

NEVADA GEOTHERMAL POWER INC.

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

SEPTEMBER 30, 2008
(Expressed in Canadian Dollars)

(UNAUDITED)

NEVADA GEOTHERMAL POWER INC.
CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian Dollars)
(Unaudited)

	September 30, 2008	June 30, 2008
ASSETS		
Current		
Cash and cash equivalents	\$ 3,459,781	\$ 11,686,765
Amounts receivable	164,221	146,310
Marketable securities (Note 5)	114,000	184,000
Prepaid expenses	219,630	137,083
	3,957,632	12,154,158
Restricted Cash (Note 13)	18,137,469	686,997
Property, Plant And Equipment (Note 6)	39,434,005	18,906,523
Interests In Geothermal Properties (Note 7)	59,386,248	51,185,593
	\$ 120,915,354	\$ 82,933,271
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 13,180,066	\$ 10,736,462
	13,180,066	10,736,462
Deferred Construction Amounts Payable (Note 8)	3,978,113	-
Bank Loan (Note 9)	53,469,456	21,292,125
Cash Settlement Option (Note 9)	1,898,527	-
Asset Retirement Obligation (Note 10)	1,148,214	1,074,261
	73,674,376	33,102,848
SHAREHOLDERS' EQUITY		
Share Capital (Note 11)	58,983,403	58,881,390
Contributed Surplus (Note 11)	4,472,721	4,385,478
Accumulated Other Comprehensive (Loss) Income	(30,358)	39,642
Deficit	(16,184,788)	(13,476,087)
	47,240,978	49,830,423
	\$ 120,915,354	\$ 82,933,271

Commitments (Note 13)

Subsequent Events (Note 15)

Approved on behalf of the Board of Directors:

“Brian Fairbank”

Director

“Domenic Falcone”

Director

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

NEVADA GEOTHERMAL POWER INC.
CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
(Expressed in Canadian Dollars)
(Unaudited)

	For the Three Month Period Ended September 30,	
	2008	2007
Operating Expenses		
Accounting and audit	\$ 101,259	\$ 7,500
Administration	251,985	110,709
Accretion	20,295	5,480
Amortization	20,384	5,648
Consulting fees	159,356	147,047
Conventions and publishing	69,659	33,617
Foreign exchange loss (gain)	1,809,640	(8,376)
Investor relations	11,050	31,202
Insurance	14,648	16,878
Legal	54,656	57,435
News dissemination	7,385	7,466
Office expenses	37,652	25,159
Rent and telephone	32,745	27,224
Stock-based compensation	126,256	86,447
Transfer agent and regulatory fees	4,862	10,440
Travel and business development	61,827	44,707
	2,783,659	608,583
Other Income		
Interest income	74,958	113,827
Option proceeds in excess of mineral property costs	-	3,464
	74,958	117,291
Loss for the period	(2,708,701)	(491,292)
Deficit, beginning of period	(13,476,087)	(10,015,378)
Deficit, end of period	\$ (16,184,788)	(10,506,670)
Basic and diluted loss per share	\$ (0.03)	\$ (0.01)
Weighted average number of common shares issued and outstanding	94,301,026	76,864,660

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

NEVADA GEOTHERMAL POWER INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
(Unaudited)

	For the Three Months Ended September 30,	
	2008	2007
Net loss for the period	\$ (2,708,701)	\$ (491,292)
Other comprehensive income		
Increase (decrease) in unrealized holding gains on marketable securities	(70,000)	28,284
Comprehensive loss	\$ (2,778,701)	\$ (463,008)

	For the Three Months Ended September 30,	
	2008	2007
Accumulated comprehensive income		
Balance at beginning of period	\$ 39,642	\$ 50,642
Other comprehensive income (loss) for the period	(70,000)	28,284
Balance at end of the period	\$ (30,358)	\$ 78,926

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

NEVADA GEOTHERMAL POWER INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)

	For the Three Months Ended September 30,	
	2008	2007
Cash flows from (used in) operating activities		
Loss for the period	\$ (2,708,701)	\$ (491,292)
Items not requiring (providing) cash:		
Amortization	20,384	5,648
Accretion of cash retirement obligation	20,295	5,480
Foreign exchange (gain) loss on marketable securities	1,423	7,284
Stock-based compensation	126,256	86,447
Adjustments to reconcile net loss to net cash used from (used in) operation activities		
(Increase) decrease in accounts receivable	(19,334)	(67,014)
(Decrease) increase in accounts payable	(9,050,796)	(2,510,984)
(Increase) decrease in prepaid expenses	(82,547)	(76,919)
	(11,693,020)	(3,041,350)
Cash flows used in investing activities		
Geothermal property interests	(4,535,177)	(3,643,490)
Restricted cash	(17,450,472)	42,828
Acquisition of capital assets	(4,115,038)	(39,717)
	(26,100,687)	(3,640,379)
Cash flows from financing activities		
Bank loan	29,503,723	-
Options exercised	63,000	77,125
	29,566,723	77,125
Increase (decrease) in cash and cash equivalents	(8,226,984)	(6,604,604)
Cash and cash equivalents, beginning of period	11,686,765	13,540,315
Cash and cash equivalents, end of period	\$ 3,459,781	\$ 6,935,711
Cash paid during the period for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

Additional Cash Flow Information (Note 14)

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

NEVADA GEOTHERMAL POWER INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Nevada Geothermal Power Inc. (“the Company”) was incorporated on April 13, 1995, under the laws of British Columbia and is currently in the development stage. The Company’s common shares are traded on the TSX Venture Exchange under the trading symbol NGP and on the OTC Bulletin Board in the United States under the symbol NGLPF.

The Company is in the process of exploring, evaluating and developing its geothermal properties. 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.

As at September 30, 2008, the Company had working capital deficiency of \$9,222,434, and had accumulated losses totalling \$16,184,788.

In the most recent quarter, the Company raised \$191 million (US\$180 million) for the continued development of its Blue Mountain power plant project. The Company’s ability to continue as a going concern is dependent upon successful completion of its geothermal projects, such as Blue Mountain, and upon its ability to attain profitable operations. However, there is no assurance that management will be successful in achieving these objectives.

These consolidated financial statements do not reflect adjustments to the carrying value of assets and liabilities, the reported expenses and other income and balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and are expressed in Canadian dollars, unless specifically indicated otherwise. They do not contain the detail or footnote disclosure concerning accounting policies and other matters, which would be included in annual financial statements, and therefore should be read in conjunction with the Company’s annual financial statements for the year ended June 30, 2008. The Company applies the same accounting policies and methods in these interim financial statements as those in the audited annual financial statements, except as noted herein:

Changes in Accounting Policies

- a) Effective July 1, 2008, the Company adopted the new CICA guidelines of Section 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation. These standards replace CIAC 3861, Financial Instruments – Disclosure and Presentation. These standards increase the disclosures currently required, which will enable users to evaluate the significance of financial instruments for an entity’s financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The quantitative disclosures must provide information about the extent to

NEVADA GEOTHERMAL POWER INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in Accounting Policies (Continued)

a) which the Company is exposed to such risk, based on information provided internally to the entity's key management personnel.

i) Financial Assets and Liabilities

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, restricted cash, marketable securities, accounts payable and accrued liabilities, deferred construction amounts payable, bank loan and cash settlement option.

Held-for-trading financial instruments include cash and cash equivalents and restricted cash are initially and subsequently recorded at fair value.

