

Dear Nautilus shareholder,

Nautilus Minerals Inc. is set to embark on the unprecedented extraction of metals from the sea floor. Its Solwara 1 project will extract gold and copper from the floor of the Bismarck Sea in Papua New Guinea.

This operation is the first commercial deep sea mining in the world. There are many uncertainties about this experimental industry including the lack of knowledge about the unique properties and biodiversity of the hydrothermal vent systems that are being mined.

What is certain about deep sea mining is that impacts are associated with each step of the mining process. Impacts for local communities translate into costs and liabilities and losses for you – the shareholder.

We are just barely starting to understand deep sea ecosystems. Some scientists believe that hydrothermal vents are where life first started on earth. If so, these ecosystems could provide insights into the evolution of life.

Nautilus' Environmental Impact Statement (EIS) for Solwara 1 identifies several direct impacts – such as the destruction of tens of thousands of hydrothermal vents and their unique ecosystems over an 11 ha of sea floor.

These impacts are bad enough. But what the EIS does not adequately describe are the indirect impacts of the project. For example, the potential poisoning of human and marine communities by the metals released into the ocean.

The continuous nature of the ocean means that impacts will not be isolated to the 11 ha area of the Solwara 1 site. They will spread far and wide with liabilities to match. Nautilus is yet to confirm what metals will be released, what chemical forms they will be present in, the extent to which they will find their way into food chains, how contaminated the seafood eaten by local communities will be, and what effects these metals will have on fisheries of local, national and regional importance.

Nautilus itself rates the overall ecological impacts of Solwara 1 as moderate – provided it can develop strategies to contain them. At this late stage in developing Solwara 1, Nautilus is yet to fully identify impacts. Will they be in a position to risk manage the potential liabilities?

The growing call from Pacific communities to stop experimental seabed mining, the PNG Government's refusal to contribute to development costs and the breakdown of a financing agreement with an European ship builder brings into question the viability of an already uncertain venture.

“Our coastal and offshore island people depend on our marine resources for survival. It is our ‘supermarket’. Any negative impact caused to the marine environment will have detrimental negative impact on our lives and the lives of our descendants.”

Wences Magun, national coordinator Mas Kagin Tapani (MAKATA), Papua New Guinea

It is likely that the project would result in severe, prolonged, and perhaps region-wide impacts to a globally rare and poorly understood biological community, and it is clear that the EIS does not adequately assess many of these impacts. Further, the benefits to local people or the economy of PNG seem disproportionately low compared to the scale and risk of the project.

Professor Richard Steiner, 'Independent Review of Nautilus Solwara 1 Environmental Impact Statement'

Is Nautilus a wise investment?

For further info about Deep Sea Mining and Solwara 1 go to <http://www.deepseaminingoutofourdepth.org>