea ROV and trenching machine design
 - US\$84 million contract for three specialised machines
 - Includes control systems and associated umbilicals, handling, and deck equipment
- Engineering has been underway for over two years



Auxiliary Cutter— cuts ore on uneven surfaces; benching the site



Bulk Cutter— cuts ore at high rates on areas benched by Auxiliary Cutter



Collecting Machine — creates slurry of ore with seawater and transfers to RALS

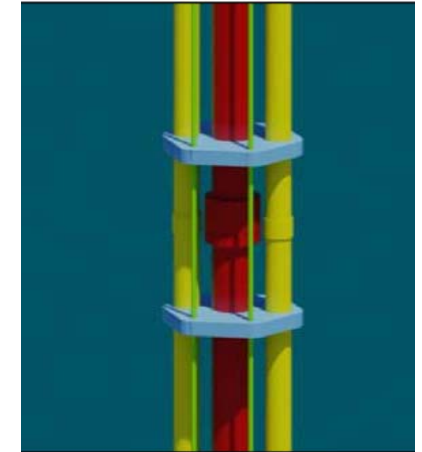
Riser and Lifting System (RALS)



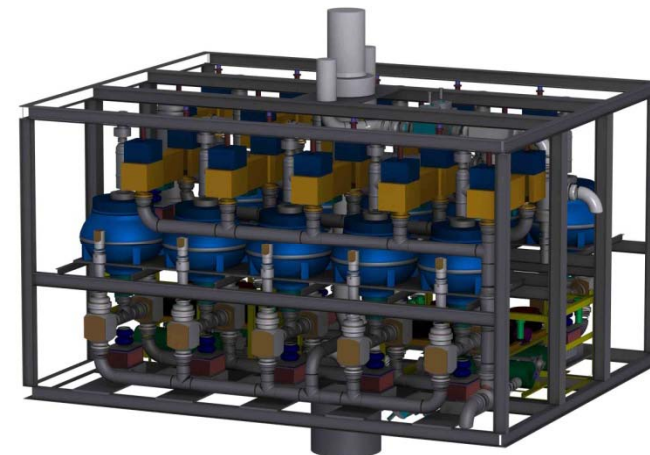
- Awarded a US\$116 million target price EPCM contract to Technip USA in 2008
 - World leaders in their field
 - Ready for procurement
- Riser pipe handling equipment off the shelf
- Riser pipe design includes straking and a flexible joint at the vessel interface
- Pump by GE Hydril



Derrick and Draw Works
(riser handling equipment)



Streaked and Unstraked Riser Pipes
(avoids current induced vibrations)



GE Hydril Slurry Lift Pump
Image courtesy of GE Hydril Inc

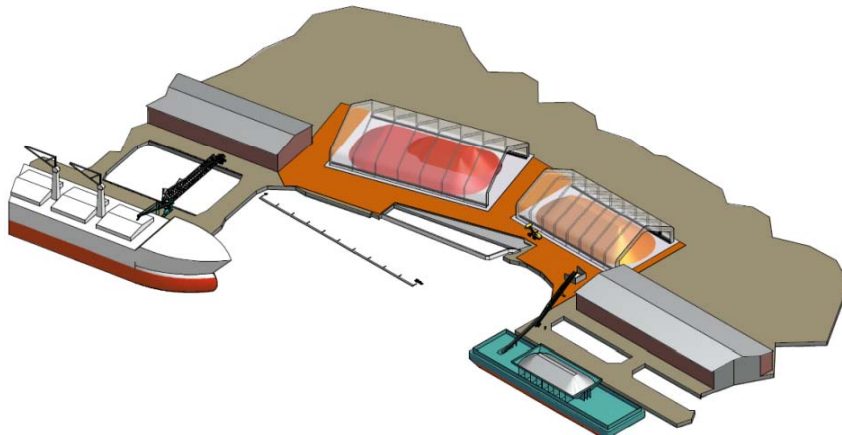
Production Support Vessel (PSV)



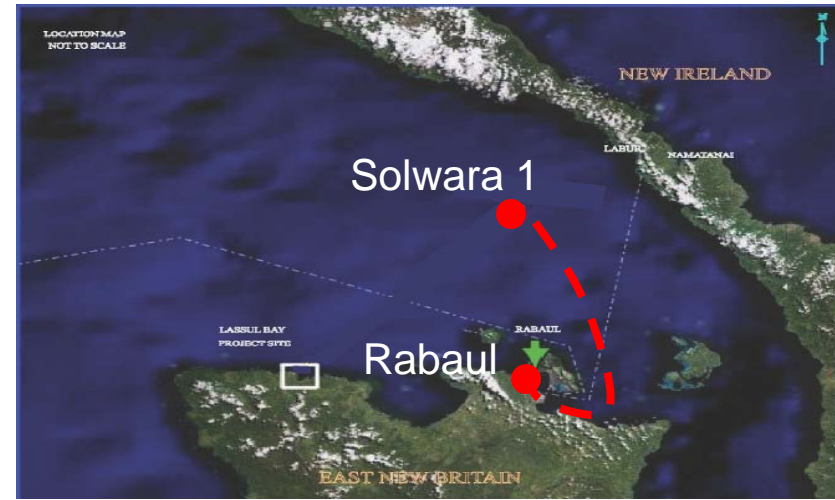
- Platform to support production operations
- DP vessel – class 2
- Large deck space
- 28 MW power
- 140 personnel accommodation
- Typical of large offshore construction vessel



