

## **NEVADA GEOTHERMAL POWER INC.**

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### NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**NEVADA GEOTHERMAL POWER INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

**FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2005**

# NEVADA GEOTHERMAL POWER INC.

## CONSOLIDATED BALANCE SHEETS

(Unaudited)

	Sept 30, 2005	June 30, 2005
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 3,567,126	\$ 1,964,047
Amounts receivable	106,544	75,686
Marketable securities	225,722	91,610
Prepaid expenses	68,681	80,135
	<u>3,968,073</u>	<u>2,211,478</u>
<b>Equipment (Note 4)</b>	17,187	15,229
<b>Long-term investments</b>	-	87,000
<b>Resource Property Interests (Note 3)</b>	<u>4,538,019</u>	<u>4,323,758</u>
	<u>\$ 8,523,279</u>	<u>\$ 6,637,465</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and advances	\$ 542,302	\$ 310,436
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital (Note 5)</b>	13,154,046	11,267,579
<b>Contributed Surplus (Note 6)</b>	485,971	594,477
<b>Deficit</b>	<u>(5,659,040)</u>	<u>(5,535,027)</u>
	<u>7,980,977</u>	<u>6,327,029</u>
	<u>\$ 8,523,279</u>	<u>\$ 6,637,465</u>

**Commitments (Note 10)**

**Related party transactions (Note 8)**

Approved by the Directors:

“Brian D. Fairbank”

“Domenic Falcone”

See accompanying notes to the consolidated financial statements

# NEVADA GEOTHERMAL POWER INC.

## CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

(Unaudited)

	For the Three Month Period Ended September 30,	
	2005	2004
<b>Expenses</b>		
Administration	\$ 16,527	\$ 15,218
Amortization	937	671
Audit	15,900	-
Consulting	20,245	11,820
Conventions and publishing	15,542	35,527
Foreign exchange	10,310	(15,146)
Insurance	12,500	-
Investor relations and shareholder information	29,413	33,647
News dissemination	4,886	10,575
Legal	7,207	21,090
Office and sundry	7,840	3,457
Rent and telephone	10,768	5,894
Stock-based compensation	2,806	23,737
Transfer agent and regulatory fees	8,134	11,682
Travel and business development	21,528	14,232
	184,543	172,404
<b>Loss Before The Following</b>		
Interest Income	(13,419)	(4,159)
Unrealized Gain On Investments	(47,111)	-
	124,013	168,245
<b>Loss For The Period</b>		
Deficit, Beginning Of Period	5,535,027	4,226,794
	\$ 5,659,040	\$ 4,395,039
<b>Loss Per Share</b> , Basic and diluted	\$ 0.004	\$ 0.01
<b>Weighted Average Number Of Shares Outstanding</b>	31,494,744	23,262,462

See accompanying notes to the consolidated financial statements

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

(Unaudited)

	For the Three Month Period Ended September 30,	
	2005	2004
<b>Cash Flows From Operating Activities</b>		
Loss for the period	\$ (124,013)	(168,245)
Items not involving cash flows:		
Stock-based compensation	2,806	23,737
Amortization	937	671
Unrealized gain on marketable securities	(47,111)	-
Adjustments to reconcile net income (loss) to net cash used in operating activities		
(Increase) decrease in amounts receivable	(30,858)	314,147
Increase in prepaid expenses	11,454	3,777
Increase in accounts payable	231,866	179,458
	<u>45,081</u>	<u>353,545</u>
<b>Cash Flows From Investing Activities</b>		
Resource property costs	(214,261)	(574,169)
Acquisition of capital assets	(2,895)	-
	<u>(217,156)</u>	<u>(574,169)</u>
<b>Cash Flows From Financing Activities</b>		
Shares issued for cash	1,775,155	877,131
	<u>1,775,155</u>	<u>877,131</u>
<b>Increase In Cash</b>	<b>1,603,080</b>	<b>656,507</b>
<b>Cash, Beginning Of Period</b>	<b>1,964,047</b>	<b>984,429</b>
<b>Cash, End of Period</b>	<b>\$ 3,567,126</b>	<b>1,640,936</b>

See accompanying notes to the consolidated financial statements

**NEVADA GEOTHERMAL POWER INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2005  
(unaudited)

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

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The accompanying consolidated financial statements for the interim periods ended September 30, 2005 and 2004, are prepared on the basis of accounting principles generally accepted in Canada and are unaudited, but in the opinion of management, reflect all adjustments (consisting of normal recurring accruals) necessary for fair presentation of the financial position, operations and changes in financial results for the interim periods presented. The consolidated financial statements for the interim periods are not necessarily indicative of the results to be expected for the full year. These consolidated financial statements do not contain the detail or footnote disclosure concerning accounting policies and other matters, which would be included in full year financial statements, and therefore should be read in conjunction with the Company's consolidated audited financial statements for the year ended June 30, 2005.

