

NEVADA GEOTHERMAL POWER INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Nevada Geothermal Power Inc.

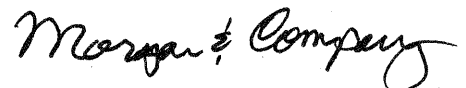
We have audited the consolidated balance sheets of Nevada Geothermal Power Inc. as at June 30, 2005 and 2004, and the consolidated statements of loss and deficit, and cash flows for the years ended June 30, 2005, 2004 and 2003. These financial statements are the responsibility of the Company's management. 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 and the standards of the Public Company Accounting Oversight Board (United States). 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 June 30, 2005 and 2004, and the results of its operations and its cash flows for the years ended June 30, 2005, 2004 and 2003 in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada

September 16, 2005



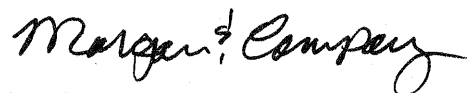
Chartered Accountants

Comments by Auditors for U.S. Readers on Canada-U.S. Reporting Conflict

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when the financial statements are affected by going concern considerations such as described in Note 1 to the financial statements. Our report to the shareholders, dated September 16, 2005, is expressed in accordance with Canadian reporting standards which do not permit a reference to such events and conditions in the Auditors' Report when these are adequately disclosed in the financial statements.

Vancouver, Canada

September 16, 2005



Chartered Accountants

NEVADA GEOTHERMAL POWER INC.
CONSOLIDATED BALANCE SHEETS

	JUNE 30	
	2005	2004
ASSETS		
Current		
Cash	\$ 1,964,047	\$ 984,429
Accounts receivable and GST recoverable	75,686	337,788
Marketable securities	91,610	-
Prepaid expenses	80,135	28,470
	2,211,478	1,350,687
Resource Property Costs (Note 3)	4,323,758	2,642,067
Long-term investments (market value \$36,000, 2004 – nil)	87,000	-
Capital Assets (Note 4)	15,229	11,018
	\$ 6,637,465	\$ 4,003,772
LIABILITIES		
Current		
Accounts payable	\$ 310,436	\$ 404,766
SHAREHOLDERS' EQUITY		
Share Capital (Note 5)	11,267,579	7,474,528
Contributed Surplus (Note 6)	594,477	351,272
Deficit	(5,535,027)	(4,226,794)
	6,327,029	3,599,006
	\$ 6,637,465	\$ 4,003,772

Approved by the Directors:



“Brian D. Fairbank”



“Jack W. Milligan”

See accompanying notes to the consolidated financial statements

NEVADA GEOTHERMAL POWER INC.

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

	YEARS ENDED JUNE 30		
	2005	2004	2003
Expenses			
Accounting and audit	\$ 19,030	\$ 11,208	\$ 12,470
Administration fees	73,300	64,878	56,240
Amortization	3,005	2,806	1,629
Bank charges and interest	906	3,697	349
Consulting	119,729	80,676	72,710
Conventions and publishing	99,748	33,708	52,215
Financing costs	-	-	15,000
Foreign exchange	9,362	105	-
Investor relations	128,554	71,197	72,469
Legal	67,708	46,152	65,570
News dissemination	349,146	9,812	2,071
Office and sundry	33,350	21,696	18,404
Rent and telephone	31,281	19,563	21,144
Site evaluation	945	3,204	3,960
Stock-based compensation	335,064	302,844	57,695
Transfer agent and regulatory fees	46,292	32,319	30,154
Travel and business development	61,685	32,740	8,522
Unrealized loss on market securities	106,999	-	-
Write off of mineral property	-	65,239	-
Loss Before The Following	1,486,104	801,844	490,602
Interest Income	(18,176)	(2,998)	-
Gain on disposal of subsidiary	(159,695)	-	-
Gain on sale of investments	-	(6,000)	-
Loss For The Year	1,308,233	792,846	490,602
Deficit, Beginning Of Year	4,226,794	3,433,948	2,943,346
Deficit, End Of Year	\$ 5,535,027	\$ 4,226,794	\$ 3,433,948
Loss Per Share, Basic and diluted	\$ 0.05	\$ 0.05	\$ 0.05
Weighted Average Number Of Shares Outstanding	24,967,821	17,605,345	9,722,816