Available for sale financial assets include marketable securities that are initially and subsequently recorded at fair value. Unrealized gains and losses resulting from revaluation are included in other comprehensive income. When the assets are sold or an impairment write-down is required, the accumulated fair value adjustments recognized in equity are included in the income statement. The fair value of marketable securities is based on the market value of the quoted investments.

Amounts receivable are recorded at cost which approximates fair value due to the short-term nature of these assets.

Financial liabilities comprised of accounts payable and accrued liabilities, deferred construction amounts payable and cash settlement option are measured at fair value.

The bank loan is classified as other financial liability and is initially measured at amortized cost.

ii) Financial Instrument Risk Exposure and Risk Management

The Company is exposed in varying degrees to a number of risks arising from financial instruments. Management's close involvement in the operations allows for the identification of risks and variances from expectations. The Company does not participate in the use of financial instruments to mitigate these risks and has no designated hedging transactions. The Board approves and monitors the risk management processes. The Board's main objectives for managing risks are to ensure liquidity, the fulfillment of obligations, the continuation of the development of the Company's geothermal properties, and to limit exposure to credit and market risks. The types of risk exposure and the way in which such exposures are managed are as follows:

NEVADA GEOTHERMAL POWER INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in Accounting Policies (Continued)

ii) Financial Instrument Risk Exposure and Risk Management (Continued)

Credit Risk

Credit risk primarily arises from the Company's cash and cash equivalents, restricted cash and amounts receivable. The risk exposure is limited to their carrying amounts at the balance sheet date. Cash and cash equivalents are held as cash deposits and invested in bankers' acceptance, guaranteed investment certificates and certificates of deposit with various maturity dates. Restricted cash consists of certificates of deposit held with the Bank of the West and guaranteed investment certificates at Royal Bank of Canada. The Company does not invest in asset-backed securities. The Company periodically assesses the quality of its investments and is satisfied with the credit ratings of its banks and their certificates of deposit and guaranteed investment certificates.

Amounts receivable consist of goods and services tax recoverable and amounts due from joint-venture partner. To reduce credit risk, the Company regularly reviews the collectability of its amounts receivable and establishes an allowance based on its best estimate of potentially uncollectable amounts.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company ensures there is sufficient capital to meet short-term business requirements, after taking into account the Company's holdings of cash and cash equivalents and available cash under the bank loan. Management prepares annual operating and capital expenditure budgets which are approved by the Board of Directors and prepares cash flows and liquidity forecasts on a monthly basis.

During the quarter ended September 30, 2008, draws on cash and cash equivalents and the bank loan were used to fund costs associated with the geothermal properties. At quarter end, the Company's working capital is negative due primarily to the bank loan draw occurring subsequent to the quarter-end (see Note 15a).

Market Risk

Market risk is comprised of three components: currency risk, interest rate risk and commodity price risk.

NEVADA GEOTHERMAL POWER INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in Accounting Policies (Continued)

ii) Financial Instrument Risk Exposure and Risk Management (Continued)

a. Currency risk

The operating results and financial position of the Company are reported in Canadian dollars. The Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the Canadian dollar. The results of the Company's operations are subject to currency transaction and translation risk. The Company's US operations are not self-sustaining. Changes in the Canadian equivalent amount of US\$ denominated net assets are recorded in the statement of loss and deficit.

The Company's exploration and development costs are denominated in US dollars; fluctuations of the US dollar in relation to the Canadian dollar will have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks.

a. Interest rate risk

The Company invests its cash and cash equivalents in certificates of deposit and guaranteed investment certificates and bankers' acceptances in terms of 90 days or less in order to maintain liquidity while achieving a satisfactory return for shareholders. Fluctuations in interest rates impact the value of cash and cash equivalents. The Company manages risk by monitoring changes in interest rates in comparison to prevailing market rates.

The bank loan carries a fixed interest rate of 14% and as such, is not subject to interest rate risk.

b. Commodity price risk

The Company's commodity risk relates to power produced. The price of power is impacted by various circumstances surrounding the energy production from natural gas, nuclear, hydro, solar, coal and oil. The Company has mitigated power price risk by signing a 20-year power purchase agreement which establishes a fixed price and escalator.

- b) Effective January 1, 2008, the Company adopted the new CICA guideline of 1535, Capital Disclosures. The section specifies the disclosure of (i) an entity's objectives, policies, and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

NEVADA GEOTHERMAL POWER INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in Accounting Policies (Continued)

- c) Effective January 1, 2008, the Company adopted the new CICA guidelines of Section 1506, Accounting Changes, which establishes standards for changes in accounting policies, estimates, or errors to require a change in accounting policy to be applied retrospectively (unless doing so is impracticable or is specified otherwise by a new accounting standard), changes in estimates to be recorded prospectively, and prior period errors to be corrected retrospectively. Voluntary changes in accounting policy are allowed only when they result in financial statements that provide reliable and more relevant information.

3. RECENT ACCOUNTING PRONOUNCEMENTS

a) Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook section 3064 – “Goodwill and Intangible Assets”, which replaces Section 3062, “Goodwill and Intangible Assets,” and Section 3450, “Research and Development Costs”. This new section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets and, for the Company, is effective for annual and interim financial statements relating to fiscal years beginning on or after July 1, 2009. The Company is currently assessing the impact of this section.

b) International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board announced 2011 as the changeover date for publicly-listed companies to use International Financial Reporting Standards (“IFRS”), replacing Canada’s own generally accepted accounting principles. The specific implementation is set for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of July 1, 2011, will require restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2010. The Company has completed a preliminary review of IFRS and will be assessing the impact on the Company’s disclosure requirements.

4. CAPITAL MANAGEMENT

The Company’s objectives when managing capital are to:

- i) ensure there are adequate capital resources to safeguard the Company’s ability to continue as a going concern,
- ii) maintain adequate levels of funding to support the exploration and development of its geothermal properties,
- iii) maintain investor, creditor and market confidence to sustain future development of the business, and
- iv) provide returns to shareholders and benefits for other stakeholders

NEVADA GEOTHERMAL POWER INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(Expressed in Canadian Dollars)

4. CAPITAL MANAGEMENT (Continued)

The Company currently does not have any of its projects producing revenue. The Blue Mountain project is funded by a loan provided from Trust Company of the West ("TCW"). Revenues are expected to begin in 2010. The Pumpnickel Valley project is funded by Sierra Geothermal Power Corp. ("SGC") until they earn a 50% joint-venture interest. At that time, costs will be shared by both companies. Exploration on the Black Warrior and Crump Geyser projects are currently funded by equity financing. The TCW bank loan has been obtained to fully fund the construction of the Company's Blue Mountain project. Until the Company generates revenue, it will be dependent upon its equity to fund administration and further exploration of properties other than Blue Mountain.

