NEVADA GEOTHERMAL POWER INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2011
(Expressed in US Dollars)

(AUDITED)

Deloitte & Touche LLP
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Report of Independent Registered Chartered Accountants

To the Board of Directors and Shareholders of Nevada Geothermal Power Inc.

We have audited the accompanying financial statements of Nevada Geothermal Power Inc. and subsidiaries (the "Company"), which comprise the consolidated balance sheets as at June 30, 2011 and June 30, 2010 and the consolidated income statements, consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for each of the years in the three year period ended June 30, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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). These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2011 and 2010 and its financial performance and its cash flows for each of the years in the three year period ended June 30, 2011 in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has incurred net losses over the past several years, has an accumulated deficit of $44.0 million and an anticipated inability to retire its long-term liabilities. These conditions, along with other matters as set forth in Note 1, indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Other Matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of June 30, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 26, 2011, expressed an unqualified opinion on the Company's internal control over financial reporting.

(Signed) Deloitte & Touche LLP

Independent Registered Chartered Accountants
Vancouver, Canada
September 26, 2011

Deloitte & Touche LLP
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Report of Independent Registered Chartered Accountants

To the Board of Directors and Shareholders of Nevada Geothermal Power Inc.

We have audited the internal control over financial reporting of Nevada Geothermal Power Inc. (the "Company") as of June 30, 2011, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2011, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as at and for the year ended June 30, 2011, of the Company and our report dated September 26, 2011 expressed an unqualified opinion on those financial statements.

(Signed) Deloitte & Touche LLP

Independent Registered Chartered Accountants
Vancouver, Canada
September 26, 2011

NEVADA GEOTHERMAL POWER INC.
CONSOLIDATED BALANCE SHEETS
As at June 30, 2011 and 2010
(AUDITED)
(Expressed in US Dollars)
(see Note 1 – Nature of Operations and Going Concern)

		2011		2010
ASSETS				
Current				
Cash and cash equivalents	**$**	**9,461,451**	$	6,435,375
Restricted cash (Note 24 c)		**3,000,023**		-
Accounts receivable (Note 6)		**2,832,712**		2,479,746
Marketable securities (Note 7)		**16,592**		71,388
Inventory (Note 8)		**273,224**		161,881
Future financing costs		**-**		1,778,152
Prepaid expenses		**652,898**		206,200
		16,236,900		11,132,742
Restricted cash (Note 24 d)		**9,383,660**		4,005,672
Property, plant and equipment (Note 9)		**159,984,023**		169,716,976
Intangible assets (Note 10)		**1,148,773**		1,005,082
Resource property interests (Note 11)		**6,299,247**		1,413,309
	$	**193,052,603**	$	187,273,781
LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**1,740,945**	$	3,243,124
Short-term portion of long-term liabilities (Note 15)		**4,689,597**		153,708,330
		6,430,542		156,951,454
Long-term payables (Note 13)		**273,189**		486,913
Lease obligations (Note 14)		**24,514**		32,108
Deferred gain (Note 27)		**2,510,980**		-
Long-term liabilities (Note 15)		**152,473,653**		-
Cash settled option (Note 16)		**-**		2,722,396
Asset retirement obligation (Note 17)		**1,507,877**		1,291,274
		163,220,755		161,484,145
SHAREHOLDERS' EQUITY				
Share capital (Note 19)		**62,925,121**		54,942,619
Warrants (Note 19 c)		**3,501,594**		-
Contributed surplus		**4,677,138**		4,143,381
Accumulated other comprehensive income		**2,744,124**		2,112,789
Deficit		**(44,016,129)**		(35,409,153)
		29,831,848		25,789,636
	$	**193,052,603**	$	187,273,781

Commitments (Note 24)
Subsequent events (Note 29)

Approved on behalf of the Board of Directors:

"Brian Fairbank"	"Domenic Falcone"
Director	Director

The accompanying notes are an integral part of these consolidated financial statements.

NEVADA GEOTHERMAL POWER INC.
CONSOLIDATED INCOME STATEMENTS
For the Years Ended June 30, 2011, 2010 and 2009
(AUDITED)
(Expressed in US Dollars)

	2011	2010	2009
Revenue (Note 21)	**$ 24,856,817**	$ 11,839,010	$ -
Direct cost of energy production	**(12,263,912)**	(7,654,668)	-
Gross margin	**12,592,905**	4,184,342	-
Resource property expenses	**(148,315)**	(11,783)	(125)
General and administrative expenses	**(5,526,826)**	(4,910,182)	(3,363,293)
Operating profit (loss)	**6,917,764**	(737,623)	(3,363,418)
Other income (expenses)			
Change in fair value of cash settled option	**2,722,396**	(901,552)	(61,343)
Financing expenses	**(1,572,660)**	(893,011)	-
Foreign exchange loss	**(67,213)**	(85,116)	(1,737,199)
Impairment of marketable securities	**-**	(75,429)	-
Undrawn commitment fee	**-**	-	(264,925)
Gain on sale of assets to joint venture	**82,503**	-	-
Loss on sale of property, plant and equipment	**(5,214)**	-	(8,395)
Interest expense (Note 22)	**(20,317,159)**	(18,403,777)	-
Change in long-term liability estimates (Note 15)	**3,547,153**	3,038,446	-
Interest income	**85,454**	76,611	346,520
	(15,524,740)	(17,243,828)	(1,725,342)
Net loss	**$ (8,606,976)**	$ (17,981,451)	$ (5,088,760)
Loss per share (Basic & diluted)	**$ (0.08)**	$ (0.19)	$ (0.05)
Weighted average number of common shares issued and outstanding	**111,497,866**	95,280,808	94,438,849

The accompanying notes are an integral part of these consolidated financial statements.

NEVADA GEOTHERMAL POWER INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2011, 2010 and 2009
(AUDITED)
(Expressed in US Dollars)

	2011	2010	2009
Cash from (used in) operating activities			
Net loss for the period	**$ (8,606,976)**	$ (17,981,451)	$ (5,088,760)
Items not requiring (providing) cash:			
Amortization	**43,753**	29,167	22,071
Depreciation	**7,124,368**	4,950,416	66,350
Accretion of asset retirement obligation	**97,676**	73,535	58,446
Change in fair value of cash settled option	**(2,722,396)**	901,552	61,343
Foreign exchange loss	**-**	-	1,737,199
Non-cash interest	**8,492,987**	9,260,297	-
Change in long-term liability estimates	**(3,547,153)**	(3,038,446)	-
Impairment of marketable securities	**-**	75,429	-
Stock-based compensation	**540,815**	224,500	307,359
Loss on sale of property, plant and equipment	**5,214**	-	8,395
Undrawn commitment fee	**-**	-	264,925
Changes in non-cash working capital:			
Decrease (increase) in accounts receivable	**277,451**	(1,984,956)	28,599
Increase in inventory	**(111,342)**	(161,881)	-
(Increase) decrease in prepaid expenses	**(242,916)**	167,975	416,249
Increase (decrease) in accounts payable	**200,842**	(51,111)	(766,847)
	1,552,323	(7,534,974)	(2,884,671)
Cash (used in) from investing activities			
Acquisition of property, plant and equipment	**(9,014,476)**	(50,773,973)	(66,278,862)
Acquisition of intangible assets	**(127,506)**	(1,020,836)	(21,938)
Acquisition of Imperial Valley assets (Note 27)	**(631,026)**	-	-
Proceeds on disposal of property, plant and equipment	**6,945**	-	31,454
Resource property interests	**(773,583)**	(429,499)	(39,604,566)
Government grants received	**323,037**	57,872,513	-
(Increase) decrease in restricted cash	**(8,378,010)**	14,655,186	(17,920,984)
	(18,594,619)	20,303,391	(123,794,896)
Cash from (used in) financing activities			
Net proceeds from private placements	**9,468,026**	-	-
Proceeds from options exercised	**18,231**	753,320	94,899
Proceeds from warrants exercised	**17,602**	-	-
Repayments of long-term payables	**(276,979)**	(461,632)	-
Repayments of long-term leases	**(9,528)**	(1,139)	-
Repayments of John Hancock loan	**(5,260,961)**	-	-
Repayments of EIG loan and transaction costs	**(78,276,166)**	(28,879,380)	-
Repayments of Glitnir Capital loan	**-**	-	(20,723,093)
Loan advances net of transaction costs	**93,859,420**	19,989,898	139,292,591
Future financing costs	**(126,731)**	(186,888)	(574,802)
	19,412,914	(8,785,821)	118,089,595
Effect of exchange rate changes on cash and cash equivalents	**655,458**	62,351	(492,960)
Increase (decrease) in cash and cash equivalents	**3,026,076**	4,044,947	(9,082,932)
Cash and cash equivalents, beginning of period	**6,435,375**	2,390,428	11,473,360
Cash and cash equivalents, end of period	**9,461,451**	6,435,375	2,390,428

Additional Cash Flow Information (Note 25)

The accompanying notes are an integral part of these consolidated financial statements.

NEVADA GEOTHERMAL POWER INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the Years Ended June 30, 2011, 2010 and 2009
(AUDITED)
(Expressed in US Dollars)

		2011		2010		2009
Net loss	**$**	**(8,606,976)**	$	(17,981,451)	$	(5,088,760)
Other comprehensive income (loss)						
Foreign translation gain (loss)		**686,131**		189,655		(1,596,563)
Fair value adjustment on marketable securities		**(54,796)**		(14,597)		(94,656)
Impairment of marketable securities included on income statement		**-**		75,429		-
Comprehensive loss	**$**	**(7,975,641)**	$	(17,730,964)	$	(6,779,979)

NEVADA GEOTHERMAL POWER INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended June 30, 2011 and 2010
(AUDITED)
(Expressed in US Dollars)

					Other Comprehensive Income (Loss)			
	Shares	**Share Capital**	**Warrants**	**Contributed Surplus**	**Currency Translation Differences**	**Revaluation of Marketable Securities**	**Deficit**	**Total Shareholders' Equity**
Opening Balance June 30, 2009	94,547,504	$ 53,857,748	$ -	$ 4,250,432	$ 1,923,134	$ (60,832)	$ (17,427,702)	$ 42,542,780
Issued for cash								
Stock options exercised	714,000	455,335	-	-	-	-	-	455,335
Agent options exercised	315,000	297,985	-	-	-	-	-	297,985
Stock options exercised - option valuation	-	224,813	-	(224,813)	-	-	-	-
Agent's options exercised - option valuation	-	106,738	-	(106,738)	-	-	-	-
Stock options granted	-	-	-	224,500	-	-	-	224,500
Currency translation difference	-	-	-	-	189,655	-	-	189,655
Decrease in marketable securities	-	-	-	-	-	(14,597)	-	(14,597)
Impairment of marketable securities	-	-	-	-	-	75,429	-	75,429
Net loss for the period	-	-	-	-	-	-	(17,981,451)	(17,981,451)
Balance as of June 30, 2010	95,576,504	54,942,619	-	4,143,381	2,112,789	-	(35,409,153)	25,789,636
Issued for cash								
Stock options exercised	35,000	18,231	-	-	-	-	-	18,231
Warrants exercised	25,000	17,602	-	-	-	-	-	17,602
Private placement	20,700,000	6,485,685	2,985,199	-	-	-	-	9,470,884
Acquisition of Imperial Valley projects	6,074,069	1,450,734	-	-	-	-	-	1,450,734
Stock options exercised - option valuation	-	7,057	-	(7,057)	-	-	-	-
Warrants granted to EIG	-	-	519,588	-	-	-	-	519,588
Warrants exercised	-	3,193	(3,193)	-	-	-	-	-
Stock options granted	-	-	-	540,814	-	-	-	540,814
Currency translation difference	-	-	-	-	686,131	-	-	686,131
Decrease in marketable securities	-	-	-	-	-	(54,796)	-	(54,796)
Net loss for the period	-	-	-	-	-	-	(8,606,976)	(8,606,976)
Balance as at June 30, 2011	**122,410,573**	**$ 62,925,121**	**$ 3,501,594**	**$ 4,677,138**	**$ 2,798,920**	**$ (54,796)**	**$ (44,016,129)**	**$ 29,831,848**

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Nevada Geothermal Power Inc. ("the Company" or "Nevada Geothermal") was incorporated on April 13, 1995 under the laws of British Columbia and became a revenue generating company during the second quarter of the Company's 2010 fiscal year (the fourth calendar quarter of 2009). The Company was in the development stage until that point. The Company's common shares are traded on the TSX Venture Exchange under the trading symbol NGP and on the OTC Bulletin Board in the United States under the symbol NGLPF.

The Company is a generator of geothermal electrical power and a developer of geothermal projects. Nevada Geothermal's principal operation is the Faulkner I power plant located in northern Nevada ("Blue Mountain"). Revenue is generated by the Company from selling electrical power to NV Energy ("NVE") under a 20-year Power Purchase Agreement ("PPA"). The Company is also continuing its exploration, evaluation and further development of other geothermal property interests at Pumpernickel Valley, North Valley and Edna Mountain in Nevada, and holds a 50% interest in the Crump Geyser property in Oregon which is being developed through a joint venture with Ormat Nevada Inc. ("Ormat"). During the final quarter of the 2011 financial year, the Company acquired three additional properties in the Imperial Valley of California, namely New Truckhaven, East Brawley and South Brawley.

The Company has been operating commercially at its Blue Mountain power plant since November 2009. The Company has incurred net losses over the past several years and has accumulated a deficit of $44.0 million. Under the Company's currently anticipated power production forecast its subsidiary, NGP Blue Mountain Holdco LLC ("Holdco"), which holds a 100% interest in NGP Blue Mountain I LLC (NGP I), is not able to service its loan with EIG Global Energy Partners ("EIG") for the full loan term. Consequently, material uncertainties exist which may cast significant doubt upon the Company's ability to continue as a going concern. NGP I must increase power production to enable Holdco to reduce the EIG loan balance which is necessary to continue to meet cash payment obligations and to meet the covenanted interest coverage ratio. To date, the Company's testing and stimulation program has not resulted in a significant increase in the power generation outlook. Work to optimise the wellfield configuration is continuing, and the Company is negotiating with lenders regarding the funding of additional work that could result in an increase in power generation. As at June 30, 2011, the Company owed $91.3 million to EIG as well as $93.2 million to John Hancock Life Insurance Company ("John Hancock"). If the Company is unable to increase power production sufficiently, a restructuring of the EIG loan will be required to maintain compliance with loan terms. As at June 30, 2011 and as at the date of these financial statements, the outcome of these activities is unknown and subject to considerable uncertainty. No cash from the Blue Mountain project is available to the Company until the EIG loan balance is paid down to a target level as defined in the agreement, which was $64.8 million at June 30, 2011.

The Company's ability to continue as a going concern is dependent on its available cash and its ability to continue to raise funds to support corporate operations and the development of other properties. These consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties and such adjustments would be material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation and Consolidation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are expressed in US dollars. The major differences between Canadian and US GAAP which affect the Company's financial statement are described in note 30.

The financial statements include the accounts of the Company and its wholly owned subsidiaries and joint venture.

Subsidiaries:

- Blue Mountain Power Company Inc., incorporated in the province of British Columbia;
- Nevada Geothermal Power Chile S.A., incorporated in Chile;
- Desert Valley Gold Co., incorporated in the State of Nevada;
- Nevada Geothermal Power US Holdings Inc., incorporated in the State of Nevada;
- Nevada Geothermal Power Company, incorporated in the State of Nevada;
- Nevada Geothermal Operating Company LLC, a Delaware limited liability company;
- Nevada Geothermal Power Holding Company LLC, a Delaware limited liability company;
- NGP Blue Mountain Holdco LLC, a Delaware limited liability company;
- NGP Blue Mountain I LLC ("NGP I"), a Delaware limited liability company;
- NGP (Pumpernickel I), incorporated in the State of Nevada;
- NGP North Valley Inc., incorporated in the State of Nevada;
- NGP (Crump I), incorporated in the State of Nevada;
- Nevada Geothermal Power East Brawley LLC, a Delaware limited liability company;
- Nevada Geothermal Power South Brawley LLC, a Delaware limited liability company; and
- NGP Truckhaven LLC, a Delaware limited liability company.

Joint venture:

- 50% interest in Crump Geothermal Company LLC ("CGC").

All significant inter-company balances and transactions have been eliminated upon consolidation.

b. Use of Estimates

The preparation of financial statements in accordance with GAAP 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Use of Estimates (continued)

Significant areas of estimation include, but are not limited to, the following:

- Estimates of the useful lives and residual values of property, plant and equipment;
- Assumptions made around estimated future cash flows relating to the long-term liabilities;
- Assumptions made as a part of the fair value calculations for the cash settled option;
- The calculation of the fair value of the asset retirement obligation;
- The calculation of stock-based compensation expense;
- Determining the realizable amount of future income tax assets;
- The calculation of the fair value of the warrants;
- Recognition and measurement of contingent liabilities; and
- Cash flow forecasts used for the purpose of impairment testing.

c. Foreign Currency Translation

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in US dollars.

Transactions and balances:
Monetary assets and liabilities denominated in foreign currency are translated at exchange rates in effect at balance sheet dates. Revenues and expenses are translated at the exchange rates prevailing on the transaction dates. Realized and unrealized exchange gains and losses are included in the statement of loss and deficit.

Group companies:
The results of operations and financial position of all Group companies that have a functional currency different from the presentation currency are translated into the Group's presentation currency using the current rate method:

- Statements of loss and deficit and cash flow statements are translated at the average exchange rates prevailing during each reporting period;
- Assets and liabilities are translated at the exchange rates prevailing at balance sheet date; and
- All resulting exchange differences arising from the translation are included as a separate component of other comprehensive income.

All subsidiaries are classified as self-sustaining.

d. Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments with original maturity dates of 90 days or less. Cash subject to restrictions that prevent its use for current purposes is presented as restricted cash.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Marketable Securities

In accordance with CICA Handbook section 3855, Financial Instruments – Recognition and Measurement, of the Canadian Institute of Chartered Accountants ("CICA") Handbook, the Company has designated its marketable securities, composed of publicly traded shares of another resource company, as available-for-sale financial assets. Accordingly, marketable securities are carried at fair value, and changes in fair value are recognized in other comprehensive income, except for impairment losses. The cumulative gain or loss previously recognized in other comprehensive income is recognized in net income for the period at the time the marketable securities are derecognized. The fair value of publicly traded securities is based on quoted market prices.

f. Inventory

Inventory consists of chemicals and spare parts, and is stated at the lower of cost and net realizable value.

g. Future Financing Costs

Transaction costs incurred in anticipation of future financing transactions are carried on the balance sheet until the financing transaction takes place, at which time these costs are offset against the fair value of the liability or equity raised. Transaction costs incurred in respect of transactions that are abandoned are expensed when the transaction is abandoned.

h. Property, Plant and Equipment

Property, plant and equipment are recorded at cost and depreciated over their estimated useful lives as follows:

Computers	Declining balance	30%
Field Equipment	Declining balance	30%
Leasehold improvements	Straight line	5 years
Office furniture and equipment	Declining balance	20%
Vehicles	Declining balance	20%
Plant	Straight line	5 – 30 years
Wellfield	Straight line	20 years

The cost includes all costs attributable to the acquisition, construction, development or betterment of an asset, and in the case of the wellfield, all costs of acquisition, exploration and development of the Blue Mountain geothermal property interest.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Property, Plant and Equipment (continued)

The Company's assets under construction are recorded at cost and include direct construction and development costs as well as overhead costs directly attributed to the construction activities. Capitalization of costs ceases when an item of property, plant and equipment, or a portion thereof, is substantially complete and ready for productive use. Revenue derived from an item of property, plant and equipment prior to substantial completion is included in cost. Upon substantial completion, the balance included in assets under construction is transferred to plant and wellfield.