See accompanying notes to the consolidated financial statements

NEVADA GEOTHERMAL POWER INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED JUNE 30		
	2005	2004	2003
Cash Flows From Operating Activities			
Loss for the year	\$ (1,308,233)	\$ (792,846)	\$ (490,602)
Items not involving cash flows:			
Stock-based compensation	335,064	302,844	57,695
Amortization	3,005	2,806	1,629
Gain on sale of investment	-	(6,000)	-
Unrealized loss on marketable securities	106,999	-	-
Write off of mineral property	-	65,239	-
Gain on disposal of subsidiary	(159,695)	-	-
Adjustments to reconcile net income (loss) to net cash used in operating activities			
Decrease in exploration advances	-	6,307	80,595
Decrease in accounts receivable and GST recoverable	262,102	(330,293)	(3,778)
Increase in prepaid expenses	(51,665)	(21,294)	-
Decrease in accounts payable	(94,330)	194,150	115,792
	<u>(906,753)</u>	<u>(579,087)</u>	<u>(238,669)</u>
Cash Flows From Investing Activities			
Resource property costs	(1,807,605)	(438,059)	(221,325)
Acquisition of capital assets	(7,216)	(7,186)	(721)
Cash acquired on acquisition	-	245	-
	<u>(1,814,821)</u>	<u>(445,000)</u>	<u>(222,046)</u>
Cash Flows From Financing Activities			
Shares issued for cash	4,007,292	1,995,761	311,550
Share issuance costs	(306,100)	-	-
Share subscriptions received	-	-	129,117
	<u>3,701,192</u>	<u>1,995,761</u>	<u>440,667</u>
Increase (Decrease) In Cash	979,618	971,674	(20,048)
Cash, Beginning Of Year	984,429	12,755	32,803
Cash, End of Year	\$ 1,964,047	\$ 984,429	\$ 12,755

See accompanying notes to the consolidated financial statements

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain economically recoverable geothermal resources. The recoverability of the amounts shown for resource properties and related deferred costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the properties, and upon future profitable production.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assume the realization of assets and discharge of liabilities in the normal course of business. As at June 30, 2005, the Company has a working capital of \$1,901,042, and has incurred losses totalling \$5,535,027.

The Company's ability to continue as a going concern is dependent upon successful completion of additional financing, and upon its ability to attain profitable operations. Management intends to seek further funds through public offerings and private placements to finance its ongoing exploration activities. These consolidated financial statements do not give effect to any adjustments that would be necessary should the Company not be able to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Consolidation

These financial statements include the accounts of the Company and its wholly-owned subsidiaries, Noramex Corp, incorporated in the State of Nevada, U.S.A and Blue Mountain Power Company Inc., incorporated in the province of British Columbia. All significant inter-company balances and transactions have been eliminated.

Accounting for companies acquired by the purchase method of accounting include the results of those companies from the date of acquisition.

b) Resource Property Costs

Costs of acquisition and exploration of resource properties are capitalized on an area-of-interest basis. Amortization of these costs will be on a unit-of-production basis, based on estimated proven geothermal resources of the areas should such reserves be found. If an area of interest is abandoned the costs thereof are charged to income in the year of abandonment.

The Company does not accrue the estimated future costs of maintaining its resource interests in good standing. The amounts shown for resource properties and deferred exploration costs represent costs to date and do not necessarily reflect present or future values.

