

# NEVADA GEOTHERMAL POWER INC.

Quarterly Report For the Nine months  
Ended March 31, 2005

Form 51-102F1

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## **Management Discussion and Analysis**

The following interim management discussion and analysis is prepared as at May 11, 2005 and should be read in conjunction with the unaudited financial statements for the nine months ended March 31, 2005 and the audited annual financial statements for the year ended June 30, 2004. Those financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The reporting and the measurement currency is in Canadian dollars.

## **Description of Business**

Nevada Geothermal Power Inc. (the Company) is developing renewable geothermal energy projects in Nevada where additional electrical generation capacity is needed to meet existing demand for power. The Company holds leases on three projects, Blue Mountain, Pumpnickel and Black Warrior Peak. The Company plans to develop an initial 30 megawatt geothermal power plant at Blue Mountain with the potential of having additional power capacity.

## **Exploration Properties**

As at March 31, 2005, the Company's exploration properties are comprised of:

### **1) Blue Mountain Geothermal Property - Nevada**

The geothermal property is located in Humboldt County of north central Nevada about 30 km (20 miles) west of the town of Winnemucca. The project is comprised of geothermal leases covering 12 square miles from the Bureau of Land Management (BLM), Burlington Northern Santa Fe (BNSF), and the Nevada Land and Resource Council (NLRC).

In September 2004, the Company a temperature gradient drilling program where eight widely-spaced holes to depths up to 1020 feet were drilled using air rotary drilling techniques. Based on the temperature gradients gradient data outside the influence of the shallow geothermal water, the inferred 200-240°C reservoir may be approximately 1500-2000 metres below surface. The high thermal gradients may be caused by hot geothermal fluid below the depths of the wells or by hot rock formations underlying the project area.

In November 2004, the Company completed the DB-2 injection well tests, five months after the last drilling operations, including new temperature and pressure logs, a flow test and a water injection test. New "equilibrated" temperatures were between 150-160 °C in the well interval between 200-585 metres depth. The 385-metre thick zone, immediately below cemented surface casing, had heated up to an average of 157 °C due either to cross flow in the hole or thermal recovery of the entire zone.

The injection results, in conjunction with the temperature results, are interpreted to indicate a shallow, 150-165 °C geothermal zone at 200-585 metres depth fed from by deeper and probably higher temperature resource. Testing of DB-2 was under the direction of Susan Petty, an experienced independent geothermal reservoir engineer with over 25 years of geothermal well testing experience. According the interpretation by Susan Petty, highly permeable zones were initially cooled by the invasion of circulation fluid during drilling operations and subsequently, temperatures have recovered to reflect the temperature of the geothermal fluids migrating within the zones.

**NEVADA GEOTHERMAL POWER INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the Nine Months Ended March 31, 2005**

(Unaudited – Prepared by Management)

**NEVADA GEOTHERMAL POWER INC.**  
**CONSOLIDATED BALANCE SHEETS**

	March 31, 2005	June 30, 2004
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 2,323,235	\$ 984,429
Accounts receivable and GST recoverable	55,118	337,788
Prepaid expenses	20,243	28,470
	<u>2,398,596</u>	<u>1,350,687</u>
<b>Resource property costs</b> (Note 3)	3,661,092	2,642,067
<b>Investment</b> (Note 4)	101,305	-
<b>Equipment</b> (Note 5)	9,935	11,018
	<u>\$ 6,170,928</u>	<u>\$ 4,003,772</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable	\$ 142,006	\$ 404,766
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital (Note 6)	10,541,800	7,474,528
Contributed Surplus (Note 7)	415,465	351,272
Deficit	<u>(4,928,343)</u>	<u>(4,226,794)</u>
	<u>6,028,922</u>	<u>3,599,006</u>
	<u>\$ 6,170,928</u>	<u>\$ 4,003,772</u>

Approved by the Directors:

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 "Brian D. Fairbank"

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 "Jack W. Milligan"