Major spare parts are carried as property, plant and equipment, and are not amortized until placed in use.

i. Government Assistance

Government grants are recorded as a reduction of the related expense, item of property, plant and equipment or resource property interest where there is reasonable assurance that the Company has complied with all conditions necessary to receive the grants and collection is reasonably assured.

j. Intangible Assets

Intangible assets are recorded at cost and amortized over their estimated useful lives as follows:

Computer software	Straight line	1 – 5 years
Water rights	Straight line	30 years
Mining rights	Straight line	20 years
Royalty rights	Straight line	30 years

k. Resource Property Interests

Costs of acquisition, exploration and development of resource properties are capitalized on an area-of-interest basis. Amortization of resource property costs commences at the time each property becomes capable of production. If an area of interest is abandoned, the costs thereof are charged to income in the year of abandonment.

l. Impairment of Long-Lived Assets

The Company applies CICA Handbook Section 3063, Impairment of Long-Lived Assets, which addresses the recognition, measurement and disclosure of the impairment of long-lived assets. Section 3063 requires that an impairment loss be recognized if the carrying amount of a long-lived asset is not recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. Any impairment loss to be recognized is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Asset Retirement Obligations ("AROs")

Future costs to retire an asset, including environmental costs, remediation and ongoing treatment and monitoring of the site, are recognized at fair value in the period in which they are incurred, when a reasonable estimate of fair value can be made. The asset retirement cost is capitalized as part of the asset's carrying value and amortized over the asset's useful life.

In subsequent periods, the liability is adjusted for any changes in the liability resulting from the passage of time as well as for revisions to the amount or timing of the underlying cash flows. Changes in fair value resulting from the passage of time are recognized in the income statement. Changes in the fair value resulting from revisions to the amount or timing of the underlying cash flows are capitalized to the related asset.

n. Financial Instruments

Financial instruments carried on the balance sheet include cash and cash equivalents, restricted cash, accounts receivable, marketable securities, accounts payable and accrued liabilities, long-term payables, lease obligations, long-term liabilities and derivatives, namely the cash settled option.

The Company classifies its financial instruments into one of the following categories: held to maturity, available-for-sale, held for trading, loans and receivables or financial liabilities. Financial assets classified as held to maturity, loans and receivables and financial liabilities other than those held for trading are measured at amortized cost. Available-for-sale financial assets are measured at fair value with unrealized gains and losses recorded in other comprehensive income. Instruments classified as held for trading, such as the cash settled option, are measured at fair value with unrealized gains and losses recognized in the income statement for the period.

As at June 30, 2011, the Company had not entered into any hedging arrangements.

o. Long-term Liabilities

Long-term liabilities are recognized initially at fair value, net of transaction costs incurred. Long-term liabilities are subsequently stated at amortized cost using the effective interest rate method. The effective interest rate is calculated by estimating the cash flows associated with the loan, considering all contractual terms of the financial instrument. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. When the estimated future cash flows change, the Company adjusts the carrying amount of the loan to reflect actual and revised estimated cash flows. The Company recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. The adjustment is included in "Change in long-term liability estimates" in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p. Leases

i) Capital Leases

Leases of property, plant and equipment, where the Company has substantially all the risks and rewards of ownership are classified as capital leases. Capital leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are classified as liabilities. The interest element is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability of each period. The property, plant and equipment acquired under capital leases are depreciated over the shorter of the useful life of the assets or the lease term.

ii) Operating Leases

Leases where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease costs are charged against operating profit on a straight-line basis over the period of the lease.

q. Warrants

The Company has granted warrants in various transactions described in more detail in note 19 c. Warrants granted in terms of stock-based payment transactions are accounted for under CICA handbook Section 3870 – Stock-based Compensation and other Stock-based Payments. Accordingly, the fair value of the warrants is determined using an appropriate valuation methodology, and reflected on the balance sheet as a component of equity. When the warrants are exercised, or expire, the balance is transferred to Share Capital.

r. Revenue

The Company recognizes revenue from the sale of energy produced and the related Portfolio Energy Credits (“PCs”) in terms of its PPA with NVE when the energy is supplied to the buyer, as metered at the point of interconnection with the transmission system. Revenue from consulting services provided to CGC is recognized when services are rendered, to the extent that the revenue can be attributed to the other joint venture partner.

s. Stock-based Compensation

The Company grants stock options to officers, directors, employees and outside consultants. The plan is classified as an equity settled stock-based compensation plan. Accordingly, the fair value of stock options is expensed 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s. Stock-based Compensation (continued)

Upon exercise of options, any consideration received, together with the related portion of contributed surplus, is credited to share capital. The Company bases the accrual of compensation costs on the best available estimate of the number of options or other equity instruments expected to vest. This assumption is revised, if necessary, if subsequent information indicates that the actual forfeitures are likely to differ from initial estimates.

The Company uses the Black-Scholes option valuation model to estimate the fair value of stock-based compensation. The Black-Scholes option valuation model requires the input of subjective assumptions. Changes in these assumptions can materially affect the fair value estimate.

t. Borrowing Costs

Interest costs on borrowings incurred to finance the construction of property, plant and equipment and the development of resource properties are capitalized during the period of time that is required to complete and prepare the asset for its intended use. When construction is completed in parts and each part is capable of being used while construction continues on other parts, capitalization of borrowing costs ceases when substantially all the activities necessary to prepare that part for its intended use are completed.

u. Income Taxes

Income taxes are accounted for under the asset and liability method of accounting. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Future income tax assets or liabilities are measured using the substantially enacted tax rates anticipated to apply in the periods when the temporary differences are expected to reverse. Future tax assets are recognized to the extent that they are considered more likely than not to be realized.

v. Segmental Reporting

The Company has identified each of its geothermal properties as an operating segment. The Blue Mountain project is presented separately, but the Company aggregates its projects in the development phase as one reportable segment, with the exception of the Crump Geyser joint venture project, which is presented separately. The development phase projects segment consists of the geothermal projects at Pumpernickel, Edna Mountain, North Valley, Blue Mountain II, New Truckhaven, East Brawley and South Brawley, as well as the wind project at Blue Mountain. Inter-segment transactions and balances have been eliminated in the preparation of the segmental analysis note.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

w. Loss Per Common Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted per share information is calculated using the number of common shares that would have been outstanding if the dilutive potential common shares had been issued. The dilutive effect of stock options and warrants is calculated using the treasury stock method, which assumes that any proceeds from the exercise of stock options, warrants, and other instruments would be used to purchase common shares at the average market price during the period. No adjustment to diluted earnings per share is made if the result of these calculations is anti-dilutive.

x. Investment in Joint Venture

The Company accounts for joint ventures where there is a contractual agreement which establishes joint control by proportionately consolidating its share of the joint venture assets, liabilities, revenues and operating costs.

y. Changes in Accounting Policies

The Company made the following changes to its accounting policies during the year ended June 30, 2011:

i) CICA handbook section 3870, Stock-based Compensation and Other Stock-based Payments

Under the Company's previous accounting policy for stock-based compensation, the Company accrued compensation costs in respect of share options granted during the period based on the assumption that all instruments subject only to a service requirement will vest. The effect of actual forfeitures was recognized as they occurred.

During the year ended June 30, 2011, the Company changed its policy to base accruals of compensation cost on the best available estimate of the number of options or other equity instruments that are expected to vest and to revise that estimate, if necessary, if subsequent information indicates that actual forfeitures are likely to differ from initial estimates.

Prior to the year ended June 30, 2010, the Company had not had any options forfeited, and accordingly an estimate of no forfeitures was reasonable for all options granted prior to the most recent grant. The change in the accounting policy will allow for the effect of the recent increase in forfeitures to be incorporated into the determination of the stock-based payment expense, and will accordingly give rise to more relevant and reliable information in the Company's financial statements. In addition, the change aligns the treatment of stock-based compensation with the treatment that would have been required under both US GAAP and International Financial Reporting Standards ("IFRS").

The effect of the change was to reduce the stock-based compensation expense for the year ended June, 2011 by $11,522. The change did not affect prior reporting periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

x. Changes in Accounting Policies (continued)

ii) CICA handbook section 1582, Business Combinations, section 1601, Consolidated Financial Statements and section 1602, Non-controlling interests

The abovementioned sections were released in January 2009 and adopted by the Company during the year ended June 30, 2011. The adoption of the new standards results in a number of changes to the treatment of acquisitions, notably the measurement of non-controlling interests at fair value by the parent group, the requirement to expense acquisition costs, and the accounting for contingent consideration as a financial liability, measured at fair value. The adoption of the new standard did not affect the Company's financial statements for the year ended June 30, 2011.

iii) CICA handbook section 3855, Financial Instruments

In June 2009, the CICA amended Section 3855, Financial Instruments - Recognition and Measurement, to clarify the application of the effective interest method after a debt instrument has been impaired. This Section has also been amended to clarify when an embedded prepayment option is separated from its host debt instrument for accounting purposes. This amendment was adopted during the year ended June 30, 2011, but did not affect the Company's financial statements.

iv) EIC 175, Multiple Deliverable Revenue Arrangements

In December 2009, the CICA issued EIC 175, Multiple Deliverable Revenue Arrangements, replacing EIC 142, Revenue Arrangements with Multiple Deliverables. This abstract provides updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated and the consideration allocated; requires, in situations where a vendor does not have vendor-specific objective evidence or third party evidence of selling price, that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; eliminates the use of the residual method and requires an entity to allocate revenue using the relative selling price method; and requires expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance. The adoption of EIC 175 has not affected the Company's financial statements.

3. FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards

The Company will be adopting IFRS for financial years beginning on or after January 1, 2011, with its first annual report under IFRS for the year ending June 30, 2012, and its first interim report under IFRS for the quarter ending September 30, 2011. Comparative information in respect of the 2011 financial year will be provided in both cases.

4. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to:

a. ensure there are adequate capital resources to manage the Company's ability to continue as a going concern;
b. maintain adequate levels of funding to sustain the required exploration and development of its resource properties;
c. maintain investor, creditor and market confidence to sustain future development of the business; and
d. provide returns to shareholders and benefits for other stakeholders.

The capital structure of the Company consists of Share capital, Warrants, Contributed surplus, Deficit, and Long-term liabilities. As at June 30, 2011, this amounted to $184.3 million (2010 - $177.4 million).

The Company's Blue Mountain project started to generate revenue during the 2010 financial year. A portion of the project is currently funded by a loan provided by EIG, the terms of which provide for the loan to be repaid from available cash flow. The lender has the right to receive cash interest plus 60% of available project cash, as defined, which is calculated after the repayments on the John Hancock loan, and which increases to 100% if target loan balances are exceeded. Target loan balances are currently exceeded, and accordingly no cash from the Blue Mountain project is currently available to fund the Company's other projects. In addition, current power production forecasts indicate that the Company will not be able to service the EIG loan for the full loan term. Cash from the project will only become available to the Company if the Company is successful in either increasing the power production at Blue Mountain or repaying or restructuring the EIG loan.

The Company's other resource property projects are currently funded by equity financing in combination with government grants. Development of the Crump Geyser project is taking place as a joint venture with Ormat, under which Ormat provides financing and project management for the project. Ormat will fund 100% of the initial development activities of CGC in the amount of $15 million and pay the Company $2.5 million in installments over a three year period, $100,000 of which has been received. After the initial development expenses funded by Ormat are expended, the parties will each be responsible for funding their 50% share of costs; however, the Company has the option to borrow under a bridge financing facility from Ormat for all or part of its share of costs up to $15 million.

4. CAPITAL MANAGEMENT (Continued)

The Company manages its capital in a manner that provides sufficient funding for exploration and development activities. Annual budgets and rolling forecasts are used to determine the necessary capital requirements. The budgets are prepared by management, approved by the Board of Directors and are updated for changes in the underlying assumptions, economic conditions and risk characteristics of the underlying assets, as necessary.

The Company is not subject to externally imposed capital requirements. The Company is subject to certain debt service coverage ratios, as more fully discussed in note 15.

5. ECONOMIC RELIANCE

All the Company's revenue is derived from a 20-year power contract with NVE, an operating electric public utility.

6. ACCOUNTS RECEIVABLE

		2011		2010
Trade receivables	**$**	**1,778,208**	$	2,034,570
Equipment receivable		**1,001,409**		-
Other		**53,095**		445,176
Balance as at June 30	**$**	**2,832,712**	$	2,479,746

In August 2010, the Company settled all disputes that arose under the Engineering, Procurement and Construction ("EPC") contract as a result of the facility shutdown between January 16, and February 23, 2010, due to a short-circuit caused by faulty layout of underground cables. The settlement consisted of a cash payment of $1 million, equipment and extended warranties. Some of the equipment remains receivable as of the date of these financial statements.

7. MARKETABLE SECURITIES

	2011			2010		
	Number of Shares		Amount	Number of Shares		Amount
Sierra Geothermal Power Corp.						
Cost - common shares	**400,000**	**$**	**71,388**	400,000	$	146,817
Consolidation of shares	**12 for 1**		**-**	-		-
Ram Power Corp.	**33,333**	**$**	**71,388**	400,000	$	146,817
Unrealized loss	-		**(54,796)**	-		-
Impairment of marketable securities	-		**-**	-		(75,429)
Balance as at June 30	**33,333**	**$**	**16,592**	400,000	$	71,388

During the year ended June 30, 2011, Sierra Geothermal Power Corp. was acquired by Ram Power Corp. Shares of Sierra Geothermal were replaced by Ram Power shares on a 12 for 1 basis.

During the year ended June 30, 2010, the Company recognized an impairment loss due to the significant and prolonged decline in the fair value of the investment.

8. INVENTORY

		2011		2010
Chemicals	**$**	**83,299**	$	-
Spare parts		**189,925**		161,881
Balance as at June 30	**$**	**273,224**	$	161,881

Inventory of $547,134 (2010 – $235,160) was recognized as an expense during the year.

9. PROPERTY, PLANT AND EQUIPMENT

2011

	Computers	Office Furniture and Equipment	Field Equipment	Vehicles	Leasehold Improvements	Land	Plant	Wellfield	Construction in progress	Spare parts	Total
Cost											
Balance as at June 30, 2010	$ 109,632	$ 78,467	$ 73,008	$ 189,403	$ 12,200	$ 371,988	$ 96,413,693	$ 70,172,812	$ 7,221,212	$ 159,067	$ 174,801,482
Additions	23,323	26,996	27,415	44,773	117,799	-	1,001,083	3,396,892	4,779,329	141,655	9,559,265
Plant placed in service	-	-	-	-	-	-	-	12,000,541	(12,000,541)	-	-
Settlement received (Note 6)	-	-	-	-	-	-	(1,789,908)	-	-	-	(1,789,908)
Government loan guarantee (Note 12 & 15(b))	-	-	-	-	-	-	(5,773,490)	(4,545,527)	-	-	(10,319,017)
Reclassification of mining rights to intangible assets	-	-	-	-	-	-	-	(60,764)	-	-	(60,764)
Disposals	-	-	-	(17,559)	-	-	-	-	-	-	(17,559)
Foreign exchange movement	11,815	5,310	-	-	-	-	-	-	-	-	17,125
Balance as at June 30, 2011	$ 144,770	$ 110,773	$ 100,423	$ 216,617	$ 129,999	$ 371,988	$ 89,851,378	$ 80,963,954	$ -	$ 300,722	$ 172,190,624
Accumulated depreciation											
Balance as at June 30, 2010	$ 68,993	$ 34,766	$ 44,193	$ 54,622	$ 406	$ -	$ 2,359,721	$ 2,521,805	$ -	$ -	$ 5,084,506
Depreciation for the period	14,726	12,906	14,813	29,592	6,951	-	3,198,251	3,847,130	-	-	7,124,369
Reclassification of mining rights to intangible assets	-	-	-	-	-	-	-	(4,228)	-	-	(4,228)
Disposals	-	-	-	(5,400)	-	-	-	-	-	-	(5,400)
Foreign exchange movement	6,573	2,890	-	-	32	-	-	(2,141)	-	-	7,354
Balance as at June 30, 2011	$ 90,292	$ 50,562	$ 59,006	$ 78,814	$ 7,389	$ -	$ 5,557,972	$ 6,362,566	$ -	$ -	$ 12,206,601
Carrying amounts											
At June 30, 2010	$ 40,639	$ 43,701	$ 28,815	$ 134,781	$ 11,794	$ 371,988	$ 94,053,972	$ 67,651,007	$ 7,221,212	$ 159,067	$ 169,716,976
Balance as at June 30, 2011	**$ 54,478**	**$ 60,211**	**$ 41,417**	**$ 137,803**	**$ 122,610**	**$ 371,988**	**$ 84,293,406**	**$ 74,601,388**	**$ -**	**$ 300,722**	**$ 159,984,023**

Property, plant and equipment depreciation of $7,058,692 (2010 – $4,886,369) has been included in Direct cost of energy production. Interest of $140,309 was capitalized to property, plant and equipment during the year (2010 - $8,282,391).

Included in vehicles is an asset purchased under capital lease with a cost of $40,347 (2010 - $40,437), accumulated depreciation of $9,683 (2010 - $2,017) and depreciation for the year of $7,666 (2010 - $2,017).

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

2010

	Computers	Office furniture and equipment	Field equipment	Vehicles	Leasehold improvements	Land	Plant	Wellfield	Construction in progress	Spare parts	Total
Cost											
Balance as at June 30, 2009	$ 93,743	$ 54,341	$ 73,008	$ 126,762	$ -	$ 161,187	$ -	$ -	$ 111,768,024	$ -	$ 112,277,065
Additions	8,382	20,322	-	62,641	12,200	210,801	-	-	32,346,996	159,067	32,820,409
Plant placed in service	-	-	-	-	-	-	130,083,568	6,810,240	(136,893,808)	-	-
Transfer from geothermal property interests	-	-	-	-	-	-	-	87,565,210	-	-	87,565,210
Cash grant received	-	-	-	-	-	-	(33,669,875)	(24,202,638)	-	-	(57,872,513)
Foreign exchange movement	7,507	3,804	-	-	-	-	-	-	-	-	11,311
Balance as at June 30, 2010	$ 109,632	$ 78,467	$ 73,008	$ 189,403	$ 12,200	$ 371,988	$ 96,413,693	$ 70,172,812	$ 7,221,212	$ 159,067	$ 174,801,482
Accumulated depreciation											
Balance as at June 30, 2009	$ 48,799	$ 23,729	$ 31,844	$ 24,303	$ -	-	-	-	-	-	$ 128,675
Depreciation for the period	16,450	9,366	12,349	30,319	406	-	2,359,721	2,521,805	-	-	4,950,416
Foreign exchange movement	3,744	1,671	-	-	-	-	-	-	-	-	5,415
Balance as at June 30, 2010	$ 68,993	$ 34,766	$ 44,193	$ 54,622	$ 406	$ -	$ 2,359,721	$ 2,521,805	$ -	$ -	$ 5,084,506
Carrying amounts											
At June 30, 2009	$ 44,944	$ 30,612	$ 41,164	$ 102,459	$ -	$ 161,187	$ -	$ -	$ 111,768,024	$ -	$ 112,148,390
At June 30, 2010	**$ 40,639**	**$ 43,701**	**$ 28,815**	**$ 134,781**	**$ 11,794**	**$ 371,988**	**$ 94,053,972**	**$ 67,651,007**	**$ 7,221,212**	**$ 159,067**	**$ 169,716,976**

10. INTANGIBLE ASSETS

2011

	Software	Water Rights	Mining Rights	Royalty Rights	Total
Cost					
Balance as at June 30, 2010	$ 73,714	$ 17,016	$ -	$ 1,000,000	$ 1,090,730
Additions	97,655	30,216	-	-	127,871
Reclassification from property, plant and equipment	-	-	60,764	-	60,764
Foreign exchange movement	7,184	-	-	-	7,184
Balance as at June 30, 2011	$ 178,553	$ 47,232	$ 60,764	$ 1,000,000	$ 1,286,549
Accumulated amortization					
Balance as at June 30, 2010	$ 68,650	$ 331	$ -	$ 16,667	85,648
Amortization for the period	8,168	1,239	1,012	33,333	43,752
Reclassification from property, plant and equipment	-	-	4,228	-	4,228
Foreign exchange movement	4,148	-	-	-	4,148
Balance as at June 30, 2011	$ 80,966	$ 1,570	$ 5,240	$ 50,000	$ 137,776
Carrying amounts					
Balance as at June 30, 2010	$ 5,064	$ 16,685	$ -	$ 983,333	$ 1,005,082
Balance as at June 30, 2011	**$ 97,587**	**$ 45,662**	**$ 55,524**	**$ 950,000**	**$ 1,148,773**

Intangible asset amortization of $38,138 (2010 – $17,016) has been included in Direct cost of energy production. Total estimated amortization for each of the next five years is approximately $64,000.