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

5. MARKETABLE SECURITIES

	September 30, 2008		June 30, 2008	
	NUMBER OF SHARES	AMOUNT	NUMBER OF SHARES	AMOUNT
Sierra Geothermal Power Corp.				
Cost – common shares	400,000	\$ 144,358	400,000	\$ 144,358
Unrealized gain (loss)	-	(30,358)	-	39,642
	400,000	\$ 114,000	400,000	\$ 184,000

6. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2008	June 30, 2008
Computer equipment	\$ 96,484	94,890
Field equipment	161,485	161,630
Office furniture and equipment	60,327	59,723
Computer software	48,407	45,568
Land	156,200	155,280
	522,903	517,091
Accumulated amortization	134,152	113,768
	388,751	403,323
Assets under construction	39,045,254	18,503,200
	\$ 39,434,005	\$ 18,906,523

NEVADA GEOTHERMAL POWER INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(Expressed in Canadian Dollars)

7. INTERESTS IN GEOTHERMAL PROPERTIES

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

	Sep. 30, 2008	June 30, 2008
Blue Mountain Geothermal Project - Nevada	\$ 58,625,579	\$ 50,495,368
Pumpnickel Valley Geothermal Project - Nevada	-	-
Black Warrior Peak Project - Nevada	244,910	204,890
Crump Geyser - Oregon	515,759	485,335
	\$ 59,386,248	\$ 51,185,593

a) Blue Mountain Project, Nevada

The Company holds a 100% leasehold interest in certain lands located in Humboldt County, Nevada. The leasehold interest covers 4,445 hectares (10,984 acres) on 17 land sections. The 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 1,295 hectares (3,200 acres) out of a total of the 3,885 hectares (9,600 acres) 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 sales of energy for other uses.

At September 30, 2008 the Company has drilled four production wells capable of producing 27.5 – 29.5 (net) MW power and one of the successful production wells could be used for injection if this proves advantageous. During the quarter ended September 30, 2008, the Company drilled well 13-11 that, subject to further work, is not commercial.

The following costs have been incurred on the project:

	For the Three Months Ended Sep. 30, 2008	For the Year Ended June 30, 2008
Acquisition		
Property leases, permits and regulatory	\$ 10,179	\$ 109,738
Deferred exploration		
Geological and geophysical	213,713	1,118,713
Non-geological consulting	1,302	91,908
Drilling	4,328,379	18,629,907
Camp and field supplies	810,385	2,999,736
Reports and maps	-	38,756
Testing	81,795	697,971
Borrowing costs	2,641,596	1,103,387
Drilling advances	-	402,750
Provision for remediation	42,862	639,536
Costs incurred during the period	8,130,211	25,832,402
Balance, beginning of period	50,495,368	24,662,966
Balance, end of period	\$ 58,625,579	\$ 50,495,368

NEVADA GEOTHERMAL POWER INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(Expressed in Canadian Dollars)

7. INTERESTS IN GEOTHERMAL PROPERTIES (Continued)

b) Pumpnickel Valley Project, Nevada

The Company has private and federal geothermal leases comprising a total holding of 2,680 hectares (6,622 acres). The Company leases geothermal rights from Newmont USA and the United States Bureau of Land Management ("BLM"). Under an agreement with Ormat Nevada Inc. ("Ormat"), the Company gave a right of first refusal for the Pumpnickel project equipment in return for a BLM lease and preferred equipment pricing.

The Newmont lease grants the Company the exclusive geothermal, surface and water rights. The Company pays \$3/acre, with all rental payments creditable to royalties due upon production of:

- 3½% of gross proceeds from electrical power sales (less taxes and transmission costs);
- 5% of the gross proceeds of a sale of any substances in an arm's length transaction;
- 2% of the gross proceeds from the sale of, or manufacture, of bi-products;
- 10% of net profits from the use of substances at a commercial facility other than an electric power generating facility; and
- Substances or electrical power used by the Company for operations at an on-site electrical generating plant or other commercial facilities are not subject to royalties.

The BLM lease transferred from Ormat is encumbered by a royalty interest (0.5%) payable to Ehni Enterprises Inc.

In October 2004, the Company entered into an option agreement with Sierra Geothermal Power Corp ("SGC") under which SGC would finance up to \$5-million in exploration and development for a 50% joint-venture interest. The Company and SGC have amended the agreement twice, most recently to revise the earn-in schedule. At September 30, 2008, SGC was not current with its obligations. To complete its earn-in of the 50% joint venture interest, SGC is required to make cash payments and issue stock by December 15, 2008, as follows: (a) \$70,000; (b) reimburse exploration and development expenditures totaling \$4-million; and (c) 200,000 common shares.

NEVADA GEOTHERMAL POWER INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(Expressed in Canadian Dollars)

7. INTERESTS IN GEOTHERMAL PROPERTIES (Continued)

b) Pumpernickel Valley Project, Nevada (Continued)

The following costs have been incurred on the project:

	For the Three Months Ended Sep. 30, 2008	For the Year Ended June 30, 2008
Acquisition		
Property leases, permits and regulatory	\$ -	\$ 3,426
Deferred exploration		
Camp and field supplies	2,280	8,445
Drilling (recovery)	(7,191)	280,287
Geological and geophysical	11,855	84,616
Non-geological consulting	-	1,378
Reports and maps	-	165
Testing	4,300	1,652
Water analysis	-	1,371
Sierra Geothermal funding and option payments	(11,244)	(381,340)
Costs incurred during the period	-	-
Balance, beginning of period	-	-
Balance, end of period	\$ -	\$ -

c) Crump Geyser, Oregon

On August 1, 2005, the Company leased 2,916 hectares (7,206 acres) of geothermal land located in south-eastern Oregon. The leases are on private land and are subject to a royalty of 3.5% of the gross revenues from the availability, sale or use of electricity.

The following costs have been incurred on the project:

	For the Three Months Ended Sep. 30, 2008	For the Year Ended June 30, 2008
Acquisition		
Property leases, permits and regulatory	\$ (167)	\$ 45,246
Deferred exploration		
Camp and field supplies	2,939	1,890
Geological and geophysical	26,256	18,873
Legal and consulting (non-geological)	208	2,650
Reports and maps	1,188	314
Costs incurred during the period	30,424	68,973
Balance, beginning of period	485,335	416,362
Balance, end of period	\$ 515,759	\$ 485,335

NEVADA GEOTHERMAL POWER INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(Expressed in Canadian Dollars)

7. INTERESTS IN GEOTHERMAL PROPERTIES (Continued)

d) Black Warrior Peak Project, Nevada

The project is located in Washoe and Churchill Counties, Nevada. The Company has a total of 2,539 hectares (6,273 acres) of both private land and federal lands including water and surface rights. The private leases are subject to a royalty of 3.5% on gross revenue from electricity sales. The Company can purchase the royalty for \$1.02 million (US\$1.00 million).

The following costs have been incurred on the project:

	For the Three Months Ended Sep. 30, 2008	For the Year Ended June 30, 2008
Acquisition		
Property leases, permits and regulatory	\$ 1,494	\$ 43,627
Deferred exploration		
Camp and field supplies	3,015	1,538
Drilling	27,977	-
Geological and geophysical	7,534	58,448
Reports and maps	-	30
Costs incurred during the period	40,020	103,643
Balance, beginning of period	204,890	101,247
Balance, end of period	\$ 244,910	\$ 204,890

8. DEFERRED CONSTRUCTION AMOUNTS PAYABLE

Deferred construction amounts payable consist of \$3,192,600 million in deferred payments and holdbacks payable of \$785,513. These amounts are due on completion of the Blue Mountain construction project in approximately December 2009.

9. BANK LOAN

On November 1, 2007, the Company's wholly owned subsidiary NGP Blue Mountain I LLC ("NGP I") closed a \$20.4 million (US\$20.0 million) bridge financing with Glitnir Banki hf ("Glitnir"), secured solely by those assets related to the Blue Mountain project.