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Option Payments Received

Option payments received are treated as a reduction of the carrying value of the related resource properties and deferred exploration costs and the balance, if any, is taken into income.

d) Marketable securities

Marketable securities in which the Company owns up to 20% of the issued common shares are accounted for at the lower of cost and market value. Marketable securities which are subject to a hold period in excess of one year are classified as long-term investments and recorded at cost, unless a permanent impairment in value has been determined, at which time they are written down to market value.

e) Capital Assets

Capital assets are recorded at cost and are depreciated over their useful lives by the declining balance method at the following rates:

Computer equipment	30%
Office equipment	20%

f) Stock Based Compensation

The Company follows the recommendations of CICA Handbook Section 3870 – “Stock Based Compensation and Other Stock Based Payments” to record stock based transactions with officers, directors, and outside consultants. Accordingly, the fair value of stock options is charged to operations or resource property costs as appropriate, with an offsetting credit to contributed surplus. The fair value of stock options which vest immediately is recorded at the date of grant and the fair value of options which vest in the future is recognized on a straight-line basis over the vesting period. Any consideration received on exercise of stock options together with the related portion of contributed surplus is credited to share capital.

g) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management’s best estimates as additional information becomes available in the future.

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Earnings (Loss) Per Share

The Company calculates earnings per share using the treasury stock method. Under the treasury stock method, only instruments with exercise amounts less than market prices impact the diluted calculations. In computing diluted earnings per share, no shares were added to the weighted average number of common shares outstanding as the effect of potentially issuable common shares is anti-dilutive.

i) Income Taxes

Income taxes are calculated using the liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future tax assets are recognized to the extent that they are considered more likely than not to be realized. Future income tax liabilities or assets are calculated using the tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.

j) Foreign Currency Translation

The financial statements of the 100% owned U.S. subsidiary have been translated using the temporal method whereby the assets and liabilities are translated at the year end exchange rate, capital accounts at the historical exchange rate, and revenues and expenses at the average exchange rate for the period. Foreign exchange gains and losses resulting from these transactions are reflected in the consolidated statement of loss and deficit.

3. RESOURCE PROPERTY COSTS

The acquisition and exploration costs of the Company's properties are as follows:

	<u>2005</u>	<u>2004</u>
Pogo Area Project – Alaska	\$ -	\$ 101,305
Blue Mountain Geothermal Project – Nevada	4,227,484	2,505,126
Pumpnickel Valley Geothermal Project – Nevada	15,159	35,636
Black Warrior Peak Project – Nevada	60,009	-
Other potential projects	21,106	-
	<u>\$ 4,323,758</u>	<u>\$ 2,642,067</u>

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005

3. RESOURCE PROPERTY COSTS (Continued)

a) Pogo Area Project

During the year ended June 30, 2005, the Company sold Blue Desert Mining (US) Inc., a Nevada limited company beneficially owned by the Company which holds the claims for the Gobi/Portal and Mojave properties, to Running Fox Resource Corp. ("RUN"). The Company received 450,000 shares of RUN with resale restrictions. The following costs have been incurred by the Company on the Pogo Area project:

	2005	2004
Acquisition		
Issue of shares	\$ -	\$ -
Deferred exploration		
Property leases, permits and regulatory	-	-
Geological and geophysical	-	7,547
Costs incurred during the year	-	7,547
Proceeds from sale	(261,000)	-
Proceeds in excess of accumulated costs	159,695	-
Balance, beginning of year	101,305	93,758
Balance, end of year	\$ -	\$ 101,305

b) Blue Mountain Geothermal Project, Nevada, U.S.A.

By an agreement dated December 13, 2002, the Company acquired 100% of the issued capital of Blue Mountain Power Company Inc. ("Blue Mountain"), a company with two common directors, by the issue of 5,500,000 common shares of the Company. The acquisition closed on July 30, 2003.

Blue Mountain (incorporated in British Columbia) owns 100% of the issued capital of Noramex Inc. (incorporated in Nevada, USA). Noramex holds a 100% leasehold interest on certain lands located in Humboldt County, Nevada. The leasehold interest entitles the Company to explore, develop and produce any geothermal resources located on the properties. The Company also has the option to purchase the freehold interest, consisting of four square miles out of a total of the eleven square miles of the leasehold interest. The property interests are subject to production royalties ranging from 1.5% to 3.5% on sales of electrical power, and 5% to 10% from sale proceeds of direct energy.