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

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assume the realization of assets and discharge of liabilities in the normal course of business. As at September 30, 2005, the Company has a working capital of \$3,425,771, and has incurred losses totalling \$5,659,040.

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.

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**2. SIGNIFICANT ACCOUNTING POLICIES**

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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, Canada. 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.

**NEVADA GEOTHERMAL POWER INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2005  
(unaudited)

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

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b) Resource Property Costs

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

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

c) Option Payments Received

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

d) Marketable securities

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

e) Equipment and amortization

Equipment is recorded at cost and is depreciated over its useful life by the declining balance method at the following rates:

Computer equipment	30%
Office equipment	20%

The carrying value of equipment is reviewed for impairment whenever events or changes in circumstances indicate the recoverable value may be less than the carrying amount. Recoverable value is determined by management based on estimates of undiscounted future cash flows expected to be recovered from specific assets or groups of assets through use or future disposition. Impairment charges, when indicated, are recorded in the reporting period in which determination of impairment is made by management.

f) Stock Based Compensation

The Company follows the recommendations of CICA Handbook Section 3870 – “Stock Based Compensation and Other Stock Based Payments” to record stock based transactions with officers, directors, and outside consultants. Accordingly, the fair value of

**NEVADA GEOTHERMAL POWER INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2005  
(unaudited)

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

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stock options is charged to operations or resource property costs as appropriate, with an offsetting credit to contributed surplus. The fair value of stock options which vest immediately is recorded at the date of grant and the fair value of options which vest in the future is recognized on a straight-line basis over the vesting period. Any consideration received on exercise of stock options together with the related portion of contributed surplus is credited to share capital.

g) Use of Estimates

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

h) Basic and Diluted Loss Per Share

The Company uses the treasury stock method for computing diluted loss per share. This method assumes that any proceeds attained upon exercise of options or warrants, would be used to purchase common shares at the average market price during the period. The effects of applying the treasury stock method to the Company's loss per share is anti-dilutive. Therefore, basic and diluted losses per share are equal for the periods presented.

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. The Company has not recognized any future benefit amount as the criteria for recognition has not been met.

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 THREE MONTH PERIOD ENDED SEPTEMBER 30, 2005  
(unaudited)

**3. RESOURCE PROPERTY INTERESTS**

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

	<b>September 30,</b>	
	<b>2005</b>	<b>2004</b>
Blue Mountain Geothermal Project – Nevada, USA	<b>\$ 4,364,736</b>	\$ 3,052,808
Pumpnickel Valley Geothermal Project – Nevada, USA	<b>15,216</b>	44,806
Black Warrior Peak Project – Nevada, USA	<b>75,974</b>	17,317
Crump Geysler Project – Oregon, USA	<b>82,093</b>	-
	<b><u>\$ 4,538,019</u></b>	<b><u>\$ 3,114,391</u></b>

a) Blue Mountain Geothermal Project, Nevada

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, Canada) owns 100% of the issued capital of Nevada Geothermal Power Company ("NGPC") (formerly Noramex Corp.) (incorporated in Nevada). NGPC 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 twelve 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.

The following costs have been incurred on the project:

	<b>September 30,</b>	
	<b>2005</b>	<b>2004</b>
Deferred exploration		
Property leases, permits and regulatory	<b>\$ 4,683</b>	\$ 1,736
Geological and geophysical	<b>63,110</b>	169,481
Drilling	-	366,792
Feasibility study	<b>60,075</b>	-
Road maintenance	-	7,909
Camp supplies	<b>9,384</b>	45,939
U.S. Department of Energy grant	-	(44,175)
Costs incurred during the period	<b><u>137,252</u></b>	<u>547,682</u>
Balance, beginning of period	<b><u>4,227,484</u></b>	<u>2,505,126</u>
Balance, end of period	<b><u>\$ 4,364,736</u></b>	<b><u>\$ 3,052,808</u></b>

**NEVADA GEOTHERMAL POWER INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2005  
(unaudited)

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**3. RESOURCE PROPERTY INTERESTS (Continued)**

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b) Pumpnickel Valley Geothermal Project, Nevada

On February 20, 2004, the Company entered into a geothermal lease agreement with Newmont USA Limited, covering five square miles of geothermal land located in north-central Nevada approximately 10 miles from Newmont's Lone Tree Mine. The Company has also filed lease applications on an additional four sections of federal land for total leasehold of nine square miles (5,671 acres).