Port and Materials Handling



Draft engineering layout for ore storage, loading and unloading



Solwara 1 to Rabaul barging route – 40km



Rabaul; deepwater, protected active port facility

- Barges transport ore to Rabaul
 - Chartered or purchased – TBD
- Unloading, stockpile and export loading
 - Covered stockpile and material handling equipment
- Agreement in place with PNG Port Authority
- Improvements to existing berths

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Permitting Status



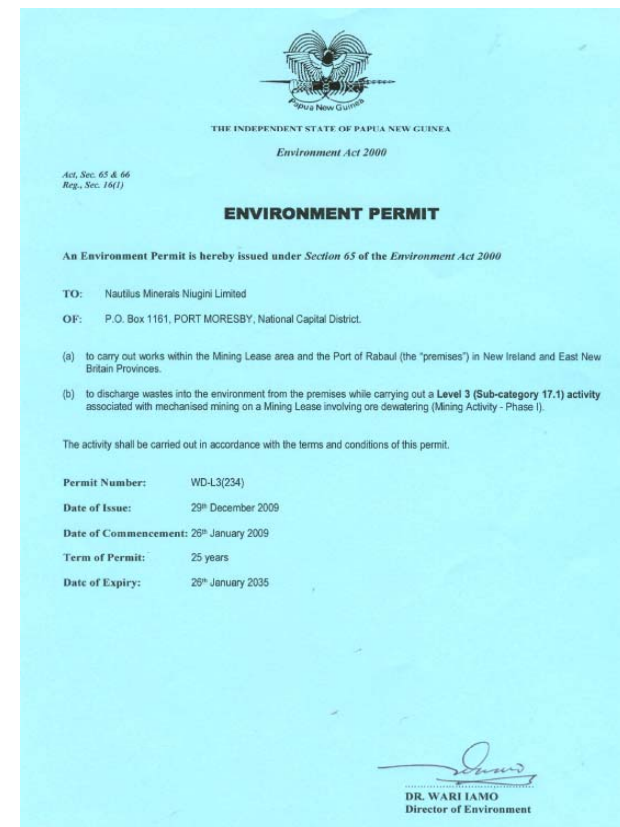
- Environmental Impact Statement (EIS)
 - Submitted Q3 2008
 - PNG Govt. independent review by Australian consultant
 - Statutory public consultation completed
- Environmental Permit
 - Granted December 2009
- Mining Lease (ML)
 - Submitted in Q3 2008
 - Wardens Hearing completed Q2 2009
 - Granted January 2011
- Community Engagement
 - Village roadshows
 - Town hall meetings
 - Key stakeholder workshops



Granted Permits



- Governed by 2 Principle Acts:
 - ML: *Mining Act 1992*
 - EP: *Environment Act 2000*



Community Awareness - ongoing



SOLWARA 1 PAPUA NEW GUINEA
PROJECT COMMUNITY CONSULTATION PROGRAM



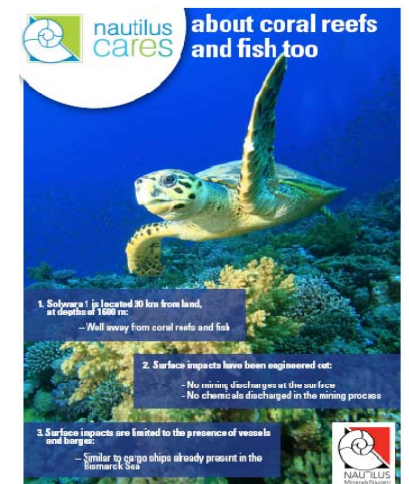
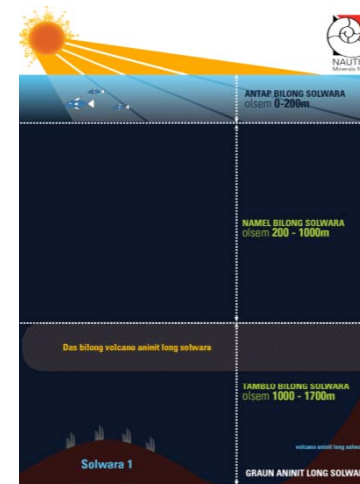
Consultation Methods



NAUTILUS MINERALS
Toksava buk



Niupela Visin • Niupela Wol • Niupela Risos



Training and Up-Skilling PNG



Employment

- Currently ~20% of Nautilus full time employees – PNG Nationals (May 2010)
- Nautilus' ultimate goal is for project workforce to be PNG Nationals
- Currently engaged in programs to encourage skill and capacity building in PNG

Supporting Education

- Nautilus-Duke Opportunity Bursary
- Training in state-of-the-art techniques under supervision of world renowned deep sea ecologists
- Initiative short-listed for an Asian Mining Congress Sustainability Award



Community Assistance in Tonga



- Health
 - Dental equipment
 - Equipment/supplies that will improve delivery of service in the A&E/Casualty/Outpatients ward
- Education
 - provision of marine scholarships and participation of trainees in exploration cruises
 - sponsorship of the University of Canterbury's EcoCare Pacific Trust National High School Science Competition



2009 Suction Units - Dental Vaiola Hospital



Teachers and Students who participated in the EcoCare Project

Case for Deep Sea Mining



- ✓ Resources on land are becoming “lower quality” and/or have significant environmental/social/cultural issues.
- ✓ Technology is available now.
- ✓ Metal prices support development.
- ✓ Permitting is possible.
- ✓ Will “benefit mankind” if done properly.

A New Industry, Not Just a Project



All directions point to Nautilus Minerals. We're using proven offshore oil and gas technologies to extract high-grade copper and gold from the ocean floor. To learn how we're doing it visit us at www.nautilusminerals.com.



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