

U.S. GEOTHERMAL INC.
(Formerly U.S. Cobalt Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2004 AND 2003



AUDITORS' REPORT

To the Shareholders of
U.S. Geothermal Inc.
(Formerly U.S. Cobalt Inc.)

We have audited the consolidated balance sheets of U.S. Geothermal Inc. (formerly U.S. Cobalt Inc.) as at March 31, 2004 and 2003 and the consolidated statements of operations and deficit, cash flows, and shareholders' equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada

June 17, 2004

"Morgan & Company"

Chartered Accountants

U.S. GEOTHERMAL INC.
(Formerly U.S. Cobalt Inc.)

CONSOLIDATED BALANCE SHEETS
(Stated in U.S. Dollars)

	MARCH 31	
	2004	2003
ASSETS		
Current		
Cash and cash equivalents	\$ 870,513	\$ 29,729
Goods and Services Tax recoverable	7,900	-
Due from affiliated company	-	86,500
	<u>878,413</u>	<u>116,229</u>
Raft River Geothermal Property (Note 4)	527,440	284,299
Office Equipment	3,418	1,435
	<u>\$ 1,409,271</u>	<u>\$ 401,963</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	<u>\$ 185,465</u>	<u>\$ 37,123</u>
SHAREHOLDERS' EQUITY		
Common Shares		
Authorized:		
100,000,000 common shares with a \$0.001 par value		
Issued:		
12,922,693 shares at March 31, 2004 and		
6,079,837 shares at March 31, 2003	12,923	6,080
Additional Paid-In Capital	2,148,787	506,370
Deficit	(937,904)	(147,610)
	<u>1,223,806</u>	<u>364,840</u>
	<u>\$ 1,409,271</u>	<u>\$ 401,963</u>

Approved by the Board:

"Doug Glaspey"
Director

"Paul Larkin"
Director

U.S. GEOTHERMAL INC.
(Formerly U.S. Cobalt Inc.)

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Stated in U.S. Dollars)

	YEARS ENDED MARCH 31	
	2004	2003
Expenses		
Consulting fees	\$ 123,868	\$ -
Corporate administration and development	46,879	8,470
Interest	9,254	-
Professional fees	117,169	73,190
Management fees	111,855	54,000
Travel and promotion	12,318	11,950
Loss Before The Following	(421,343)	(147,610)
Gain On Foreign Exchange	35,792	-
Interest Income	3,423	-
Net Loss For The Year	(382,128)	(147,610)
Deficit, Beginning Of Year	(147,610)	-
Net Liabilities Assumed (Note 3)	(408,166)	-
Deficit, End Of Year	\$ (937,904)	\$ (147,610)
Basic And Diluted Loss Per Share	\$ (0.04)	\$ (0.01)
Weighted Average Number Of Shares Outstanding	10,197,569	6,939,992

U.S. GEOTHERMAL INC.
(Formerly U.S. Cobalt Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Stated in U.S. Dollars)

	YEARS ENDED MARCH 31	
	2004	2003
Operating Activities		
Net loss for the year	\$ (382,128)	\$ (147,610)
Add: Non-cash items:		
Depreciation	323	253
Foreign exchange gain	(35,792)	-
Shares issued for other than cash	-	49,600
Stock based compensation (Note 6)	55,744	-
	<u>(361,853)</u>	<u>(97,757)</u>
Change in non-cash working capital items:		
Accounts payable and accrued liabilities	(97,802)	37,123
Goods and Services Tax recoverable	(2,082)	-
	<u>(461,737)</u>	<u>(60,634)</u>
Investing Activities		
Purchase of office equipment	(2,306)	(1,688)
Raft River Geothermal Property	(243,141)	(267,299)
Cash acquired on business combination	5,798	-
	<u>(239,649)</u>	<u>(268,987)</u>
Financing Activities		
Issuance of share capital, net of share issue cost	1,419,878	405,850
Advances to associated companies	86,500	(86,500)
	<u>1,506,378</u>	<u>319,350</u>
Effect Of Exchange Rate Changes On Cash And Cash Equivalents	<u>35,792</u>	<u>-</u>
Increase (Decrease) In Cash And Cash Equivalents	840,784	(10,271)
Cash And Cash Equivalents, Beginning Of Year	<u>29,729</u>	<u>40,000</u>
Cash And Cash Equivalents, End Of Year	\$ 870,513	\$ 29,729
Supplemental Disclosure		
Cash interest paid	\$ -	\$ -
Taxes paid	-	-
Non-cash financing activities		
Shares issued for settlement of debt	173,639	-
Shares issued for professional services	-	49,600
Shares issued for geothermal property	-	17,000

U.S. GEOTHERMAL INC.
(Formerly U.S. Cobalt Inc.)

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

MARCH 31, 2004
(Stated in U.S. Dollars)

	NUMBER OF SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	DEFICIT	TOTAL
Balance, March 31, 2002	2,600,000	\$ 2,600	\$ 37,400	\$ -	\$ 40,000
Shares issued for:					
Cash	1,418,667	1,419	404,431	-	405,850
Professional services	166,170	166	49,434	-	49,600
Geothermal property	1,895,000	1,895	15,105	-	17,000
Net loss for the year	-	-	-	(147,610)	(147,610)
Balance, March 31, 2003	6,079,837	6,080	506,370	(147,610)	364,840
Adjustment to number of shares issued and outstanding as a result of the reverse take-over transaction	(6,079,837)	(6,080)	6,080	-	-
Shares issued at time of reverse take- over	2,274,616	2,275	(2,275)	-	-
	2,274,616	2,275	510,175	(147,610)	364,840
Shares issued for:					
Acquisition of U.S. Geothermal Inc. (Note 3)	6,939,992	6,940	(6,940)	(408,166)	(408,166)
Private placement, net of share issue costs of \$100,559 (Note 5(a))	3,322,221	3,322	1,416,556	-	1,419,878
Settlement of debts (Note 5(b))	385,864	386	173,252	-	173,638
Stock options granted (Note 6)	-	-	55,744	-	55,744
Net loss for the year	-	-	-	(382,128)	(382,128)
Balance, March 31, 2004	12,922,693	\$ 12,923	\$ 2,148,787	\$ (937,904)	\$ 1,223,806