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

- 3½% of gross proceeds from electrical power sales (less taxes and transmission costs);
- 5% of the gross proceeds from the 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; and
- 10% of net profits from the use of substances at a commercial facility other than an electric power generating facility (such as a vegetable drying/processing facility).
- Substances or electrical power used by the Company for operations at an on-site electrical generating plant or other commercial facilities are not subject to royalties.

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

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

**NEVADA GEOTHERMAL POWER INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2005  
(unaudited)

**3. RESOURCE PROPERTY INTERESTS (Continued)**

b) Pumpnickel Valley Geothermal Project, Nevada (Continued)

The following costs have been incurred on the project:

	<b>September 30,</b>	
	<b>2005</b>	<b>2004</b>
Deferred exploration		
Assaying	\$ 386	\$ -
Camp and field supplies	44,691	-
Drilling	282,895	-
Geological and geophysical	121,733	9,170
Reports and maps	26,890	-
Road construction	3,857	-
U.S. Department of Energy grant (recovery)	(360,420)	-
Invision Solutions funding and option payments (recovery)	(119,975)	-
Costs incurred during the period	57	9,170
Balance, beginning of period	15,159	35,636
Balance, end of period	<u>\$ 15,216</u>	<u>\$ 44,806</u>

c) Black Warrior Peak, Nevada,

In fiscal 2005, the Company acquired eight square miles of private land and two sections of federal geothermal lease for a total land area of ten square miles (26 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:

	<b>September 30,</b>	
	<b>2005</b>	<b>2004</b>
Acquisition		
Lease payments	\$ 12,563	\$ 12,411
Deferred exploration		
Camp costs and field supplies	885	30
Geological and geophysical	2,517	4,876
Costs incurred during the period	15,965	4,906
Balance, beginning of period	60,009	-
Balance, end of period	<u>\$ 75,974</u>	<u>\$ 17,317</u>

**NEVADA GEOTHERMAL POWER INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2005  
(unaudited)

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

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d) Crump Geyser, Oregon

On August 1, 2005 the Company leased eleven square miles of geothermal land located in south east Oregon. The leases are on private land and are subject to a 3.5% royalty of the gross revenues from the availability, sale or use of electricity.

The following costs have been incurred on the properties:

	<b>September 30,</b>	
	<b>2005</b>	<b>2004</b>
Acquisition		
Lease payments	<b>\$ 17,315</b>	\$ -
Deferred exploration		
Assaying	-	-
Camp costs and field supplies	<b>2,121</b>	-
Geological and geophysical	<b>41,551</b>	-
Costs incurred during the year	<b>60,987</b>	-
Balance, beginning of period	<b>21,106</b>	-
Balance, end of period	<b>\$ 82,093</b>	\$ -

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**4. EQUIPMENT**

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	<b>Sept 30,</b>	June 30,
	<b>2005</b>	2005
	<b>(unaudited)</b>	<b>(audited)</b>
Computer equipment	<b>\$ 23,861</b>	\$ 23,861
Office equipment	<b>19,538</b>	16,643
	<b>43,399</b>	40,504
Accumulated depreciation	<b>26,212</b>	25,275
Net book value	<b>\$ 17,187</b>	\$ 15,229

**NEVADA GEOTHERMAL POWER INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2005  
(unaudited)

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**5. SHARE CAPITAL**

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- 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

	<u>SHARES</u>	<u>AMOUNT</u>
Balance, June 30, 2004	22,189,084	\$ 7,474,528
For cash		
Private placements, net of financing costs	5,000,000	2,718,900
Options exercised	437,000	136,950
Warrants exercised	1,776,988	845,342
Rounding adjustment	2	-
Options exercised – stock option valuation	-	91,859
	<hr/>	<hr/>
Balance, June 30, 2005	29,403,074	11,267,579
For cash		
Options exercised	533,000	180,940
Warrants exercised	3,188,430	1,594,215
Options exercised –stock option valuation	-	111,312
	<hr/>	<hr/>
Balance, September 30, 2005	<u>33,124,504</u>	<u>\$ 13,154,046</u>

During the year ended June 30, 2005, the Company completed a private placement and issued 3,500,000 units at a price of \$0.65 per unit for proceeds of \$2,275,000 before issue costs of \$244,046. Each unit consisted of one common share and one share purchase warrant. One whole warrant entitles the holder to purchase one common share at a price of \$1.00 per share for a two-year period. The Company granted 280,000 compensation options as a finder's fee in connection with this private placement offering.