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005

3. RESOURCE PROPERTY COSTS (Continued)

b) Blue Mountain Geothermal Project, Nevada, U.S.A. (Continued)

The components of the purchase price and allocation are as follows:

Purchase price	
5,500,000 shares issued	\$ 1,705,000
100,000 shares transferred	31,000
Acquisition costs and deferred expenditures incurred by the Company on the Blue Mountain Geothermal Project	383,567
	\$ 2,119,567
Allocation of purchase price	
Current assets	\$ 840
Resource properties	2,175,489
Capital assets	437
Current liabilities	(57,199)
	\$ 2,119,567

The following costs have been incurred on the project:

	2005	2004
Acquisition		
Issue and transfer of shares	\$ -	\$ 1,736,000
Option payment	-	-
	-	1,736,000
Deferred exploration		
Property leases, permits and regulatory	23,637	22,437
Assaying	22,314	6,018
Geological and geophysical	620,213	363,131
Drilling	986,136	806,752
Feasibility study	24,994	-
Road maintenance	96,318	72,358
Camp supplies	143,033	58,653
U.S. Department of Energy grant	(194,287)	(943,790)
Costs incurred during the year	1,722,358	2,121,559
Balance, beginning of year	2,505,126	383,567
Balance, end of year	\$ 4,227,484	\$ 2,505,126

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005

3. RESOURCE PROPERTY COSTS (Continued)

c) Pumpnickel Valley Geothermal Project, Nevada

On February 20, 2004, the Company entered into a geothermal lease agreement with Newmont USA Limited, covering five square miles of geothermal land located in north-central Nevada approximately 10 miles from Newmont's Lone Tree Mine. The Company has also filed lease applications on an additional three sections of federal land for total leasehold of eight square miles (5,120 acres).

The Newmont lease grants the Company the exclusive right to drill for, produce, extract, take and remove all products of geothermal processes including steam and other gases, hot water, hot brines, bi-products and heat energy (collectively referred to as "substances") along with surface and water rights, subject to Nevada law. The Company will pay rentals of \$2/acre for the first two years and \$3/acre thereafter, with all rental payments creditable to royalties due upon production. The Company will pay royalties from any geothermal production of:

- 3½% of gross proceeds from electrical power sales (less taxes and transmission costs),
- 5% of the gross proceeds of a sale of any substances in an arm's length transaction
- 2% of the gross proceeds from the sale of or manufacture there-from of bi-products,
- 10% of net profits from the use of substances at a commercial facility other than an electric power generating facility (such as an vegetable drying/processing facility)
- Substances or electrical power used by the Company for operations at an on-site electrical generating plant or other commercial facilities are not subject to royalties.

In October 2004, the Company announced that Inovision Solutions Inc. (ISI) will finance up to \$5-million (CDN) in exploration and development expenditures on the Pumpnickel Geothermal Project under an option agreement to earn a 50% joint-venture interest. In order to earn its interest, ISI must complete \$5-million (CDN) in project expenditures, make \$120,000 in cash payments and issue 600,000 shares to the Company over a five-year period. In the first year, ISI must finance a \$400,000 (CDN) work program, issue 100,000 shares and make a \$10,000 (CDN) cash payment to maintain its option.

In addition, Noramex Corp., a wholly owned US subsidiary company of the Company, has been awarded a US Department of Energy (DOE) cost sharing contract signed on October 13, 2004 whereby DOE will fund 80% of an initial field evaluation program at the Pumpnickel Project. The Noramex/DOE joint program will include an advanced technology, three-dimensional "E-SCAN" resistivity survey to map the deep geothermal resource waters and six temperature gradient drill holes to 250 metres to test the E-SCAN interpretation. The DOE cost share is US\$592,272 of the total budget of US\$740,340. ISI will cover Noramex's cost share obligation of US\$148,068 out of the first year work commitment. Noramex (NGP) will manage the DOE sponsored work. Combined funding to come from ISI and DOE for the 2005 Pumpnickel Project work equals C\$1,335,000 or US\$1,037,000.