10. INTANGIBLE ASSETS

2010

	Software	Water rights	Royalty rights	Total
Cost				
Balance as at June 30, 2009	$ 66,555	$ -	$ -	$ 66,555
Additions	3,820	17,016	1,000,000	1,020,836
Foreign exchange movement	3,339	-	-	3,339
Balance as at June 30, 2010	$ 73,714	$ 17,016	$ 1,000,000	$ 1,090,730
Accumulated amortization				
Balance as at June 30, 2009	$ 53,541	$ -	$ -	$ 53,541
Amortization for the period	12,169	331	16,667	29,167
Foreign exchange movement	2,940	-	-	2,940
Balance as at June 30, 2010	$ 68,650	$ 331	$ 16,667	$ 85,648
Carrying amounts				
At June 30, 2009	$ 13,014	$ -	$ -	$ 13,014
At June 30, 2010	**$ 5,064**	**$ 16,685**	**$ 983,333**	**$ 1,005,082**

11. RESOURCE PROPERTY INTERESTS

The acquisition and deferred exploration and development expenditures of the Company's geothermal property interests, all located in the U.S., are as follows:

	Edna Mountain Project (Nevada)	Blue Mountain Wind Project (Nevada)	Blue Mountain II Project (Nevada)	Imperial Valley Projects (California)	North Valley Project (Nevada)	Pumpernickel Valley Project (Nevada)	Crump Geyser Project (Oregon)	Total
Cost as at June 30, 2010	$ 29,488	$ -	$ -	$ -	$ 443,484	$ 315,595	$ 776,200	$ 1,564,767
Government grants applied	-	-	-	-	(17,269)	-	(134,189)	(151,458)
Balance as at June 30, 2010	$ 29,488	$ -	$ -	$ -	$ 426,215	$ 315,595	$ 642,011	$ 1,413,309
Acquisition of Imperial Valley projects	$ -	$ -	$ -	$ 1,939,022	$ -	$ -	$ -	$ 1,939,022
Additions for the period	(10,467)	125,010	90,312	44,534	121,709	269,710	2,629,145	3,269,953
Government grants applied	-	-	-	-	(13,713)	-	(309,324)	(323,037)
Net additions for the period	$ (10,467)	$ 125,010	$ 90,312	$ 1,983,556	$ 107,996	$ 269,710	$ 2,319,821	$ 4,885,938
Costs as at June 30, 2011	$ 19,021	$ 125,010	$ 90,312	$ 1,983,556	$ 565,193	$ 585,305	$ 3,405,345	$ 6,773,742
Government grants applied	-	-	-	-	(30,982)	-	(443,513)	(474,495)
Balance as at June 30, 2011	**$ 19,021**	**$ 125,010**	**$ 90,312**	**$ 1,983,556**	**$ 534,211**	**$ 585,305**	**$ 2,961,832**	**$ 6,299,247**

11. RESOURCE PROPERTY INTERESTS (Continued)

a. Edna Mountain Project, Nevada

The project is located in Humboldt County, Nevada. The Company has a total of 11 square miles of federal land located a few miles northeast of the Pumpernickel Project. The leases are subject to a 1.75% royalty on gross electricity sales for the first 10 years and 3.5% subsequent.

b. Blue Mountain Wind Project, Nevada

The Company has acquired lease options and wind development rights on 11 square miles of undeveloped private land in central Desert Valley immediately west of the Blue Mountain Geothermal Project. Currently, the Company is evaluating the feasibility of a wind project adjacent to the Faulkner I power plant.

c. Blue Mountain II Project, Nevada

The Company is reviewing further development in the Blue Mountain area.

d. Imperial Valley Projects, California

The Imperial Valley Projects are comprised of three projects, namely New Truckhaven, East Brawley and South Brawley, situated in the Imperial Valley, California.

i) New Truckhaven

The New Truckhaven project consists of nine square miles of federal and private geothermal leases. The leases are subject to royalties upon electricity production varying from 2.5% to 3.5% of gross revenue during the first 20 years, increasing to a maximum of 5% thereafter.

Ormat holds an overriding royalty of 0.5% until 2020, then 0.75% until 2060, on certain leases within the New Truckhaven project. Layman Energy Associates, LLC ("LEA") holds a 0.7% overriding royalty on gross sale proceeds from the sale of electric power on all of the New Truckhaven leases.

ii) East Brawley

The East Brawley project consists of private leases covering an area totalling six square miles. The leases are subject to royalty rates between 3.2% and 4.25% of the gross revenue from electricity sales, increasing to a maximum of 5% after 15 years. LEA holds a 0.7% overriding royalty on gross sale proceeds from the sale of electric power on the East Brawley project.

11. RESOURCE PROPERTY INTERESTS (Continued)

d. Imperial Valley Projects, California (continued)

iii) South Brawley

The South Brawley project consists of 50% leasehold interest on three square miles of private land. The lease is subject to a royalty of 2.5% of the gross revenue from electricity sales for the first 10 years and 3.5% thereafter. LEA holds a 0.7% overriding royalty on gross sale proceeds from the sale of electric power on the South Brawley project.

e. North Valley Project (formerly Black Warrior), Nevada

The project is located in Washoe and Churchill Counties, Nevada. The Company has a total of 10 square miles of both private land and federal lands including water and surface rights. The private leases are subject to a royalty of 3.5% on gross revenue from electricity sales. The Company can purchase the royalty for $1 million.

f. Pumpernickel Valley Project, Nevada

The Company has private and federal geothermal leases comprising a total holding of 10 square miles. The Company leases geothermal rights from Newmont USA, certain private land owners and the United States Bureau of Land Management ("BLM"). Under an agreement with Ormat the Company gave Ormat a right of first refusal for the supply of the Pumpernickel project equipment in return for a BLM lease and preferred equipment pricing. The royalties associated with the leases vary from 1.75% to 5% on gross revenue from electricity sales.

g. Crump Geyser, Oregon

The Crump Geyser project is located 48 km (30 miles) east of Lakeview, Oregon. In August 2005, the Company acquired leases at Crump Geyser, totaling 11 square miles of private land. The private leases are subject to a royalty of 3.5% of gross revenues from the sale or use of electricity. The option exists to buy down the royalty by 1% to 2.5% within 36 months following production date, for a purchase price of $500,000 for each of the three leases, escalating at 3% for each year following production date.

In November 2010, the Company signed a 50/50 Joint Venture Letter Agreement with Ormat to develop a binary geothermal power plant, up to 30 MW, at Crump Geyser in Oregon. The Company and Ormat formed a limited liability company, CGC, owned on a 50:50 basis.

11. RESOURCE PROPERTY INTERESTS (Continued)

g. Crump Geyser, Oregon (continued)

The project is expected to be completed in 2013 and, if successful, would then be eligible for a 30% treasury cash grant under Section 1603 of the American Recovery and Reinvestment Act of 2009 ("ARRA"). Under the agreement, the Company has contributed its title and interest in the Crump Geyser project, leases, technical and engineering data, existing permits and the benefit from the continuing United States Department of Energy ("DOE") cost-share grant for exploration in relation to the Crump geyser area. Ormat will finance 100% of the initial development activities of CGC in the amount of $15 million and pay the Company an additional $2.5 million in installments over a three-year period ($100,000 paid). After the initial development expenses financed by Ormat are expended, the parties will each be responsible for financing their 50% share of costs; however, the Company has the option to borrow under a bridge financing facility from Ormat for all or part of the Company's share of costs up to $15 million (U.S.). Any bridge loans extended to the Company by Ormat will mature on the earlier of CGC obtaining third party non-recourse financing or upon achieving commercial operations, with an additional 90-day extension for any portion of bridge debt to be repaid from proceeds of the treasury cash grant. If either party to the agreement fails to make its pro-rata payment of an approved budget, the non-contributing party will be subject to customary dilution of its equity interest. If the Company is diluted, it will have an option to reinstate its 50% ownership position up to the date of commercial operation of the power plant. In no event will the Company's ownership interest be diluted below 20%. If the parties elect to construct an expansion project, each party shall be entitled to participate with a 50% interest and dilution provisions will also apply except that the Company will not enjoy dilution protection with respect to expansions.

Ormat is the EPC contractor for the power plant which will utilize Ormat's proprietary technology for generating and other plant equipment. Ormat is responsible for all development activities and will provide plant operations and management services to CGC. The parties have established a management committee, comprising two representatives from each party that has general oversight responsibility and will approve the EPC contract, power purchase agreements, long-term project financing and development plans for any expansion.

12. GOVERNMENT ASSISTANCE

The Company applies, when available, for various grants and/or assistance from the various levels of the U.S. Government. During the year ended June 30, 2010, the Company applied for and received a cash grant under Section 1603, Division B of the ARRA. The cash grant has a value of 30% of the total eligible capital costs for the Blue Mountain project. On November 12, 2009, the Company received $57.9 million from U.S Department of Treasury. The grant has been accounted for as a reduction of property, plant and equipment. Under the grant, in certain limited circumstances, a percentage of the grant (currently 80% decreasing to 20% by year five) would be repayable until five years after the property was placed in service. The limited circumstances are the disposal of the property to a disqualified person or if the property ceases to qualify as a specified energy property, as defined in the Section 1603.

During the year ended June 30, 2011, the Company applied for a second cash grant under the ARRA relating to additional drilling completed and placed in service at Blue Mountain. Subsequent to the year-end, the Company received $7.9 million.

On September 2, 2010, the Company's subsidiary NGP I closed a financing with John Hancock for $98.5 million. The DOE guaranteed 80% of the loan, or $78.8 million, which resulted in a reduction of the interest rate of the John Hancock loan. The present value of the interest rate benefit of $10.3 million was recognized as government assistance (refer to note 9) and reduced the value of property, plant and equipment.

On October 29, 2009, the Company was awarded two grants from the DOE under the ARRA geothermal technologies program. The program calls for cost sharing grants on exploration and drilling work. The Company was awarded $1.8 million for the Crump Geyser geothermal project and $1.6 million for the North Valley geothermal project. As at June 30, 2011, the Company has received $443,513 (2010 – $134,189) for Crump Geyser and $30,982 (2010 – $17,269) for North Valley. The amounts received have been accounted for as reductions to resource property interests.

13. LONG-TERM PAYABLES

Long-term payables consist of Nevada Sales and Use Tax deferred on plant construction purchases. The deferred taxes are payable over a period starting during 2009/2010 and ending October 31, 2013. Payments of approximately $23,000 are due each month until October 2013. The amounts recorded in the financial statements are the scheduled repayments discounted at an effective interest rate of 14%. The current portion of the Sales and Use Tax has been included in accounts payable. As at June 30, 2011, the Company owes $572,787 (2010 - $839,536) of Sales and Use Taxes.

		2011		2010
Taxes payable	**$**	**494,563**	$	680,646
Short-term portion included in accounts payable		**(221,374)**		(193,733)
Long-term portion	**$**	**273,189**	$	486,913

14. LEASE OBLIGATIONS

		2011		2010
Leases payable	$	32,108	$	39,208
Short-term portion included in accounts payable		(7,594)		(7,100)
Long-term portion	$	24,514	$	32,108

The following is a schedule of future minimum lease payments under a financing lease expiring April 30, 2015:

		2011		2010
2011	$	-	$	9,530
2012		9,530		9,530
2013		9,530		9,530
2014		9,530		9,530
2015		7,940		7,940
Total minium lease payments		36,530		46,060
Amount representing interest at 7.25%		(4,422)		(6,852)
	$	32,108	$	39,208

15. LONG-TERM LIABILITIES

		2011		2010
Long-term liabilities - EIG Loan (a)	$	78,358,838	$	153,708,330
Long-term liabilities - John Hancock (b)		78,804,412		-
Short-term portion of long-term liabilities		(4,689,597)		(153,708,330)
Balance as at June 30	$	152,473,653	$	-

a) EIG Loan

On August 29, 2008, the Company closed a financing with EIG (formerly TCW), a Washington based investment management firm, for an amount of up to $180 million.

On September 3, 2010 the Company and EIG entered into an Amended and Restated Note Purchase Agreement in respect of the EIG loan and at the same time, the Company entered into a Consent and Waiver agreement with EIG, rectifying earlier non-compliance with loan terms, and issued 4.5 million warrants to EIG (see Note 19c). The fair value of the warrants of $519,588 was included in transaction costs capitalized relating to the modification of the loan. As at June 30, 2011, the Company was in compliance with the terms of the EIG loan.

15. LONG-TERM LIABILITIES (Continued)

a) EIG Loan (continued)

As at June 30, 2011, the total amount due under the EIG loan was $91,283,094 (2010 - $163,957,364).

The principal terms of the amended and restated EIG loan are:

- 14% interest per annum, payable quarterly, over a 15 year term maturing November 30, 2023;
- Accrued interest was added to the principal prior to commercial operation and thereafter 6% interest per annum may be deferred if enough cash is not available to fund the full interest payments;
- The principal is repaid from available cash flow – the lender has the right to receive cash interest plus 60% of available project cash, which increases to 100% while target loan balances are exceeded;
- Upon the earlier of repayment of the debt and maturity, the lender can exercise a cash settled option for a nominal exercise price and receive in cash an amount equal to 12.5% of the fair market value of the equity of Holdco (See Note 16);
- EIG released the NGP I security held in respect of the EIG loan upon closing of the John Hancock loan but has retained its lien on the equity interests in Holdco which holds the equity interest in NGP I.
- A Yield Maintenance Amount ("YMA"), equal to the difference between the present value of the remaining scheduled payments discounted at a US Treasury rate and the amount of principal being repaid, is payable if optional prepayments are made.
- An Alternative Yield Maintenance Premium ("AYMP") is payable as follows:
  - 10% on principal repayments from grant proceeds before September 2, 2011;
  - 15% on principal repayments from equity issuances, proceeds of asset dispositions, grant proceeds or tax equity proceeds before March 2, 2012; and
  - In addition, if these repayments are made before the dates mentioned above and reduce the balance of the loan below $70m, the YMA becomes payable.

The effective interest rate of the loan was originally calculated as 17.65%. The EIG loan terms include a debt service covenant of 1.4:1. This debt service covenant is likely to be breached at December 31, 2011, at which time EIG will have the right to demand payment or exercise its security. In addition, under the Company's current power production forecast, the Company is not able to service the EIG loan for the full loan term. Accordingly the Company has entered into negotiations with EIG regarding a potential change of the loan terms. As at June 30, 2011 and as at the date of these financial statements, the outcome of these negotiations is unknown, and subject to considerable uncertainty. Under normal circumstances, the Company would update its estimate of the future cash flows associated with the EIG loan, resulting in a gain or loss on change of estimate being recognized in the income statement. As at the end of June 2011, the Company has however determined that it is not possible to make a reliable estimate of the cash flows associated with the loan. Accordingly the Company has continued to use the forecast that was in place when the last reasonable estimate possible. The Company was unable to calculate the fair value of the loan as at June 30, 2011 for the same reason.

15. LONG-TERM LIABILITIES (Continued)

a) EIG Loan (continued)

		2011		2010
Opening balance	**$**	**153,708,330**	$	149,095,125
Loan proceeds		**-**		19,989,898
Loan repayments		**(86,744,367)**		(38,895,227)
Transaction costs		**(762,014)**		(61,558)
Net cash (repaid) borrowed during the period		**(87,506,381)**		(18,966,887)
Interest		**14,070,097**		23,264,074
Interest accretion		**1,655,688**		4,004,359
Adjustment: change in estimate of future cash flows		**(3,568,896)**		(3,688,341)
Balance as at June 30	**$**	**78,358,838**	$	153,708,330

		2011		2010
Balance, end of period per financial statements	**$**	**78,358,838**	$	153,708,330
Add back:				
Transaction costs		**9,697,661**		8,935,647
Fair value of cash settled option at inception		**1,759,501**		1,759,501
Interest accretion		**(6,568,021)**		(4,912,333)
Adjustment: change in estimate of future cash flows		**8,035,115**		4,466,219
Amount owing to EIG	**$**	**91,283,094**	$	163,957,364

b) John Hancock Loan

On September 3, 2010, the Company's subsidiary NGP I closed a financing with John Hancock for $98.5 million. The DOE has guaranteed 80% of the principal and interest of the loan.

The principal terms of the John Hancock loan are:

- A maturity date of December 31, 2029;
- A blended interest rate of 4.14%;
- Payments are made quarterly, consisting of a blend of principal and interest;
- Cash distributions from NGP I are not allowed if the debt service coverage ratio falls below 1.2;
- If the forecast debt service coverage ratio falls below 1.45:1, the Company is required to restore the ratio by retaining cash in the project for remedial work or loan repayments;
- The John Hancock loan is a senior secured obligation of NGP I and John Hancock has first priority security interest in all NGP I assets; and
- Additional repayments in whole or in part, are subject to a Make Whole Amount. The Make Whole Amount is calculated as the excess of the discounted value of the remaining scheduled payments over the principal being repaid. The discounted value is calculated using the reinvestment yield, which is calculated as 0.5% over the yield to maturity of the US treasury securities with a maturity equal to the remaining average life of the principal being repaid.

15. LONG-TERM LIABILITIES (Continued)

b) John Hancock Loan (continued)

Interest rate benefit of government guarantee:

The present value of the benefit attributed to the interest rate reduction obtained as a result of the DOE loan guarantee has been recognized as government assistance, and applied to property, plant and equipment.

As at June 30, 2011, the total amount due under the John Hancock loan was $93,239,038 (June 30, 2010 - $nil). The effective interest rate of the instrument over its expected life is 6.90%. As at June 30, 2011, the estimated fair value of the John Hancock loan is $83,136,168. The fair value represents the discounted future cash flows of the JH loan at the interest rate that would be available to the Company on the balance sheet date (estimated at 6.25%).

NGP I's assets of approximately $176.3 million are held as collateral by John Hancock. NGP I's assets are not available to satisfy the obligations and debts of other group companies.

		2011		2010
Loan proceeds	**$**	**98,500,000**	$	-
Loan repayments		**(8,565,816)**		-
Transaction costs		**(5,474,687)**		-
Net cash borrowed during the period		**84,459,497**		-
Interest rate benefit of government guarantee		**(10,319,017)**		-
Interest		**3,304,854**		-
Interest accretion		**1,359,078**		-
Balance as at June 30, 2011	**$**	**78,804,412**	$	-

		2011		2010
Balance, end of period per financial statements	**$**	**78,804,412**	$	-
Add back:				
Transaction costs		**5,474,687**		-
Interest rate benefit of government guarantee		**10,319,017**		-
Interest accretion		**(1,359,078)**		-
Amount owing to John Hancock	**$**	**93,239,038**	$	-

16. CASH SETTLED OPTION

		2011		2010
Opening balance	**$**	**2,722,396**	$	1,820,844
Change in fair value recorded in income		**(2,722,396)**		901,552
Balance as at June 30	**$**	**-**	$	2,722,396

The fair value of the cash settled option at June 30, 2011 was reduced to zero due to the current expectation that the Company will not be able to service the EIG loan for the full loan term without higher power production and / or a restructuring of the loan terms.

17. ASSET RETIREMENT OBLIGATION

The asset retirement obligation arises from the Company's investment in the Blue Mountain project. Although the ultimate amount of the site restoration and reclamation costs is uncertain due to uncertainty regarding the extent of the liability and the costs that will have to be incurred to settle the liability, the present value of these obligations is based on information currently available. Such costs include: land rehabilitation, demolition of buildings, removal of cement and restoration of wells as well as removal of power poles and other costs. The majority of costs attributed to these commitments and contingencies are expected to be incurred after 2039, and are to be funded mainly from the Company's cash provided by operating activities.

The Company's provision for future site reclamation and closure costs is based on known United States federal and local laws and regulations concerning environmental requirements. The total undiscounted amount of expected cash flows required to settle the asset retirement obligation is estimated at $12,199,088 (2010 - $11,964,587). The liability for the expected cash flows, as reflected in the consolidated financial statements, has been discounted at credit adjusted risk-free rates ranging from 5.21% to 8.84% (2010 – 5.21% to 9.31%).

