

NEVADA GEOTHERMAL POWER INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003



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, 2004 and 2003, and the consolidated statements of loss and deficit, and cash flows for the years ended June 30, 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 generally accepted auditing standards in Canada. 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, 2004 and 2003, and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada

September 10, 2004

"Morgan & Company"

Chartered Accountants

NEVADA GEOTHERMAL POWER INC.
CONSOLIDATED BALANCE SHEETS

	JUNE 30	
	2004	2003
ASSETS		
Current		
Cash	\$ 984,429	\$ 12,755
Accounts receivable and GST recoverable	337,788	7,495
Prepaid expenses	28,470	6,581
Exploration advances	-	6,307
	1,350,687	33,138
Resource Property Costs (Note 3)	2,642,067	477,325
Investment (Note 4)	-	25,000
Capital Assets (Note 5)	11,018	6,201
	\$ 4,003,772	\$ 541,664
LIABILITIES		
Current		
Accounts payable	\$ 404,766	\$ 153,417
SHAREHOLDERS' EQUITY		
Share Capital (Note 6)	7,474,528	3,612,383
Share Subscriptions	-	129,117
Contributed Surplus (Note 7)	351,272	80,695
Deficit	(4,226,794)	(3,433,948)
	3,599,006	388,247
	\$ 4,003,772	\$ 541,664

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	
	2004	2003
Expenses		
Accounting and audit	\$ 11,208	\$ 12,470
Administration fees	64,878	56,240
Amortization	2,806	1,629
Bank charges and interest	3,697	349
Consulting	80,676	72,710
Financing costs	-	15,000
Foreign exchange	105	-
Investor relations	114,717	125,855
Legal	46,152	65,570
Office and sundry	21,696	18,404
Rent and telephone	19,563	21,144
Site evaluation	3,204	3,960
Stock-based compensation	302,844	57,695
Transfer agent and regulatory fees	32,319	30,154
Travel and business development	32,740	8,522
Write off of mineral property	65,239	-
Loss Before The Following	801,844	490,602
Interest Income	(2,998)	-
Gain On Sale Of Investments	(6,000)	-
Loss For The Year	792,846	490,602
Deficit, Beginning Of Year	3,433,948	2,943,346
Deficit, End Of Year	\$ 4,226,794	\$ 3,433,948
Loss Per Share, Basic and diluted	\$ 0.05	\$ 0.05
Weighted Average Number Of Shares Outstanding	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	
	2004	2003
Cash Flows From Operating Activities		
Loss for the year	\$ (792,846)	\$ (490,602)
Items not involving cash flows:		
Stock-based compensation	302,844	57,695
Amortization	2,806	1,629
Gain on sale of investment	(6,000)	-
Write off of mineral property	65,239	-
	<u>(427,957)</u>	<u>(431,278)</u>
Change in non-cash working capital items:		
Decrease in exploration advances	6,307	80,595
Increase in accounts receivable and GST recoverable	(330,293)	(3,778)
Increase in prepaid expenses	(21,294)	-
Increase in accounts payable	194,150	115,792
	<u>(579,087)</u>	<u>(238,669)</u>
Cash Flows From Investing Activities		
Resource property costs	(438,059)	(221,325)
Acquisition of capital assets	(7,186)	(721)
Cash acquired on acquisition	245	-
	<u>(445,000)</u>	<u>(222,046)</u>
Cash Flows From Financing Activities		
Shares issued for cash	1,995,761	311,550
Share subscriptions received	-	129,117
	<u>1,995,761</u>	<u>440,667</u>
Increase (Decrease) In Cash	971,674	(20,048)
Cash, Beginning Of Year	12,755	32,803
Cash, End Of Year	\$ 984,429	\$ 12,755
Supplementary Cash Flow Information		
Shares issued for acquisition (Note 3(b))	\$ 1,705,000	\$ -
Shares transferred (Note 4)	\$ 31,000	\$ -

See accompanying notes to the consolidated financial statements

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003

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 ore reserves. 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, 2004, the Company has a working capital of \$943,921, and has incurred losses totalling \$4,226,794.