During the year ended June 30, 2005, the Company completed a private placement and issued 1,500,000 units at a price of \$0.50 per unit for proceeds of \$750,000 before issue costs of \$62,054. Each unit consisted of one common share and one share purchase warrant. One whole warrant entitles the holder to purchase one common share at a price of \$0.80 per share for a two-year period.

During the period ended September 30, 2005, the Company issued 533,000 shares from the exercise of stock options at various prices, and issued 3,188,430 shares from the exercise of warrants at a price of \$0.50 per warrant.

**NEVADA GEOTHERMAL POWER INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2005  
(unaudited)

**5. SHARE CAPITAL** (continued)

c) Stock Options

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

EXERCISE PRICE	NUMBER OUTSTANDING AT SEPTEMBER 30, 2005	REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT SEPTEMBER 30, 2005
\$ 0.28	693,000	2.86	\$ 0.28	693,000
0.35	180,000	3.41	0.35	180,000
0.50	95,000	3.72	0.50	95,000
0.54	397,000	4.01	0.54	397,000
0.55	100,000	0.49	0.55	50,000
0.65	280,000	1.47	0.65	280,000
	<u>1,745,000</u>	<u>2.87</u>	<u>\$ 0.43</u>	<u>1,695,000</u>

A summary of the changes in stock options for the periods ending June 30, 2005 and September 30, 2005 is presented below:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Balance, June 30, 2004	1,835,000	\$ 0.30
Granted	880,000	0.58
Exercised	(437,000)	0.31
Balance, June 30, 2005	2,278,000	0.41
Exercised	(533,000)	0.34
Balance September 30, 2005	<u>1,745,000</u>	<u>\$ 0.43</u>

**NEVADA GEOTHERMAL POWER INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2005**  
(unaudited)

**5. SHARE CAPITAL** (continued)

c) Share Purchase Warrants

	<b>NUMBER OF WARRANTS</b>	<b>WEIGHTED AVERAGE EXERCISE PRICE</b>
Balance, June 30, 2004	5,091,208	\$ 0.46
Issued	5,000,000	0.94
Exercised	(1,776,988)	0.48
Expired	(125,790)	0.36
Balance, June 30, 2005	8,188,430	0.77
Exercised	(3,188,430)	0.50
Balance, September 30, 2005	<u>5,000,000</u>	<u>\$ 0.94</u>

Share purchase warrants outstanding at September 30, 2005:

<b>NUMBER OF SHARES</b>	<b>EXERCISE PRICE</b>	<b>EXPIRY DATE</b>
1,500,000	\$ 0.80	September 23, 2006
<u>3,500,000</u>	<u>1.00</u>	March 22, 2007
<u>5,000,000</u>	<u>\$ 0.94</u>	

e) Escrow Shares

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

**NEVADA GEOTHERMAL POWER INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2005  
(unaudited)

**6. CONTRIBUTED SURPLUS**

	<b>September 30,</b>	
	<b>2005</b>	<b>2004</b>
Balance, beginning of period	<b>\$ 594,477</b>	\$ 351,272
Compensation options granted	<b>2,806</b>	23,737
Stock options exercised	<b>(111,312)</b>	-
Balance, end of period	<b>\$ 485,971</b>	\$ 375,009

**7. FINANCIAL INSTRUMENTS**

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

**8. RELATED PARTY TRANSACTIONS**

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

	<b>September 30,</b>	
	<b>2005</b>	<b>2004</b>
Fees for administrative and professional services	<b>\$ 21,128</b>	\$ 40,598
Fees for geological services	<b>134,548</b>	183,527
Amounts included in accounts payable	<b>120,467</b>	187,465
	<b>\$ 276,143</b>	\$ 411,590

**NEVADA GEOTHERMAL POWER INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2005**  
(unaudited)

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**9. INCOME TAXES**

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The Company has non-capital losses available for income tax purposes totaling approximately CDN\$3,000,000 and US\$1,896,000, which may be carried forward to reduce future year's taxable income. The criteria for recognizing these potential future tax benefits as an asset have not been met.