		2011		2010
Opening Balance	**$**	**1,291,274**	$	932,689
Additional liabilities incurred - wells		**92,321**		165,680
Revision of prior years estimates		**26,605**		119,370
Accretion expense		**97,677**		73,535
Balance as at June 30	**$**	**1,507,877**	$	1,291,274

18. INCOME TAXES

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

	2011	2010	2009
Statutory tax rate	**27.50%**	29.25%	29.25%
Expected income tax recovery at statutory rates	**$ (2,366,919)**	$ (5,259,574)	$ (1,488,462)
Increase in recovery due to higher tax rates of foreign subsidiaries	**(394,922)**	(728,659)	(62,029)
Change in tax rates	**31,294**	422,988	(427,727)
Non-deductible and non-taxable items	**(515,718)**	3,805,854	632,480
Benefit of losses not recognized	**14,413,029**	6,953,992	5,110,018
Change in valuation allowance	**(11,166,765)**	(5,194,601)	(3,764,280)
Income tax expense	**$ -**	$ -	$ -

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

	2011	2010
Operating losses	**$ 39,133,022**	$ 16,018,980
Property, plant and equipment, intangible assets & resource property interests	**(16,446,115)**	(10,617,653)
Investment in joint venture	**3,209,798**	-
Share issue costs	**230,438**	141,876
Other	**(2,492,755)**	381,312
Valuation allowance	**(23,634,387)**	(5,924,515)
	$ -	$ -

18. INCOME TAXES (Continued)

The Company and its subsidiaries have non-capital losses carried forward of approximately CAD 14.7 million (2010 – CAD 11.9 million) and $103.9 million (2010 – $38.9 million), that may be available for tax purposes.

Non-capital losses for tax purposes will expire as follows, if they remain unused at that time:

2015	$ 466,552
2016	1,110,020
2022	40,202
2023	325,055
2024	160,100
2025	374,665
2026	2,269,416
2027	6,966,160
2028	14,144,477
2029	45,603,042
2030	9,725,107
2031	35,058,853
2032	2,816,458
	$ 119,060,108

19. SHARE CAPITAL

a) Authorized

Unlimited voting common shares – no par value.
25,000,000 first preferred shares – no par value (none issued).
25,000,000 second preferred shares – no par value (none issued).

Issued

See Consolidated Statement of Changes in Shareholders' Equity.

b) Stock Options

During the year ended June 30, 2011, the Company received $18,231 (2010 - $455,335) from the exercise of 35,000 (2010 – 714,000) stock options.

A summary of the changes in stock options for the year ended June 30, 2011 is below:

	Number of Options	Weighted Average Exercise Price CAD
Balance, June 30, 2009	9,296,000	$ 0.76
Granted	480,000	1.00
Exercised	(714,000)	(0.67)
Expired	(560,750)	(1.09)
Forfeited	(9,750)	(0.57)
Balance, June 30, 2010	8,491,500	$ 0.77
Granted	1,695,000	0.75
Exercised	(35,000)	(0.53)
Expired	(1,160,000)	(0.90)
Forfeited	(564,000)	(0.93)
Balance, June 30, 2011	8,427,500	$ 0.73

19. SHARE CAPITAL (Continued)

b) Stock Options (continued)

As at June 30, 2011, the following stock options were outstanding:

Exercise Price CAD	Outstanding Options	Remaining Contractual Life (Yrs)	Number Exercisable
$0.45 - $0.64	1,433,500	2.7	1,433,500
$0.65 - $0.84	5,265,000	2.0	4,950,000
$0.85 - $1.04	1,189,000	1.9	1,189,000
$1.05 - $1.24	540,000	2.4	540,000
	8,427,500	2.2	8,112,500

The Company has a stock option plan that provides for the issuance of options to its directors, officers, employees and consultants. The maximum number of outstanding options is 10% of the issued and outstanding common shares at any point in time. During the year ended June 30, 2011, the Company recorded $540,815 (2010 - $224,500) in stock-based compensation for options granted.

The exercise price of each option equals the market price of the Company's stock on the date of the grant. Historically, most options granted vested immediately. In fiscal 2009, the Board approved a policy under which employee options vest over an 18-month period. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2011	2010
Risk free interest rate	**1.7%**	1.13 -1.33%
Expected life	**3 years**	3 years
Expected volatility	**72%**	70-71%
Expected dividend yield	**0%**	0%
Weighted average fair value of options granted	**$0.36**	$0.49

19. SHARE CAPITAL (Continued)

c) Warrants

A summary of the changes in warrants for the year ended June 30, 2011 is below:

	EIG Warrants		Share Purchase Warrants		Finders' Warrants	
	Number of Warrants	Weighted Average Exercise Price CAD	Number of Warrants	Weighted Average Exercise Price CAD	Number of Warrants	Weighted Average Exercise Price CAD
Balance, June 30, 2010	-	$ -	-	$ -	-	$ -
Issued	4,500,000	1.50	20,700,000	0.70	1,000,000	0.50
Exercised	-	-	(25,000)	(0.70)	-	-
Balance, June 30, 2011	4,500,000	$ 1.50	20,675,000	$ 0.70	1,000,000	$ 0.50

i. EIG Warrants

On September 3, 2010, concurrent with the closing of the John Hancock loan, the Company issued EIG 4.5 million warrants exercisable at a price of CAD 1.50 for a period of five years. If the Company's share price closes at CAD 2.00 or greater for a period of 20 consecutive trading days, the Company shall give written notice to EIG that if the warrants are not exercised within 30 days of the notice, the warrants shall expire.

The EIG warrants were fair valued based on a Monte Carlo simulation model using a risk-free rate of 1.30%, dividend yield of 0%, volatility of 68% and an expected life of 4.6 years. The fair value of the warrants issued to EIG was CAD 0.12 per warrant.

ii. Share Purchase Warrants

On September 24, 2010, the Company closed a non-brokered private placement for 20,700,000 units at a price of CAD 0.50 per unit, to raise gross proceeds of CAD 10,350,000. Each unit consists of one common share and one three year transferable share purchase warrant, with one warrant entitling the holder to purchase one additional common share of the Company at a price of CAD 0.70 per warrant share. In the event that the closing price of the Company's common shares on the TSX Venture Exchange is CAD 1.00 or greater per share for a period of 20 consecutive trading days, the Company may accelerate the expiry date of the warrants, and in such case, the warrants must be exercised within 30 days.

The warrants were fair valued based on a Monte Carlo simulation model using a risk-free rate of 1.21%, dividend yield of 0%, volatility of 73% and an expected life of 2.1 years. The proceeds of the private placement were allocated between share capital and warrants outstanding, based on a fair value of the warrants issued of CAD 0.25.

19. SHARE CAPITAL (Continued)

c) Warrants (continued)

ii. Finders' Warrants

On September 24, 2010, the Company issued one million finders' warrants as partial compensation for money raised in the non-brokered private placement. The finders' warrants entitle the holder to acquire a unit (consisting of one common share and one warrant, exercisable at CAD 0.70 per warrant share) for a period of up to 36 months at an exercise price of CAD 0.50 per unit.

The finders' warrants were fair valued based on a Monte Carlo simulation model using a risk-free rate of 1.21%, dividend yield of 0%, volatility of 73% and an expected life of 2.1 years. Fair value of the finders' warrants issued was CAD 0.60 per warrant.

The value of the warrants was determined using a Monte Carlo simulation model rather than the Black-Scholes model due to the accelerated exercise of warrants based on price.

As at June 30, 2011, the following warrants were outstanding:

	Exercise Price CAD	Outstanding Warrants	Remaining Contractual Life (Yrs)
EIG warrants	1.50	4,500,000	4.2
Share purchase warrants	0.70	20,675,000	2.2
Finders' warrants	0.50	1,000,000	2.2

20. FINANCIAL INSTRUMENTS

a) Fair value of financial assets and financial liabilities

The fair values of the following financial assets and liabilities approximate their carrying values, due to the relatively short periods to maturity of these items: cash and cash equivalents, restricted cash, accounts receivable and accounts payable and accrued liabilities.

The fair value of the marketable securities is based on market prices as at June 30, 2011. Changes to the fair value of marketable securities are recorded in other comprehensive income, shown in the statement of changes in shareholders' equity. For the year ended June 30, 2011, the Company recorded a decrease of $54,796 (2010 – $14,597) in marketable securities.

20. FINANCIAL INSTRUMENTS (Continued)

a) Fair value of financial assets and financial liabilities (continued)

The fair value of the cash settled option was previously based on a discounted cash flow model. For the year ended June 30, 2011, the Company recorded a gain of $2,722,396 (2010 – loss of $901,552) on the change in fair value of the cash settled option, which is reported on the income statement. The 2011 gain resulted from the reduction of the fair value to zero, due to the current expectation that the Company will not be able to service the EIG loan for the full loan term without an increase in power production and / or a restructuring of the EIG loan terms.

The fair values of the long-term liability and long-term payable are estimated for disclosure purposes by discounting the future contractual cash flows at the interest rate that would be available to the Company at the balance sheet date. The effective interest rate of the John Hancock Loan is 6.90%. The fair value interest rate for the John Hancock loan is 6.25%. The effective interest rate of the long-term payable is 14% and the fair value calculation was performed using an estimated interest rate of 9.93%.

In accordance with Section 3862 of the CICA Handbook, the following table outlines the classification, carrying amounts and fair values of our financial assets and liabilities.

The carrying amounts for accounts payable and accrued liabilities (classified as other financial liabilities) and accounts receivable (classified as loans and receivables) are a reasonable approximation of their fair value, and are therefore not disclosed in the table below.

	Carrying	Fair Value			
Financial asset (liability)	**Amount**	**Level 1 Input**	**Level 2 Input**	**Level 3 Input**	**Total**
Financial assets held for trading					
Cash and cash equivalents	$ 9,461,451	$ 9,461,451	$ -	$ -	$ 9,461,451
Restricted cash	12,383,683	12,383,683	-	-	12,383,683
Available-for-sale financial assets					
Marketable securities	16,592	16,592	-	-	16,592
Other financial liabilities					
Long-term payables	(494,563)	-	(522,134)	-	(522,134)
John Hancock Loan	(78,804,412)		(83,136,168)	-	(83,136,168)

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

20. FINANCIAL INSTRUMENTS (Continued)

a) Fair value of financial assets and financial liabilities (continued)

There were no transfers between different levels in the fair value hierarchy during the year. A reconciliation of the opening and closing balance of the cash settled option is provided in Note 16.

b) Financial risk factors

The Company's activities expose it to a variety of financial risks, including market risk (this includes currency risk, interest rate risk and other price risk) as well as credit risk and liquidity risk. The Company does not participate in the use of financial instruments to mitigate these risks and has no designated hedging transactions. The Board approves and monitors the risk management processes. The Board's main objectives for managing risks are to ensure liquidity, the fulfillment of obligations, the continued development of the Company's geothermal properties, and to limit exposure to credit and market risks. The types of risk exposure and the way in which such exposures are managed are as follows:

i. Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices.

Currency risk

The operating results and financial position of the Company are reported in US dollars. The Company operates in Canada and the United States. The Company's US operations' functional currency is the US dollar, and these operations are therefore subject to risk arising from future transactions as well as recognized assets and liabilities which are denominated in currencies other than US dollars. The Company's Canadian operations' functional currency is the Canadian dollar and these operations are therefore subject to risk arising from future transactions as well as recognized assets and liabilities which are denominated in currencies other than Canadian dollars.

The sensitivity analysis below provides details on the effect of a reasonably possible change in exchange rates on the net income and other comprehensive income of the Company. The effect on other comprehensive income arises from the translation of the financial statements of the Company's Canadian operations into US dollars.

20. FINANCIAL INSTRUMENTS (Continued)

b) Financial risk factors (continued)

i. Market Risk (continued)

	Carrying amount of asset (liability) June 30, 2011	5% increase in value of CAD	5% decrease in value of CAD
Effect on net income			
Cash and cash equivalents denominated in USD in Canadian Operations	**$ 24,084**	$ (1,159)	$ 1,159
Accounts payable and accrued liabilities in USD in Canadian Operations	**(12,631)**	608	(608)
Effect on other comprehensive income			
Cash and cash equivalents denominated in CAD	**5,500,062**	289,382	(261,830)
Accounts receivable denominated in CAD	**45,361**	2,387	(2,159)
Accounts payable and accrued liabilities denominated in CAD	**(367,073)**	(19,314)	17,474
	$ 5,189,803	$ 271,904	$ (245,964)

Cash flow and fair value interest rate risk

Financial instruments with floating rates are subject to cash flow interest rate risk; financial instruments with fixed rates are subject to fair value interest rate risk. The Company invests its cash and cash equivalents in certificates of deposit and guaranteed investment certificates and bankers' acceptances with terms of 90 days or less in order to maintain liquidity while achieving a satisfactory return for shareholders. A balance is maintained between fixed and floating rate instruments. The long-term liabilities have a fixed interest rate of 14% for the EIG loan and 4.14% for the John Hancock loan, respectively, and are subject to fair value interest rate risk. The long-term liabilities are carried at amortized cost and changes in market interest rates will not affect income.

	Carrying amount of asset (liability) June 30, 2011	1% increase in interest rates	1% decrease in interest rates
Effect on net income			
Cash and cash equivalents with floating rates	**$ 5,316,281**	$ 59,712	$ (57,420)
Restricted cash short-term with floating rates	**3,000,023**	38,673	(561)
Restricted cash long-term with floating rates	**9,383,660**	113,789	(10,125)
	$ 17,699,964	$ 212,174	$ (68,106)

20. FINANCIAL INSTRUMENTS (Continued)

b) Financial risk factors (continued)

i. Market Risk (continued)

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, such as commodity or equity prices. The Company is subject to other price risk arising from a number of balances and transactions:

- In the first place, the fair value of the marketable securities is affected by equity prices.

	Carrying amount of asset (liability) June 30, 2011	50% increase in share price	50% decrease in share price
Effect on other comprehensive income			
Marketable securities	**$ 16,592**	$ 8,296	$ (8,296)

- Revenue, from excess electricity produced, is also influenced by market prices for electricity. A reasonably possible change in market prices for electricity should not have had a material impact on the Company's financial statements.

ii. Credit Risk

The Company has limited exposure to credit risk, since credit risk primarily arises from the Company's cash and cash equivalents, restricted cash and accounts receivable. The risk exposure is limited to the carrying amounts of these items at the balance sheet date. Cash and cash equivalents are held as cash deposits and invested in bankers' acceptance, guaranteed investment certificates and certificates of deposit with various maturity dates. Restricted cash consists of certificates of deposit held with the Bank of the West and various deposit accounts held with Wilmington Trust. The Company periodically assesses the quality of its investments and is satisfied with the credit ratings of its banks and their certificates of deposit and guaranteed investment certificates.

Accounts receivable consist of amounts due from NVE for electricity, equipment receivable as part of a settlement, amounts due from the Crump joint venture company and harmonized sales tax recoverable. To reduce credit risk, the Company regularly reviews the collectability of its amounts receivable and establishes an allowance based on its best estimate of potentially uncollectable amounts, if required. As at June 30, 2011, $7,734 was past due from our joint venture company.

20. FINANCIAL INSTRUMENTS (Continued)

b) Financial risk factors (continued)

iii. Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Company strives to ensure there are sufficient funds available to meet short-term business requirements, taking into account the Company's holdings of cash and cash equivalents. Management prepares annual operating and capital expenditure budgets and prepares monthly cash flows and liquidity forecasts.

The Company's liquidity risk stems mainly from its long-term liabilities, consisting of $91,283,092 owing to EIG and $93,239,038 owing to John Hancock. Both long-term liabilities are to be repaid from the cash flows available from the Blue Mountain plant, the EIG loan being repaid with the remaining cash after the John Hancock loan payments.

During the year under review, the Company reduced its power production forecast for the Blue Mountain plant based on preliminary results from its drilling program at Blue Mountain. The updated forecast does not affect the outlook for the repayment of the John Hancock loan, but the Company now estimates that it will not be able to service the EIG loan for the full loan term under the new power production forecast, unless the Company is able to increase power production or renegotiate the terms of the loan. The cash flows available to fund interest payments on the EIG loan will ultimately depend on factors such as the outcome of an ongoing well testing and stimulation program and other factors affecting the operations of the Blue Mountain plant. In addition, the EIG debt service covenant is likely to be breached at December 31, 2011, at which time EIG will have the right to demand payment or exercise its security. Accordingly, the Company has entered into negotiations with EIG regarding a potential restructuring of the loan terms. As at June 30, 2011 and as at the date of these financial statements, the outcome of these negotiations is unknown, and subject to considerable uncertainty.

The table below presents a maturity analysis of the Company's financial liabilities that shows the remaining contractual maturities as at June 30, 2011:

	Carrying amount	Contractual cash flows	Within 1 year	1 - 5 years	More than 5 years
Long-term leases	**$ 32,109**	$ 36,531	$ 9,530	$ 27,001	$ -
Long-term payables	**494,563**	572,787	276,980	295,807	-
John Hancock loan	**78,804,412**	123,078,402	10,057,969	37,898,299	75,122,134

20. FINANCIAL INSTRUMENTS (Continued)

b) Financial risk factors (continued)

iii. Liquidity Risk (continued)

The EIG loan is not included in the table because the Company is not able to make a reasonable estimate of the future cash flows associated with the loan at this stage.

21. REVENUE

Revenue consists of:

		2011		2010
Electricity sales	**$**	**23,828,743**	$	11,839,010
Funds received from settlement		**1,000,000**		-
Consulting income from CGC		**28,074**		-
Total Revenue	**$**	**24,856,817**	$	11,839,010

22. INTEREST EXPENSE

For the year ended June 30, 2011, the Company recorded $16,770,006 in interest expense (2010 – $15,365,331). Details are as follows:

		2011		2010		2009
Accretion on long-term payables	**$**	**80,668**	$	65,283	$	-
Lease obligations		**2,429**		451		-
Long-term liabilities - contractual interest		**17,253,570**		15,621,998		-
Long-term liabilities - accretion		**2,974,095**		2,715,378		-
Other		**6,397**		667		-
Interest expense		**20,317,159**		18,403,777		-
Long-term liabilities - change in estimates		**(3,547,153)**		(3,038,446)		-
Net interest expense	**$**	**16,770,006**	$	15,365,331	$	-

23. RELATED PARTY TRANSACTIONS AND AMOUNTS OWING

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

As at June 30, 2011, a total of $44,796 (2010 - $68,040) was owing to directors, officers and companies controlled by directors of the Company. This amount is included in accounts payable and accrued liabilities, is unsecured and payable on demand.

23. RELATED PARTY TRANSACTIONS AND AMOUNTS OWING (Continued)

At as June 30, 2011, a total of $7,734 (2010 – nil) was due from the joint venture company, CGC and included in the consolidated financial statements.

During the year ended June 30, 2011 and 2010, the following were paid to or accrued for directors, officers, former officers and companies controlled by directors of the Company:

	2011	2010	2009
Directors' fees	**$ 93,164**	$ 72,055	$ 77,702
Consulting expense, including success fee (directors)	**758,828**	351,484	1,184,131
Consulting revenue (CGC)	**28,074**	-	-

Consulting costs for 2011 primarily resulted from success fees paid to a director of the Company in connection with successfully arranging the Company's John Hancock loan.

24. COMMITMENTS

a) The Company has entered into operating leases for premises, vehicles and geothermal resources. The minimum annual commitments (including work commitments) are as follows:

	2011	2010
2011	**$ -**	$ 512,747
2012	**2,510,700**	526,292
2013	**1,109,217**	538,278
2014	**1,116,908**	525,506
2015	**975,758**	214,501
2016	**834,985**	205,473
2017 and thereafter	**4,352,845**	2,213,478
	$ 10,900,414	$ 4,736,275

b) Under the terms of the PPA with NVE, the Company is liable for the cost of alternative power and renewable energy credits in certain circumstances, particularly if the minimum power under the PPA is not available. Under terms of the PPA, the Company has cash collateralized $3,805,672 in letters of credit in favor of NVE, with the Bank of the West.

c) Restricted Cash Short-term

Restricted short-term cash of $3,000,023 (2010 – nil) is available only for wellfield expenditures and property tax at Blue Mountain.