Glitnir extended the bridge loan facility of \$20.4 million (US\$20 million) for the continuing development of the up to 35 gross MW Blue Mountain project in Nevada. The proceeds of the loan financed further developmental drilling, preconstruction efforts for the geothermal power plant, the geothermal well field, related infrastructure and development costs.

In connection with the LNTP contracted with Ormat, in February 2008, the Company and Glitnir amended the loan agreement to grant a \$10.2 million (US\$10.0 million) letter of credit in favour of ORMAT. The letter of credit expired when the loan agreement matured and required payment of a commitment fee of 0.5% per annum and a letter of credit fee of 4.25% per annum, payable quarterly. On April 1, 2008, Glitnir increased the letter of credit to \$15.3 million (US\$15.0 million).

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(Expressed in Canadian Dollars)

9. BANK LOAN (Continued)

On August 29, 2008, the Company closed a financing with TCW, a New York based investment management firm, for up to \$191 million (US\$180 million). Concurrently, the Company issued a full notice to proceed ("FNTP") to Ormat, repaid the Glitnir bridge loan, and provided cash as collateral for both the \$15.9 million (US\$15.0 million) Ormat letter of credit and the \$1.5 million (US\$1.37 million) Sierra Pacific (name changed to NV Energy Inc. ("NVE") September 22, 2008) letter of credit. The cash collateral is invested in certificates of deposit at Bank of the West, an AA minus Standard & Poors rated western US bank.

The principal terms of the TCW loan are as follows:

- 14% interest per annum over a 15 year term maturing November 30, 2023;
- Interest will be capitalized prior to commercial operation and 6% interest per annum is deferrable to maturity thereafter;
- the minimum principal drawdown is \$74 million (US\$70 million);
- the principal will be repaid from available cash flow – the lender has the right to pay principal and interest with 60% of available project cash, which will increase to 100% if target loan principle balances are exceeded;
- the lender retains the right to a residual of approximately 7.5% interest in the project at maturity, the "cash settlement option";
- the last \$10.6 million (US\$10 million) of the \$191 million (US\$180 million) commitment, if drawn, results in an increase of the residual interest by 0.5% for each million drawn;
- the loan is subject to a 2% prepayment penalty prior to commercial operation and a make-whole premium equal to the net present value of the remaining payments discounted at the yield of similar maturity United States Treasury securities thereafter;
- a closing fee of \$3.8 million (US\$3.6 million) (2%) of the commitment was paid to TCW at closing.

The financing provided by TCW is secured by a pledge of all the equity interests of both NGP Blue Mountain Holdco LLC ("Holdco") and NGP Blue Mountain I LLC ("NGP I"). Holdco's assets comprise the equity interests of NGP I. Its assets include the Company's Blue Mountain leases and the electricity generation plant under construction, including project contracts related to the plant, as well as an undivided interest as a co-tenant in the transmission line that will interconnect the plant to NVE's grid and underlying real estate rights. In addition, TCW has a first priority lien on certain accounts established in connection with the financing to hold the proceeds of advances provided by TCW and revenues generated by operation of the project. TCW also has the right to require that the Company provide TCW with a first priority security interest over substantially all of the assets of NGP I if the Company does not obtain senior construction financing meeting specified requirements to replace a portion of the commitments under the TCW financing within a specified period.

On August 29, 2008, the Company allocated \$1,872,461 of the first draw-down of \$50,795,296 as the value of the cash settlement option. As at September 30, 2008, the cash settlement option was valued at \$1,898,527. The value of the option at maturity date, November 30, 2023, is estimated to be approximately \$8.9 million.

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9. BANK LOAN (Continued)

The change in the fair value for the period of \$26,066 is capitalized and is included in borrowing costs within the Blue Mountain project. The value of the option as at August 29, 2008 was estimated by an independent valuator.

The following is a summary of the components of bank loan liability as at September 30, 2008:

Loan proceeds received	\$	50,795,296
Less: value of the cash settlement option		(1,872,461)
		<u>48,922,835</u>
Accrued interest to September 30, 2008		4,546,621
	\$	<u><u>53,469,456</u></u>

10. ASSET RETIREMENT OBLIGATION

	Sep. 30, 2008	June 30, 2008
Balance, beginning of period	\$ 1,074,261	\$ 424,377
Additonal liabilities incurred	42,862	639,536
Accretion expense	20,295	21,145
Foreign exchange adjustment	10,796	(10,797)
Balance, end of period	<u>\$ 1,148,214</u>	<u>\$ 1,074,261</u>

The majority of costs attributed to these commitments and contingencies are expected to be incurred by 2030, and are to be funded mainly from the Company's cash provided by operating activities. The Company's provision for future site reclamation and closure costs is based on known United States federal and local laws and regulations concerning environmental requirements.

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11. SHARE CAPITAL

a) Authorized

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

b) Common Shares Issued and Outstanding

	SHARES	AMOUNT	CONTRIBUTED SURPLUS
Balance, June 30, 2008	94,169,504	\$ 58,881,390	\$ 4,385,478
Issued for cash			
Stock options exercised	225,000	63,000	-
Stock options exercised - stock option valuation	-	39,013	(39,013)
Compensation options granted	-	-	126,256
Balance, September 30, 2008	94,394,504	\$ 58,983,403	\$ 4,472,721

c) Stock Options

During the quarter ended September 30, 2008, the Company received \$63,000 (2007 - \$77,125) from the exercise of 225,000 (2007 – 117,500) stock options.

A summary of the changes in stock options for the quarter ended September 30, 2008 below:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Balance, June 30, 2008	8,009,000	\$ 0.78
Granted	342,000	1.06
Exercised	(225,000)	0.28
Expired	-	0.00
Balance, Sep. 30, 2008	8,126,000	\$ 0.80

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11. SHARE CAPITAL (Continued)

c) Stock Options (Continued)

As at September 30, 2008, the following stock options were outstanding:

EXERCISE PRICE	NUMBER OUTSTANDING AT SEP 30 2008	REMAINING CONTRACTUAL LIFE (YRS)	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT SEP 30 2008
\$0.28	153,000	0.31	\$0.28	153,000
\$0.35	297,000	0.65	\$0.35	297,000
\$0.65	3,575,000	3.51	\$0.65	3,575,000
\$0.80	250,000	3.84	\$0.80	250,000
\$0.81	80,000	4.01	\$0.81	80,000
\$0.90	1,423,000	2.30	\$0.90	1,423,000
\$1.02	100,000	4.78	\$1.02	100,000
\$1.03	1,341,000	4.66	\$1.03	1,266,000
\$1.08	200,000	4.87	\$1.08	200,000
\$1.10	42,000	4.83	\$1.10	-
\$1.12	410,000	4.41	\$1.12	410,000
\$1.15	255,000	4.17	\$1.15	226,250
	8,126,000	3.46	\$0.80	7,980,250

The Company has a stock option plan that provides for the issuance of options to its directors, officers, employees and consultants. The maximum number of outstanding options must be no more than 10% of the issued and outstanding shares at any point in time. During the three months ended September 30, 2008, the Company recorded \$126,256 (2007 - \$86,447) in stock-based compensation for options granted.