Losses for Canadian tax purposes expire as follows:

2006	\$	215,000
2007		238,000
2008		184,000
2009		293,000
2010		456,000
2014		454,000
2015		1,005,000
2016		155,000
	\$	<u>3,000,000</u>

Losses for US tax purposes expire as follows:

2023	US\$	40,000
2025		325,000
2026		1,153,000
2027 and thereafter		378,000
	US\$	<u>1,896,000</u>

**10. COMMITMENTS**

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- a) On October 1, 2005 the Company entered into an agreement for the provision of management services. Compensation under the agreement is \$5,000 per month for an initial term of six months and renewed semi-annually until rescinded.
- b) On October 1, 2005 the Company entered into an agreement for the provision of management and technical services. Compensation under the agreement is US\$8,833 per month for an initial term of one year. The agreement may be renewed for further one year terms upon the mutual agreement of the parties.
- c) The Company has entered into operating leases for premises and geothermal resources. The minimum annual commitments in each of the next five years and thereafter are as follows:

2006	\$	193,736
2007		229,176
2008		309,514
2009		448,524
2010		489,362
2011 and thereafter		2,128,594
Total payments	\$	<u>3,798,906</u>

## **NEVADA GEOTHERMAL POWER INC.**

Management Discussion and Analysis  
For the First Quarter Ended September 30, 2005

Form 51-102F1

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### **Effective Date**

This Management Discussion and Analysis ("MDA") is an overview of the activities of Nevada Geothermal Power Inc. ("the Company") for the three month period (quarter) ended September 30, 2005 and incorporates certain information from the prior three fiscal years. In order to better understand the MDA, it should be read in conjunction with the Company's unaudited financial statements and related notes for the three month period ended September 30, 2005 and the Company's most recent audited financial statements and related notes for the year ended June 30, 2005. These financial statements have been prepared by management in accordance with Canadian generally accepted accounting policies ("GAAP"). All dollar amounts referred to in this discussion and analysis are expressed in Canadian dollars except where indicated otherwise. The effective date of this Management Discussion and Analysis is November 28, 2005.

### **Forward Looking Statements**

This MDA may contain "forward looking statements" that reflect Nevada Geothermal Power's expectations and projections about its future results. The Company has 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 the Company's 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. The Company disclaims any obligation or intention to update or to revise any forward-looking statement, whether as a result of new information, future events or otherwise.

### **Description of Business**

Nevada Geothermal Power Inc. (the Company) is developing renewable geothermal energy projects in Nevada and Oregon where additional electrical generation capacity is needed to meet existing and future demand for power. The Company holds leases on four projects: Blue Mountain, Pumpnickel and Black Warrior Peak all located in Nevada and Crump Geyser located in Oregon. The Company is embarking on a production plan to develop an initial 30 megawatt geothermal power plant at Blue Mountain.

### **Overall Performance**

The Company's immediate strategy is the continued exploration and subsequent development of its geothermal prospects at Blue Mountain and Pumpnickel in Nevada and Crump Geyser in Oregon. In this regard, the Company has made significant progress towards its stated goals. During this quarter the Company focused upon drill permitting at Blue Mountain, thermal gradient drilling at Pumpnickel and obtaining private lease agreements for land surrounding Crump Geyser.

### **Exploration Properties**

As at September 30, 2005, the Company's exploration properties were comprised of:

## **NEVADA GEOTHERMAL POWER INC.**

Management Discussion and Analysis  
For the First Quarter Ended September 30, 2005

Form 51-102F1

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### **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 31 km<sup>2</sup> (12 mi<sup>2</sup>) from the Bureau of Land Management (BLM), Burlington Northern Santa Fe (BNSF), and the Nevada Land and Resource Company (NLRC).

Previous thermal gradient drilling in 2004 nearly doubled the known aerial extent of the shallow temperature anomaly outward to cover 10 km<sup>2</sup> (4 mi<sup>2</sup>). The size of the zone is still open to further expansion.

During this quarter seven permits for the production size test wells and three permits for thermal gradient/observation wells were filed at the federal level with the Bureau of Land Management (BLM). There were 8 permits for the production size test wells as well as the 3 permits for the thermal gradient hole filed with the state, Division of Minerals (DOM). As one of the production size wells is on private land a permit does not need to be filed with the BLM. The applications were approved on their technical merit subject to a further environmental assessment (EA) being performed. Environmental Management Associates out of Brea, CA was retained to conduct the EA which will then be reviewed by the BLM Winnemucca Field Office. Management expects that the EA review will be completed by the end of January 2006.

In this first quarter, permits were filed with the State Engineer to obtain water rights for the geothermal power plant.