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005

3. RESOURCE PROPERTY COSTS (Continued)

c) Pumpnickel Valley Geothermal Project, Nevada (Continued)

The following costs have been incurred on the project:

	2005	2004
Acquisition		
Lease payments	\$ 9,519	\$ 11,322
Deferred exploration		
Assaying	815	-
Camp and field supplies	16,209	-
Geological and geophysical	416,759	24,314
U.S. Department of Energy grant	(334,778)	-
Inovision Solutions funding and option payments	(129,001)	-
Costs (recovery) incurred during the year	(20,477)	35,636
Balance, beginning of year	35,636	-
Balance, end of year	\$ 15,159	\$ 35,636

d) Black Warrior Peak, Nevada, U.S.A.

The Company initiated field investigations at the Black Warrior project during the year and acquired seven square miles of private land and has applied for a one-section federal geothermal lease for a total land area of eight square miles (22 square kilometres) south and east of Black Warrior peak, Washoe county, Nevada. The leases are on private land and are subject to a 3.5-per-cent royalty on gross revenue from electricity sales, however, the Company can purchase the royalty for \$1-million (U.S.). Leases include surface and water rights.

The following costs have been incurred on the project:

	2005	2004
Acquisition		
Lease payments	\$ 12,759	\$ -
Deferred exploration		
Camp costs and field supplies	9,691	-
Geological and geophysical	37,559	-
Costs incurred during the year	60,009	-
Balance, beginning of year	-	-
Balance, end of year	\$ 60,009	\$ -

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005

3. RESOURCE PROPERTY COSTS (Continued)

e) Other potential properties

The Company currently has a few potential properties under review and has decided to capitalize the costs, until it is deemed the properties are no longer worth pursuing.

The following costs have been incurred on the properties:

	<u>2005</u>	<u>2004</u>
Deferred exploration		
Assaying	2,035	-
Camp costs and field supplies	2,331	-
Geological and geophysical	<u>16,740</u>	-
Costs incurred during the year	<u>21,106</u>	-
Balance, beginning and end of year	<u>\$ 21,106</u>	<u>\$ -</u>

f) Golden Sage and Dunn Glen, Nevada, U.S.A.

The Company held, through its subsidiary, Blue Mountain Power Company Inc., interest in the Golden Sage unpatented claims located in Humboldt County, Nevada, and leased property located in Dunn Glen, Nevada, from the U.S. Bureau of Land Management in Pershing County, Nevada.

During the year ended June 30, 2004, the Company abandoned its interest in these properties and wrote off its cost in the amount of \$65,239.

4. CAPITAL ASSETS

	<u>2005</u>	<u>2004</u>
Computer equipment	\$ 23,861	\$ 22,969
Office equipment	<u>16,643</u>	<u>10,319</u>
	40,504	33,288
Accumulated depreciation	<u>25,275</u>	<u>22,270</u>
Net book value	<u>\$ 15,229</u>	<u>\$ 11,018</u>

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005

5. SHARE CAPITAL

- a) Authorized: 100,000,000 common shares - no par value
 25,000,000 first preferred shares - no par value
 25,000,000 second preferred shares - no par value

b) Common Shares Issued

	SHARES	AMOUNT
Balance, June 30, 2003	10,273,224	\$ 3,612,383
For cash		
Private placements	5,748,860	1,942,983
Options exercised	439,000	91,420
Warrants exercised	228,000	90,475
For Blue Mountain Power Company Inc.	5,500,000	1,705,000
Options exercised – stock option valuation	-	32,267
Balance, June 30, 2004	22,189,084	7,474,528
For cash		
Private placements, net of financing costs	5,000,000	2,718,900
Options exercised	437,000	136,950
Warrants exercised	1,776,988	845,342
Rounding adjustment	2	-
Options exercised – stock option valuation	-	91,859
Balance, June 30, 2005	29,403,074	\$ 11,267,579

During the year ended June 30, 2004, the Company completed a private placement and issued 4,520,000 units at a price of \$0.35 per unit for proceeds of \$1,582,000. Each unit consisted of one common share and one share purchase warrant. One whole warrant entitles the holder to purchase one common share at a price of \$0.50 per share for a two-year period.