The exercise price of each option equals the market price of the Company's stock on the date of the grant. The options vest immediately. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2008	2007
Risk free interest rate	2.76-3.76%	4.13-4.21%
Expected life	2 years	1-2 years
Expected volatility	58-65%	57-66%
Expected dividend yield	0%	0%
Weighted average value of options granted	\$0.31	\$0.30

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11. SHARE CAPITAL (Continued)

d) Share Purchase Warrants

As at September 30, 2008, the following share purchase warrants were outstanding:

NUMBER OF WARRANTS	EXERCISE PRICE	EXPIRY DATE
3,850,000	\$ 1.10	February 12, 2009
19,202,000	\$ 1.10	February 28, 2009
<u>23,052,000</u>		

e) Agents' Compensation Units and Options

As at September 30, 2008, the following agents' compensation units and options were outstanding:

EXPIRY DATES	EXERCISE PRICE	NUMBER OUTSTANDING AT SEPTEMBER 30 2008	REMAINING CONTRACTUAL LIFE (YRS)	NUMBER EXERCISABLE AT SEPTEMBER 30 2008
AGENTS UNITS				
March 1, 2009	\$ 0.65	1,846,160	0.42	1,846,160
AGENTS OPTIONS				
November 15, 2009	\$ 1.00	1,050,000	1.13	1,050,000

f) Escrow Shares

As at September 30, 2008, there were no shares held in escrow.

12. RELATED PARTY TRANSACTIONS AND AMOUNTS OWING

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Related party transactions not disclosed elsewhere in these financial statements are as follows:

As at September 30, 2008, a total of \$528,092 (June 2008 - \$81,179) was owing to directors, officers and companies controlled by directors of the Company. This amount is included in accounts payable and accrued liabilities, is interest free, unsecured and is repayable on demand.

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12. RELATED PARTY TRANSACTIONS AND AMOUNTS OWING (Continued)

During the quarters ended September 30, 2008 and 2007, the following were paid or accrued to directors, officers, former officers and to companies controlled by directors of the Company:

	2008	2007
Consulting and wages – administration	\$ 102,500	\$ 97,326
Director fees	\$ 24,000	\$ 17,136
Consulting, including financing success fee – geothermal	\$1,051,712	\$ 54,021
Rent	\$ -	\$ 1,238

Consulting and wages are primarily comprised of salary paid to the chief executive officer and chief financial officer, who are also directors and officers of the Company, during the normal course of their employment. Geothermal consulting costs, which are capitalized, primarily result from success fees paid to a director of the Company in connection with successfully arranging the Company’s Glitnir letters of credit in support of the LNTP contracted with Ormat and the TCW loan. The Company estimates financing success fees could reach, in total, approximately \$2.65 million (US\$2.6 million).

13. COMMITMENTS

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

2009	\$ 636,173
2010	697,981
2011	703,600
2012	670,812
2013	671,295
2014 and thereafter	827,516
	\$ 4,207,377

- b) During 2006 the Company signed a 20-year power purchase agreement with NVE for continuous supply of up to approximately 35 gross megawatts of geothermal power to be produced from a new geothermal power plant to be built at the Company’s Blue Mountain geothermal site, in northern Nevada. The power will be used by the utility to serve its customers in Nevada. The PPA is secured by a cash collateralized US\$645K letter of credit issued by Royal Bank of Canada.
- c) A November 2007 Large Generator Interconnect Agreement (“LGIA”) Agreement commits the Company to provide a letter of credit that can be drawn to reimburse NVE for network upgrades in the event the Company does not achieve commercial operation within three years of completing construction of its Blue Mountain power plant. The Agreement also commits the Company to reimburse NVE’s interconnection facilities capital expenditures, estimated to reach approximately \$745,000 (US\$700,000). In February 2008, an Amendment to the LGIA Agreement resulted in a letter of credit commitment of \$1.5 million (US\$1.37-million), which was issued during September, 2008 by Bank of the West. It is cash collateralized.

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13. COMMITMENTS (Continued)

- c) In February 2008, the Company issued a \$21.3 million (US\$20.0 million) LNTP to Ormat for EPC services. The LNTP was supported by a letter of credit issued by Glitnir in the amount of \$10.6 million (US\$10.0 million). The LNTP commitment was increased on April 1, 2008, to \$28.0 million (US\$26.3 million) and concurrently the supporting letter of credit was increased to \$16.0 million (US\$15.0 million). On August 1, 2008, the Company amended the LNTP with Ormat, increasing the EPC commitment to \$34.4 million (US\$32.3 million) and extending its term to August 31, 2008.
- d) On August 29, 2008, concurrently with the TCW financing, a FNTF was issued to Ormat. It commits the Company to an approximately \$80.9 million (US\$76 million) fixed price, date certain (substantial completion at December 31, 2009), guaranteed performance EPC contract. Simultaneously the US\$ 15 million letter of credit was cash collateralized and issued by Bank of the West.

Restricted Cash (relating to collateralized amounts)

Beneficiary	Issuing Bank	USD	CDN
NV Energy – PPA	Royal Bank Of Canada	\$ 645,000	\$ 686,409
Ormat	Bank of the West	15,000,000	15,963,000
NV Energy – LGIA	Bank of the West	1,370,100	1,458,060
RBC VISA	Royal Bank of Canada	-	30,000
		<u>\$ 17,015,100</u>	<u>\$ 18,137,469</u>

- e) On September 12, 2008, the Company entered into approximately \$4.8 million (US\$4.5 million) fixed price EPC contract with Wilson Utility Construction Co. to build a 120 MW, 21 mile transmission line from the Blue Mountain power plant to the interconnection with NVE's switching station.
- f) On October 15, 2008, the Company entered into a contract with JFMPE, Inc. to provide professional services relating to the mechanical/electrical, controls engineering, and design for the gathering system at the Blue Mountain Power Plant. The estimated amount of the contract is \$258,000 (US\$243,000) plus construction inspection and other support time billed on a hourly rate.

14. ADDITIONAL CASH FLOW INFORMATION

	September 30, 2008	2007
Cash and cash equivalents is comprised of:		
Cash	\$ 225,463	\$ 509,716
Short term deposits	3,234,318	6,425,995
	<u>\$ 3,459,781</u>	<u>\$ 6,935,711</u>

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15. SUBSEQUENT EVENTS

Except as disclosed elsewhere in these consolidated financial statements, the following are significant events subsequent to September 30, 2008:

- a) Subsequent to September 30, 2008, the Company drew down a further US\$16,641,000 to pay construction and drilling expenses of the Blue Mountain project including those incurred prior to September 30, 2008.
- b) On November 3, 2008, the Company and NVE amended the PPA to improve pricing and to increase power sales, consistent with the size of the resource and the plant under construction. At this time an additional cash collateralized letter of credit was provided to NVE in the amount of approximately \$US 1.6 million.
- c) On November 12, 2008, following a review of detailed engineering, the State of Nevada issued a full CAPP permit to construct the contracted power plant.
- d) Subsequent to the quarter end, the Company began drilling wells 89-11, 58A-15 and 57-15. Well 58A-15 is complete and will be a successful injector well. The other two wells are not complete.
- e) On November 18, 2008, the Company granted 100,000 stock options, exercisable at \$0.50 per share, expiring five years from the date of grant.
- f) The Company adopted a shareholder rights plan. The objectives of the rights plan are to ensure, to the extent possible, that all shareholders of the Company are treated equally and fairly in connection with any takeover bid for the Company. Currently securities legislation only requires a takeover bid to remain open for 35 days. The board believes that this period may be insufficient for the shareholders to evaluate a bid, or for the board to pursue alternatives which could maximize shareholder value and make informed recommendations to shareholders. The rights plan was not adopted in response to, or in anticipation of, any acquisition or takeover offer. The Company is not aware of any pending or threatened takeover bid.