A detailed ground magnetic survey was undertaken in August, 2005. It supports and verifies the older airborne magnetic survey performed by Aerodat Ltd in 1988. This ground survey extends and better delineates the subsurface structures outside the Main Zone, especially in the valley. It also defines a line of strong magnetic highs to the west of the Main Zone. The magnetic highs will be tested during future drilling.

In the last quarter of fiscal 2005, the Company had submitted a bid, based on a 30MW plant, in response to a Request for Proposal issued on May 4, 2005 by Sierra Pacific and Nevada Power. In September, 2005 the Company received news that Sierra Pacific and Nevada Power had placed the Company on their Tier 1 list in consideration for future negotiations of a power contract.

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 Black Mountain Technology, the Company plans to initially drill three, 13-inch-diameter production sized test wells. These large diameter test wells will provide definitive production rates and drawdown data for the shallow geothermal reservoir. If these wells prove to be successful with respect to economic production rates and drawdown data, they could be later used as production wells.

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

On February 20, 2004, the Company entered into a geothermal lease agreement with Newmont USA Limited, covering 13 km<sup>2</sup> (5 mi<sup>2</sup>) of geothermal land located in north-central Nevada approximately 16 km (10 miles) from Newmont's Lone Tree Mine. The Company has also filed lease applications on an additional four sections of federal land for a total leasehold of 23 km<sup>2</sup> (9 mi<sup>2</sup>).

## **NEVADA GEOTHERMAL POWER INC.**

Management Discussion and Analysis  
For the First Quarter Ended September 30, 2005

Form 51-102F1

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The results of the 3D-ESCAN resistivity survey jointly funded by Noramex and the DOE were received in July, 2005. Based on the resistivity results, additional drill targets were permitted. WDC Exploration & Wells was awarded the contract to drill 4 thermal gradient holes commencing in August, 2005. Originally the holes were targeted to a depth of 250 m (820 ft). However, due to the increased depth of overburden indicated by the resistivity survey the bore holes were deepened from 300 to 500 meters (1000 to 1640 feet).

Thermal gradient hole PVTG-1 had a measured temperature of 47°C (116°F) at 300 m (1000 ft). PVTG-2 was 34°C (94°F) at 300m (1000 ft). PVTG-3 obtained 81°C (178°F) at 488 m (1600 ft). PVTG-4 measured 46°C (114°F) at 360 m (1180 ft). PVTG-1, 2 and 4 were lined with 2 inch steel pipe and filled with water. As the holes continue to equilibrate, further temperature measurements will be obtained. PVTG-3 was drilled to 488m (1600 ft) and lined with 4 ½ inch steel casing cemented back to surface. Potentially this could allow PVTG-3 to be re-entered and cored up to 1800 m (~6000 ft) to target the geothermal reservoir at greater depths.

The Company's joint venture partner, Inovision Solutions Inc. (ISI), will cover the Company's 20% cost share obligation of US\$148,000. The DOE has funded the remaining 80% of the costs. The Company will manage the DOE sponsored work.

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

The Company continued with field investigations at the Black Warrior project during the quarter. NGP has 21 km<sup>2</sup> (8 mi<sup>2</sup>) of private land and has applied for 2 sections of federal geothermal land for a total land area of 26 km<sup>2</sup> (10 mi<sup>2</sup>) south and east of Black Warrior Peak, Washoe and Churchill Counties, Nevada. The leases on private land 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.

GeothermEx Inc. has been retained to write a 43-101 compliant report based on the results to date on the property.

### **4) Crump Geyser Project – Oregon**

The Crump Geyser project is located in Warner Valley, Lake County, 48 km (30 mi) east of Lakeview, Oregon and 282 km (175 mi) north of Winnemucca, Nevada. In August 2005, NGP acquired leases totaling 2916 hectares (7205 acres) of private land. The leases allow free access on the surface for exploration and development. The property is readily accessible by a paved highway which runs through the property.

This property is composed of two geothermal zones. The Crump Geyser and main hot springs are part of the southern geothermal zone and occur over a 6 km (4 mi) interval at the base of a prominent range front fault scarp along the western edge of Warner Valley. The northern geothermal zone comprises an area of about 1050 hectares (2600 acres) and covers extensive hot springs also occurring along prominent segmented extensional faults.

At Crump Geyser, a 512 meter (1680 foot) deep well drilled in 1959 by Magma Power company spontaneously erupted a few days after it was abandoned. The well flowed 30 litres/second (500 gallons/minute) of boiling water spouting 60 meters (200 feet) into the air continuously for 6 months. It then reverted to a spectacular geyser erupting at regular intervals. In the 1960's the well was plugged with rocks stemming the geyser flow, however boiling water still rumbles at depth and boiling water bubbles to the surface.