During the year ended June 30, 2004, the Company completed a private placement and issued 1,000,000 units at a price of \$0.30 per unit for proceeds of \$300,000 before issue costs of \$20,243. Each unit consisted of one common share and one-half of one share purchase warrant. One whole warrant entitles the holder to purchase one common share at a price of \$0.35 for the first six months and \$0.40 for the following six months.

During the year ended June 30, 2004, the Company completed a private placement and issued 228,858 units at a price of \$0.35 per unit for proceeds of \$80,100. Each unit consisted of one common share and one-half of one share purchase warrant. One whole warrant entitles the holder to purchase one common share at a price of \$0.40 for a one year period.

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005

5. SHARE CAPITAL (continued)

During the year ended June 30, 2005, the Company completed a private placement and issued 3,500,000 units at a price of \$0.65 per unit for proceeds of \$2,275,000 before issue costs of \$182,000. Each unit consisted of one common share and one share purchase warrant. One whole warrant entitles the holder to purchase one common share at a price of \$1.00 per share for a two-year period. The Company granted 280,000 compensation options as a finder's fee in connection with this private placement offering.

During the year ended June 30, 2005, the Company completed a private placement and issued 1,500,000 units at a price of \$0.50 per unit for proceeds of \$750,000 before issue costs of \$60,000. Each unit consisted of one common share and one share purchase warrant. One whole warrant entitles the holder to purchase one common share at a price of \$0.80 per share for a two-year period.

c) Stock Options

As at June 30, 2005, the following share purchase options were outstanding:

EXERCISE PRICE	NUMBER OUTSTANDING AT JUNE 30 2005	REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT JUNE 30 2005
\$ 0.10	138,000	0.98	\$ 0.10	138,000
0.28	840,000	3.09	0.28	840,000
0.35	180,000	3.67	0.35	180,000
0.50	280,000	3.97	0.50	280,000
0.54	460,000	4.27	0.54	460,000
0.55	100,000	0.75	0.55	25,000
0.65	280,000	1.73	0.65	280,000
	<u>2,278,000</u>	<u>2.87</u>	<u>0.41</u>	<u>2,203,000</u>

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005

5. SHARE CAPITAL (continued)

A summary of the changes in stock options for the years ended June 30, 2004 and 2005 is presented below:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Balance, June 30, 2003	905,000	0.21
Granted	1,544,000	0.34
Exercised	(439,000)	0.21
Cancelled	(175,000)	0.28
	1,835,000	\$ 0.30
Balance, June 30, 2004	1,835,000	\$ 0.30
Granted	880,000	0.58
Exercised	(437,000)	0.31
	2,278,000	0.41
Balance, June 30, 2005	2,278,000	0.41

d) Share Purchase Warrants

	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, June 30, 2003	277,277	\$ 0.46
Issued	5,139,431	0.49
Exercised	(228,000)	0.40
Expired	(97,500)	0.40
	5,091,208	0.49
Balance, June 30, 2004	5,091,208	0.49
Issued	5,000,000	0.94
Exercised	(1,776,988)	0.48
Expired	(125,790)	0.36
	8,188,430	\$ 0.77
Balance, June 30, 2005	8,188,430	\$ 0.77

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005

5. SHARE CAPITAL (continued)

Share purchase warrants outstanding at June 30, 2005:

NUMBER OF SHARES	EXERCISE PRICE	EXPIRY DATE
3,188,430	0.50	April 14, 2006
1,500,000	0.80	September 23, 2006
<u>3,500,000</u>	1.00	March 22, 2007
<u>8,188,430</u>		

e) Escrow Shares

As at June 30, 2005, there are 1,998,900 shares held in escrow which are to be released over a three year period ending July 23, 2006.