In order to implement the rights plan, the board of directors has authorized the issuance of the rights to holders of its common shares at the rate of one right for each common share outstanding. For administrative convenience, the rights will automatically attach to the common shares and will be represented by certificates representing the common shares. No further action will be required by the shareholders. On the occurrence of certain triggering events, which includes the acquisition by a person or a group of 20 per cent or more of the votes attached to all outstanding voting shares of the Company in a transaction not approved by the board of directors, the rights will entitle to holders to acquire new common shares of the company at a significant discount to the market price. The rights are not triggered by purchases of voting shares made pursuant to a permitted bid, which is a takeover bid made by way of a formal takeover bid circular to all holders of common shares on identical terms, which is open for a prescribed number days and is for a prescribed minimum number of the outstanding voting shares held by independent shareholders, and which permits shareholders who tender their shares to subsequently withdraw them before the closing date of the bid.

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15. SUBSEQUENT EVENTS (Continued)

The rights plan is effective upon its adoption by the board, however it is subject to acceptance by the TSX Venture Exchange and ratification by the Company's shareholders. The rights plan will be submitted to the shareholders for ratification at the Company's upcoming annual general meeting, scheduled for Dec. 4, 2008.

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Management's Discussion and Analysis
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EFFECTIVE DATE

This Management Discussion and Analysis ("MD&A") is an overview of the activities of Nevada Geothermal Power Inc. ("the Company") for the three months ended September 30, 2008 and incorporates certain information from the prior three fiscal years. In order to better understand the MD&A, it should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended June 30, 2008. These financial statements have been prepared by management in accordance with Canadian generally accepted accounting policies ("GAAP"). All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise. The effective date of this Management Discussion and Analysis is November 28, 2008. This MD&A contains statements that constitute "forward-looking statements and other cautionary notices (Refer to "Forward Looking Statements and Estimates" on page 10).

DESCRIPTION OF BUSINESS

The Company is evaluating and developing geothermal power projects, principally in Nevada and Oregon. Geothermal electricity is generated by conventional turbines, driven by hot, high pressure water and steam from underground geothermal reservoirs. Cool water is re-injected into the reservoir where it is reheated to be used again in a continuous cycle. The result is clean, renewable, sustainable electric power.

Geothermal power plants use proven technology to produce base load power for growing utilities, particularly those located in states, such as Nevada and Oregon, with Renewable Portfolio Standards ("RPS") that require generation from renewable resources. The Company's view is that demand is strong and growing from both utility and private customers, and that the value of electricity and environmental credits will increase in the future. Among sources of renewable power, geothermal is particularly attractive since it provides steady baseload electricity that is not dependent upon the weather (as it is with wind and solar).

The geothermal business offers both low revenue risk and low construction risk, as a result of public utility commitments to long term power purchase contracts and, as long as they are available, fixed price engineering, procurement and construction ("EPC") agreements. Operating risk is reduced by proven technology and annual operating costs that are modest relative to capital costs. Among the major risks are access to and the cost of capital for large investments in exploration, development and construction. The Company and/or its wholly owned US subsidiary, Nevada Geothermal Power Company ("NGPC"), holds leases on four properties: Blue Mountain, Pumpnickel and Black Warrior, all located in Nevada, and Crump Geyser located in Oregon.

OVERALL PERFORMANCE

The Company's short term strategy is the development of its Blue Mountain property, establishing revenue and earnings as well as organizational capabilities as rapidly as possible. In this regard, the Company has made significant progress.

By June 30, 2008, a third party geothermal consulting company estimated the Company's Blue Mountain resource at 40 MW (net) (90% probability), and the Company had signed a Power Purchase Agreement with Nevada Power Company (name changed to NV Energy ("NVE") on September 22, 2008) for the sale of power from production capacity of up to 35 MW (net). The Company had signed a Large Generator Interconnection Agreement ("LGIA") with Sierra Pacific Power Company (name changed to NV Energy ("NVE") on September 22, 2008) for up to 75 MW and had contracted with Ormat Nevada Inc. ("Ormat", NYSE:ORA) for construction of a 49.5 MW (gross) power plant –

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approximately 40 (net) MW. The Company had drilled four production wells capable of producing between approximately 27.5 and 29.5 MW (net) of power, and one of the successful production wells

could be used for injection if this proves advantageous. In addition, the Company had obtained all licenses and permits available without detailed engineering, issued two Limited Notices to Proceed ("LNTP") to Ormat, representing a commitment of approximately US\$26 million, and Ormat construction was approximately 14% complete.

At the end of June, as a result of changing financial market conditions, it was clear that lenders would require more time to assess a construction loan. As a result, the Company could not enter into the anticipated Full Notice to Proceed ("FNTP") with Ormat and instead committed to a third LNTP, increasing the EPC work commitment to US\$29.3 million and extended the term of LNTP work to July 31, 2008. A fourth LNTP commitment extended the LNTP term to August 31, 2008 and increased the Company's commitment to US\$32.3 million. On August 29, 2008, the Company closed a financing with Trust Company of the West ("TCW"), a major New York based investment management firm, for up to US\$180 million. Concurrently, the Company issued the FNTP to Ormat under the US\$76 million fixed price, date-certain Engineering Construction and Procurement ("EPC") contract, repaid the Glitnir Banki hf ("Glitnir") bridge loan, and provided cash collateral for a US\$15 million Ormat letter of credit and a US\$1.37 million NVE letter of credit.

During the quarter ended September 30, 2008, the Company drilled well 13-11 that, subject to further work, is not commercial and continued EPC work. At September 30, 2008, Ormat construction was 24% complete. Transmission line rights-of-way are fully contracted and the Company entered into an approximately US\$4.5 million transmission line contract with Wilson Utility Construction Co. on September 12, 2008.

Subsequent to the quarter end, the Company began drilling wells 89-11, 58A-15 and 57-15. Well 58A-15 is complete and will be a successful injector well. The other two wells are not complete. On November 3, 2008, the Company and NVE amended the PPA to improve pricing and to increase power sales, consistent with the size of the resource and the plant under construction. On November 12, 2008, following a review of detailed engineering, the State of Nevada issued a full CAPP permit to construct the contracted power plant.

On October 3, 2008, the US federal government extended production tax credits for geothermal projects until the end of 2010, favourably affecting the projected economics of the Company's project at Blue Mountain, Nevada.

GEOTHERMAL PROPERTY INTERESTS

As at September 30, 2008, the Company's geothermal property interests comprised the following:

1) Blue Mountain Geothermal Property – Humboldt County - Nevada

The property is located about 32 km (22 miles) west of the town of Winnemucca. The Company has leased the geothermal mineral interest in 17 land sections covering 4,445 hectares (10,984 acres) from the Bureau of Land Management ("BLM"), Burlington Northern Santa Fe ("BNSF"), Nevada Land and Resource Company ("NLRC"), Crawford and DeLong Ranch, and RLF Nevada Properties. The Company holds a 100% geothermal mineral interest and is entitled to explore, develop, and produce any geothermal resources located on the properties. At the property, a shallow thermal anomaly covers 10 km² (4 mi²).

Five drill pads were completed in August 2006. The first production well, 26A-14, was completed in September 2006 to a total depth of 858 m (2815 ft). A third party geothermal consulting company

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determined that data from flow-test results are indicative of a prolific well, with the potential to produce 7 MW (net) of power. On December 11, 2006, a temperature survey from 26A-14 recorded a maximum temperature of 192°C (378°F).