See accompanying notes to the consolidated financial statements

# NEVADA GEOTHERMAL POWER INC.

## CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

	Three Month Period Ended March 31		Nine Month Period Ended March 31	
	2005	2004	2005	2004
<b>EXPENSES</b>				
Administration fees	18,620	14,892	53,238	49,803
Amortization	843	607	2,357	1,821
Bank charges and interest	132	3,185	475	3,436
Consulting fees	61,290	8,331	94,592	45,948
Foreign exchange loss	12,264	1,895	8,969	(2,928)
Investor relations & shareholder information	113,981	25,576	248,800	59,625
Legal and accounting	41,099	13,699	75,187	38,636
Office and miscellaneous	7,716	4,689	22,738	15,026
Site investigation	8,430	537	8,700	537
Regulatory and transfer agent	19,930	8,425	42,077	18,834
Rent and telephone	8,077	5,381	21,977	15,781
Stock based compensation	37,321	80,602	84,794	148,354
Travel and business development	18,430	5,208	48,470	30,554
	348,133	173,027	712,374	425,427
<b>OTHER INCOME</b>				
Interest income	(2,723)	(20)	(10,825)	(72)
Gain on disposal of shares	—	—	—	(6,000)
	(2,723)	(20)	(10,825)	(6,072)
<b>Loss for the period</b>	345,410	173,007	701,549	419,355
<b>Deficit, beginning of period</b>	4,582,933	3,680,296	4,226,794	3,433,948
<b>Deficit, end of period</b>	4,928,343	3,853,303	4,928,343	3,853,303
<b>Loss per share</b>	0.01	0.01	0.03	0.03
<b>Weighted Average Number of Shares Outstanding</b>	24,796,585	17,317,950	23,888,007	16,414,343

See accompanying notes to the consolidated financial statements

**NEVADA GEOTHERMAL POWER INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Three Month Period Ended March 31		Nine Month Period Ended March 31	
	2005	2004	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss for the period	\$ (345,410)	\$ (173,007)	\$ (701,549)	\$ (419,355)
Items not affecting cash:				
Stock-based compensation	37,321	80,602	84,794	148,354
Amortization	843	607	2,357	1,821
	<u>(307,246)</u>	<u>(91,798)</u>	<u>(614,398)</u>	<u>(269,180)</u>
Changes in non-working capital items:				
Accounts receivable (Increase) decrease in amounts receivable	(49,720)	(193,885)	282,670	(196,105)
Prepaid expenses	(2,125)	-	8,227	-
Accounts payable	(94,451)	263,709	(262,760)	224,688
Net cash used in operating activities	(453,542)	(21,974)	(586,261)	(240,597)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Mineral property costs	(123,422)	(32,517)	(1,120,330)	(75,929)
Capital Assets	-	-	(1,274)	(3,233)
Net cash (used) received from investing activities	(123,422)	(32,517)	(1,121,604)	(79,162)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Shares issued for cash, net	2,065,454	1,418,785	3,046,671	1,687,012
Net cash provided by financing activities	2,065,454	1,418,785	3,046,671	1,687,012
<b>Change in cash and equivalents during the period</b>	1,488,490	1,364,294	1,338,806	1,367,253
<b>Cash and equivalents, beginning of period</b>	\$ 834,745	\$ 15,714	\$ 984,429	\$ 12,755
<b>Cash and equivalents, end of period</b>	<u>\$ 2,323,235</u>	<u>\$ 1,380,008</u>	<u>\$ 2,323,235</u>	<u>\$ 1,380,008</u>

See accompanying notes to the consolidated financial statements

# NEVADA GEOTHERMAL POWER INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED MARCH 31, 2005

### 1. NATURE OF OPERATIONS AND GOING CONCERN

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

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the realization of assets and discharge of liabilities in the normal course of business. As at March 31, 2005, the Company has a working capital of \$2,256,590 and has incurred losses totalling \$4,928,343.

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### a) Consolidation

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

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

#### b) Resource Property Costs

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

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

# NEVADA GEOTHERMAL POWER INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED MARCH 31, 2005

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### c) Option Payments Received

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

#### d) Investments

Investments in which the Company owns up to 20% of the issued common shares are accounted for at cost, unless a permanent impairment in value has been determined, at which time they are written down to market value.

#### e) Equipment

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

Computer equipment	30%
Office equipment	20%

#### f) Stock Based Compensation

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

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

# NEVADA GEOTHERMAL POWER INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE NINE MONTHS ENDED MARCH 31, 2005

#### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### g) Use of Estimates

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

##### h) Earnings (Loss) Per Share

The Company calculates earnings per share using the treasury stock method. Under the treasury stock method, only instruments with exercise amounts less than market prices impact the diluted calculations. In computing diluted earnings per share, no shares were added to the weighted average number of common shares outstanding during the period ended March 31, 2005 as the effect of potentially issuable common shares is anti-dilutive.