24. COMMITMENTS (Continued)

d) Restricted Cash Long-term

		2011		2010
Cash with restricted use	**$**	**5,477,988**	$	-
Cash collaterized letter of credit in favour of Oregon Department of Minerals for reclamation work		**50,000**		150,000
Cash collaterized letter of credit in favour of Nevada Division of Minerals for reclamation work		**50,000**		50,000
Cash collaterized letter of credit in favour of NVE for power purchase agreement		**3,805,672**		3,805,672
	$	**9,383,660**	$	4,005,672

Restricted long-term cash includes approximately $5.1 million as a debt service reserve and approximately $0.3 million reserved for major maintenance at the Blue Mountain plant.

In addition to amounts recorded as restricted cash, cash of approximately $3.8 million is restricted for use by NGP I and is included in the Company's cash and cash equivalents.

25. ADDITIONAL CASH FLOW INFORMATION

The changes in these balances have been excluded from cash flows used in investing activities.

a)

Interest		**2011**		2010		2009
Interest received	**$**	**85,454**	$	76,611	$	346,520
Interest paid		**11,951,318**		10,015,847		962,357

b)

		2011		2010		2009
Amount of accounts payable for future financing costs and transaction costs	**$**	**-**	$	1,016,462	$	180,230
Amount of accounts payable for resource property interests		**38,604**		45,138		57,243
Amount of accounts payable for property, plant and equipment		**372,728**		1,184,371		16,394,756
Amount of deferred construction amounts payable		**-**		-		9,028,380
Amount of accounts payable for Imperial Valley acquisition		**25,000**		-		-
Amount of future income tax included in construction in progress		**-**		-		1,320,440
Amount of accounts receivable for property, plant and equipment for insurance claim		**-**		377,828		-

26. JOINT VENTURE TRANSACTIONS

On November 1, 2010, the Company entered into a joint venture agreement with Ormat where both companies will jointly develop the Crump Geyser project on a 50:50 basis. The Company contributed its title and interest in the Crump Geyser project geothermal leases, technical and engineering data, existing permits and the benefit from the DOE cost-share grant for exploration in relation to the Crump geyser area. The Company transferred assets with a book value of $559,416 to CGC.

The following amounts are included in the consolidated financial statements in respect of the joint venture:

		2011		2010
Cash and cash equivalents	**$**	**1,544**	$	-
Prepaid expenses		**3,206**		-
Resource property interests		**2,961,832**		-
Operating expenses		**61,446**		-
Cash flow from operations		**(69,848)**		-
Cash flow from investing activities		**71,392**		-

The Company has recorded a deferred gain of $2,510,980 representing the excess of contributions made to the joint venture by Ormat over the book value of the contributions made by the Company.

27. IMPERIAL VALLEY ASSET ACQUISTION

On May 31, 2011, the Company completed a transaction with Iceland America Energy Inc. (“IAE”), where the Company purchased a 100-per-cent ownership of IAE's geothermal assets comprising the New Truckhaven, East Brawley and South Brawley projects in the Imperial Valley, Southern California, for a payment of approximately $680,000 in cash and 6,074,069 shares of the Company.

The following amounts are included in the consolidated financial statements in respect of the IAE acquisition:

		2011		2010
Resource property interests	**$**	**1,939,022**	$	-
Prepaid expenses		**190,373**		-
Operating expenses		**23,494**		-
Subtotal		**2,152,889**		-
Amounts payable		**(25,000)**		-
Shares issued		**(1,473,369)**		-
Cash portion	**$**	**654,520**		-
Included in operating activities	**$**	**23,494**	$	-
Included in investing activities		**631,026**		-

28. SEGMENTAL ANALYSIS

	Blue Mountain - Faulkner I Power Plant	Crump Geyser Project	Other projects	Corporate and reconciling items	Total
			as at June 30, 2011		
Cash and cash equivalents	$ 3,781,035	$ 42,885	$ 113,334	$ 5,524,197	**$ 9,461,451**
Property, plant and equipment	158,251,067	-	152,180	1,580,776	**159,984,023**
Resource property interests	-	2,961,832	3,337,415	-	**6,299,247**
Segment assets	178,553,501	3,016,568	4,022,695	7,459,839	**193,052,603**
Segment liabilities	160,071,246	2,553,906	216,167	379,456	**163,220,775**
			as at June 30, 2010		
Cash and cash equivalents	$ 4,570,882	$ -	$ 25,993	$ 1,838,500	**$ 6,435,375**
Property, plant and equipment	168,012,969	-	131,299	1,572,708	**169,716,976**
Resource property interests	-	642,011	771,298	-	**1,413,309**
Segment assets	181,850,600	642,011	1,278,856	3,502,314	**187,273,781**
Segment liabilities	160,685,006	-	148,630	650,509	**161,484,145**

28. SEGMENTAL ANALYSIS (Continued)

	Year ended June 30, 2011				
	Blue Mountain - Faulkner I Power Plant	**Crump Geyser Project**	**Other projects**	**Corporate and reconciling items**	**Total**
Revenue	$ 24,828,743	$ 28,074	$ -	$ -	**$ 24,856,817**
Amortization	34,563	-	1,194	7,996	**43,753**
Depreciation	6,988,207	-	41,501	94,660	**7,124,368**
Interest expense	20,314,730	-	2,429		**20,317,159**
Interest income	11,358	-	352	73,744	**85,454**
Non-cash interest	8,490,558	-	2,429	-	**8,492,987**
Change in long-term liability estimates	(3,547,153)	-	-	-	**(3,547,153)**
Net Loss	4,331,814	408,257	785,642	3,081,263	**8,606,976**

	Year ended June 30, 2010				
Revenue	$ 11,839,010	$ -	$ -	$ -	**$ 11,839,010**
Amortization	17,480	-	7,697	3,990	**29,167**
Depreciation	4,845,539	-	31,982	72,895	**4,950,416**
Interest expense	18,403,326	-	451	-	**18,403,777**
Interest income	65,733	-	87	10,791	**76,611**
Non-cash interest	9,259,846	-	451	-	**9,260,297**
Change in long-term liability estimates	(3,038,446)	-	-	-	**(3,038,446)**
Net Loss	15,047,745	-	266,750	2,666,956	**17,981,451**

All of the Company's geothermal properties are located in the U.S.; the Company's head office is located in Canada.

29. SUBSEQUENT EVENTS

Except as disclosed elsewhere in these consolidated financial statements, the following are significant events subsequent to June 30, 2011:

a) On July 21, 2011, NGP I received $7,869,212 under the ARRA (see Note 12); and

b) On September 16, 2011, there was a small fire involving an auxiliary pump at Blue Mountain. Damage was contained to the pump, and the plant was placed back in service. The Company is assessing the financial impact of the fire.

30. MATERIAL DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Company prepares its financial statements in accordance with 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:

Income statement differences		**2011**		2010		2009
Net loss - Canadian GAAP	**$**	**(8,606,976)**	$	(17,981,451)	$	(5,088,760)
Add:						
Amortization (iii)		**2,446,887**		1,732,543		-
Deduct:						
Difference in capitalized interest (ii)		**37,907**		(56,708)		-
Interests in resource properties (i & ii)		**(2,374,958)**		(417,393)		(2,204,043)
Net loss - US GAAP	**$**	**(8,497,141)**	$	(16,723,009)	$	(7,292,803)
Basic and diluted loss per common share - US GAAP	**$**	**(0.08)**	$	(0.18)	$	(0.08)
Weighted average shares outstanding - US GAAP		**111,497,866**		95,280,808		94,438,849

The Company's US comprehensive loss is comprised as follows:

		2011		2010		2009
Net loss - US GAAP	**$**	**(8,497,141)**	$	(16,723,009)	$	(7,292,803)
Other comprehensive income (loss)						
Foreign translation gain		**686,131**		189,655		1,380,863
Decrease in unrealized holding gains on marketable securities		**(54,796)**		(14,597)		(94,656)
Impairment of marketable securities included in income statement		**-**		75,429		-
Comprehensive loss - US GAAP	**$**	**(7,865,806)**	$	(16,472,522)	$	(6,006,596)

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

Shareholders' Equity	**2011**	2010	2009
Shareholders' Equity - Canadian GAAP	**$ 29,831,848**	$ 25,789,636	$ 42,542,780
Accumulated other comprehensive loss	**794,377**	794,377	794,377
Amortization (iii)	**4,179,430**	1,732,543	-
Difference in capitalized interest (ii)	**(18,801)**	(56,708)	-
Interests in resource properties	**(53,064,271)**	(50,689,313)	(50,271,920)
Shareholders' Equity - US GAAP	**$ (18,277,418)**	$ (22,429,465)	$ (6,934,763)

Interests in Resource Properties	**2011**	2010	2009
Resource property interests - Canadian GAAP	**$ 6,299,247**	$ 1,413,309	$ 88,561,126
Costs of interests in resource properties expensed per US GAAP (i & iii)	**(6,299,247)**	(1,413,309)	(49,477,543)
Difference in capitalized interest (ii)	**-**	-	(452,073)
Resource property interests - US GAAP	**$ -**	$ -	$ 38,631,510

Property, Plant and Equipment	**2011**	2010	2009
Property, Plant and Equipment - Canadian GAAP	**$ 159,984,023**	$ 169,716,976	$ 110,840,965
Costs of interests in resource properties expensed per US GAAP (i & iii)	**(48,481,627)**	(48,481,627)	-
Difference in capitalized interest (ii)	**(18,801)**	(56,708)	452,073
Amortization (iii)	**4,179,430**	1,732,543	-
Property, Plant and Equipment - US GAAP	**$ 115,663,024**	$ 122,911,184	$ 111,293,038

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

Statement of Cash Flows in Accordance with US GAAP	**2011**	2010	2009
Cash flows from (used in):			
Cash flows used in operating activities			
Net loss in accordance with US GAAP	**$ (8,497,141)**	$ (16,723,009)	$ (7,292,803)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization	**43,753**	29,167	22,071
Depreciation	**4,677,481**	3,217,873	66,350
Accretion of asset retirement obligation	**97,676**	73,535	58,446
Change in fair value of cash settled option	**(2,722,396)**	901,552	61,343
Foreign exchange loss	**-**	-	1,737,199
Non-cash interest	**8,455,080**	6,221,851	-
Impairment of marketable securities	**-**	75,429	-
Change in long-term liability estimates	**(3,547,153)**	-	-
Stock-based compensation	**540,815**	224,500	307,359
Shares issued for mineral property	**1,450,734**	-	-
Loss on sale of property, plant and equipment	**5,214**	-	8,395
Undrawn commitment fee	**-**	-	264,925
Change in non-cash working capital			
Decrease (increase) in accounts receivable	**277,451**	(1,984,956)	28,599
Increase in inventory	**(111,342)**	(161,881)	-
(Increase) decrease in prepaid expenses	**(242,916)**	(51,111)	(766,847)
Increase (decrease) in accounts payable	**200,842**	167,975	(3,894,046)
	628,099	(8,009,075)	(9,399,009)
Cash flows used in investing activities			
Acquisition and construction of property, plant and equipment	**(9,171,824)**	(51,191,003)	(66,730,935)
Acquisition of intangible assets	**(127,506)**	(1,020,836)	(21,938)
Acquisition of Imperial Valley assets	**-**	-	-
Resource property interests	**-**	-	(32,638,155)
Proceeds on disposal of property, plant and equipment	**6,945**	-	31,454
Government grants received	**-**	57,872,513	-
(Decrease) increase in restricted cash	**(8,378,010)**	14,655,186	(17,920,984)
	(17,670,395)	20,315,860	(117,280,558)
Cash flows used in financing activities			
Net proceeds from private placements	**9,468,026**	-	-
Proceeds from options exercised	**18,231**	753,320	94,899
Proceeds from warrants exercised	**17,602**	-	-
Repayments of long-term payables	**(276,979)**	-	-
Repayments of long-term leases	**(9,528)**	(1,139)	-
Repayments of John Hancock loan	**(5,260,961)**	-	-
Repayments of EIG loan and transaction costs	**(78,276,166)**	(28,879,380)	-
Repayments of Glitnir Capital loan	**-**	-	(20,723,093)
Loan advances net of transaction costs	**93,859,420**	19,989,898	139,292,591
Future financing costs	**(126,731)**	(186,888)	(574,802)
	19,412,914	(8,324,189)	118,089,595
Effect of exchange rate changes on cash and cash equivalents	**655,458**	62,351	(492,960)
Increase (decrease) in cash and cash equivalents	**3,026,076**	4,044,947	(9,082,932)

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

Deferred Gain	**2011**	2010	2009
Deferred Gain – Canadian GAAP	**$ 2,510,980**	$ -	$ -
Costs of interest in resource properties expensed per US GAAP (i)	**(2,510,980)**	-	-
Deferred Gain - US GAAP	**$ -**	$ -	$ -

Material variations in the accounting measurement principles, practices and methods used in preparing these consolidated financial statements from measurement principles, practices and methods accepted in the United States are described and quantified below.

i. Deferred Exploration Expenditures – Resource Property Interests

Under Canadian GAAP, the Company capitalizes costs of exploration relating to its resource property interests. Under US GAAP, all such costs are expensed until the Company has determined that the property is economically feasible and capable of commercial production. The Company uses the following indicators of economic feasibility:

- A third party assessment of the resource.
- Contracts indicating the recoverability of expenditures.
- The development of an economic model indicating the feasibility of the project.
- Financing to complete the project.

The Company determined that the Blue Mountain project was economically feasible on August 29, 2008. As a result, costs incurred after the determination of economic feasibility of the Blue Mountain project in the years-ended June 30, 2009, 2010 and 2011, have been capitalized.

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

ii. Capitalization of Interest

Under Canadian GAAP, actual interest costs on borrowings incurred to finance the construction of property, plant and equipment and the development of geothermal properties are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Under US GAAP, the amount of interest capitalized is calculated based on applying a capitalization rate to the average amount of accumulated expenditures for the Blue Mountain Geothermal project. Additionally, not all of the interest capitalized for Canadian GAAP was capitalized for US GAAP as some of the expenditures relating to the Blue Mountain Geothermal project were expensed under US GAAP during the year ended June 30, 2009.

iii. Property, Plant and Equipment

During the year ended June 30, 2010, construction for the Blue Mountain Faulkner I power plant was completed and the plant was operating commercially. Under CDN GAAP acquisition and deferred exploration and development expenditures relating to the project have been transferred to property, plant and equipment. Under US GAAP some of these exploration and development costs were incurred prior to economic feasibility and have been expensed. As a result the carrying value transferred to property plant and equipment and the related amortization of those costs differs under US GAAP.

iv. Recent Accounting Pronouncements

In July 2010, the FASB issued Accounting Standards Update 2010-20, “Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses”, which amends Subtopic 310-30 by requiring an entity to provide enhanced and disaggregated disclosures about the credit quality of an entity’s financing receivables and its allowance for credit losses. The objective of enhancing these disclosures is to improve financial statement users’ understanding of both the nature of an entity’s credit risk associated with its financing receivables and the entity’s assessment of that risk in estimating its allowance for credit losses as well as changes in the allowance and the reason for those changes. The update is effective for the first interim or annual period ending on or after December 15, 2010. The adoption of ASU 2010-20 did not have a material impact on the Company’s consolidated financial statements.

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

iv. Recent Accounting Pronouncements (continued)

In August 2010, the FASB issued ASU 2010-21, "Accounting for Technical Amendments to Various SEC Rules and Schedules—Amendments to SEC Paragraphs Pursuant to Release No. 33-9026: Technical Amendments to Rules, Forms, Schedules and Codification of Financial Reporting Policies" ("ASU 2010-21"). The ASU reflects changes made by the SEC in Final Rulemaking Release No. 33-9026, which was issued in April 2009 and amended SEC requirements in Regulation S-X (17 CFR 210.1-01 et seq.) and Regulation S-K (17 CFR 229.10 et seq.) and made changes to financial reporting requirements in response to the FASB's issuance of SFAS No. 141(R), "Business Combinations" ("ASC 805"), and SFAS No. 160, "Non-controlling Interests in Consolidated Financial Statements—an amendment of ARB No. 51" ("ASC 810"). The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

In August, 2010, the FASB issued ASU 2010-22, "Technical Corrections to SEC Paragraphs - An announcement made by the staff of the U.S. Securities and Exchange Commission". This ASU amends various SEC paragraphs based on external comments received and the issuance of SAB 112, which amends or rescinds portions of certain SAB topics. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

In September, 2010, the FASB issued ASU 2010-25, "Plan Accounting - Defined Contribution Pension Plans". The amendments in this ASU require that participant loans be classified as notes receivable from participants, which are segregated from plan investments and measured at their unpaid principal balance plus any accrued but unpaid interest. The amendments in this update are effective for fiscal years ending after December 15, 2010. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

In December 2010, the FASB issued ASU 2010-29, "Business Combinations: (Topic 805): "Disclosure of Supplementary Pro Forma Information for Business Combinations". The amendments in this ASU affect any public entity, as defined by Topic 805 Business Combinations, that enters into business combinations that are material on an individual or aggregate basis. The amendments in this ASU specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings.

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

iv. Recent Accounting Pronouncements (continued)

The amendments are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In December 2010, the FASB issued ASU No. 2010-28, "Intangibles — Goodwill and Other" (Topic 350): "When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts. The amendments in this ASU modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The qualitative factors are consistent with the existing guidance and examples, which require that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In January 2011, the FASB issued Accounting Standards Update 2011-01, "Receivables (Topic 310): Deferral of the Effective Date of Disclosures about Troubled Debt Restructuring in Update No. 2010-20", which defers the effective date of the new disclosures about troubled debt restructurings required by ASU 2010-20. The delay will allow the FASB to complete its deliberations on what constitutes a troubled debt restructuring. ASU 2011-01 is effective upon issuance. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

In April 2011, the FASB issued Accounting Standards Update 2011-02, "A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring" (ASU 2011- 02). ASU 2011-02 amends Topic 310 by requiring that a creditor, when evaluating whether a restructuring constitutes a troubled debt restructuring, separately conclude that both the restructuring constitutes a concession and that the debtor is experiencing financial difficulties. ASU 2011-02 is effective for the first interim or annual reporting period beginning on or after June 15, 2011, and is to be applied retrospectively to the beginning of the annual period of adoption. The adoption of ASU 2011-02 is not expected to have a material impact on the Company's consolidated financial statements.

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

iv. Recent Accounting Pronouncements (continued)

In April, 2011, the FASB issued ASU No. 2011-03 "Transfers and Servicing (Topic 860): Reconsideration of Effective Control for Repurchase Agreements" ("ASU 2011-03"). ASU No. 2011-03 affects all entities that enter into agreements to transfer financial assets that both entitle and obligate the transferor to repurchase or redeem the financial assets before their maturity. The amendments in ASU 2011-03 remove from the assessment of effective control the criterion relating to the transferor's ability to repurchase or redeem financial assets on substantially the agreed terms, even in the event of default by the transferee. ASU 2011-03 also eliminates the requirement to demonstrate that the transferor possesses adequate collateral to fund substantially all the cost of purchasing replacement financial assets. The guidance is effective for the Company's reporting period ended March 31, 2012. ASU 2011-03 is required to be applied prospectively to transactions or modifications of existing transaction that occur on or after January 1, 2012. The adoption of ASU 2011-03 is not expected to have a material impact on the Company's consolidated financial statements.

In May 2011, ASU 2011-04 was issued which amends U.S. GAAP to confirm with measurement and disclosure requirements in International Financial Reporting Standards. The amendments in this update change the wording used to describe the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The amendments include the following:

- Those that clarify the Board's intent about the application of existing fair value measurement and disclosure requirements.
- Those that change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements.