Drilling on a second production well, 38-14, was divided into two stages due to mechanical difficulties with the drilling rig and was completed by July 7, 2007, to a total depth of 1653m (5426 ft). The well intersected a flow of hydrothermal fluid that flashed at 110°C (230°F) at a depth of 121m (397 ft). Temperature logs recorded temperatures as high as 170°C (339°F) at 813m (2667 ft) with a reversal down to 154°C (309°F) at the bottom of the well. Well 38-14 is not a commercial producer and has not been flow tested.

A third production well, 23-14, was completed September 17, 2007, to a total depth of 1041m (3415 ft). At 1036m (3400 ft), a temperature of 190°C (374°F) was recorded. A third party geothermal consulting company determined that data from flow-test results are indicative of another prolific well, with the potential to produce 7.5 MW (net) of power.

A fourth production well, 25-14, was completed January 14, 2008 to a total depth of 722m (2370 ft). Flow testing encountered temperatures of 192°C (378°F). A third party geothermal consulting company determined that data from flow-test results are indicative of a third prolific well, with the potential to produce 7.5 MW (net) of power.

A fifth well, 44-14, was completed at the end of February and pending further work, is not commercial. The Company plans to drill the well deeper some time during 2009. A sixth step out well, 58-15, was completed May 8, 2008 and although it can be used as an injection well, the current plan is to complete it as a production well. Production and injection tests indicate the highest temperatures yet at Blue Mountain. Temperatures of 213°C (415°F) were measured and subsequent flow testing by a third party consulting firm confirmed the well will produce 5.5 MW (net) unassisted. The Company is working with pump suppliers and it is possible the well will produce 7.5 MW (net), if pumped.

A seventh well, 13-11, was completed during early October and, pending further work, is not commercial. An eighth well, 58A-15, was completed as a successful injector during November and two wells are being drilled currently.

2) Pumpnickel Geothermal Project – Humboldt County - Nevada

The Company has private and federal geothermal leases comprising a total holding of 2,680 hectares (6,622 acres). The leases include 1,275 hectares (3,151 acres) of land located approximately 16 km (10 miles) from Newmont's Lone Tree Mine and leased under an agreement with Newmont USA Ltd. On April 26, 2006, the Company entered into an agreement with Ormat whereby Ormat would transfer BLM Lease #074855 (1,405 hectares or 3,472 acres) to the Company and provide preferred equipment pricing, for a one time cost of US\$15,000 and a right of first refusal for the Pumpnickel power plant equipment. The lease is encumbered by an overriding (0.5%) royalty interest payable to Ehni Enterprises Inc. The Company was subsequently granted two outstanding BLM leases, adding another four sections of federal land.

A maximum temperature of 135°C (275°F) was recorded on bottom in a well drilled by Magma Power Company in 1974 to 919 m (3071 ft). Four thermal gradient holes drilled in September 2005, defined temperature gradients between 75-200°C/km. Geothermal water samples obtained from drilling and hot springs, analyzed by Thermochem Labs, indicate geothermometry of 220°C (428°F).

A third party geothermal consulting company completed a deep slim well design in March 2007. A seismic survey, completed in the 4th quarter of fiscal 2007, was analyzed in conjunction with the prior data and it highlighted target drilling areas.

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In September 2007, a third party consultant prepared a report regarding structural geological analysis of seismic reflection data in Pumpnickel Valley that may indicate permeable pathways for up-flowing geothermal fluids. It also helps identify potential drilling targets for geothermal exploration. Gas sampling and a thorough review of geochemical and geological data, coupled with a new gravity-seismic interpretation of structural targets, resulted in a better understanding of the reservoir and helped confirm a deep exploration well target.

Three additional thermal gradient wells were completed between March 30 and April 8, 2008. Two of these wells revealed temperature gradients slightly higher than 100°C/km. The third was the highest and this new information helped confirm a deep exploration well target. An additional study to evaluate the distribution of shallow ground temperatures was completed in September 2008.

Three exploratory water supply boreholes drilled to ~140 feet, and a subsequent fourth borehole to 280 feet, successfully identified a low total dissolved solids (TDS) groundwater source suitable for use in cooling towers, and for exploration drilling support. Four permanent water well locations have been identified.

Sierra Geothermal Power Corp., a TSX Venture listed company ("SRA") (formerly Invision Solutions Inc.), has an option to earn a 50-per-cent joint venture interest in the Pumpnickel geothermal land under lease to NGP. Under this option, Sierra Geothermal is required to make certain cash payments and to issue common shares to the Company as well as to undertake \$5-million in project expenditures over a 5 year period that began December 15, 2004. During December 2007, the agreement was amended to facilitate exploratory drilling by December 15, 2008, following thermal gradient drilling. As a result, if SRA funds the estimated exploratory drilling costs, it is anticipated they will earn 50% joint venture interest one year earlier than originally contemplated and the Pumpnickel development will advance one year faster than the original plan. The thermal gradient work is complete and confirmed previous drilling targets. A deep exploratory well is planned prior to year end 2008. As at the date of this report SRA has not funded its 2008 commitment.

3) Black Warrior Project – Washoe and Churchill Counties - Nevada

The Company has a total of 2,539 hectares (6,273 acres) of both private land and federal lands including water and surface rights. The private leases are subject to a 3.5% royalty on gross revenue from electricity sales, and the Company has an option to purchase the royalty interest for US\$1 million. A gravity survey was conducted July 14, 2007 through July 25, 2007.

Field reconnaissance and data reviews between April and August, 2008, resulted in a refined thermal anomaly contour map, that helped identify the target location for an exploration well designed to assess deep resource temperatures, fluid characteristics and geothermometry. As of August, 2008, a well pad has been graded and minor improvements to a short section of road have been completed. Future plans include further improvements to access roads and investigation of additional surface exploration methods, including geophysical procedures, a study to assess very shallow ground temperature distributions and further geological mapping.

4) Crump Geyser Project – Lake County - Oregon

The Crump Geyser project is located 48 km (30 mi) east of Lakeview, Oregon. In August 2005, the Company acquired leases at Crump Geyser, totaling 2,916 hectares (7,205 acres) of private land. The private leases are subject to a royalty of 3.5% of gross revenues from the sale or use of electricity.

In 1959, a 512m (1,680 ft) well drilled by Magma Power Company, spontaneously erupted a few days after it was abandoned. The well flowed boiling water into the air continuously for six months and

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then reverted to irregular eruptions. Although the geyser is currently plugged, boiling water still rumbles at depth and bubbles to the surface.

A three point Schlumberger resistivity survey performed in January 2006, showed a strong anomaly (highly conductive area) that appeared to be approximately 6 km² (2 mi²).

A third party geothermal consulting company reported a 20 year lifecycle for a 40MW (90% probability) geothermal resource, a most likely [model] of 60MW, and a deep reservoir temperature of 150°C ± 10°C (300°F ± 15°F), based on the results to date. A geochemist with Thermochem Labs was retained to evaluate the geothermometry and subsequently confirmed the reservoir temperature.

During May through August, 2008 a review of geochemical and thermal data, new structural mapping, and field reconnaissance identified targets for subsurface exploration: 1) shallow push-core holes, 2) shallow thermal gradient wells, and 3) several intermediate depth exploratory wells. Well designs, drilling programs and drilling permit applications are in progress and will be submitted to the Oregon Department of Geology and Mineral Industries in the fall. In August 2008, a third party consultant completed a comprehensive report covering permitting issues pertaining to leases, exploration, and power plant development in Oregon.