##### i) Income Taxes

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

##### j) Foreign Currency Translation

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

# NEVADA GEOTHERMAL POWER INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE NINE MONTHS ENDED MARCH 31, 2005

#### 3. RESOURCE PROPERTY COSTS

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

	March 31	
	<u>2005</u>	<u>2004</u>
Pogo Area Project – Alaska	\$ -	\$ 101,305
Blue Mountain Geothermal Project – Nevada	<b>3,571,430</b>	2,222,064
Pumpnickel Valley Geothermal Project – Nevada	<b>39,311</b>	22,409
Black Warrior Peak Geothermal Project – Nevada	<b>50,351</b>	-
	<u><b>\$ 3,661,092</b></u>	<u><b>\$ 2,345,778</b></u>

#### a) Pogo Area Project

During the period ended March 31, 2005, the Company sold Blue Desert Mining (US) Inc., a Nevada limited company beneficially owned by the Company which holds the claims for the Gobi/Portal and Mojave properties, to Running Fox Resource Corp. ("RUN"). The Company received 450,000 shares of RUN with resale restrictions. Management decided due to the illiquid trading volume of RUN and the resale restrictions to value the shares received equal to the book value of the Gobi/Portal and Mojave costs incurred to date. The following costs have been incurred by the Company on the Pogo Area project:

	March 31	
	<u>2005</u>	<u>2004</u>
Acquisition		
Issue of shares	\$ -	\$ -
Deferred exploration		
Property leases, permits and regulatory	-	-
Geological and geophysical	-	7,547
	<u>-</u>	<u>7,547</u>
Costs incurred during the period	-	7,547
Proceeds from sale	<b>(101,305)</b>	-
Balance, beginning of period	<b>101,305</b>	93,758
	<u><b>\$ -</b></u>	<u><b>\$ 101,305</b></u>

# NEVADA GEOTHERMAL POWER INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE NINE MONTHS ENDED MARCH 31, 2005

#### 3. RESOURCE PROPERTY COSTS (Continued)

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

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

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

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

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

Purchase price	
5,500,000 shares issued	\$ 1,705,000
100,000 shares transferred (Note 4)	31,000
Acquisition costs and deferred expenditures incurred by the Company on the Blue Mountain Geothermal Project	<u>383,567</u>
	<u>\$ 2,119,567</u>
Allocation of purchase price	
Current assets	\$ 840
Resource properties	2,175,489
Capital assets	437
Current liabilities	<u>(57,199)</u>
	<u>\$ 2,119,567</u>

# NEVADA GEOTHERMAL POWER INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE NINE MONTHS ENDED MARCH 31, 2005

#### 3. RESOURCE PROPERTY COSTS (Continued)

The following costs have been incurred on the project (Nine Months):

	March 31,	
	2005	2004
Acquisition		
Issue and transfer of shares	\$ -	\$ 2,176,091
Option payment	-	-
Property leases, permits and regulatory	22,037	-
	<b>22,037</b>	2,176,091
Deferred exploration		
Assaying	17,614	14,171
Geological and geophysical	473,732	31,802
Drilling and well tests	549,850	-
Road maintenance	92,189	-
Camp and field supplies	98,980	-
U.S. Department of Energy grant	(188,098)	-
Costs incurred during the period	<b>1,066,304</b>	45,973
Balance, beginning of period	<b>2,505,126</b>	-
Balance, end of period	<b>\$ 3,571,430</b>	<b>\$ 2,222,064</b>

#### c) PumperNickel Valley Geothermal Project, Nevada

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

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

- 3½% of gross proceeds from electrical power sales (less taxes and transmission costs),

# NEVADA GEOTHERMAL POWER INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED MARCH 31, 2005

### 3. RESOURCE PROPERTY COSTS (Continued)

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

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

In addition, Noramex Corp., a wholly owned US subsidiary company of the Company, has been awarded a US Department of Energy (DOE) cost sharing contract signed on October 13, 2004 whereby DOE will fund 80% of an initial field evaluation program at the Pumpnickel Project. The Noramex/DOE joint program will include an advanced technology, three-dimensional "E-SCAN" resistivity survey to map the deep geothermal resource waters and six temperature gradient drill holes to 250 metres to test the E-SCAN interpretation. The DOE cost share is US\$692,272 of the total budget of US\$740,340. ISI will cover Noramex's cost share obligation of US\$148,068 out of the first year work commitment. Noramex (NGP) will manage the DOE sponsored work. Combined funding to come from ISI and DOE for the 2005 Pumpnickel Project work equals C\$1,335,000 or US\$1,037,000.