U.S. GEOTHERMAL INC.
(Formerly U.S. Cobalt Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2004 AND 2003
(Stated in U.S. Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

U.S. Cobalt Inc. ("GTH") completed a reverse take-over on December 19, 2003 (Note 3). The effect of this reverse take-over was that the former shareholders of U.S. Geothermal Inc. ("GEO-Idaho") a company incorporated on February 20, 2002 in the state of Idaho, acquired control of GTH. In connection with the transaction U.S. Cobalt Inc. changed its name to U.S. Geothermal Inc. and consolidated its common shares on a one new to five old basis. All references to common shares in these financial statements have been restated to reflect the roll-back.

GEO-Idaho operates for the purpose of entering into an agreement with Vulcan Power Company ("Vulcan") of Bend, Oregon, U.S.A., pursuant to which the Company has agreed to acquire a 100% interest in the Raft River Geothermal Property located in Cassia County, Idaho, U.S.A. (Note 4).

These 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. The Company is in the process of exploring its geothermal properties and has not yet determined whether these properties contain economically recoverable geothermal reserves. The recoverability of the amounts shown for geothermal properties and related deferred costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the properties, and upon future profitable production. In the event the Company is unable to obtain additional financing, there is no assurance that the Company will be able to continue as a going concern. These financial statements do not give effect to any adjustments, which may be necessary should the Company be unable to continue as a going concern.

2. ACCOUNTING POLICIES

a) Basis of Presentation

These consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada. These consolidated financial statements include the accounts of the following companies:

- i) U.S. Geothermal, Inc. (incorporated in the state of Delaware);
- ii) U.S. Geothermal, Inc. (incorporated in the state of Idaho);
- iii) U.S. Cobalt Inc. (incorporated in the state of Colorado).

U.S. GEOTHERMAL INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2004 AND 2003
(Stated in U.S. Dollars)

2. ACCOUNTING POLICIES (Continued)

b) Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent 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 those estimates.

c) Geothermal Properties

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

d) Office Equipment

Office equipment is recorded at cost. Amortization of office equipment is calculated on a 30% straight line basis.

e) Income Taxes

The Company uses the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets are evaluated and if realization is not considered more likely than not, a valuation allowance is provided.

f) Stock Based Compensation

The Company accounts for all stock options granted to non-employees using the fair value based method of accounting. In respect of stock options granted to employees and directors, the Company has elected to adopt the intrinsic value-based method of accounting, which recognizes compensation expense only when the market price exceeds the exercise price at the date of grant, but which requires pro forma disclosure of net loss as if these grants were accounted for using the fair value method. Consideration paid on the exercise of stock options is recorded as an increase to share capital.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2004 AND 2003
(Stated in U.S. Dollars)

2. ACCOUNTING POLICIES (Continued)

f) Stock Based Compensation (Continued)

In 2003, the CICA amended the Handbook Section 3870 – “Stock Based Compensation and Other Stock Based Payments”.

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 stock 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. The Company has elected to adopt Section 3870 effective April 1, 2004 on a retroactive basis. The impact in 2004 and 2003 upon adoption is reflected in the pro-forma stock based compensation disclosures (Note 6).

g) Financial Instruments

The Company's financial instruments consist of cash and equivalents, Goods and Services Tax recoverable, due from affiliated company, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

h) Loss Per Share

Basic and diluted loss per share amounts are computed using the weighted average number of common shares outstanding during the year.

The Company uses the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, only instruments with exercise amounts less than market prices impact the diluted calculations. In computing diluted loss per share, no shares were added to the weighted average number of common shares outstanding during the years ended March 31, 2004 and 2003 for the dilutive effect of employee stock options and warrants as they were all anti-dilutive. No adjustments were required to reported loss from operations in computing diluted per share amounts.

U.S. GEOTHERMAL INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2004 AND 2003
(Stated in U.S. Dollars)

2. ACCOUNTING POLICIES (Continued)

i) Foreign Currency Translation

The Company's functional currency is the U.S. dollar. Transactions in foreign currency are translated into U.S. dollars as follows:

- i) monetary items at the rate prevailing at the balance sheet date;
- ii) non-monetary items at the historical exchange rate;
- iii) revenue and expense at the average rate in effect during the applicable accounting period.

Foreign currency translation gains or losses are included in the consolidated statements of operations and deficit.

3. REVERSE TAKE-OVER

Effective December 19, 2003, GTH acquired 100% of the issued and outstanding voting shares of GEO-Idaho by issuing 6,939,992 common shares and 2,420,217 share purchase warrants. Each share purchase warrant entitles the holder to purchase one additional common share at a price of \$0.75 per share until December 15, 2005. Since the transaction resulted in the former shareholders of GEO-Idaho owning the majority of the issued shares of GTH, the transaction, which is referred to as a "reverse take-over", has been treated for accounting purposes as an acquisition by GEO-Idaho of the net assets and liabilities of GTH. Under this purchase method of accounting, the results of operations of GTH are included in these financial statements from December 23, 2003. GEO-Idaho is deemed to be the purchaser for accounting purposes. Accordingly, its net assets are included in the balance sheet at their previously recorded values.

The acquisition is summarized as follows:

Current assets (including cash of \$5,798)	\$ 11,616
Current liabilities	<u>(419,782)</u>
Net liabilities assumed	<u>\$ (408,166)</u>

U.S. GEOTHERMAL INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2004 AND 2003
(Stated in U.S. Dollars)

4. RIVER RAFT GEOTHERMAL PROPERTY

GEO-Idaho entered into an agreement, as amended December 3, 2002, with Vulcan Power Company ("Vulcan"), a company incorporated in Oregon, U.S.A., to purchase a 100% interest in the Raft River Geothermal Property ("the Property") located in Cassia County, Idaho, U.S.A.