## **NEVADA GEOTHERMAL POWER INC.**

Management Discussion and Analysis  
For the First Quarter Ended September 30, 2005

Form 51-102F1

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During the quarter, the Company compiled all of the known geological, geophysical, geochemical, and drilling data. Based on this data the Company is planning to conduct a ground magnetometer survey in November 2005. In the third quarter of fiscal 2006, a detailed resistivity survey is planned to help map subsurface structures and to aid in planning potential drill hole locations. GeothermEx Inc. has been retained to write a 43-101 compliant report based on the results to date on the property.

### **Financial Summary**

For the three months ended September 30, 2005 the Company incurred a loss of \$124,000 or \$0.004 per share. This compares to a loss for the three months ended September 30, 2004 of \$168,000 or \$0.01 per share. The reason for the improved results is two fold. Interest income was higher in this quarter as the result of the short term investment of higher cash reserves. Additionally, the company recorded an unrealized gain on marketable securities as the result of writing up to current market value a previously written down investment.

Administrative expenses have increased by \$12,000 over the previous period. There were many reasons for this difference. The differential in audit fees in the quarter to quarter comparison is a timing difference. In the previous quarter the fees were billed later in the fiscal year. Consulting fees have risen as a direct result of the Company commencing to pay certain directors for their corporate governance obligations. Further, the Company engaged the services of a consultant to provide advice on shareholder and financing matters. Convention and publishing expenses have declined as certain advertising initiatives, undertaken in the first quarter of 2004, were not renewed in the similar quarter of 2005. A foreign exchange loss was incurred as the Canadian dollar strengthened in this quarter when compared to its US counterpart. The Company placed liability insurance for the first time and recorded an expense as the result of this. In the first quarter of fiscal 2004, the Company undertook a private placement. There was no similar financing in the corresponding quarter of 2005. As a consequence legal costs were higher in the first quarter of 2004 than in the first quarter of 2005. Stock based compensation expenses were higher in 2004 as more common stock options vested to consultants than in 2005. Finally travel and business development expenses increased in 2005 as the result of the Company undertaking a European financing strategy.

**NEVADA GEOTHERMAL POWER INC.**

Management Discussion and Analysis  
 For the First Quarter Ended September 30, 2005

Form 51-102F1

**Selected Annual Information**

The following selected financial information was obtained from the audited consolidated annual financial statements of the company for 2005, 2004 and 2003. These financial statements were audited by Morgan and Company, Chartered Accountants. The effect of applying the treasury stock method to the Company's loss per share calculation is anti-dilutive. Therefore, basic and diluted losses per share are equal for the years presented.

<b>For the year ended June 30</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
a) Total Revenues	Nil	Nil	Nil
b) (Loss) before discontinued operations and extraordinary items	\$ (1,308,000)	\$ (793,000)	\$ (491,000)
c) Basic and diluted loss per share	\$ (0.05)	\$ (0.05)	\$ (0.05)
d) Net (loss) for the year	\$ (1,308,000)	\$ (793,000)	\$ (491,000)
e) Basic and diluted loss per share	\$ (0.05)	\$ (0.05)	\$ (0.05)
f) Total assets	\$ 6,637,000	\$ 4,004,000	\$ 542,000
g) Total long-term financial liabilities	Nil	Nil	Nil
h) Cash dividends per share for each class of share	Nil	Nil	Nil

**Summary of Quarterly Results**

<b>Period</b>	<b>Revenues</b>	<b>Loss</b>	<b>Loss per share</b>
	(Unaudited)	(Unaudited)	(Basic and fully diluted) (Unaudited)
1 <sup>st</sup> Quarter 2006	Nil	\$124,000	\$0.004
4 <sup>th</sup> Quarter 2005	Nil	\$607,000	\$0.02
3 <sup>rd</sup> Quarter 2005	Nil	\$345,000	\$0.01
2 <sup>nd</sup> Quarter 2005	Nil	\$188,000	\$0.01
1 <sup>st</sup> Quarter 2005	Nil	\$168,000	\$0.01
4 <sup>th</sup> Quarter 2004	Nil	\$373,000	\$0.02
3 <sup>rd</sup> Quarter 2004	Nil	\$173,000	\$0.01
2 <sup>nd</sup> Quarter 2004	Nil	\$107,600	\$0.01

## **NEVADA GEOTHERMAL POWER INC.**

Management Discussion and Analysis  
For the First Quarter Ended September 30, 2005

Form 51-102F1

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### **Transactions with Related Party**

During the quarter ended September 30, 2005 the Company incurred \$21,000 (2004 - \$41,000) for administration and professional services and \$135,000 (2004 - \$184,000) in geological consulting fees to directors, companies controlled by directors or companies with directors in common. Included in the accounts payable and advances at the quarter end are amounts due to related parties of \$120,000 (2004 - \$187,000).