In addition, to improve consistency in application across jurisdictions some changes in wording are necessary to ensure that U.S. GAAP and IFRS fair value measurement and disclosure requirements are described in the same way (for example, using the word shall rather than should to describe the requirements in U.S. GAAP). The amendments in this update are to be applied prospectively and are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In June 2011, the FASB issued ASU No. 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income", or ASU 2011-05. The amendments in this ASU require an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of equity. ASU 2011-05 is effective for fiscal years, and interim periods within those fiscal

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

iv. Recent Accounting Pronouncements (continued)

years, beginning on or after December 15, 2011, with early adoption permitted. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

EFFECTIVE DATE

This Management Discussion and Analysis ("MD&A") is an overview of the activities of Nevada Geothermal Power Inc. ("the Company") for the year ended June 30, 2011 and incorporates certain information from the prior two fiscal years. In order to better understand the MD&A, it should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended June 30, 2011. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting policies ("GAAP"). All dollar amounts referred to in this MD&A are expressed in US dollars except where indicated otherwise. The effective date of this Management Discussion and Analysis is September 26, 2011. This MD&A contains statements that constitute "forward-looking statements" and other cautionary notices (Refer to "Forward Looking Statements and Estimates" on page 22).

DESCRIPTION OF BUSINESS

The Company is exploring, developing and producing clean, renewable geothermally produced electric power, at properties in Nevada, Oregon and California. The Company evaluates other renewable power technologies, such as wind and solar, if they can complement the Company's geothermal projects. Electricity can be generated using geothermal resources with conventional turbines using either flash systems or binary systems. In flash systems the turbines are driven by steam derived by flashing very hot geothermal brine and in binary systems by a lower-boiling-point working fluid, such as pentane or butane. This makes it possible to utilize lower temperature geothermal brine in binary systems. Cooled brine is re-injected into the reservoir where it is reheated to be used again, thereby creating renewable electric power.

Geothermal power plants use proven turbine technology to produce base load power for utilities and/or industrial consumers, particularly those located in states, such as Nevada, California and Oregon, with Renewable Portfolio Standards that require a minimum proportion of renewable power as part of their overall power supply. The Company's view is that the demand for renewable power, as a result of increasing legislative requirements and environmental concern, is strong and will grow, from both utility and private customers, and that the value of electricity and environmental credits will increase in the future. Among sources of renewable power, geothermal is particularly attractive, since it provides steady base load electricity that is not dependent upon the weather (as is, for example, wind and solar power).

The geothermal business offers low revenue risk as a result of public utility commitments to long term power purchase agreements ("PPAs"). Construction risk can be reduced by fixed price engineering, procurement and construction agreements, as long as they are available. Operating risk is reduced by proven technology and annual operating costs that are modest relative to capital costs. Among the major risks are the cost of exploration and development as well as access to and the cost of capital for the large investments required in exploration, wellfield development and plant construction. The cost of exploration and development can be difficult to predict, due to variable reservoir characteristics such as the size, permeability, porosity and potential for temperature and / or pressure change. The Company is focussed on US development to capitalize on strong government support and a stable political environment. The Company and/or its wholly owned US subsidiaries hold leases on seven properties: Blue Mountain, Pumpernickel, Edna, and North Valley, all located in Nevada, and New Truckhaven, East and South Brawley, all located in California's Imperial Valley. The Company also holds a 50% interest in a Crump Geyser joint venture with Ormat Nevada Inc. ("Ormat"), Crump Geothermal Company ("CGC").

OVERALL PERFORMANCE

The Company is presently focused on the operation, further development and refinancing of its Blue Mountain project and developing its pipeline of projects, particularly if it may benefit from government incentives such as the 2009 American Recovery and Reinvestment Act ("ARRA"). The ARRA currently presents an opportunity, as long as program requirements are met, for a 30% investment tax credit ("ITC") and an option to elect a cash grant in its place for certain project capital costs, if qualifying investments are made by December 31, 2011 (amended from December 31, 2010) and if operations are commercial by December 31, 2013. The Company is aware of efforts to extend the commercial operation deadline for a 30% ITC through 2016, without which geothermal projects are eligible for a 10% ITC. An extension requires US Congress approval.

During the quarter ended December 2010, the Company announced a 50/50 joint venture, CGC, at its Crump property with Ormat Nevada Inc. ("Ormat"), under which Ormat provides financing and project management. Ormat is owned by Ormat Technologies Inc., a major NYSE listed (symbol "ORA") vertically-integrated company primarily engaged in the geothermal and recovered energy power business. Ormat Technologies Inc. designs, develops, owns and operates geothermal and recovered energy-based power plants around the world and has more than four decades of experience in the development of environmentally-sound power, primarily in geothermal and recovered-energy generation. CGC completed a deep, full-size development well at the Crump Geyser property during the last six months of this financial year. It did not encounter commercial temperatures, but did intersect permeability that may allow it to be used for injection. A follow-up drilling program began during the fourth fiscal quarter. One well was drilled before year end and another is planned prior to the end of September. Additional development well permits have been requested and are in the approval process.

During the 4th quarter the Company continued assessment of its Pumpernickel Valley project, planned confirmation drilling at its North Valley property and, in addition, purchased three properties in California's Imperial Valley from Iceland America Energy ("IAE") for approximately $680,000 cash and 6,074,069 shares, of which approximately 5 million shares were issued to Reykjavik Energy Invest hf, a subsidiary of the City of Reykjavik's geothermal utility Orkuveita Reykjavikur (Iceland) who became a significant owner of the Company. Field assessment, feasibility studies, permitting and PPA work are in progress at the purchased properties.

On October 29, 2009, the Company was granted $1.8 million for the Crump Geyser Geothermal Project and $1.6 million for the North Valley Geothermal Project from the United States Department of Energy ("DOE"). The grants reimburse approximately 50% of overall Company expenditures for qualifying exploration work, with phase I expenditures reimbursed at 80% and later expenditures at a lower rate. The Company and DOE have agreed to transfer the North Valley grant to Pumpernickel Valley and Ormat has been designated a subcontractor under its Crump contract. As a result the Company anticipates CGC will be able to take advantage of the grant.

At Blue Mountain, the Company's nameplate 49.5 MW (gross), 38.8 MW (net) power plant, owned by its subsidiary NGP Blue Mountain I LLC ("NGP I"), has been operating commercially since October 10, 2009. The plant currently produces an annual average of approximately 46 MW (gross), 35 MW (net), however without additional injection and/or production wells, modelling suggests reservoir temperatures will gradually decline. Consequently, one of the terms of its loan agreement with John Hancock Life Insurance ("John Hancock") and DOE requires the Company to constrain power production to the NV Energy ("NVE") PPA minimum (35 MW (net) in 2011 declining 3% per year) until third party consultants provide a satisfactory resource report supporting higher production.

The predicted temperature decline results from injection wells that are too close to production wells to

provide time to re-heat recycled brine. The solution is more distributed injection, further from the current production wells. During the fourth calendar quarter of 2010 and the first calendar quarter of 2011, the Company completed drilling of two injection test wells to the south of the production field (wells 86-22 and 34-23). The wells showed marginal permeability associated with a weak thermal zone and are not connected to the plant at this time. Since there was no increase in injection or production capability, the Company is continuing wellfield optimization, testing and stimulation, which it believes will result in plant output above the PPA minimum, consistent with its current forecast of 35MW declining 2.5% per year. Well 86-22, along with previously drilled, sub-commercial well 38-14, have been stimulated by cold water injection and oil field fracturing techniques and to date these efforts have only been partially successful. Next steps include connecting 58A-15 and 38-14 as injection wells, and stimulation and testing of wells 89-11 and 34-23 to be completed as injectors if appropriate. New deep drilling may be done in future years on additional reservoir targets. Test results to date are being incorporated into an updated reservoir model that will be used for forecasting covenant compliance and to support an effort to issue tax assisted debt and partially pay down the more expensive EIG Global Energy Partners ("EIG" was formerly Trust Company of the West) loan.

Financing for the Blue Mountain project is comprised of a mezzanine loan, with a current balance of approximately $91.3 million, provided by EIG - a major Washington DC based investment management firm - and approximately $93.2 million senior debt provided by John Hancock. The John Hancock loan is supported by a DOE Financial Institutions Partnership Program ("FIPP") guarantee. The FIPP program, supported by the 2009 ARRA, is designed to facilitate long term financing for renewable energy development projects using commercial technology and applies to up to 80 percent of the loan amount. The Company is also the beneficiary of approximately $65.7 million awarded by the US Treasury under the 2009 ARRA program, a program that augmented production tax credits that were difficult to monetize following the financial crisis. Approximately $7.9 million of the US Treasury grant was received during July 2011, and the Company intends to use the proceeds primarily to repay a portion of the EIG loan. To further repay the EIG loan, the Company has engaged Marathon Capital to help raise tax assisted financing.

During the fourth quarter, power production averaged approximately 44 MW (gross) 34 MW (net). Power output varies with seasonal temperature variation (lower in summer) and as at June 30, 2011 the Company maintains its outlook for power production and still believes the most reasonable annual outlook, following planned injection well completions, is 35 MW (net) declining approximately 2.5% per year. To fully achieve its forecast, the Company is dependent on connecting previously tested wells 58A-15 and 38-14 and establishing 89-11 (or alternatively 34-14) as an injection well. Assuming success of the planned well field work, the Company remains unable to service the EIG loan for its full loan term. If the Company is unable to increase power production sufficiently, a restructuring of the EIG loan will be required to maintain compliance with loan terms. As at June 30, 2011 and as at the date of these financial statements, the outcome of these activities is unknown and subject to considerable uncertainty. No cash from the Blue Mountain project, other than payment for services provided, is available to the Company until the EIG loan balance is paid down to a target level as defined in the agreement, which was $64.8 million at June 30, 2011. Under current loan terms, the Company anticipates breaching the EIG debt service coverage ratio ("DSCR") covenant at December 31, 2011. At that time, EIG is expected to be in a position to place the Company in default under the current terms of the loan. If the loan is placed in default it could result in the loss of the Company's equity interest in the Blue Mountain project. The Company remains dependent on its available cash and its ability to continue to raise funds to support corporate operations and the development of other properties.

During the fourth quarter the Company repaid approximately $1.7 million of the John Hancock loan and deferred approximately $3.1 million interest on the EIG loan, increasing the EIG loan balance until, subsequent to the year-end, the Company made an interest payment of approximately $3.0 million on the EIG loan from cash included in the year-end cash balance.

RESOURCE PROPERTY INTERESTS

As at June 30, 2011, the Company's resource property interests were comprised of the following:

1) Blue Mountain Geothermal Property – Humboldt County - Nevada

The property is located about 32 km (22 miles) west of the town of Winnemucca. The Company has leased the geothermal mineral interest in 17 land sections covering 18 square miles (11,319 acres) from the Bureau of Land Management ("BLM"), Burlington Northern Santa Fe ("BNSF"), Nevada Land and Resource Company ("NLRC"), Crawford and DeLong Ranch, and RLF Nevada Properties. The Company holds a 100% geothermal mineral interest, and is entitled to explore, develop, and produce any geothermal resources located on the property. At the property, a shallow thermal anomaly covers 10 km² (4 mi²). Royalty payments comprise approximately 1.2% of revenue, rising to approximately 1.8% in 2020.

On October 10, 2009, the Company declared substantial completion of its power plant at Blue Mountain and began operation. Since start-up, the Company has completed several additional wells including successful injectors 58-11 and 91-15 and is continuing in its effort to optimize and increase power production. Injection drilling, funded by the John Hancock/DOE loan, has been completed at wells 86-22 and 34-23, encountering limited permeability. Wells 86-22 and 38-14 were low-pressure, cold-water-injection and propellant stimulated during the quarter and the permeability modestly improved at well 38-14. Well 34-23 underwent a clean out operation in preparation for injection testing and it was determined that, when the well is pressured up, fluids can leak upwards to the surface between the intermediate and the production casing strings. Remedial work plans are being developed. Well 89-11 will also undergo a clean out operation following which both wells 34-23 and well 89-11 will be stimulated and injection tested. Wells 58A-11, 38-14 and 89-11 (subject to tests) are planned to be connected for injection in the near term.

The Company believes that additional reservoir drilling targets exist to the north and west of the existing well field based on geologic information and geophysical surveys.

Blue Mountain Wind Project

Although the Company's business mandate and primary focus will continue to be on new geothermal power development, the Company is assessing the feasibility of developing a wind project to take advantage of wind in Desert Valley adjacent to Blue Mountain, readily available land with excellent road access, existing project infrastructure and excess power line capacity connecting the site to the power grid.

The Company has acquired lease options and wind development rights on 11 square miles of undeveloped private land in central Desert Valley immediately west of the Blue Mountain Geothermal Project. Two widely-spaced wind measurement towers, SoDAR measuring equipment, data logging and satellite data transmission equipment were installed in January, 2011 to determine wind velocities and other characteristics throughout the next 12 months. If a wind power project sized to be compatible with projected future geothermal development at Blue Mountain is determined to be feasible, it could be developed within the time frame necessary to qualify for a 30% federal ITC/Tax Grant. Results to date indicate steady wind that is commercially marginal.

2) Pumpernickel Geothermal Project – Humboldt County - Nevada

The Company has private and federal geothermal leases comprising a total holding of 10 square miles (6,942 acres). The project is located approximately 48 km (30 miles) east of the town of Winnemucca. A 19 km (12 mile) transmission line is required to connect the property to the 120kV line at the Kramer Hills substation to the north. A portion of the leases was transferred from Ormat under an agreement that provides the Company preferred power plant equipment pricing, provides Ormat a right of first refusal to supply the equipment, and provides Ehni Enterprises Inc. an overriding royalty of 0.5% of revenue.

Previous work on the property dates back to 1974 when Magma Power Company drilled a 920 meter (3,071 ft) hole offsetting the hot springs and intersecting fault structures bearing geothermal fluid at depth. The temperature on the bottom was reported to have been 135°C (275°F) with the last 90 meters (300 ft) having a thermal gradient of 160°C/km. Resistivity, seismic, gravity and magnetometer surveys have been completed over all the leased land to define specific drill targets. Geothermal water samples obtained from drilling and hot springs, analyzed by Thermochem Labs, indicate a maximum geothermometry of 220°C (428°F). Current drilling targets are expected to be in the 170°C (338°F) range. Seven thermal gradient wells were completed between 2005 and 2008. Several of these wells revealed temperature gradients higher than 100°C/km outlining a strong thermal anomaly over a large area. The Company has three development size wells recently permitted (68-4, 64-4, and 45-4) on private land.

Phase I and II Transmission Interconnection Studies are complete and the Company is in the queue for necessary transmission rights. In late 2010 construction of a development well pad was completed and conductor casing was installed in the wholly private, south half of section four. Work has been ongoing in preparation for future drilling, including procuring BLM rights of way and preparing plans of operation. A DOE grant was successfully transferred from North Valley to Pumpernickel Valley, and we have recently completed the final award transfer documentation. DOE-funded work will begin with permitting activities and National Environmental Policy Act ("NEPA") review, including environmental and archaeological surveys. These initial permitting requirements are expected to lead to sub-soil gas sampling by approximately mid 2012.

3) North Valley Project – Washoe and Churchill Counties – Nevada

The Company has a total of 10 square miles (6,273 acres) of both private land and federal land including water and surface rights. The private leases are subject to a 3.5% royalty on gross revenue from electricity sales, and the Company has an option to purchase the royalty interest for $1 million.

Geophysical surveys and approximately 20 Phillips Petroleum drill holes from the early 1980's have outlined a large thermal anomaly with gradients over 200°C/km over 26 km² (10 mi²). The Company was awarded approximately $1.6 million matching funds from the US DOE and this support was transferred to Pumpernickel Valley during March. Rights of way approval were granted by the BLM in July and an exploration well was completed during August 2011, providing additional information on the property's geology and anomalous subsurface temperature regime.

4) Crump Geyser Geothermal Project – Lake County – Oregon

The Company has signed a 50/50 Joint Venture Letter Agreement with Ormat to develop a binary geothermal power plant, up to 30 MW, at Crump Geyser in Oregon. The project is intended to be completed in 2013 to be eligible for a 30% federal ITC grant.

The Crump Geyser project is located 48 km (30 miles) east of Lakeview, Oregon, and consists of leases totalling 11 square miles (7,205 acres) of private land. The private leases are subject to a royalty of 3.5% of gross revenues and a third party consulting firm has estimated a 40 MW (net) geothermal resource (90% probability). Environmental studies and a NEPA review by the DOE are complete and support DOE authorization to proceed to Phase II drilling as is discussed below. The program is expected to be partially funded by an approximately $1.8 million matching grant from the US DOE under the ARRA.

A development test well completed to 5,000 feet in early 2011 has undergone production and injection tests. It did not encounter commercial temperatures (maximum temperature 130ºC, 265ºF), but did intersect permeability that may allow it to be used for injection. Discovery of pre-existing temperature gradient data has obviated the need for further thermal gradient hole drilling. A Phase I report has been approved by DOE, and approval to move to Phase II drilling has been granted. Ormat completed the first exploration well (well 38-34) to 3000 feet in June 2011. Plans to drill a second well (35-34), which is anticipated to be funded through the DOE program, are being finalized, and drilling is expected to start by September, 2011. A third slim well site has been permitted and may be drilled in conjunction with the DOE program. Five full-size well sites have also been permitted with the Oregon Department of Geology and Mineral Industries ("DOGAMI") with final authorization pending approval from the Army Corps of Engineers. Additionally, a "push-core" shallow temperature survey of approximately twenty sites down to approximately 200 feet depth is being permitted to better define the reservoir extent.

5) Edna Mountain Project – Humboldt County - Nevada

The Company acquired federal geothermal leases covering an 11 square mile (7,072 acre) parcel of land on Edna Mountain during the 2010 financial year. It is located a few miles northeast of the Pumpernickel Valley project, two miles south of interstate Highway 80 and nine miles west of the Valmy coal-fired power plant owned by NVE and Idaho Power.

Field exploration and other research indicates a favourable geological and structural setting, significant evidence of past and present hydrothermal activity associated with extensional faulting, and a thermal anomaly indicated by two geothermal prospect wells that is significantly larger than previously recognized.

An exploration program has been planned that will include detailed geological mapping, an extended two-meter probe survey, geophysical surveying and thermal gradient drilling. The Company is currently evaluating the stipulations attached to BLM permits, and a Notice of Intent has been filed and approved to perform a 2-meter temperature probe, planned for fall, 2011.

6) New Truckhaven Project – Imperial Valley - California

The Company acquired Federal and private leases covering a 9.3 square mile (5949 acre) parcel of land in the Imperial Valley, California from IAE during the second calendar quarter of 2011. The property is located on the west side of the Salton Sea in a largely undeveloped area accessible by Highway 86 and within a few miles of transmission lines.

The Imperial Valley is one of the world's premier geothermal areas and the New Truckhaven property covers a broad thermal anomaly identified in 1500-ft deep gradient holes and two deep production test holes. Previously drilled test wells found temperatures from 350-375°F (177-190°C). During the remainder of 2011 NGP will define future production and injection drilling targets and make applications for confirmation/development drilling permits, water requirements, transmission line access, and bid for PPAs as part of an overall feasibility study. The project, assuming it proceeds, is not expected to begin producing power prior to the current 30% ITC/grant expiration date, December 31, 2013.

7) East Brawley Project – Imperial Valley – California

The Company also acquired from IAE private geothermal leases covering a six square mile (3843 acre) parcel of land at East Brawley, California. The leases are part of the centre of a thermal anomaly immediately south of recent drilling by Ram Power at its Orita project. Commercial productivity has been demonstrated in several deep wells. The existing wells on the East Brawley property report temperatures between 500-580°F (250-304°C). Ram Power released test results from the Orita-2 well, located 1/2 mile north of the East Brawley property: the well was reportedly tested at 8-10 MW with resource temperatures of 570°F (299°C).

During the remainder of 2011 NGP will commence work for well permits and complete geothermal reservoir and power plant scoping studies.

8) South Brawley Project – Imperial Valley – California

The Company also acquired from IAE a 50% leasehold on three square miles (1920 acres) of private land at the South Brawley geothermal area. NGP will determine if a secure land position can be established. No physical work is planned in the immediate future.