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, Blue Desert Mining (U.S.) Inc. and 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 reserves of minerals and 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, 2004 AND 2003

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) Investments

Investments in which the Company owns up to 20% of the issued common shares are accounted for 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

In September 2003, the CICA issued an amendment to Section 3870 – “Stock Based Compensation and Other Stock Based Payments”. The amended section is effective for fiscal years beginning on or after January 1, 2004. The amendment requires that companies measure all stock based payments using the fair value method of accounting and recognize the compensation expense in their financial statements. The Company implemented this amended standard in their fiscal year ended June 30, 2004 on a prospective basis in accordance with the early adoption provisions of the standard. According to the transitional provisions, early adoption requires that compensation expense be calculated and recorded in the statement of operations for options granted on or after July 1, 2003.

Under this amended standard, the Company must account for compensation expense based on the fair value of rights granted under its stock based compensation plan. Under this method, compensation costs attributable to share options granted to employees or directors is measured at fair value at the grant date, and expensed over the expected exercise time frame with a corresponding increase to contributed surplus. Upon exercise of the stock options, consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

Previously, the Company accounted for its stock based compensation using the intrinsic value method.

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Stock Based Compensation (Continued)

The following table presents pro-forma information related to loss and loss per share as if the fair value method had been used to account for stock based compensation costs arising from stock options granted to employees during the year ended June 30, 2003:

Loss for the year	\$ (490,602)
Compensation expense related to fair value of stock options granted to employees	<u>(78,182)</u>
Pro-forma loss for the year	<u>\$ (568,784)</u>
Pro-forma basic loss per share	<u>\$ (0.06)</u>

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.

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 during the years ended June 30, 2004 and 2003 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.

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. MINERAL PROPERTY COSTS

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

	<u>2004</u>	<u>2003</u>
Pogo Area Project – Alaska	\$ 101,305	\$ 93,758
Blue Mountain Geothermal Project – Nevada	2,505,126	383,567
Pumpnickel Valley Geothermal Project – Nevada	35,636	-
	<u>\$ 2,642,067</u>	<u>\$ 477,325</u>

a) Pogo Area Project

The Company acquired an interest in a number of claims in the Pogo area of interest, south-east of Fairbanks, Alaska. These claim areas are as follows:

i) Portal/Gobi Claims

The Company has an option to acquire 100% interest in a number of claims by the issue of 66,667 shares (66,667 issued), by cash payments of \$17,500 (paid) and by the payment of an annual advance royalty of \$10,000. The optionor retains a 2% Net Smelter Royalty of which 1% may be purchased by the Company for \$1,000,000.

In addition, the Company has staked a number of claims adjacent to the Portal/Gobi Claims.

The Company has entered into an agreement on the Portal/Gobi Claims with an unrelated company whereby that company will earn a 60% interest in the Portal/Gobi property. Total expenditures of US\$750,000 are required over a five year earn-in period ending January 1, 2005.

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003

3. MINERAL PROPERTY COSTS (Continued)

a) Pogo Area Project (Continued)

i) Portal/Gobi Claims (Continued)

After the earn-in period, the Company will have a 40% participating interest in the joint venture.

ii) Mohave

The Company has acquired, by staking, a 100% interest in the Mohave claims, located in the Pogo area.

iii) The following costs have been incurred by the Company on the Pogo Area project:

	<u>2004</u>	<u>2003</u>
Acquisition		
Issue of shares	\$ -	\$ -
Deferred exploration		
Property leases, permits and regulatory	3,645	3,070
Geological and geophysical	<u>3,902</u>	<u>682</u>
Costs incurred during the year	7,547	3,752
Balance, beginning of year	<u>93,758</u>	<u>90,006</u>
Balance, end of year	<u>\$ 101,305</u>	<u>\$ 93,758</u>

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, 2004 AND 2003

3. MINERAL 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 (Note 4)		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:

	2004	2003
Acquisition		
Issue and transfer of shares	\$ 1,736,000	\$ -
Option payment	-	15,500
	1,736,000	15,500
Deferred exploration		
Property leases, permits and regulatory	22,437	14,747
Assaying	6,018	-
Geological and geophysical	363,131	74,047
Drilling	806,752	110,155
Road maintenance	72,358	3,124
Camp supplies	58,653	-
U.S. Department of Energy grant	(943,790)	-
Costs incurred during the year	2,121,559	217,573
Balance, beginning of year	383,567	165,994
Balance, end of year	\$ 2,505,126	\$ 383,567

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003

3. MINERAL PROPERTY COSTS (Continued)

c) PumperNickel 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.