As at March 31, 2004, the Company has acquired 75% interest in the Property by issuing 1,755,156 common shares, warrants to purchase up to 2,420,217 common shares of the Company at a price of \$0.75 per share until December 15, 2005, making cash payments totalling \$475,000, and completing a work program of \$200,000.

To purchase of the remaining 25% interest in the Property, the Company must pay Vulcan \$125,000 on or before receipt of project financing for construction of the power plant.

The following costs have been incurred on the project:

	2004	2003
Property acquisition costs		
Balance, beginning of year	\$ 267,000	\$ -
Issue of shares	-	17,000
Cash payments	225,000	250,000
	225,000	267,000
Balance, end of year	492,000	267,000
Deferred exploration costs		
Balance, beginning of year	17,299	-
Property lease payments	17,498	12,498
Geological consulting	73,862	18,059
Well monitoring and permits	100	1,742
	91,460	32,299
Less: Grants received	(73,319)	(15,000)
	18,141	17,299
Balance, end of year	35,440	17,299
	\$ 527,440	\$ 284,299

U.S. GEOTHERMAL INC.
(Formerly U.S. Cobalt Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2004 AND 2003
(Stated in U.S. Dollars)

5. SHARE CAPITAL

a) Private Placement

On December 19, 2003, the Company issued 3,322,221 units for private placements at a price of \$0.45 per unit. Each unit consists of one common share and one half of one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share at a price of \$0.75 per share until December 19, 2005. In connection with the private placements, the Company issued share purchase warrants for finder's fee to purchase up to 83,333 common shares with a fair value of \$25,437 exercisable at a price of \$0.45 per share until December 19, 2005.

b) Settlement of Debts

On February 17, 2004, the Company issued 385,864 units in settlement of \$173,639 loans received including interest accrued at a rate of 20% per annum. Each unit consists of one common share and one half of one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share at a price of \$0.75 per share until February 17, 2006.

c) Escrow Shares

As at March 31, 2004, the Company has 6,439,565 common shares and 2,420,217 share purchase warrants held in escrow.

d) Warrants

As at March 31, 2004, the following share purchase warrants are outstanding:

<u>NUMBER OF WARRANTS</u>	<u>EXERCISE PRICE</u>	<u>EXPIRY DATE</u>
4,081,327	\$0.75	December 15, 2005
192,932	\$0.75	February 17, 2006
<u>83,333</u>	\$0.45	December 15, 2005
<u><u>4,357,592</u></u>		

U.S. GEOTHERMAL INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2004 AND 2003
(Stated in U.S. Dollars)

6. STOCK BASED COMPENSATION

The Company's 2004 stock option plan provides for the grant of incentive stock options for up to 2,200,000 common shares to employees, consultants, officers and directors of the company. Options are granted for a term of up to five years from the date of grant. Stock options granted generally vest over a period of eighteen months.

During the year ended March 31, 2004, the Company granted 1,745,000 stock options to consultants, directors and officers exercisable at a price of \$0.44 until January 3, 2009, of which 436,250 stock options vested by March 31, 2004. Compensation expense related to stock options granted to consultants is recorded at their fair value as calculated by the Black-Scholes option pricing model of \$55,744 and is included in consulting fees for the year ended March 31, 2004. The remaining compensation expense of \$167,242 will be recognized over the vesting period.

The changes in stock options are as follows:

	<u>NUMBER</u>	<u>EXERCISE PRICE</u>
Balance outstanding, March 31, 2002 and 2003	-	\$ -
Granted	<u>1,745,000</u>	<u>0.44</u>
Balance outstanding, March 31, 2004	<u><u>1,745,000</u></u>	<u><u>\$ 0.44</u></u>

The following table summarizes information about the stock options outstanding at March 31, 2004:

<u>OPTIONS OUTSTANDING</u>			<u>OPTIONS EXERCISABLE</u>	
<u>EXERCISE PRICE</u>	<u>NUMBER OF SHARES</u>	<u>REMAINING CONTRACTUAL LIFE (YEARS)</u>	<u>NUMBER OF SHARES</u>	<u>EXERCISE PRICE</u>
\$ 0.44	1,745,000	4.76	436,250	\$ 0.44

U.S. GEOTHERMAL INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2004 AND 2003
(Stated in U.S. Dollars)

6. STOCK BASED COMPENSATION (Continued)

Had the Company determined compensation cost to employees and directors at the grant dates for those options granted during the year consistent with the fair value method of accounting for stock based compensation, the Company's net loss would have been increased to the pro-forma amounts indicated below:

	2004	2003
Net loss for the year – as reported	\$ (382,128)	\$ (147,610)
Add: Stock based compensation expense included in net loss as reported	55,744	-
Less: Stock based compensation expense determined under fair value method	(128,842)	-
	\$ (455,226)	\$ (147,610)
Net loss for the year – pro-forma		
Loss per share (basic and diluted) - as reported	\$ (0.04)	\$ (0.01)
Loss per share (basic and diluted) – pro-forma	\$ (0.05)	\$ (0.01)

The fair value of the stock options including the preceding pro forma amounts was estimated using the Black-Scholes option-pricing model and is amortized over the vesting period of the underlying options. The assumptions used to calculate the pro-forma disclosure and the weighted average information are as follows:

	2004
Risk free interest rate	4.18%
Expected dividend yield	0
Expected lives	5
Expected volatility	136%

Changes in the subjective input assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

U.S. GEOTHERMAL INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2004 AND 2003
(Stated in U.S. Dollars)

7. INCOME TAX LOSSES

The Company's provision for income taxes differs from the amounts computed by applying the United States federal statutory income tax rates to the loss as a result of the following:

	2004	2003
Statutory rates	35%	35%
Recovery of income taxes computed at statutory rates	\$ (133,745)	\$ (51,664)
Non-deductible items	19,510	-
Geothermal properties	(6,349)	(6,055)
Other	(12,527)	-
Tax benefit not recognized on current year's losses	133,111	57,719
	\$ -	\$ -

The tax effects of temporary timing differences that give rise to significant components of the future tax assets and future tax liabilities are as follows:

	2004	2003
Non-capital loss carry forward	\$ 191,000	\$ 58,000
Geothermal property	172,000	93,000
Less: Valuation allowance	(363,000)	(151,000)
Future income tax assets	\$ -	\$ -

At March 31, 2004, the Company has non-capital losses of approximately \$545,000, which may be carried forward to apply against future years' income for tax purposes expiring as follows:

2023	\$ 165,000
2024	\$ 380,000

8. COMMITMENTS

The Company has entered in several lease agreements with terms expiring up to February 2014 for geothermal properties adjoining the Raft River Geothermal Property.

U.S. GEOTHERMAL INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2004 AND 2003
(Stated in U.S. Dollars)

8. COMMITMENTS (Continued)

The leases provide for the following annual payments:

2005	\$ 17,500
2006	\$ 17,500
2007	\$ 27,000
2008	\$ 27,000
2009 and thereafter	\$ 27,000 per year

9. RELATED PARTY TRANSACTIONS

- a) As at March 31, 2004, an amount of \$147,616 (2003 - \$33,269) is payable to directors and officers of the Company.
- b) During the year, the Company incurred the following transactions with directors, officers and a company with a common director:

	<u>2004</u>	<u>2003</u>
Management fees	\$ 111,855	\$ 44,000
Consulting fees	24,123	10,000
Administrative services	10,029	-
Rent	10,067	622
	<u>\$ 156,074</u>	<u>\$ 54,622</u>

U.S. GEOTHERMAL INC.

www.usgeothermal.com

Management Discussion and Analysis

March 31, 2004 and 2003

U. S. Geothermal Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Stated in U. S. Dollars)

INTRODUCTION

The management's discussion and analysis ("MD&A") provides a detailed analysis of the financial condition and results of operations of U.S. Geothermal Inc. (formerly U. S. Cobalt Inc. and hereinafter referred to as "GTH") and compares 2004 financial results with those of the previous year. The MD&A should be read in conjunction with GTH's annual Consolidated Financial Statements and related notes for the year ended March 31, 2004, which have been prepared in accordance with generally accepted accounting principles in Canada.

Additional information about GTH is available at www.sedar.com.

FORWARD LOOKING STATEMENTS

GTH is currently in the process of filing a registration with the Securities and Exchange Commission.

Except for statements of historical fact relating to GTH, certain information contained herein constitutes forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Forward-looking statements include, but are not limited to, statements concerning estimates of expected capital expenditures, statements relating to expected future production and cash flows, statements relating to the continued advancement of GTH's exploration, and development projects, and other statements which are not historical facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should", and similar expressions are forward-looking statements. Although GTH 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. Important factors that can cause actual results to differ from these forward-looking statements include the potential that GTH's projects will experience technological and mechanical problems, geological conditions in the geothermal deposits may not result in commercial levels of electrical power generation, changes in wholesale power prices, changes in political conditions, changes in the availability to obtain project financings and other risks. Forward-looking statements are based on the opinions and estimates of management at the date that the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in forward-looking statements. GTH undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.

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NOTE: All financial information, unless otherwise disclosed, is stated in U.S. dollars.

(Stated in U. S. Dollars)

1.1 Date

The effective date of this MD&A is August 16, 2004.

1.2 Overall Performance

U.S. Geothermal Inc. is a Delaware corporation. The Company's shares of common stock trade on the TSX Venture Exchange under the symbol "GTH." On December 19, 2003, the Company acquired all of the outstanding securities of U.S. Geothermal, Inc., an Idaho corporation ("Geo-Idaho") incorporated in February 2002, through a transaction merging Geo-Idaho into Evergreen Power Inc., a wholly-owned Idaho subsidiary formed for purposes of the merger transaction. Following the merger, the Company changed its name from U.S. Cobalt Inc. to U.S. Geothermal Inc. Pursuant to the merger, Geo-Idaho became a wholly owned subsidiary of the Company. GTH is still a development stage company and has produced no revenues to date.

Since the transaction resulted in the former shareholders of Geo - Idaho owning the majority of the issued shares of GTH, the transaction, which is referred to as a "reverse take-over", has been treated for accounting purposes as an acquisition by Geo - Idaho of the net assets and liabilities of GTH. Under this purchase method of accounting, the results of operations of GTH are included in these financial statements from December 19, 2003. Geo - Idaho is deemed to be the purchaser for accounting purposes. Accordingly, its net assets are included in the balance sheet at their previously recorded values.

During the fiscal year ended March 31, 2004, GTH also raised \$1,419,878 through the issuance of common shares. The number of issued and outstanding common shares is 12,922,693 as compared to 6,079,837 common shares a year earlier. There are also 4,357,393 share purchase warrants and 1,745,000 stock options outstanding.

In addition to completing the transaction with Geo-Idaho and the raising of equity, to fund its operations, GTH on February 17, 2004, increased its ownership of the Vulcan property at Raft River to 75%, and can acquire the remaining 25% interest for a payment of \$125,000 at any time prior to construction of the initial power plant. Additionally, with the Newbold lease, GTH has a current land position of 560 fee acres and 3,179.25 acres of contiguous leased geothermal rights. During the second quarter of 2004, GTH undertook a field program whereby all five production wells were flow tested in order to procure fluid flow rate, and temperature and pressure data required to prepare a resource production model. GeothemEx Inc., of Richmond California has been retained to prepare this report.