SELECTED ANNUAL INFORMATION

	Year ended June 30, 2009	Year ended June 30, 2010	Year ended June 30, 2011
Revenue	$ -	$ 11,839,010	$ 24,856,817
Net loss	5,088,760	17,981,451	8,606,976
Net loss per share (basic and diluted)	0.05	0.19	0.08
Total assets	222,810,846	187,273,781	193,052,603
Total short-term liabilities	175,561,911	156,951,454	6,430,542
Total long-term liabilities	4,706,155	4,532,691	156,790,213
Cash dividends declared per share	-	-	-

The Company completed construction of its Blue Mountain 'Faulkner 1' geothermal power plant during the second quarter of the 2010 fiscal year. Subsequent to the plant start up, revenue has been recognized in the income statement, and most interest on borrowings has been expensed, rather than

being capitalized, leading to an increase in the net loss of the Company in 2010. During 2011, the plant was operating at commercial levels throughout the year, and the 14% EIG loan was partially repaid in September 2010 from funds raised as part of a 4.14% loan with John Hancock, thereby reducing the interest expense. The net loss for the year ended June 30, 2011, includes a non-cash change of estimate adjustment gain of $3.5 million as well as a non-cash gain of $2.7 million on the revaluation of the cash settled option to zero.

Total assets reflected on the balance sheet decreased in 2010 with the receipt of a cash grant of $57.9 million under Section 1603, Division B of the ARRA of 2009 in respect of the Blue Mountain project. This cash grant was applied to property, plant and equipment for accounting purposes, and was used to fund a repayment of $28.9 million on the EIG loan, as well as further work on the Blue Mountain project.

As at June 30, 2009 and June 30, 2010, the Company was not in compliance with the terms of the EIG loan, and accordingly the full loan balance was disclosed as short-term. As at June 30, 2011, the Company was in compliance, and accordingly the full loan balance was recorded as long-term, as the contractual terms of the loan allow the Company to make interest payments only until maturity.

RESULTS OF OPERATIONS AND FINANCIAL SUMMARY

1) Results for the year ended June 30, 2011

	Year ended June 30, 2011	Year ended June 30, 2010	Variance	%
Net power production (MWh) *	303,450	182,618	120,832	66%
Revenue	$ 24,856,817	$ 11,839,010	$ 13,017,807	110%
Gross margin	12,592,905	4,184,342	8,408,563	201%
Operating expenses	(5,675,141)	(4,921,965)	(753,176)	15%
Operating profit (loss)	6,917,764	(737,623)	7,655,387	(1038%)
Net loss	(8,606,976)	(17,981,451)	9,374,475	(52%)
Net loss per share (basic and diluted)	(0.08)	(0.19)	0.11	(58%)
Cash from (used in) operating activities	1,552,323	(7,534,974)	9,087,297	(121%)
Cash (used in) from investing activities	(18,594,619)	20,303,391	(38,898,010)	(192%)
Cash from (used in) financing activities	19,412,914	(8,785,821)	28,198,735	(321%)

** Information for the year ended June 30, 2010 includes power production prior to substantial completion of the Blue Mountain plant.*

	Quarter ended September 30, 2010	Quarter ended December 31, 2010	Quarter ended March 31, 2011	Quarter ended June 30, 2011
Revenue	$ 6,857,017	$ 5,779,830	$ 6,326,960	$ 5,893,010
Gross margin	3,357,544	2,958,119	3,594,286	2,682,956
Gross margin %	49%	51%	57%	46%
Non-operations revenue (included above)	1,000,000	7,000	10,760	10,314
Depreciation and amortization included in direct cost of energy production	1,780,417	1,727,336	1,797,421	1,791,656
Gross margin % excluding depreciation, amortization and non-operations revenue	71%	81%	85%	76%

Power production for the year ended June 30, 2011 averaged 45 MW (gross), 35 MW (net). Power production is normally highest during the colder months of the year due to increased plant efficiencies. This is reflected in higher gross profit margins during winter months since the majority of

the direct costs of energy production do not vary with production. The year ended June 30, 2011 is the first full year that the Company's Blue Mountain geothermal plant has been in full operation and includes the effect of a seven day maintenance outage during November 2010 and a pump malfunction during July 2010. The year ended June 30, 2010 includes the revenue generated during the first eight months after the substantial completion of the plant, a period during which the Company was still ramping up production. An electrical incident during January 2010 also shut down production for several weeks during January and February 2010, negatively impacting revenue and profitability for the 2010 financial year. A settlement regarding this incident was reached during the quarter ended September 2010, and $1.0 million is included in revenue for the 2011 financial year relating to this settlement.

Gross margin, before taking into account depreciation and amortization, and excluding non-operations revenue, amounted to $18.6 million (78%) for the year, compared to $9.1 million (77%) for the comparative period. Direct cost of energy production for the year included $528,789 expensed in respect of the Company's recent wellfield testing program, as well as significant repairs and maintenance following the pump malfunction in July.

Operating expenses, which are comprised of general and administrative expenses and resource property expenses (incurred at the Company's development properties) increased from $4.9 million in 2010 to $5.7 million in 2011, an increase of 15%. Whilst the increase can partly be explained by the rise of the Canadian dollar (at 2010 exchange rates, the increase would have been only 11%), the increase arose predominantly because of higher stock-based compensation expense (an increase of $316,315) and resource property costs (which increased to $148,315 due to increased site investigation work and payments made under lease contracts).

Blue Mountain revenue and the proceeds of the John Hancock loan have funded Blue Mountain expenses, further investment in the Blue Mountain wellfield, and repayment of principal and interest to EIG and John Hancock. The Company has used its additional cash primarily to continue development of its property pipeline, other than Blue Mountain, to purchase the assets of IAE and to fund ongoing corporate expenses. On a consolidated basis, after paying both Blue Mountain and Corporate expenses, as well as paying John Hancock interest and repaying principal the Company did not generate sufficient cash to fully pay EIG interest and consequently the EIG loan balance is growing. Operating cash generation of $1.6 million results, in part, from deferral of $5.5 million EIG loan interest that was added to the EIG loan balance. The John Hancock/DOE guaranteed loan proceeds funded primarily repayment of the EIG loan and further development of the Blue Mountain resource.

The cash invested in resource property interests of $3.3 million focused on the Crump Geyser project being developed as a joint venture and was largely funded by Ormat. The Company also closed the $98.5 million John Hancock financing during September 2010, setting funds aside for the Blue Mountain drilling program, predominantly relating to the drilling and subsequent testing and stimulation program at Blue Mountain, and repaying a portion of the EIG loan. A private placement during September 2010 raised net proceeds of $9.5 million, to be used to fund general corporate expenses and future operations and project development at the Company's other resource properties. The comparative period included the substantial completion of the Blue Mountain plant, and the receipt of a $57.9 million cash grant from the US Department of Treasury, which was used in part to fund a repayment of the EIG loan.

SUMMARY OF QUARTERLY RESULTS

	Revenue	Net (loss) profit	Net (loss) profit per share (Basic and diluted)
Quarter ended			
June 2011	$ 5,893,010	$ (2,683,956)	$ (0.02)
March 2011	6,326,960	(1,425,757)	(0.01)
December 2010	5,779,830	20,231	0.00
September 2010	6,857,017	(4,517,498)	(0.05)
June 2010	6,231,221	(3,679,944)	(0.04)
March 2010	2,963,744	(5,664,233)	(0.06)
December 2009	2,644,045	(6,801,687)	(0.07)
September 2009	Nil	(1,835,587)	(0.02)

Prior to start up of the Blue Mountain power plant, the Company's net loss arose primarily from the activities of its corporate head office. The Blue Mountain power plant began operating during the quarter ended December 2009. The quarter ended March 2010 was negatively affected by the electrical plant outage referred to above. The quarter ended September 2010 includes a portion of the settlement in respect of the electrical incident, but was also negatively affected by a pump replacement. The quarter ended December 2010 was favourably affected by non-cash gains (approximately $3.6 million) associated with deferring loan costs and reducing the value of the cash settled option that resulted from a downward revision of the longer term forecast of power production at Blue Mountain. The quarter ended March 2011 includes a non-cash gain of $901,186 on the revaluation of the cash settled option. The quarter ended June 30, 2011 includes a further $1.1 million non-cash gain on revaluation of the cash settled option. Observable trends in the quarterly information presented may not be meaningful.

FOURTH QUARTER

Results for the quarter ended June 30, 2011

	Quarter ended June 30, 2011	Quarter ended June 30, 2010	Variance	%
Net power production (MWh)	74,621	80,434	(5,813)	(7%)
Revenue	$ 5,893,010	$ 6,231,221	(338,211)	(5%)
Gross margin	2,682,956	3,688,529	(1,005,573)	(27%)
Operating expenses	(1,622,172)	(1,823,720)	201,548	(11%)
Operating profit (loss)	1,060,784	1,864,809	(804,025)	(43%)
Net loss	(2,683,952)	(3,679,944)	995,992	(27%)
Net loss per share (basic and diluted)	(0.02)	(0.04)	(0.02)	(50%)
Cash from (used in) operating activities	2,713,320	(1,727,170)	4,440,490	(257%)
Cash (used in) from investing activities	(863,743)	(2,266,548)	1,402,805	(62%)
Cash used in financing activities	(1,718,111)	741,483	(2,459,594)	(332%)

Power production for the fourth quarter was seven % lower than power production in the fourth quarter of the 2010 financial year, and six % below power production for the third quarter due to a lower supply amount specified for the month under the PPA with NVE, as required by our lenders.

Operating expenses were reduced from 2010 levels, primarily due to lower legal costs. Positive cash flow from operations was the result of the timing of an interest payment made subsequent to year end in July 2011. Investing activities include the conclusion of the purchase of the Imperial Valley projects in California.

TRANSACTIONS WITH RELATED PARTIES

As at June 30, 2011, a total of $44,796 (2010 - $68,040) was owing to directors, officers and companies controlled by directors of the Company. This amount is included in accounts payable and accrued liabilities, is unsecured and payable on demand. The financial statements also include a total of $7,734 (2010 – nil) due from CGC.

During the year ended June 30, 2011 the following were paid to or accrued for directors, companies controlled by directors of the Company and amounts invoiced to CGC:

	2011	2010	2009
Directors' fees	**$ 93,164**	$ 72,055	$ 77,702
Consulting expense, including success fee (directors)	**758,828**	351,484	1,184,131
Consulting revenue (CGC)	**28,074**	-	-

Consulting costs for 2011 primarily resulted from success fees paid to a director of the Company in terms of an agreement that had been in place in connection with successfully arranging the Company's John Hancock loan.

OFF-BALANCE SHEET ARRANGEMENTS

As at June 30, 2011, the Company has provided, as operating security, $3.8 million in letters of credit to NVE under the revised terms of the 20-year PPA. NVE letters of credit are cash collateralized by deposits at Bank of the West, a US bank.

Under the terms of its loan with John Hancock the Company has provided reserve funds (included in restricted cash) of approximately $8.4 million for a debt service reserve, as well as reserves for drilling expenditure, plant maintenance and property tax. Under the John Hancock loan terms if the DSCR falls below 1.45 the Company must fund a third party approved plan to restore the coverage ratio, either from higher power production or loan repayment.

Following the PPA Commercial Operation Date ("COD"), on November 20, 2009, the Company has an obligation to pay NVE its replacement power cost above the PPA price, for any shortfall in the supply of power and/or Portfolio Energy (environmental) Credits beyond contractual allowances, for a maximum of three years, unless the shortfall relates to a Force Majeure event, such as the January 2010 electrical failure, or an NVE emergency.

The Company has no other material off-balance sheet arrangements, such as guarantee contracts, derivative instruments or any other obligations that trigger financing, liquidity, market or credit risk to the Company.

ACTUAL AND PROPOSED TRANSACTIONS

In the normal course of business, the Company evaluates geothermal properties for potential acquisitions or disposals which, if appropriate, would be presented to the Board for consideration.

On November 1, 2010, the Company announced it had entered into a letter agreement under which the Company and Ormat intend to enter into a joint venture agreement to develop the Crump Geyser project, as more fully discussed in the financial statements and elsewhere in this document.

On February 23, 2011, the Company announced it had signed an agreement giving the Company the exclusive right to purchase 100% ownership of IAE's geothermal assets comprised of the geothermal leases at New Truckhaven, East Brawley and South Brawley Projects in the Imperial Valley, Southern California. The Company paid approximately $680,000 in cash and issued 6,074,069 shares in consideration of closing this transaction at May 31, 2011.

The Company will continue to assess opportunities as they arise.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with GAAP 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. The most significant areas of estimation are the following:

1) **Estimates of the useful lives and residual values of property, plant and equipment**

   Depreciation of property, plant and equipment is a material expense, and changes in the estimates of useful lives could materially impact the financial statements. The actual lives of assets can vary depending on a variety of factors, including technical innovation and maintenance programmes.

2) **Assumptions made around estimated future cash flows relating to the long-term liabilities**

   The Company has determined that it is not possible to make a reliable estimate of the expected cash flows associated with the EIG loan. Accordingly the Company has continued to use the forecast that was in place when the last reasonable estimate was possible.

3) **Assumptions made as a part of the fair value calculations for the cash settled option**

   The Company has historically used a valuation model to determine the value of the cash settled option. The model includes many variables that are subject to significant uncertainty. As at June 2011, the Company recorded the cash settled option at zero, since, under the Company's current power production forecast, the Company is not able to service the EIG loan for the full loan term.

4) **The calculation of the fair value of the asset retirement obligation**

   The calculation of the asset retirement obligation includes estimates regarding the expected cost of settling obligations that arise when assets are retired, which can change due to factors

such as changes in regulatory requirements. The amount recorded is also affected by estimates regarding the timing of the obligation.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Company made the following changes to its accounting policies during the year ended June 30, 2011:

1) **CICA handbook section 3870, Stock-based Compensation and Other Stock-based Payments**

   Under the Company's previous accounting policy for stock-based compensation, the Company accrued compensation costs in respect of share options granted during the period based on the assumption that all instruments subject only to a service requirement will vest. The effect of actual forfeitures was recognized as they occurred.

   During the year ended June 30, 2011, the Company changed its policy to base accruals of compensation cost on the best available estimate of the number of options or other equity instruments that are expected to vest and to revise that estimate, if necessary, if subsequent information indicates that actual forfeitures are likely to differ from initial estimates.

   Prior to the year ended June 30, 2010, the Company had not had any options forfeited, and accordingly an estimate of no forfeitures was reasonable for all options granted prior to the most recent grant. The change in the accounting policy will allow for the effect of the recent increase in forfeitures to be incorporated into the determination of the stock-based payment expense, and will accordingly give rise to more relevant and reliable information in the Company's financial statements. In addition, the change aligns the treatment of stock-based compensation with the treatment that would have been required under both accounting principles generally accepted in the United States ("US GAAP") and International Financial Reporting Standards ("IFRS").

   The effect of the change was to reduce the stock-based compensation expense for the year ended June, 2011 by $11,522. The change did not affect prior reporting periods.

2) **CICA handbook section 1582, Business Combinations, section 1601, Consolidated Financial Statements and section 1602, Non-controlling interests**

   The abovementioned sections were released in January 2009 and adopted by the Company during the year ended June 30, 2011. The adoption of the new standards results in a number of changes to the treatment of acquisitions, notably the measurement of non-controlling interests at fair value by the parent group, the requirement to expense acquisition costs, and the accounting for contingent consideration as a financial liability, measured at fair value. The adoption of the new standard did not affect the Company's financial statements for the year ended June 30, 2011.

3) **CICA handbook section 3855, Financial Instruments**

   In June 2009, the CICA amended Section 3855, Financial Instruments - Recognition and Measurement, to clarify the application of the effective interest method after a debt instrument has been impaired. This Section has also been amended to clarify when an embedded prepayment option is separated from its host debt instrument for accounting purposes. This amendment was adopted during the year ended June 30, 2011, but did not affect the

Company's financial statements.

4) EIC 175, Multiple Deliverable Revenue Arrangements

In December 2009, the CICA issued EIC 175, Multiple Deliverable Revenue Arrangements, replacing EIC 142, Revenue Arrangements with Multiple Deliverables. This abstract provides updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated and the consideration allocated; requires, in situations where a vendor does not have vendor-specific objective evidence or third party evidence of selling price, that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; eliminates the use of the residual method and requires an entity to allocate revenue using the relative selling price method; and requires expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance. The adoption of EIC 175 has not affected the Company's financial statements.

International Financial Reporting Standards

The Company will be adopting IFRS for financial years beginning on or after January 1, 2011, with its first annual report under IFRS for the year ending June 30, 2012, and its first interim report under IFRS for the quarter ending September 30, 2011. Comparative information in respect of the 2011 financial year will be provided in both cases. The date of transition to IFRS is the beginning of the first year of comparative information that will be presented in the Company's first set of IFRS financial statements, and the date at which the opening balance sheet will be prepared, namely June 30, 2010.

1) Progress update

Management has made significant progress with its IFRS implementation plan, and has completed the analysis of significant differences between IFRS and Canadian GAAP. Accounting policies have been selected, and have been approved by the Company's audit committee. The opening balance sheet has been prepared, and we have quantified the effects of the conversion on each of the quarters of the 2011 financial year.

We are continuing to monitor and evaluate changes in IFRS standards, and changes in standards or other circumstances can still affect the numbers ultimately reported under IFRS.

2) Differences identified

Resource property interests:

The most significant difference between the current Canadian GAAP accounting policies and the IFRS accounting policies relates to the criteria for the recognition and measurement of resource property interests. The Company reviewed the guidance available in IFRS and selected a policy whereby costs relating to the acquisition of resource properties are capitalized, but costs relating to the exploration for and evaluation of geothermal resources are recognised in profit or loss when incurred if costs relate to expenditure on activities undertaken with the prospect of surveying geothermal areas where exploitation probability is uncertain. Development costs relating to geothermal properties are capitalized under the policy. Under the IFRS policy selected, a significant part of the carrying amount of resource property interests including amounts that have been transferred to wellfield, would not have met the criteria for capitalization.

Asset retirement obligations:

Accounting for the asset retirement obligation, which has resulted in an increase in the liability recognized and the corresponding amount included in property, plant and equipment, primarily as a result of the use of different discount rates.

Foreign currency translation reserve:

The foreign currency translation reserve has been reset to zero as at date of conversion, as allowed by IFRS 1, First-time Adoption of International Financial Reporting Standards.

Joint venture accounting:

The recognition of deferred gains relating to contributions from other joint venture partners is not allowed under IFRS. The Company however expects to continue to use proportionate consolidation to account for joint ventures until the 2014 financial year, at which point IFRS 11, Joint Arrangements becomes effective for the Company.

Property, plant and equipment and depreciation:

Changes to the amounts transferred to property, plant and equipment from resource property interests, as well as changes to the asset retirement obligation have resulted in adjustments to property, plant and equipment and depreciation. In addition, IFRS require that useful lives and residual values be re-assessed on an annual, rather than a periodic basis.

3) Exemptions

IFRS 1 includes a number of optional exemptions and mandatory exceptions from full retrospective application of IFRS. The Company has identified the following as the most significant exemptions that are expected to apply to the Company upon adoption:

- Cumulative translation differences: The Company has elected to transfer all cumulative translation adjustments to deficit upon conversion to IFRS; and
- Decommissioning liabilities included in the cost of property, plant and equipment: Changes in the amount of the asset retirement obligation prior to the date of transition to IFRS are subject to a simplified treatment described in IFRS 1.

4) Quantified effects on financial statements

The following tables summarize the expected effects of the transition to IFRS on the Consolidated Balance Sheet as at the date of transition to IFRS and the Consolidated Income Statement for the year ended June 30, 2011.