The following costs have been incurred on the project:

	<u>2004</u>	<u>2003</u>
Acquisition		
Lease payments	\$ 11,322	\$ —
Deferred exploration		
Geological and geophysical	24,314	—
Costs incurred during the year	35,636	—
Balance, beginning of year	—	—
Balance, end of year	<u>\$ 35,636</u>	<u>\$ —</u>

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003

3. MINERAL PROPERTY COSTS (Continued)

d) 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. INVESTMENT

	<u>2004</u>	<u>2003</u>
100,000 shares in Blue Mountain Power Company Inc., at cost	\$ -	\$ 25,000

Due to the acquisition of Blue Mountain Power Company Inc. (Note 3(b)), the Company disposed of its holding. The shares were transferred to a company controlled by a director of the Company as an incentive to settle debt owed by Blue Mountain to that company. The shares were transferred at a fair value of \$31,000 resulting in a gain of \$6,000.

5. CAPITAL ASSETS

	<u>2004</u>	<u>2003</u>
Computer equipment	\$ 22,969	\$ 14,732
Office equipment	10,319	6,995
	<u>33,288</u>	<u>21,727</u>
Accumulated depreciation	22,270	15,526
Net book value	<u>\$ 11,018</u>	<u>\$ 6,201</u>

6. 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

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003

6. SHARE CAPITAL (Continued)

b) Common Shares Issued

	SHARES	AMOUNT
Balance, June 30, 2002	8,863,669	\$ 3,214,733
For cash		
Private placement	554,555	209,400
Options exercised	361,000	64,750
Warrants exercised	494,000	123,500
Balance, June 30, 2003	10,273,224	3,612,383
For cash		
Private placement, net of financing costs	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

c) Stock Options

As at June 30, 2004, the following share purchase options were outstanding:

EXERCISE PRICE	NUMBER OUTSTANDING AT JUNE 30 2004	REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT JUNE 30 2004
\$ 0.10	170,000	1.98 years	\$ 0.10	170,000
0.25	65,000	2.90 years	0.25	65,000
0.28	970,000	4.06 years	0.28	970,000
0.35	350,000	4.67 years	0.35	222,500
0.50	280,000	4.97 years	0.50	150,000
	1,835,000	4.01 years	\$ 0.30	1,577,500

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003

6. SHARE CAPITAL (Continued)

c) Stock Options (Continued)

A summary of the changes in stock options for the years ended June 30, 2003 and 2004 is presented below:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Balance, June 30, 2002	831,000	\$ 0.16
Granted	435,000	0.28
Exercised	(361,000)	0.18
Balance, June 30, 2003	905,000	0.21
Granted	1,544,000	0.34
Exercised	(439,000)	0.21
Cancelled	(175,000)	0.28
Balance, June 30, 2004	1,835,000	\$ 0.30

The fair value for these options was estimated at the date of grant date using a Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 3.08% (2003 - 5%), dividend yield of nil, volatility factor of 114% (2003 - 144%), and a weighted average expected life of the options of 2 years. The weighted average fair value per share of options granted during 2004 was \$0.22 (2003 - \$0.28).

d) Share Purchase Warrants

	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, June 30, 2002	810,000	\$ 0.25
Issued	277,277	0.46
Exercised	(494,000)	0.25
Expired	(316,000)	0.25
Balance, June 30, 2003	277,277	0.46

NEVADA GEOTHERMAL POWER INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

6. SHARE CAPITAL (Continued)

d) Share Purchase Warrants (Continued)