Although the market for different forms of energy is large and dominated by very powerful players, we perceive our industrial competition to be independent power producers and in particular those producers who provide “green” renewable power. Our definition of green power is electricity derived from a source that does not pollute the air, water or earth. Sources of green power, in addition to geothermal, include wind, solar, biomass and run-of-the river hydroelectric. Green power is a niche sub-market, in which many power purchasers are committed to increasing their investments. Accordingly, the conventional energy producers do not provide direct competition. In the Pacific Northwest there are currently no geothermal facilities. There exist a number of wind farms, as well as biomass and run-of-the river hydroelectric facilities. However, GTH believes that the combination of greater reliability from geothermal, access to infrastructure for deliverability, and a low “full life” cost will allow it to successfully compete for long term power purchase agreements.

On July 7th 2004, Dundee Securities Corporation was engaged for an equity offering of up to Canadian \$3.4 million. As of the date of this MD&A, this offering has not been closed.

1.3 Selected Annual Results

The summary historical financial information presented below has been derived from the financial statements for each of the years ended March 31, 2004 and 2003. The historical financial data is from the incorporation of Geo-Idaho in February 2002. Accordingly, “reverse-takeover” accounting three-year comparatives are not provided:

STATEMENT OF OPERATIONS DATA:	YEARS ENDED MARCH 31,	
	2004	2003
	AUDITED	
Revenues	Nil	Nil
Total expenses	\$421,343	\$147,610
Net loss	\$(382,128)	\$(147,610)
Net loss per share	\$(0.05)	\$(0.03)
Weighted average number of shares-basic and diluted	7,197,569	5,939,992
	AS OF MARCH 31	
BALANCE SHEET DATA:	2004	2003
	AUDITED	
Cash and cash equivalents	\$870,513	\$29,729
Working capital	\$692,948	\$79,106
Total assets	\$1,409,271	\$401,963
Stockholders' equity (deficit)	\$1,223,806	\$364,840

1.4 Results of Operations

The Company incurred a net loss of \$382,128 for the year ended March 31, 2004, compared to a net loss of \$147,610 for the same period in 2003. During the year ended March 31, 2004 there were no revenues, which was the situation for the year ended March 31, 2003, as GTH was still in a development stage and had not yet placed its resources into commercial electricity power generation. Whereas the year ended March 31, 2003 was the initial year of operations for the Company, there is no comparison to be made to prior years.

There was no revenue or other income. Expenses were \$421,343 as compared to \$164,909 a year earlier. The general and administrative portion was \$421,343. In the year ended March 31, 2003, general and administrative expenses were \$147,610. Professional fees amounted to \$117,169 for the year ended March 31, 2004 and \$73,190 for the year ended March 31, 2003. Amounts included in general and administrative expenses were primarily composed of non-recurring expenses incurred in the reverse takeover of U.S. Cobalt Inc. GTH realized a foreign exchange gain of \$36,792 in the 2004 fiscal year.

There was no write-down of assets. Stock based compensation of \$55,744 was included in consulting fees for the year ended March 31, 2004, and included in general and administrative expenses.

Property, Plant and Equipment of \$527,440 reflect the acquisition cost of Vulcan's fee lands for \$492,000 and deferred exploration costs of \$35,440.

The current focus for GTH is the development of the Raft River Idaho Geothermal Project. Pending the completion of a resource production model, management's objective is the procurement of a long-term power purchase agreement ("PPA") prior to the end of calendar year 2004. This prospective agreement may be either a conventional PPA or a PURPA contract under the regulations of the Idaho Public Utility Corporation. The successful procurement of a PPA is a prerequisite to the raising of equity and debt financing required to construct and commission an electrical generation facility at Raft River

The cost to construct and commission a binary cycle geothermal power plant, depending on size, is projected to range between \$1.8 and \$2.4 million per Megawatt ("MW") of capacity. A preliminary estimate of plant size is 10 to 20 MW, which would require upwards of \$45 million. These estimates are preliminary as there has not been any detailed engineering undertaken.

GTH does not currently have the required financial resources to develop a commercial facility at Raft River. Accordingly, there is uncertainty whether or not it would be able to procure the required financial resources.

1.5 Summary of Quarterly Results

Quarter	Revenues	Income (loss) for the period	Basic income (loss) per share
31-Mar-04	Nil	\$ (165,900)	\$ (0.02)
31-Dec-03	Nil	\$ (134,781)	\$ (0.04)
30-Sep-03	Nil	\$ (76,501)	\$ (0.01)
30-Jun-03	Nil	\$ (44,161)	\$ -
31-Mar-03	Nil	\$ (79,865)	\$ (0.01)
31-Dec-02	Nil	\$ (28,858)	\$ -
30-Sep-02	Nil	\$ (18,237)	\$ -
30-Jun-02	Nil	\$ (74,490)	\$ (0.01)

The quarterly results through September 30, 2003 represent the results of U.S. Cobalt Inc. prior to the reverse takeover by Geo-Idaho.

1.6 Liquidity

At March 31, 2004, GTH had an accumulated deficit of (\$937,904). The Company expects to incur losses for at least the next 24 months. There can be no assurance that the Company will ever make a profit. To achieve profitability, the Company must procure a long-term power purchase agreement from an investment grade utility, and obtain financing to build and commission a geothermal electrical power generation facility. At March 31, 2004, the cash position of the Company was \$870,513. Additional financing will be required to fund the cost of continued development of the Raft River project and other operating activities, including the construction and commissioning of a power generation facility.

The prospective equity financing of Canadian \$3.4 million, as announced on July 7, 2004 with Dundee Securities Corporation, is intended to allow GTH to operate beyond the end of calendar year 2004.

There are currently no long-term debts, capital lease obligations, operating leases or purchase obligations. Geothermal rights annual lease rentals are approximately \$17,000 and rise to \$27,000 in 2007.

1.7 Capital Resources

GTH has no major commitments for capital expenditures. Except as otherwise disclosed in this MD&A, there are currently no other identified sources of new capital. Additionally, the Company currently has no established credit lines with chartered banks or other financial institutions.