The following costs have been incurred on the project:

	March 31	
	2005	2004
Acquisition		
Lease payments	\$ 7,81	\$ 11,415
Inovision Solutions payment	(10,0)	—
	(2,1	11,415
Deferred exploration		
Camp and field supplies	70	—
Geological and geophysical	85,6	10,994
U.S. Department of Energy grant	(64,4	—
Inovision Solutions funding	(16,0	—
Costs incurred during the period	3,6	10,994
Balance, beginning of period	35,6	—
Balance, end of period	\$ 39,3	\$ 22,409

# NEVADA GEOTHERMAL POWER INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE NINE MONTHS ENDED MARCH 31, 2005

#### 3. RESOURCE PROPERTY COSTS (Continued)

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

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

The following costs have been incurred on the project:

	March 31	
	<b>2004</b>	2003
Acquisition		
Lease payments	<b>\$ 12,777</b>	\$ —
Deferred exploration		
Camp costs and field supplies	<b>2,823</b>	
Geological and geophysical	<b>34,751</b>	—
Costs incurred during the period	<b>50,351</b>	—
Balance, beginning of period	—	—
Balance, end of period	<b>\$ 50,351</b>	\$ —

#### 4. INVESTMENT

	March 31	
	<b>2004</b>	2003
450,000 shares in Running Fox Resource Corp., at cost	<b>\$ 101,305</b>	\$ -

During the period the Company sold Blue Desert Mining (US) Inc. to Running Fox Resource Corp., in return the Company received 450,000 shares Running Fox with resale restrictions. The value of the Running Fox shares were \$130,500 as at March 31, 2005.

# NEVADA GEOTHERMAL POWER INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED MARCH 31, 2005

### 5. EQUIPMENT

	March 31, 2005	June 30, 2004
Computer equipment	\$ 23,861	\$ 22,969
Office equipment	10,701	10,319
	34,562	33,288
Accumulated depreciation	24,627	22,270
Net book value	\$ 9,935	\$ 11,018

### 6. SHARE CAPITAL

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

- b) Common Shares Issued:

	SHARES	AMOUNT
Balance, June 30, 2004	22,189,084	\$ 7,474,528
For cash		
Private placement, net of financing costs	5,000,000	2,728,898
Options exercised	100,000	29,000
Warrants exercised	663,845	288,772
Options exercised – stock option valuation	-	20,602
Balance, March 31, 2005	27,952,929	\$ 10,541,800

- c) Stock Options

As at March 31, 2005, the following share purchase options were outstanding:

EXERCISE PRICE	NUMBER OUTSTANDING	REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE
\$ 0.10	160,000	1.23 years	\$ 0.10	160,000
0.25	65,000	2.05 years	0.25	65,000
0.28	233,000	2.79 years	0.28	233,000
0.28	525,000	3.37 years	0.28	525,000
0.28	162,000	3.81 years	0.28	162,000
0.35	310,000	3.92 years	0.35	267,500
0.50	280,000	4.22 years	0.50	247,500
0.54	500,000	4.52 years	0.50	500,000
0.65	100,000	0.99 years	0.65	-
	2,335,000	3.48 years	\$ 0.37	2,160,000

# NEVADA GEOTHERMAL POWER INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE NINE MONTHS ENDED MARCH 31, 2005

#### 6. SHARE CAPITAL (continued)

A summary of the changes in stock options for the period ended March 31, 2005 is presented below:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Balance, June 30, 2004	1,835,000	\$ 0.30
Granted	600,000	0.56
Exercised	(100,000)	0.29
Cancelled	-	-
Balance, March 31, 2005	2,335,000	\$ 0.37

#### d) Share Purchase Warrants

	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, June 30, 2004	5,091,208	\$ 0.49
Issued	5,560,000	0.92
Exercised	(663,845)	0.43
Expired	(125,790)	0.40
Balance, March 31, 2005	9,861,573	\$ 0.74

Share purchase warrants outstanding at March 31, 2005:

NUMBER OF SHARES	EXERCISE PRICE	EXPIRY DATE
4,301,573	0.50	April 14, 2005
1,500,000	0.80	September 23, 2006
3,780,000	1.00	March 22, 2007
280,000	0.65	March 22, 2007
<u>9,861,573</u>		

# NEVADA GEOTHERMAL POWER INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED MARCH 31, 2005

### 7. CONTRIBUTED SURPLUS

	March 31	
	2005	2004
Balance, beginning of period	\$ 351,272	\$ 80,695
Compensation options granted	84,794	148,354
Stock options exercised	(20,601)	-
Balance, end of year	<u>\$ 415,465</u>	<u>\$ 229,049</u>

### 8. FINANCIAL INSTRUMENTS

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

### 9. RELATED PARTY TRANSACTIONS

During the nine month period ended March 31, 2005 the Company incurred \$85,413 to company controlled by a director for administration and professional services; and \$457,197 in geological consulting fees. Included in the accounts payables is \$45,712.

### 10. SUBSEQUENT EVENTS

Subsequent to March 31, 2005, the Company:

- 1) In May 2005, 46,000 share purchase warrants were exercised at a price of \$0.50 per warrant for proceeds of \$23,000.
- 2) In May 2005, 202,000 stock options were exercised at a price of \$0.10 to \$0.35 for proceeds of \$54,850.
- 3) In May 2005, the Company granted 100,000 stock options exercisable at a price of \$0.65 per option for a period of one year. The options will vest on a quarterly basis from the date of grant.

## NEVADA GEOTHERMAL POWER INC.

Quarterly Report For the Nine months  
Ended March 31, 2005

Form 51-102F1

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Water analysis results and an interpretive report received from Thermochem Laboratory & Consulting Services of Santa Rosa, California. Thermochem has specialized in geothermal geochemistry for over 20 years and is the leading geothermal laboratory in North America. According to Thermochem, waters from DB-2, DB-1, TG-9 and TG-14a show very similar chemistry and appear to represent a single parent water altered to a small degree by dilution with fresh ground water. Na-K and Na-K-Ca geothermometers commonly used to predict source water temperature are in close agreement and suggest a deep reservoir with temperatures of 200-240 °C.

In January 2005, the Company received an independent preliminary assessment of the geothermal project at Blue Mountain by GeothermEx, Inc. of Richmond California following the 2004 exploration program which included the successful discharge and injection testing of Deep Blue No.2 (DB-2) as well as an eight-hole temperature gradient drilling program.

The following description is quoted from the Executive Summary of the GeothermEx Report:

"The potential megawatt (MW) capacity of the Blue Mountain reservoir has been estimated by Monte Carlo simulation to have a minimum value of 30 MW (90% probability) and a most likely value of 47 MW. This is based on volumetric estimates of heat in place assuming an area of 5 to 8 square kilometres (2 to 3 square miles), a reservoir thickness of 350 to 1,500 m, an average reservoir temperature in the range of 145 to 220 °C."

"A discounted cash flow analysis based on a 30-MW development with a 20-year project life shows an after-tax net present value (NPV) of US\$35 million and an after-tax internal rate of return (IRR) of 21%. This is based on an electricity price of 6.5 ¢/kWh. A production tax credit of 1.8 ¢/kWh treated as a simple adder to the electricity price during the first 5 years of operation for the same 30-MW development scenario yields an after-tax NPV of US\$50.3 million and an after-tax IRR of 35%."

Based on the "Preliminary Assessment of the Geothermal Project at Blue Mountain" by GeothermEx, Inc. as well as a separate evaluation of the DB-1 and -2 tests by Susan Petty (report in preparation), the Company plans to drill three, 13-inch-diameter production test wells. Well sites have already been located in the field and permitting studies are underway. Large diameter test holes will provide definitive production rate and drawdown data for the shallow geothermal reservoir. Successful test wells can be later used as production wells.

At least one hole will be drilled to 1500-1800 metres to explore for a potential geothermal reservoir having temperatures greater than 200°C as suggested by the geochemistry of geothermal fluid produced from DB-2.