6. CONTRIBUTED SURPLUS

	2005	2004
Balance, beginning of year	\$ 351,272	\$ 80,695
Compensation options granted	335,064	302,844
Stock options exercised	<u>(91,859)</u>	<u>(32,267)</u>
Balance, end of year	<u>\$ 594,477</u>	<u>\$ 351,272</u>

7. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, GST recoverable, and accounts payable. It is management's opinion that the Company is not exposed to significant interest, currency, or credit risk arising from these financial instruments. The fair value of the financial instruments approximates their carrying value.

8. RELATED PARTY TRANSACTIONS

Transactions in the normal course of business with directors, companies controlled by directors or companies with directors in common were as follows:

	2005	2004
Fees for administrative and professional services	\$ 113,540	\$ 98,484
Fees for geological services	\$ 651,111	\$ 389,644
Amounts included in accounts payable	\$ 160,401	\$ 237,698

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005

9. INCOME TAXES

The recovery of income taxes shown in the statements of operations and deficit differs from the amounts obtained by applying statutory rates due to the following:

	2005	2004
Statutory tax rate	37%	37%
Loss for the year	\$ (1,308,233)	\$ (792,846)
Provision for income taxes based on statutory rates	(484,046)	(293,353)
Non-deductible differences	104,076	135,009
Resource property costs	(504,380)	(147,680)
Unrecognised tax losses	884,350	306,024
Income tax expense	\$ -	\$ -

The significant components of the Company's future tax assets (liability) are as follows:

	2005	2004
Operating losses	\$ 1,711,647	\$ 954,022
Resource properties	-	-
	1,711,647	954,022
Valuation allowance for future tax assets	(992,741)	(800,093)
Net future income tax assets	718,906	153,929
Resource properties	(718,906)	(153,929)
Net future income tax liability	\$ -	\$ -

The Company has non-capital losses carried forward of approximately CDN\$2,845,000 and US\$1,593,000, that may be available for tax purposes.

Losses for Canadian tax purposes expire as follows:

2006	\$	215,000
2007	\$	238,000
2008	\$	184,000
2009	\$	293,000
2010	\$	456,000
2014	\$	454,000
2015	\$	1,005,000

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005

9. INCOME TAXES (Continued)

Losses for US tax purposes expire as follows:

2023	US\$	40,000
2025	US\$	325,000
2026	US\$	1,228,000

10. SUBSEQUENT EVENTS

Subsequent to June 30, 2005, the Company:

- i) Issued 258,000 common shares at prices from \$0.10-0.54 from the exercise of incentive stock options
- ii) issued 753,145 common shares at a price of \$0.50 per share upon the exercise of share purchase warrants.

11. MATERIAL DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

The Company prepares its financial statements in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"), which differ in certain respects from those principles that the Company would have followed had its financial statements been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP"). The major differences between Canadian and US GAAP, which affect the Company's financial statements, are described below, and their effect on the financial statements is summarized as follows:

	2005	2004	2003
Loss in accordance with Canadian GAAP	\$ (1,308,233)	\$ (792,846)	\$ (490,602)
Deduct:			
Unproven property interests and deferred expenditures incurred in the year (Canadian GAAP)	(1,807,605)	(2,164,742)	(221,325)
Adjustment to Canadian GAAP amount to record a US GAAP basis	-	704,226	-
	\$ (3,115,838)	\$ (2,253,362)	\$ (711,927)
Loss in accordance with US GAAP	\$ (0.12)	\$ (0.13)	\$ (0.07)
	24,967,821	17,605,345	9,722,816
Loss per share (US GAAP)	\$ (0.12)	\$ (0.13)	\$ (0.07)
Weighted average shares outstanding (US GAAP)	24,967,821	17,605,345	9,722,816