1.8 Off Balance Sheet Transactions

GTH can increase its ownership of the Vulcan property from 75% to 100%, anytime prior to construction by payment of \$125,000. This option can materially affect future revenues, operating cash flow and income as well as capital commitments. The actual financial impact cannot be determined at this time.

1.9 Related Party Transactions

On June 28, 2003, Daniel J. Kunz, Chief Executive Officer and President, provided \$100,000 of a \$269,000 bridge loan to commence well inspection work at Raft River. The annual interest rate was 20% per annum. The loan was paid by GTH in full to Mr. Kunz in January 2004.

As consideration for of the acquisition of Geo-Idaho, on December 22, 2003 GTH issued 6,939,992 common shares and 2,420,217 share purchase warrants exercisable at \$0.75 per share for 24 months. As parties to that transaction the following persons received:

<u>Name</u>	
Daniel J. Kunz	1,254,769
Douglas J. Glaspey	1,014,169
Paul A. Larkin	863,167
Ronald Bourgeois	821,425
John Walker	66,607

In accordance with TSX Venture Exchange the following escrow conditions apply to these shares:

- 90% of the shares are held in escrow and released at the rate of 15% every 6 months over a 36-month period.
- 1,000,000 of the shares issued to Messrs. Kunz, Glaspey, Larkin, Bourgeois and Walker are held in escrow, 750,000 of which will be released if the Raft River Project is licensed and able to generate and distribute ten megawatts of electricity at standard commercial prices. The balance of 250,000 shares will be released if an additional five megawatts of electricity is licensed.

1.10 Risk Factors

An investment in shares of our common stock involves a high degree of risk. You should consider the following factors in evaluating our business and proposed activities before you purchase any shares of our common stock.

Risks Relating To Our Business

Our ability to continue as a going concern is uncertain.

Our financial statements have been prepared on a going concern basis, which contemplates continuity of operations, realization of assets and liquidation of liabilities in the ordinary course of business. We have a need for substantial funds to develop our geothermal properties.

We have financed our activities to date using private debt and equity financings, and we have no line of credit or other financing agreement providing borrowing availability with a commercial lender. Our ability to continue as a going concern is dependent upon adequate sources of capital and the ability to sustain positive results of operations and cash flows sufficient to continue to explore for and develop our geothermal assets.

All the foregoing lead to questions concerning our ability to meet our obligations as they come due. There is no assurance that the carrying amounts of our assets will be realized or that liabilities will be liquidated or settled for the amounts recorded. GTH is in a development stage and there is no assurance, at this time that we will procure a long-term power purchase agreement or the associated equity and/or debt financing required to build and commission a geothermal electrical power generation facility.

We have a limited operating history, have incurred losses to date, and cannot give any assurance that we can ever attain profitability.

Our company has been engaged in limited activities in the geothermal business since Geo-Idaho's incorporation in February 2002. As a result of our brief operating history, our operating results from historical periods are not readily comparable to and may not be indicative of future results. We have not generated revenues from operations to date, and cannot give any assurance that we will be able to generate revenues in the future. For the years ended March 31, 2003 and 2004, we incurred net losses of (\$164,909) and (\$436,061), respectively. At March 31, 2004, we had an accumulated deficit of (\$1,009,136). We expect to incur losses for at least the next 24 months. We cannot give you any assurance that we will soon make a profit or that we will ever make a profit. To achieve profitability, we must, among other things, procure a long-term power purchase agreement from an investment grade utility, and obtain financing to build and commission a geothermal electrical power generation facility.

Our future performance depends on our ability to establish that the geothermal resource is economically exploitable.

Geothermal resource exploration and development involves a high degree of risk. The independent accountants' report on our financial statements as of and for the year ended March 31, 2004 includes an explanatory paragraph, which states that GTH has not yet determined whether its properties contain economically recoverable geothermal reserves. The recovery of the amounts shown for geothermal properties and related deferred costs on our financial statements, as well as the execution of our business plan generally, is dependent upon the existence of economically recoverable reserves. Until the balance of the development program is completed and an independent reserve appraisal undertaken, the potential of the Raft River property is undetermined.

We have a need for substantial additional financing and will have to significantly curtail or cease operations if we are unable to secure such financing.

At March 31, 2004, we had a cash position of \$870,513. We require substantial additional financing to fund the cost of continued development of the Raft River project and other operating activities, to acquire the remaining ownership of property making up the project, and to finance the growth of our business, including the construction and commissioning of a power generation facility. If further funding is not obtained by December 31, 2004, we may be required to significantly curtail or cease operations. We may not be able to obtain the needed funds on terms acceptable to us or at all.

Further, if additional funds are raised by issuing equity securities, significant dilution to our current shareholders may occur and new investors may get rights that are preferential to current shareholders. Alternatively, we may have to bring in a joint venture partner to fund further development work, which would result in reducing our interest in the project.

It is very costly to place geothermal resources into commercial production.

If a commercial geothermal resource is established in respect to the Raft River project, before the sale of any power can occur, it will be necessary to construct a gathering and disposal system, a power plant, and a transmission line, and considerable administrative costs would be incurred, together with the drilling of additional wells. We have estimated the costs to be around US \$30,000,000 for a 15 Megawatt size power plant. To fund expenditures of this magnitude, we may have to find a joint venture participant with substantial financial resources. There can be no assurance that a participant can be found and, if found, it would result in GTH having to substantially reduce its interest in the project.

If we are unable to enter into a long-term power purchase agreement or a power distribution agreement to deliver our power, we will be unable to distribute power and generate revenues.

Once our reserves are established, our strategy is to enter into a long-term power purchase agreement from an investment grade utility, which we anticipate will allow us to obtain financing to build and commission a geothermal electrical power generation facility. If our power purchase agreement does not provide access to a power distribution grid, we will also need to enter into an agreement with a power distribution network. Even if our reserves are established, there can be no assurance that the Company will be able to negotiate, execute and maintain favourable power purchase or distribution agreements.