### **2) Pumpernickel Geothermal Project – Nevada**

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

On October 14, the Company announced that Invision Solutions Inc. (ISI), a TSX-V listed company, will fund up to C\$5,000,000 in exploration and development expenditures for the

## NEVADA GEOTHERMAL POWER INC.

Quarterly Report For the Nine months  
Ended March 31, 2005

Form 51-102F1

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Pumpnickel Geothermal Project under an option agreement to earn a 50% joint venture interest. In order to earn its interest, ISI must complete C\$5,000,000 in project expenditures, make C\$120,000 in cash payments and issue 600,000 shares to NGP over a five year period. In the first year, ISI must fund a C\$400,000 work program, issue 100,000 shares and make a C\$10,000 cash payment to maintain its option. NGP will be project manager.

In addition, Noramex Corp., a wholly owned US subsidiary company of NGP, has been awarded a US Department of Energy (DOE) cost sharing contract signed on October 13, 2004 whereby DOE will fund 80% of an initial field evaluation program at the Pumpnickel Project. The Noramex/DOE joint program will include an advanced technology, three-dimensional "E-SCAN" resistivity survey to map the deep geothermal resource waters and six temperature gradient drill holes to 250 metres to test the E-SCAN interpretation. The DOE cost share is US\$692,272 of the total budget of US\$740,340. ISI will cover Noramex's cost share obligation of US\$148,068 out of the first year work commitment. Noramex (NGP) will manage the DOE sponsored work.

Combined funding to come from ISI and DOE for the 2005 Pumpnickel Project work equals C\$1,335,000 or US\$1,037,000. The Company started the E-Scan survey in May; results are expected in late-June to early-July.

### **3) Black Warrior Peak Project - Nevada**

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

At the Black Warrior project, potential for the discovery of a geothermal reservoir suitable for electric power generation is indicated by temperature gradients greater than 200°C/km throughout the leased area in 10 wide-spaced drill holes by Phillips Petroleum in the early 1980s. The deepest test hole (NV-ST-1) recorded a temperature of 128°C at its maximum depth of 552 metres, with temperatures still increasing at the bottom of the hole. Thus commercial resource temperatures may occur within 1,000 metres (3,000 feet) of surface.

Further information will be released as results are available.

### **Results of Operations**

As at March 31, 2005, the Company has a net working capital of \$2,256,590. The funds will be used to deepen the Deep Blue 2 (DB2) well by an additional 700 metres (2,300 feet) and maintain an aggressive market awareness program. The current net working capital is expected to carry the Company into the third quarter of 2005.

The Company incurred a net loss of \$701,549 or \$0.03 per share for the nine months ended March 31, 2005. This compares with a loss of \$419,355 or \$0.03 per share for the nine months ended March 31, 2004. The primary reason for the increased loss was higher general and administrative expenses.

# NEVADA GEOTHERMAL POWER INC.

Quarterly Report For the Nine months  
Ended March 31, 2005

Form 51-102F1

Among the more significant expenses investor relations/shareholder information costs increased by \$189,175 to \$248,800 (2004 - \$59,625). Investor relations and shareholder information costs were higher than the comparable period as costs included Coal Harbour Communication fees, website design, advertising in the Bull & Bear, San Francisco, Toronto, Vancouver and New Orleans Gold Shows costs, Stockgroup advertising program, purchase of mailing lists, and news dissemination costs to Canada and the United States. The expenditures are broken down as follows: conventions, website and publishing \$67,060; information distribution \$92,438; and investor relation services \$89,302.

The increase of \$48,644 to \$94,592 (2004 - \$45,948) for consulting costs are directly attributed to the preparation of the Geothermex report and further review of the report by outside consultants. The report confirmed an initial 30MW plant is probably on the Blue Mountain site with a good probably of increasing output to 47MW with more exploration work.

Legal & accounting and regulatory & transfer agent costs increased \$36,551 to \$75,187 (2004 - \$38,636) and \$23,243 to \$42,077 (2004 - \$18,834) respectively, due to the costs associated with the two financings completed during the period. The Company issued a total of 5,000,000 units for gross proceeds of \$3,025,000; 663,845 common shares were issued from the exercise of warrants for proceeds of \$288,772; and 100,000 common shares were issued from the exercise of stocks options for proceeds of \$29,000. Warrants outstanding at the end of the period stand at 9,861,573 while there are 2,235,000 employee/management stocks options outstanding of which 2,160,000 are vested.

Travel and business development costs increased \$17,916 to \$48,470 (2004 - 30,554) for expenses related to business travel and accommodation to various locations in regards to the financings.