	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

Share purchase warrants outstanding at June 30, 2004:

NUMBER OF SHARES	EXERCISE PRICE	EXPIRY DATE
71,429	0.40	July 15, 2004
137,500	\$ 0.40	August 12, 2004
27,777	0.45	September 17, 2004
334,500	0.40	July 29, 2004
4,520,002	0.50	April 14, 2005
5,091,208		

7. CONTRIBUTED SURPLUS

	2004	2003
Balance, beginning of year	\$ 80,695	\$ 23,000
Compensation options granted	302,844	57,695
Stock options exercised	(32,267)	-
	\$ 351,272	\$ 80,695

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003

8. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, GST recoverable, prepaid expenses, exploration advances 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.

9. RELATED PARTY TRANSACTIONS

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

	<u>2004</u>	<u>2003</u>
Fees for administrative and professional services	\$ 98,484	\$ 127,577
Fees for geological services	\$ 389,644	\$ 30,143
Acquisition of capital asset	\$ -	\$ 721
Payments for office rent	\$ -	\$ 3,246
Amounts included in accounts payable	\$ 237,698	\$ 92,446
Exploration advances	\$ -	\$ 6,307

10. 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:

	<u>2004</u>	<u>2003</u>
Statutory tax rate	<u>37%</u>	<u>40%</u>
Loss for the year	\$ (792,846)	\$ (490,602)
Provision for income taxes based on statutory rates	(293,353)	(194,376)
Non-deductible differences	135,009	23,504
Resource property costs	(147,680)	-
Unrecognised tax losses	<u>306,025</u>	<u>170,872</u>
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003

10. INCOME TAXES (Continued)

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

	<u>2004</u>	<u>2003</u>
Operating losses	\$ 954,022	\$ 794,076
Resource properties	-	93,938
	<u>954,022</u>	<u>888,014</u>
Valuation allowance for future tax assets	<u>(800,093)</u>	<u>(888,014)</u>
Net future income tax assets	153,929	-
Resource properties	<u>(153,929)</u>	-
Net future income tax liability	<u>\$ -</u>	<u>\$ -</u>

The Company has non-capital losses carried forward of approximately CDN\$2,115,000 and US\$376,000, that may be available for tax purposes.

Losses for Canadian tax purposes expire as follows:

2005	\$ 308,000
2006	\$ 215,000
2007	\$ 238,000
2008	\$ 184,000
2009	\$ 293,000
2010	\$ 456,000
2011	\$ 421,000

Losses for US tax purposes expire as follows:

2023	US\$	52,000
2025	US\$	324,000

11. SUBSEQUENT EVENTS

Subsequent to June 30, 2004, the Company:

- i) issued 1,500,000 units comprised on one common share and one non-transferable share purchase warrant at a price of \$0.50 per unit. One warrant entitles the holder to purchase one additional common share for a period of 24 months at a price of 80 cents per warrant share. The offering includes an accelerator such that if after six months (March 23, 2005) the closing price per share of the issuer on the TSX Venture Exchange is \$1.10 or higher for 20 consecutive trading days, then the company will give investors notice that the warrants must be exercised or they expire within 30 days.

NEVADA GEOTHERMAL POWER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003

11. SUBSEQUENT EVENTS (Continued)

- ii) issued 445,416 common shares at a price of \$0.40 per share on the exercise of share purchase warrants.
- iii) received 450,000 common shares of Running Fox Resource Corp. from the sale of Blue Desert Mining (US) Inc., a Nevada limited company beneficially owned by the Company used to hold the claims for the Gobi-Portal and Mojave properties. The shares of Running Fox Resource Corp. will be restricted from sale as follows:
 - 100,000 shares with a six-month transfer restriction expiring March 1, 2005;
 - 100,000 shares with a 12-month transfer restriction expiring September 1, 2005;
 - 100,000 shares with a 18-month transfer restriction expiring March 1, 2006; and
 - 150,000 shares with a 24-month transfer restriction expiring September 1, 2006.