We may not be able to manage our growth.

Significant growth in our operations will place demands on our operational, administrative and financial resources, and the increased scope of our operations will present challenges to us due to increased management time and resources required and our existing limited staff. Our future performance and profitability will depend in part on our ability to successfully integrate the operational, financial and administrative functions of Raft River and other acquired properties into our operations, to hire additional personnel and to implement necessary enhancements to our management systems to respond to changes in our business. There can be no assurance that we will be successful in these efforts. Our inability to integrate acquired properties, to hire additional personnel or to enhance our management systems could have a material adverse effect on our results of operations.

If we incur additional debt to fund our business, the risks significant debt levels pose will increase.

We will need to procure significant additional financing to construct, commission and operate a power plant at Raft River in order to generate and sell electricity. If this financing includes the issuance of material amounts of debt, this would expose GTH to additional risks including, among others, the following:

- A portion of our cash flow from operations would be used for the payment of principal and interest on our indebtedness and would not be available for financing capital expenditures or other purposes;

- Our level of indebtedness and the covenants governing our indebtedness could limit our flexibility in planning for, or reacting to, changes in our business because certain activities or financing options may be limited or prohibited under the terms of agreements relating to such indebtedness;
- Our level of indebtedness may make us more vulnerable to defaults by the purchasers of electricity or in the event of a downturn in our business because of our fixed debt service obligations; and
- The terms of agreements may require us to make interest and principal payments and to remain in compliance with stated financial covenants and ratios. If the requirements of such agreements were not satisfied, the lenders would be entitled to accelerate the payment of all outstanding indebtedness and foreclose on the collateral securing payment of that indebtedness, which would likely include our interest in the project.

In such an event, we cannot assure you that we would have sufficient funds available or could obtain the financing required to meet our obligations, including the repayment of outstanding principal and interest on such indebtedness.

The success of our business relies on retaining our key personnel.

We are dependent upon the services of our President and Chief Executive, our Chief Operating Officer, and our Chief Financial Officer. The loss of any of their services could have a material adverse effect upon us. GTH has executed employment agreements with these persons but does not have key-man insurance on any of them.

Our development activities are inherently very risky.

The risks involved in the development of a geothermal resource cannot be over-stated. The development of a geothermal resource is such that there cannot be any assurance of success. Exploration costs are not fixed, and the resource cannot be relied upon until substantial development has taken place, which entails high exploration and development costs. The costs of development drilling are subject to numerous variables, which could result in substantial cost overruns. Drilling for geothermal resource may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Our drilling operations may be curtailed, delayed or cancelled as a result of numerous factors, many of which are beyond our control, including economic conditions, mechanical problems, title problems, weather conditions, compliance with governmental requirements and shortages or delays of equipment and services. If our drilling activities are not successful, we would experience a material adverse effect on our future results of operations and financial condition.

In addition to the substantial risk that wells drilled will not be productive, hazards such as unusual or unexpected geologic formations, pressures, downhole fires, mechanical failures, blowouts, cratering, explosions, uncontrollable flows of well fluids, pollution and other physical and environmental risks are inherent in geothermal exploration and production. These hazards could result in substantial losses to us due to injury and loss of life, severe damage to and destruction of property and equipment, pollution and other environmental damage and suspension of operations. As protection against operating hazards, we maintain insurance coverage against some, but not all, potential losses. We do not fully insure against all risks associated with our business either because such insurance is not available or because the cost of such coverage is considered prohibitive.

The occurrence of an event that is not covered, or not fully covered, by insurance could have a material adverse effect on our financial condition and results of operations.

The impact of governmental regulation could adversely affect our business.

Our business is subject to certain federal, state and local laws and regulations, including laws and regulations on taxation, exploration and development, production and distribution of electricity, and environmental and safety matters. Many laws and regulations require drilling permits and govern the spacing of wells, rates of production, prevention of waste and other matters. Such laws and regulations may increase the costs of planning, designing, drilling, installing, operating and abandoning our geothermal wells, the power plant and other facilities. In addition, our operations are subject to complex environmental laws and regulations adopted by federal, state and local jurisdictions where we operate. We could incur liability to governments or third parties for any unlawful discharge of pollutants into the air, soil or water, including responsibility for remedial costs. We could potentially discharge such materials into the environment in any of the following ways:

- From a well or drilling equipment at a drilling site;
- Leakage from gathering systems, pipelines, power plant and storage tanks;
- Damage to geothermal wells resulting from accidents during normal operations; and blowouts, catering and explosions.

In addition, the submission and approval of environmental impact assessments may be required. Environmental legislation is evolving in a manner, which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

Because the requirements imposed by such laws and regulations are frequently changed, we cannot assure you that laws and regulations enacted in the future, including changes to existing laws and regulations, will not adversely affect our business. In addition, because we acquire interests in properties that have been operated in the past by others, we may be liable for environmental damage caused by such former operators.

Claims have been made that some geothermal plants cause seismic activity and related property damage.

There are approximately two dozen geothermal plants operating within a fifty-square-mile region in the area of Anderson Springs, in Northern California, and there is general agreement that the operation of these plants causes a generally low level of seismic activity. Some residents in the Anderson Springs area have asserted property damage claims against those plant operators. There are significant issues whether the plant operators are liable, and to date no court has found in favour of such claimants. Even if liability is imposed on operators in the Anderson Springs area, we do not believe the area of the Raft River project or our intended operation of a power plant present the same geological or seismic risks.

Changes in wholesale power prices may affect our profitability.

The wholesale power price is beyond our control and subject to significant fluctuations.

There is no guarantee that the wholesale power price in effect at any point in time will result in the profitable operation of a geothermal power producer.

There are some risks for which we do not or cannot carry insurance.