Non-cash stock compensation decreased by \$63,560 to \$84,794 (2004 - \$148,354) as fewer stock options were granted to directors, employees and consultants.

Direct resource property expenditures for the period were \$1,120,330 (2004 - \$75,929) not including US Department of Energy grants and joint-venture interest, including the grants and joint-venture interest, resource property expenditures were \$1,398,957 (Blue Mountain - \$1,254,402; Black Warrior Peak - \$50,351; and Pumpnickel - \$94,204) for the period.

## Summary of Quarterly Results

<b>For the quarter ended</b>	<b>Mar 05</b>	<b>Dec 04</b>	<b>Sep 04</b>	<b>Jun 04</b>	<b>Mar 04</b>	<b>Dec 03</b>	<b>Sep 03</b>	<b>Jun 03</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Net Loss	701,549	187,894	168,245	373,490	173,007	106,735	139,614	220,298
Net loss per per	0.03	0.01	0.01	0.02	0.01	0.01	0.01	0.01

## NEVADA GEOTHERMAL POWER INC.

Quarterly Report For the Nine months  
Ended March 31, 2005

Form 51-102F1

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### **Related Party Transactions**

During the nine month period ended March 31, 2005 the Company incurred \$85,413 for administration and professional services to a company controlled by a director and \$457,197 in geological consulting fees. Included in the accounts payables is \$45,712.

### **Investor Relations**

The Company engaged Coal Harbor Communications pursuant to an agreement dated November 2003 to provide corporate and investor relations activities. Currently, Coal Harbor receives a service fee of \$3,500 per month plus expenses. Coal Harbor was granted 200,000 stock options after an initial three-month probationary period. The exercise price was set in February 2004 at \$0.35 per share for 100,000 options and June 17, 2004 at \$0.50 for another 100,000 options. The options shall be subject to a vesting schedule whereby 25,000 options will vest, and thereby become exercisable, every nine months after the date the options are granted. As at March 31, 2005, Coal Harbour has 160,000 options outstanding of which 135,000 are vested. The Company also retains Shelley Kirk for in-house investor relations duties.

On March 29, 2005 the Company engaged The Equicom Group Inc. ("Equicom") to provide strategic investor relations and financial communications services. Equicom provides targeted communications services to Canadian public companies across a diverse range of industries. The Company will pay Equicom a monthly retainer fee of \$4,500 and will grant 100,000 options over a period of one year (subject to regulatory and Board approval) for professional services. The initial contract term is 12 months.

### **Liquidity**

The Company does not have operations that generate cash flow. At March 31, 2005, the Company has \$2,323,235 (2004 - \$1,380,008) in cash on hand. At March 31, 2005, the Company had a working capital of \$2,256,590 (2004 - \$1,155,430). The Company's activities have been funded primarily by the proceeds from private placements of the Company's securities, the exercise of incentive stock option and warrants, and US Department of Energy funding on certain properties. Cash on hand will be used to advance the Blue Mountain geothermal property, to fund general office and administrative costs, and acquisition of new geothermal properties.

### **Subsequent Events**

Subsequent to March 31, 2005, the Company:

- 1) in May 2005, 40,000 share purchase warrants were exercised at a price of \$0.50 per warrant for proceeds of \$20,000.
- 2) In May 2005, 202,000 stock options were exercised at a price of \$0.10 to \$0.35 for proceeds of \$54,850.

## NEVADA GEOTHERMAL POWER INC.

Quarterly Report For the Nine months  
Ended March 31, 2005

Form 51-102F1

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- 3) In May 2005, the Company granted 100,000 stock options exercisable at a price of \$0.65 per option for a period of one year. The options will vest on a quarterly basis from the date of grant.

### **Cautionary Note**

This MD&A may contain "forward looking statements" that reflect Nevada Geothermal Power's expectations and projections about its future results. We have tried, whenever possible, to identify these forward-looking statements using words such as "anticipates," "believes," "estimates," "expects," "plans," "intends," "potential" and similar expressions. These statements reflect our current belief and are based upon currently available information. Accordingly, such forward-looking statements involve known and unknown risks, uncertainties and other factors which could cause the Company's actual results, performance or achievements to differ materially from those expressed in or implied by such statements. We undertake no obligation to update or advise in the event of any change, addition, or alteration to the information catered in this MD&A including such forward-looking statements.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicate herein. Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. Nevada Geothermal Power disclaims any intentions or obligations to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.