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005

11. MATERIAL DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) (Continued)

Statement of Cash Flows in Accordance with US GAAP

	2005	2004	2003
Cash flows from operating activities			
Loss in accordance with US GAAP	\$ (3,115,838)	\$ (2,253,362)	\$ (711,927)
Adjustments to reconcile loss to net cash used by operating activities			
Shares issued and investments transferred for other than cash (Note 11(iv))	-	1,031,774	-
Write off of mineral property costs	-	55,922	-
Gain on sale of investments	-	(6,000)	-
Gain on disposal of subsidiary	(159,695)	-	-
Amortization	3,005	2,806	1,629
Stock based compensation	335,064	302,844	57,695
Unrealized loss on marketable securities	106,999	-	-
Change in Goods and Services Tax receivable	262,102	(330,293)	(3,778)
Change in prepaid expenses	(51,665)	(21,294)	-
Change in accounts payable	(94,330)	194,150	115,792
	(2,714,358)	(1,023,453)	(540,589)
Cash flows from investing activities			
Proceeds on sale of investments	-	245	-
Exploration advances	-	6,307	80,595
Acquisition of capital assets	(7,216)	(7,186)	(721)
	(7,216)	(634)	79,874
Cash flows from financing activities			
Shares issued for cash	3,701,192	1,995,761	311,550
Share subscriptions received	-	-	129,117
	3,701,192	1,995,761	440,667
Increase (decrease) in cash	\$ 979,618	\$ 971,674	\$ (20,048)

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005

11. MATERIAL DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) (Continued)

	<u>2005</u>	2004	2003
Shareholders' equity (deficiency) – Canadian GAAP	\$ 6,327,029	\$ 3,599,006	\$ 388,247
Option interests and deferred exploration expenditures	<u>(4,323,758)</u>	<u>(2,642,067)</u>	<u>(477,325)</u>
Shareholders' equity (deficiency) – US GAAP	<u>\$ 2,003,271</u>	<u>\$ 956,939</u>	<u>\$ (89,078)</u>
Option interests and deferred exploration expenditures – Canadian GAAP	\$ 4,323,758	\$ 2,642,067	\$ 477,325
Option interests and deferred exploration expenditures expensed per US GAAP	<u>(4,323,758)</u>	<u>(2,642,067)</u>	<u>(477,325)</u>
Option interests and deferred exploration expenditures – US GAAP	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

- i) Under Canadian GAAP, companies have the option to defer exploration expenditures on prospective properties until such time as it is determined that further work is not warranted, at which point capitalized costs would be written off. Under US GAAP, all exploration expenditures are expensed until an independent feasibility study has determined that the property is capable of commercial production. At this stage, the Company has not yet identified economically recoverable reserves on any of its interests. Accordingly, under US GAAP, all exploration costs incurred are expensed.
- ii) Investments in shares with a trading restriction period of greater than one year are recorded at cost for Canadian GAAP purposes. For United States GAAP purposes, investments with a hold period of greater than one year are not classified as available for sale securities and are also recorded at cost.

Investments with a trading restriction of one year or less are classified as marketable securities for Canadian GAAP purposes and are recorded at the lower of cost and market value. For United States GAAP purposes, these securities are classified as trading securities and are recorded at market value at the reporting date.

As at June 30, 2005, there is no difference between the Canadian GAAP and the United States GAAP recorded values.

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005

11. MATERIAL DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) (Continued)

iii) In fiscal 2003, the Company had accounted for stock-based compensation using the intrinsic value method. The following table presents pro-forma information related to loss and loss per share, under United States GAAP, as if the fair value method had been used:

June 30, 2003	
Loss for the year – US GAAP	\$ (790,109)
Loss per share	\$ (0.08)

iv) In fiscal 2004, the Company issued 5,500,000 common shares at a value of \$1,705,000 (Canadian GAAP), and \$1,000,774 (US GAAP). For Canadian GAAP purposes, the amount of \$1,705,000 was based on a valuation of the property interests, approved by Canadian regulatory authorities. Blue Mountain Power Company Inc. and the Company are controlled by related persons. Under US GAAP, the value ascribed to the shares, was the amount of expenditures previously made by Blue Mountain Power Inc. on the property interests. The difference of \$704,226 has been deducted, therefore, from the Canadian GAAP amount of \$2,164,742 to arrive at the amount of \$1,460,516 that would have been charged to operations under US GAAP.