GTH may become subject to liability for pollution or other hazards against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons. In particular, GTH is not insured for environmental liability or earthquake damage.

Our officers and directors may have conflicts of interests arising out of their relationships with other companies.

Several of our directors and officers serve (or may agree to serve) as directors or officers of other companies or have significant shareholdings in other companies. Because our executive officers currently serve in only part-time capacities, the extent that such other companies require their services may conflict with the available time or scheduling of services performed for GTH. To the extent that such other companies may participate in ventures in which GTH may participate, the directors may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. If a conflict of interest arises, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment.

Under the laws of the State of Delaware, the directors of GTH would be required to act honestly, in good faith and in the best interests of GTH. In determining whether or not GTH would participate in a particular program and what interest GTH would acquire in it, the directors would primarily consider the degree of risk to which GTH would be exposed and its financial position at that time.

1.11 Fourth Quarter

The net loss for the quarter ended March 31, 2004 was \$173,865. Major expense components were consulting fees of \$123,868, professional fees of \$82,736 and management fees of \$30,855. A gain on exchange of \$35,792 was recorded which reflects Canadian/US exchange rate fluctuations on the conversion of Canadian \$ accounts.

The consulting fees include \$55,744 of stock based compensation for unexercised stock options granted to consultants. There was also a reclassification of \$75,292 of merger related costs, which were classified as cost of issued capital. Accordingly, they were charged as a reduction of paid in capital.

Cash used in operating activities was \$162,054. Investing activities consumed \$138,043 inclusive of \$125,000 paid to Vulcan Power Company. Additionally, the \$300,418 loan payable, as at December 31st 2003 was repaid partially in shares, \$173,639, and the remainder in cash. Working capital was \$692,418 as at March 31, 2004 as compared to \$823,212 on December 31, 2003.

1.12 Proposed Transactions

GTH announced on July 7th 2004 that it had engaged Dundee Securities Corporation to lead and manage a syndicate for an equity offering of up to Canadian \$3.4 million. The private placement is for up to 4 million units priced at Canadian \$0.85 per unit. Each unit is composed of one common share and one warrant to purchase one common share at an exercise price of \$1.25 per share for a period of two years. On July 29, 2003, the TSX Venture Exchange provided conditional approval subject to filing documentation at closing in accordance with their policies and regulations.

Several confidentiality agreements have been entered into with independent entities to allow for discussions of geothermal power development projects including potential acquisition of an existing power plant. These projects are in the state of Nevada. In addition GTH has entered into a letter of intent to conduct due diligence investigation on a project with an early stage geothermal resource. GTH paid \$15,000 as a non-refundable payment to secure an exclusive non-binding 60-day option, expiring August 31, 2004, to complete its due diligence. If this acquisition goes forward after the due diligence, the letter of intent contemplates that a binding agreement, subject to approval of the directors, be executed and the consideration be a combination of shares, cash and royalties. Also included may be a share compensation package to new management. Completion and acquisition is subject to a number of factors, including due diligence, definitive documentation and the approval of the TSX Venture Exchange.

1.13 Changes in Accounting Policies

In 2003, the CICA amended the Handbook Section 3870 – “Stock Based Compensation and Other Stock Based Payments”. 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 stock 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. GTH elected to adopt Section 3870 effective April 1, 2004 on a retroactive basis. The impact in 2004 and 2003 upon adoption is reflected in the pro-forma stock based compensation disclosures (Note 6). Of the attached audited annual financial statements.

1.14 Financial Instruments

GTH’s financial instruments consist of cash and equivalents, Goods and Services Tax recoverable, due from affiliated company, and accounts payable and accrued liabilities. Unless otherwise noted, it is management’s opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

1.15 Other Information

	NUMBER OF SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	DEFICIT	TOTAL
Balance, March 31, 2002	2,600,000	\$ 2,600	\$ 37,400	\$ -	\$ 40,000
Shares issued for:					
Cash	1,418,667	1,419	404,431	-	405,850
Professional services	166,170	166	49,434	-	49,600
Geothermal property	1,895,000	1,895	15,105	-	17,000
Net loss for the year	-	-	-	(147,610)	(147,610)
Balance, March 31, 2003	6,079,837	6,080	506,370	(147,610)	364,840
Adjustment to number of shares issued and outstanding as a result of the reverse take-over transaction	(6,079,837)	(6,080)	6,080	-	-
Shares issued at time of reverse take-over	2,274,616	2,275	(2,275)	-	-
	2,274,616	2,275	510,175	(147,610)	364,840
Shares issued for:					
Acquisition of U.S. Geothermal Inc. (Note 3)	6,939,992	6,940	(6,940)	(408,166)	(408,166)
Private placement, net of share issue costs of \$100,559 (Note 5(a))	3,322,221	3,322	1,416,556	-	1,419,878
Settlement of debts (Note 5(b))	385,864	386	173,252	-	173,638
Stock options granted (Note 6)	-	-	55,744	-	55,744
Net loss for the year	-	-	-	(382,128)	(382,128)
Balance, March 31, 2004	12,922,693	\$ 12,923	\$ 2,148,787	\$ (937,904)	\$ 1,223,806

As at March 31, 2004, the Company had 6,439,565 common shares and 2,420,217 share purchase warrants held in escrow.

Share purchase warrants outstanding at March 31, 2004 were as follows:

NUMBER OF WARRANTS	EXERCISE PRICE	EXPIRY DATE
4,081,327	\$0.75	December 15, 2005
192,932	\$0.75	February 17, 2006
83,333	\$0.45	December 15, 2005
<u>4,357,592</u>		

The following table summarizes information about the stock options outstanding at March 31, 2004:

OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
EXERCISE PRICE	NUMBER OF SHARES	REMAINING CONTRACTUAL LIFE (YEARS)	NUMBER OF SHARES	EXERCISE PRICE
\$ 0.44	1,745,000	4.76	436,250	\$ 0.44