### **Off-Balance Sheet Arrangements**

As at September 30, 2005 and up to the effective date of this report the Company had no off balance sheet arrangements.

### **Actual and Proposed Transactions**

In the normal course of business, the Company evaluates geothermal properties for potential acquisitions or disposals which, in some instances, result in proposals being made to the Board. The only actual transactions are the previously mentioned acquisitions of leases at Crump Geyser. As of the date of this report there were no pending transactions.

### **Changes in Accounting Policies including Initial Adoption**

During the first quarter of fiscal 2006, and subsequent up to the date of this report the Company has not instituted any change in its accounting policies.

### **Financial Instruments and Other Instruments**

The Company's financial instruments consist of cash and equivalents, amounts receivable, marketable securities and accounts payable and advances. The fair value of these instruments approximates their carrying value due to their short-term maturity. The fair value of amounts due to related parties is not determinable as the amounts do not have any repayment terms.

Cash equivalents include money market based investments and term deposits where maturity is less than ninety days or that may be liquidated at the Company's option without significant penalty. The company is not exposed to significant credit or interest rate risk.

### **Investor Relations**

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 is paying Equicom a monthly retainer fee of \$4,500 and is granting 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. Subsequent to the quarter end, the Company cancelled this contract. The Company also retains Shelley Kirk for investor relations services on an hourly basis.

## **NEVADA GEOTHERMAL POWER INC.**

Management Discussion and Analysis  
For the First Quarter Ended September 30, 2005

Form 51-102F1

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### **Capital Resources and Liquidity**

The Company does not have operations that generate cash flow. At September 30, 2005, the Company had \$3,567,000 in cash and equivalents on hand. At September 30, 2005, the Company had working capital of \$3,426,000. Cash on hand will be used to advance all of the geothermal properties, to fund general office and administrative costs, and to acquire new geothermal properties. Management is of the opinion that the Company has adequate financial resources to fund its ongoing level of corporate activities and required resource property commitments for the current fiscal year. 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, US Department of Energy funding on certain properties and earn-in interests on certain properties. While it has been successful in the past, there is no assurance that the Company will be successful in obtaining future sources of funding.

### **Risks and Uncertainties**

By its very nature, geothermal exploration involves a high degree of risk. The Company competes with other geothermal enterprises, some of which have greater financial resources, for the exploration and development of geothermal concessions.

The Company is at risk to changes in general economic conditions and financial markets, changes in the price of oil, gas and electricity, changes to current favorable tax incentive treatments, technological and operational hazards in the Company's exploration and development activities, uncertainties inherent in the resource development, the timing and availability of financing, governmental and other approvals, and other risk factors listed from time to time by the Company. These factors may impact upon the Company's ability to finance its programs and to carry on operations.

Geothermal exploration and development involves a high degree of risk and considerable expenditures are required to substantiate the commercial viability of a geothermal field and then to develop them into profitable production.

The Company's geothermal properties are all located in the United States. As a result, the Company is subject to currency fluctuations. The geothermal exploration activities expose the Company to potential environmental liabilities relating to development of the geothermal concessions in accordance with United States laws and regulations.

There is no guarantee that title to the properties in which the Company has a recorded interest will not be challenged. Management is not aware of any impediment to its ownership to these properties. Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MDA, actual events may differ materially from current expectations.

### **Other Information**

The Company's web site address is [www.nevadageothermal.com](http://www.nevadageothermal.com). Other information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com). The Company is listed on the TSX Venture Exchange with the trading symbol "**NGP**".

**NEVADA GEOTHERMAL POWER INC.**

Management Discussion and Analysis  
For the First Quarter Ended September 30, 2005

Form 51-102F1

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**Disclaimer**

The information contained within this discussion, by its very nature, is not a thorough summary of all matters and developments concerning Nevada Geothermal Power Inc. This information should be considered with all of the disclosure documents of the company. The information contained herein is not a substitute for a detailed investigation or an analysis of any issue related to the company. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented. Further, certain data included in this document may be historical in nature. Consequently, it may not conform to the requirements of NI 43-101, it may not have been verified by the Company's qualified person, and therefore it should not be relied upon.