Balance Sheet As at July 1, 2010	**As currently reported under GAAP**	Reconciling items				**IFRS (Unaudited)**
		Recognition of resource property interests	Asset retirement obligation	Adjustments to depreciation and amortization	Other	
Assets						
Current assets	**$ 11,132,742**	$ -	$ -	$ -	$ -	**$ 11,132,742**
Non-current assets	**176,141,039**	(48,400,979)	1,701,586	1,699,301	(330,468)	**130,810,479**
	$ 187,273,781	$ (48,400,979)	$ 1,701,586	$ 1,699,301	$ (330,468)	**$ 141,943,221**
Liabilities						
Current liabilities	**$ 156,951,454**	$ -	$ -	$ -	$ (23,319)	**$ 156,928,135**
Non-current liabilities	**4,532,691**	-	2,585,950	-	-	**7,118,641**
	161,484,145					**164,046,776**
Equity	**25,789,636**	(48,400,979)	(884,364)	1,699,301	(307,149)	**(22,103,555)**
	$ 187,273,781	$ (48,400,979)	$ 1,701,586	$ 1,699,301	$ (330,468)	**$ 141,943,221**

Income Statement For the year ended June 30, 2011	**As currently reported under GAAP**	Reconciling items				**IFRS (Unaudited)**
		Recognition of resource property interests	Joint venture accounting	Adjustments to depreciation and amortization	Re-allocations & other	
Revenue	**$ 24,856,817**	$ -	$ -	$ -	$ -	**$ 24,856,817**
Direct costs of energy production	**(12,263,912)**	-	-	1,974,380	-	**(10,289,532)**
Gross profit	**12,592,905**	-	-	1,974380	-	**14,567,285**
Resource property expenses	**(148,315)**	(2,928,691)	2,510,980	-	82,503	**(483,523)**
General and administrative expenses	**(5,526,826)**	-	-	(14,678)	2,848,119	**(2,693,385)**
Operating profit	**6,917,764**	(2,928,691)	2,510,980	1,959,702	2,930,622	**11,390,377**
Other income (expenses)	**(15,524,740)**	-	-	(453)	(2,989,244)	**(18,514,437)**
Net loss	**$ (8,606,976)**	$ (2,928,691)	$ 2,510,980	$ 1,959,249	$ (58,622)	**$ (7,124,060)**

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial instruments carried on the balance sheet include cash and cash equivalents, restricted cash, accounts receivable, marketable securities, accounts payable and accrued liabilities, long-term payables, long-term liabilities, lease obligations and the cash settled option. Long-term liabilities, lease obligations and long-term payables are carried at amortized cost. The EIG loan is carried at the contractual amount owing. The fair value of the remaining instruments approximates their carrying value.

The Cash Settled Option was revalued during the year to reflect lower power production at Blue Mountain. The reduction in the estimated amount owed to EIG resulted in a non cash gain of approximately $2.7 million. Long-term liabilities are initially recognized at fair value, net of transaction costs, and subsequently at amortized cost using the effective interest rate method. Under normal circumstances, the Company would have updated its estimate of the future cash flows associated with the EIG loan to reflect the lower power production forecast, resulting in a gain or loss on change of estimate being recognized in the income statement. As at the end of June 2011, the Company has however determined that it is not possible to make a reliable estimate of the cash flows associated with the loan. Accordingly the Company has continued to use the forecast that was in place when the last reasonable estimate possible. The Company will continue to record interest based on this estimate until the uncertainty is resolved, at which time the adjustment to the financial statements could be material.

Cash equivalents include money market based investments and term deposits where maturity at inception is less than ninety days or that may be liquidated at the Company's option without significant penalty. The amounts invested are in excess of amounts protected by the Canadian and US Government deposit insurance programs and, as a result of cash collateralizing the NVE letter of credit and funding reserve accounts for the John Hancock loan, the Company holds a large investment in certificates of deposit at Bank of the West, an A+ / A-1 (S&P) rated western US bank and a money market fund at Wilmington Trust Co, an A/A-1 (S&P) rated US bank.

OUTSTANDING SHARE DATA

The Company has authorized unlimited common shares without par value, 25,000,000 first preferred shares without par value, and 25,000,000 second preferred shares without par value. Refer to Note 19 of the financial statements for the year ended June 30, 2011 for more information. During September 2010 the Company closed a non-brokered private placement for 20,700,000 units consisting of one common share and one share purchase warrant at a price of CAD 0.50 per unit to raise gross proceeds of CAD 10,350,000. Each unit consists of one common share and one transferable three year share purchase warrant, entitling the holder to purchase one additional common share of the Company at a price of CAD 0.70. As of the date of this report, the Company had 122,410,573 common shares, 8,407,500 stock options and 26,175,000 warrants outstanding with various exercise prices, terms and exercise dates.

At the effective date of this MD&A, if all of these options and warrants were exercised, a total of 157,993,073 common shares would be issued and outstanding.

INVESTOR RELATIONS

The Company employs Mr. Paul Mitchell to provide Investor Relations.

CAPITAL RESOURCES AND LIQUIDITY

At June 30, 2011 the Company had $9.5 million in cash and equivalents on hand, and working capital of $9.8 million. During the quarter, approximately $1.7 million was repaid on the John Hancock loan and approximately $3 million of the June 30, 2011 cash balance was held for payment of interest on the EIG loan shortly after year-end. The Company's projects at Blue Mountain and Crump should not require significant further parent funding, and approximately $5.7 million cash in the remainder of the Group is available to fund corporate costs of approximately $1.4 million per quarter and discretionary development plans. Following the recent IAE transaction the Company plans to fund a project at New Truckhaven and is accordingly discussing funding with investment banking representatives.

As indicated earlier the Company feels it is unlikely that its subsidiary, NGP Blue Mountain Holdco LLC, will comply with the EIG loan DSCR on December 31, 2011. At March 31, 2011, a revised, downward forecast of the Blue Mountain power production suggested the Company may be unable to service the EIG loan for the full loan term and, since this forecast remains most reasonable at June 30, 2011 it is not possible to make a reliable estimate of the cash flows associated with the loan.

The Company has engaged Marathon Capital to assist with a tax assisted financing for Blue Mountain and the Company received approximately $7.9 million ARRA cash grant during July. In addition, from approximately $2.5 million remaining in an $8.4 million reserve set aside from the John Hancock loan proceeds for development drilling, the Company anticipates funding planned injection well connections and further stimulation and testing at Blue Mountain that is expected to improve power production to the current "most reasonable" forecast – 35 MW declining 2.5% per year. The Company's subsidiary NGP Blue Mountain Holdco LLC ("Holdco"), which holds a 100% interest in NGP I, is permitted to defer 6% of the 14% interest owed to EIG and a tax assisted financing, if available, combined with the ARRA cash grant in hand are expected to permit further repayment of the EIG loan. Nevertheless the Company believes it is unlikely it can comply with the EIG DSCR at December 31, 2011 and, after forecast repayment, the "most reasonable" current power production forecast does not support servicing the EIG loan for its full term. Accordingly, the Company has begun discussions with EIG regarding potential changes to the loan terms. At June 30, 2011, and currently, the outcome of these discussions and the EIG loan repayment schedule is subject to considerable uncertainty.

On September 3, 2010, NGP I closed a $98.5 million 20 year loan with John Hancock, 80% guaranteed by the DOE under the FIPP. The John Hancock loan interest rate is fixed at 4.14% per annum and, as mentioned, $8.4 million was set aside to fund drilling additional wells at Blue Mountain. The Company drilled two wells and is working with John Hancock and DOE to gain approval for spending a portion of the remaining funds (approximately $2.5 million) on a partly completed stimulation and testing program. Approximately $1.2 million had been spent on the stimulation and testing program at year end. In addition to supporting power production at the "most reasonable" forecast the stimulation and testing program is expected to ensure compliance with a covenanted 1.45 DSCR. In the event a 1.45 DSCR cannot be forecast for the full loan term, the Company has committed to fund an additional drilling reserve account or pay down the John Hancock/DOE loan. Accordingly, if third party reservoir modelling currently underway does not support the covenanted 1.45 DSCR ratio, funds that would otherwise be available to EIG will be trapped to fund this 1.45 DSCR commitment to John Hancock, meaning the EIG loan balance will grow more quickly and the EIG repayment schedule will become subject to more uncertainty.

The Blue Mountain PPA with NVE permits a 3% annual decline in power production from the 2011 35MW commitment. In the event third party modelling suggests a faster decline there may be some doubt the Company will be able to fulfil its PPA requirements, and if NVE will not agree to amend the terms of the PPA then the Company faces a potential liability for NVE power purchase costs and

potential additional costs to replace Portfolio Energy Credits ("PCs" are a form of renewable energy credit). These potential liabilities may complicate discussions with John Hancock and DOE regarding the Company's ability to meet the 1.45 DSCR over their full loan term, further increasing EIG repayment uncertainty.

The Company does not plan to fund significant further expenditures at Blue Mountain; rather we plan to employ funds remaining in the John Hancock drilling reserve (approximately $2.5 million), if approved, and discuss potential adjustments to loan terms with EIG. Corporate commitments, excluding Blue Mountain expenses, are approximately $1.4 million per quarter for ongoing expenses plus non discretionary leasehold payments. Discretionary expenditures will primarily focus on the New Truckhaven project since the Company's project at Crump, subject to a successful development program, will be primarily funded by Ormat under the joint venture agreement. The Company plans to develop the New Truckhaven property as quickly as possible, depending upon available funds.

The EIG loan matures November 30, 2023 and the balance outstanding at June 30, 2011 was approximately $91.3 million. The Company will not receive cash, beyond payment for services provided, from the Blue Mountain project, until NGP I meets the contracted coverage ratio and the EIG loan balance meets a scheduled target balance ($64.8 million at June 30, 2011). The Company has received an initial $100,000 payment from Ormat for its 50% interest in the Crump joint venture and anticipates $200,000 during November 2011, $500,000 during November 2012 and the remaining $1.7 million, subject to successful exploration, during November 2013 or on the Commercial Operation Date, whichever is earlier. Therefore, the Company is dependent upon its available cash (approximately $5.7 million) and its ability to raise additional funds to support ongoing operations, maintain minimum property commitments and to develop New Truckhaven.

Due to the uncertainty regarding the outcome of the discussions with EIG regarding potential changes to the loan terms, the ongoing testing and stimulation program at Blue Mountain and the Company's ability to pay the EIG loan down with the proceeds of a tax assisted financing and the recently received ARRA grant it is not possible to reliably forecast future cash flow. It is likely that the effect on the financial statements will be material when the uncertainty is resolved and if the outcome of the discussions with EIG does not result in loan terms with which the Company can comply, EIG may be in a position, shortly, to assert default and exercise its security rights in the NGP Blue Mountain Holdco LLC equity.

Contractual obligations	**Payments due by period**				
	Total	**Less than 1 year**	**1 – 3 years**	**4 – 5 years**	**After 5 years**
Long-term debt *	123,078,402	10,057,969	19,341,147	18,557,152	75,122,134
Long-term payables	572,787	276,980	295,807	-	-
Capital lease obligations	36,531	9,530	19,060	7,941	-
Operating leases	1,076,523	234,555	481,816	360,152	-
Resource property leases	7,182,115	694,424	1,199,983	1,142,968	4,144,740
Work commitments	1,369,510	283,182	557,743	320,480	208,105
Purchase obligations	1,305,248	1,305,248	-	-	-
Total contractual obligations *	134,621,116	12,861,888	21,895,556	20,388,693	79,474,979

** Excludes the EIG loan*

RISKS AND UNCERTAINTIES

Due to risks and uncertainties, including the risks and uncertainties identified below and elsewhere in this MD&A, actual events may differ materially from current expectations.

By its very nature, geothermal exploration and development involves a high degree of risk, and considerable expenditures are required to substantiate the commercial viability of a geothermal field and then to develop it to profitable production. The Company competes with other geothermal enterprises, some of which have greater resources, to explore and to develop geothermal concessions. These resources include funding, personnel, consultants, and equipment.

In the short term, management believes the primary risks to the Company relate to changing the terms of the EIG loan, an anticipated DSCR covenant breach at December 31, 2011, the outlook for Blue Mountain power production and partially repaying EIG with the proceeds of the recently received $7.9 million portion of its ARRA grant and additional tax assisted funds. These risks affect the ability to manage compliance with EIG loan terms. The Blue Mountain project is dependent upon changes to EIG loan terms, as well as successfully stimulating and testing injection wells to support currently forecast power production and paying down the EIG loan with funds from a financing to monetize tax benefits and the recently received ARRA cash grant. In addition, the Company is dependent upon raising equity for developing its project pipeline.

If the EIG loan terms remain unchanged, at the currently forecast "most reasonable" power production, the Company is not able to service the EIG loan for its full term. To achieve the currently forecast power production, and to meet the terms of its PPA with NVE, the Company must be successful with its current stimulation program and/or follow-up stimulation/drilling. In the short term, if power production is not forecast to increase to the PPA minimum, there is a possibility of future penalties under the PPA with NVE for the cost of electricity and renewable energy credits. If incurred, penalties would result in less cash available for lenders and the potential for penalties may result in a requirement by John Hancock/DOE to fund additional resource work and/or repay their loan to meet the contracted 1.45 DSCR forecast - resulting in higher EIG loan balances and even more uncertain EIG repayment. The Company currently anticipates breaching the EIG DSCR at December 31, 2011. In the event of a default, EIG may elect to call the loan and execute upon its security, which may result in loss of the Blue Mountain equity and the Blue Mountain Faulkner 1 plant, a material adverse event.

Under a letter agreement between the Company and Ormat relating to the joint venture for the development of the Crump project Ormat will finance 100% of the initial development activities on the project. After the initial development expenses are complete, the parties will each be responsible for financing their 50% share of costs, although the Company can borrow under a bridge financing facility from Ormat for all or part of the Company's share of costs up to $15 million. Ormat has the right to withdraw from the project if drilling is unsuccessful. In this event, Ormat's 50% interest in the project reverts to the Company, and the unpaid portion of the $2.5 million payment to the Company is no longer due. There will however not be any reimbursement to Ormat in respect of their expenditures on the project. If drilling costs exceed $45 million and/or construction funding is unavailable when needed, the Company's 50% interest at its Crump Geyser project is diluted, although the Company's interest in the project is protected by a 20% floor and the right to repurchase its interest (to a maximum of 50%) from proceeds of permanent project financing until Commercial Operation begins.

In August 2009, the Company began supplying power to NVE under a 2006 PPA. By October it was supplying approximately 20 MW (net) and during November 2009 the Company declared Commercial Operation, committing to an average supply amount of 36.1 MW. By March 31, 2010 the Company had increased power output to approximately this level. However, from January 16, 2010 to March 5,

2010 the Company was unable to produce power at the contracted supply amount, and declared Force Majeure, as a result of incorrect electrical cable installation. Under the PPA, the Company may be liable for the replacement cost of energy and PCs if energy delivered falls below a contracted minimum, which at the time was 92.5% of the supply amount for the year ended December 31, 2010. NVE has challenged the Company's Force Majeure claim and is documenting a claim having deducted $76,698 from an invoice payment. The PPA permits the invoice offset only if there is a liability. The PC replacement cost is included in the financial statements, but the Company is challenging NVE's claim and NVE is under obligation to provide documentation and support. The Company believes its Force Majeure claim has merit.

The Blue Mountain PPA provided that the Company could nominate higher power production until November 20, 2010 but, since the Company had not demonstrated sustainable power production above the PPA minimum, lenders did not and will not permit higher nomination under the PPA than the PPA minimum until third party consultants support higher sustainable production. If third party advisors become comfortable, following future drilling, stimulation and testing, waivers and/or PUC approval may also be necessary before power production and delivery can be increased. In the meantime, the Company has nominated 35 MW, the PPA minimum power supply for 2011, and anticipates nominating 3% reduction annually until higher power production can be supported, consistent with the PPA minimum and the John Hancock Note Purchase Agreement.

The Company anticipates current stimulation and testing will be successful enough to maintain the PPA minimum power supply. However, there is no certainty the Company will continue to meet this requirement. GeothermEx, the third party resource consultant, is currently updating its reservoir model. In the event that the Company is unable to fulfill the requirements of the PPA, and if NVE or its PUC will not agree to amend the terms of the PPA, then the Company could be liable for additional NVE power purchase costs and additional costs to replace PCs. Also, there is some risk that NVE would elect to terminate the PPA.

The Company is at risk from changes in general economic conditions and financial markets, changes in the price of oil, gas and electricity, changes to favourable tax incentives with respect to production tax credits, grants, loan guarantees and investment tax credits, changes in technology, and operational hazards in the Company's exploration, construction and development activities, uncertainties inherent in the resource development, the timing and availability of financing, governmental and other approvals, and other risk factors listed from time to time by the Company. These factors may impact upon the Company's ability to finance its programs and to carry out operations. While the Company has sufficient funds for near term expenditures, in the future the Company may not be able to raise or generate sufficient funds to pay general and administrative expenses and fund project development. While it has been successful to date, there is no assurance that the Company will be successful in the future.

As a result of cash collateralizing the NVE letters of credit and funding loan reserve accounts the Company holds large investments with Bank of the West, an A+/A-1 (S&P) rated Western US bank (approximately $4.2 million), and Wilmington Trust Co, a A/A-1 (S&P) rated US bank (approximately $12.1 million). The Company operates in both Canada and the United States, and is subject to currency fluctuations. The exploration activities expose the Company to potential environmental liabilities relating to the development of the geothermal concessions in accordance with United States laws and regulations.

There is no guarantee that title to the properties in which the Company has a recorded interest will not be challenged. However, management is not aware of any material impediment to its interest in these properties.

FORWARD LOOKING STATEMENTS AND ESTIMATES

This MD&A contains estimates of geothermal resources. By its very nature, the estimation of resources is uncertain and involves subjective judgments about many factors. The accuracy of any such estimates is a function of the quality and quantity of available data, of the assumptions made and of the judgments used in the engineering, geological, and geophysical interpretations, which may ultimately prove to be unreliable. There can be no assurance that these estimates will be accurate or that such geothermal resources can be successfully and economically exploited.

Except for statements of fact related to the Company, certain statements made herein may constitute "Forward-Looking Statements". These include, but are not limited to, statements respecting anticipated business activities, planned expenditures, corporate strategies, and investigation and acquisition of new projects. Forward-looking statements are frequently characterized by words such as "plan," "expect," "project," "intend," "believe," "anticipate," and other similar words, or statements that certain events or conditions "may" or "will" occur. Although the Company believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties, and no assurance can be given that actual results will be consistent with these forward-looking statements. Forward looking statements are based on the beliefs, opinions and estimates of management at the date the statements are made, current expectations at that date - and these by their inherent nature entail various risks, uncertainties and other unknown factors. Consequently, there can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Some important factors that could cause actual results to differ from these forward-looking statements include those described under the heading "Risks and Uncertainties" contained immediately before this section. Therefore the reader is cautioned not to place undue reliance on forward-looking statements. Further, the Company disclaims any obligation or intention to update or to revise any forward-looking statement, whether as a result of new information, of future events, or otherwise except as may be required under applicable securities legislation.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

A company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

A control system, no matter how well conceived or operated, can only provide reasonable assurance, not absolute assurance, that the objectives of the control system are met. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Management, including our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of June 30, 2011. In making this assessment, management used the criteria set forth in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its assessment, management has concluded that, as of June 30, 2011, the Company maintained effective internal control over financial reporting.

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of our Chief Executive Officer and Chief Financial Officer, as of the end of the period covered in this report, evaluated the effectiveness of our disclosure controls and procedures and determined that, as of June 30, 2011, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us is recorded, processed, summarized and reported within the time periods specified.

OTHER INFORMATION

The Company's web site address is www.nevadageothermal.com. A copy of this management discussion and analysis, the audited financial statements for the year ended June 30, 2011, the 2010 audited financial statements, previously published management discussions and analyses, previously published financial statements, and other information, is available on the Company's web site or on the SEDAR website at www.sedar.com. The Company is listed on the TSX Venture Exchange with the trading symbol **"NGP"** and OTC Bulletin Board in the United States under the symbol **"NGLPF".**

APPROVAL

The Audit Committee of the Company has approved the disclosure contained in this management discussion.

DISCLAIMER

The information contained within this discussion, by its very nature, is not a thorough summary of all matters and developments concerning Nevada Geothermal Power Inc. This information should be considered with all of the disclosure documents of the Company. The information contained herein is not a substitute for a detailed investigation or an analysis of any issue related to the Company. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented. Further, certain data included in this document may be historical in nature. Consequently, it may not have been verified by the Company's technical staff, and therefore it should not be relied upon.