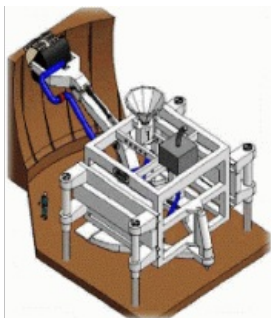


# Seafloor Mining Tool Contract



Nautilus Minerals has announced the award of a contract worth approximately GBP33 million (USD66.5 million), to Soil Machine Dynamics of Newcastle upon Tyne (UK), for the design and build of two Seafloor Mining Tools (SMTs) and to provide a development update for its Solwara 1 Project, located in the territorial waters of Papua New Guinea.

According to David Heydon, Nautilus' CEO, this first order is a historic step in the creation of a new industry and a major milestone for the Nautilus team, who continue to meet the development timelines for the delivery of the Solwara 1 Project. Nautilus is on track to commence commissioning for mining operations by the third quarter of 2010, subject to timely Papua New Guinea government approval.

Significant steps have been taken in the design and build process for the three key components of the mining system. The SMT contract, which is the first of the three contracts, was awarded after a four month competitive tendering process that involved several other major offshore ROVs and mining equipment supply contractors. Nautilus chose SMD for the strength of its design and competitive approach.

Nautilus continues to make progress in the delivery of the Solwara 1 Project. Over the past three months, the focus has been on the tendering for the provision of the three key mining system components: Seafloor Mining Tool (SMT), the Riser and Lifting System (RALS) and Mining services, including provision of the mining vessel. Nautilus' approach has been to lock-down the contracts for the SMT and the RALS first. The mining services contract will then be awarded as the configuration of these subsea systems has bearing on the optimal surface vessel configuration that the mining contractor will be required to provide.

Recently a competitive, paid, front-end engineering design program was launched for the RALS, involving "world's best" international contractors. This will run for 8 weeks and Nautilus expects to select the RALS design and build contractor before the end of January 2008.

The mining services contract will be finalised in the second quarter of 2008, following a subsequent competitive, paid, front-end engineering design study with several high calibre international groups. These groups will be shortlisted before the current year end. 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 incentivised basis.