FINANCIAL SUMMARY

During the quarter ended September 30, 2008, the Company continued developing its Blue Mountain, Nevada property by drilling well 13-11, negotiating full financing for the project, and by continuing project engineering and procurement and issuing the Full EPC Notice to Proceed. Given the growing pace of project development, the Company's expenses and net loss grew to \$2,708,701 or \$0.03 per share compared to a loss for the quarter ended September 30, 2007, of \$491,292 (\$0.01 per share). The net loss increase primarily results from an increase in foreign exchange loss on the Company's net US\$ liability balance but higher operating expenses associated with increasing activity are also significant.

Operating expenses increased with the size and scope of operations as the Company continued to invest in its Blue Mountain project. Engineering and project management work added to the cost of drilling. Administration and consulting costs of \$411,341 (2007 – \$257,756) increased as the number of employees increased. Associated expenses also increased: office expenses \$37,652 (2007 - \$25,159) and rent and telephone costs \$32,745 (2007 - \$27,224) all increased. Convention and publishing costs as well as legal, investor relations, travel, transfer agent and regulatory fees of \$202,054 (2007 – \$177,401) also increased with the increasing activity.

The foreign exchange loss results from application of the temporal method of foreign subsidiary exchange accounting, net liabilities in US\$ and a weaker Canadian dollar, consistent with previous practice and GAAP. We note that there is no foreign exchange loss in our US\$ denominated subsidiary.

Losses are partially offset by interest income \$74,958 (2007 - \$113,827).

SELECTED ANNUAL INFORMATION

The following selected financial information was obtained from the audited consolidated annual financial statements of the Company for fiscal years ended June 30, 2008, 2007 and 2006. These financial statements were audited by Morgan & 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.

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(Rounded to the nearest thousand dollars)

For the year ended June 30		2008	2007	2006
a) Total Revenues	\$	Nil	Nil	Nil
b) (Loss) before discontinued operations and extraordinary items	\$	(3,461,000)	(2,875,000)	(1,605,000)
c) Basic and diluted loss per share	\$	(0.04)	(0.05)	(0.04)
d) Net (loss) for the year	\$	(3,461,000)	(2,875,000)	(1,605,000)
e) Basic and diluted loss per share	\$	(0.04)	(0.05)	(0.04)
f) Total assets	\$	82,933,000	39,819,000	25,825,000
g) Total long-term financial liabilities	\$	22,366,000	424,000	Nil
h) Cash dividends per share for each class of share	\$	Nil	Nil	Nil

The increasing losses and increasing net losses reflect higher expenses associated with the Company's work on its Blue Mountain power plant project development. Similarly, the increases in total assets result from a combination of the deferral of exploration costs, the investment in capital assets and the increasing cash position that has resulted from successful financing activities. On a comparative basis, the Company has increased these activities as a direct function of the successful results of its exploration program and its increasing commitment to building the Blue Mountain power plant. During the 2006/7 fiscal years, the Company raised approximately \$33 million primarily to fund the continued exploration and the development of the Blue Mountain Geothermal Project in Nevada. During the 2008 fiscal year, the Company raised approximately \$50 million (including US\$15 million as letters of credit). Consequently, total assets have increased significantly when compared to prior year totals. Long term liabilities are estimated asset retirement obligations, and the Glitnir bridge loan that was reclassified as long term at June 30, 2008, as a result of its repayment with the proceeds of the long term financing subsequent to year end.

SUMMARY OF QUARTERLY RESULTS

	Period	Revenue	Loss (Income)	Loss (income) per share
		(Unaudited)	(Unaudited)	(Basic and fully diluted) (Unaudited)
1st	Quarter 2009	\$ Nil	\$2,708,701	\$ 0.03
4 th	Quarter 2008	\$ Nil	\$1,315,598	\$ 0.02
3 rd	Quarter 2008	\$ Nil	\$1,063,578	\$ 0.01
2 nd	Quarter 2008	\$ Nil	\$590,532	\$ 0.01
1st	Quarter 2008	\$ Nil	\$491,292	\$ 0.01
4 th	Quarter 2007	\$ Nil	\$2,030,000	\$ 0.015
3 rd	Quarter 2007	\$ Nil	\$356,863	\$ 0.01
2 nd	Quarter 2007	\$ Nil	\$251,000	\$ 0.005

The loss for the disclosed periods results primarily from the Operating Expenses - people and

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associated costs - incurred in each quarter. The Company's Operating Expenses relate to the financial resources available and the development work undertaken. Consequently, observable trends may not be meaningful.

The current trend is generally increasing losses as the Company grows and develops its most advanced geothermal project at Blue Mountain. Normalized overhead expenses are growing as a result of increasing activity. The Company's cash overhead expenses, some of which are billed to the Blue Mountain project, are approximately \$700,000 per quarter. Management anticipates that the Company will incur losses until its Blue Mountain project is in commercial operation.

The loss in the first quarter of fiscal 2009 results primarily from a net liability in US\$ and an increase in the value of the US dollar as well as higher expenses associated with the Company's escalating Blue Mountain project development. The losses during 2008 are primarily the result of increasing operating expenses - people and associated costs - but the change in value of the Canadian dollar also contributes. The loss in the fourth quarter of fiscal 2007 resulted from higher administration, consulting and stock based compensation expenses, as well as a foreign exchange loss resulting from a change in the Canadian exchange rate.

TRANSACTIONS WITH RELATED PARTIES

During the quarters ended September 30, 2008 and 2007, the following payments were made or accrued to directors, officers, former officers and to companies controlled by directors of the Company:

	<u>2008</u>	<u>2007</u>
Consulting and wages - administration	\$ 102,500	\$ 97,326
Director fees	\$ 24,000	\$ 17,136
Consulting, including financing success fee - geothermal	\$ 1,051,712	\$ 54,021
Rent	\$ -	\$ 1,238

Consulting fees and wages are mainly comprised of salary paid to the CEO and CFO, who are also directors and officers of the Company, during the normal course of their employment. Geothermal consulting costs primarily result from success fees paid to a director of the Company in connection with successfully arranging with Glitnir the letters of credit in support of the LNTP contracted with Ormat and the loan with Trust Company of the West ("TCW"). These success-based financing fees are currently estimated to reach US\$2.6 million.

As at September 30, 2008, a total of \$528,092 was owing to directors, officers and companies controlled by directors of the Company. This amount is included in accounts payable and accrued liabilities, is interest free, unsecured and is payable on demand.

OFF-BALANCE SHEET ARRANGEMENTS

As at September 30, 2008, the Company had provided letters of credit to NVE under the terms of the 20-year power purchase agreement, the LGIA and also a US\$15 million letter of credit to Ormat.

As security for the NVE letter of credit, the Company placed US\$645,000 on deposit at a Canadian Chartered Bank. NVE has the right to draw upon these funds in the following circumstances: 1) if the Company fails to make any required payments under the contract; 2) if the letter of credit is not renewed by the required date or; 3) if certain conditions regarding the credit rating of the issuing financial institution are not met.

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Ormat has the right to draw upon the US\$15 million letter of credit if the Company fails to make required payments. The Ormat letter of credit is cash collateralized by US\$15 million on deposit at Bank of the West, an AA- rated US bank.

During September 2008, following full project funding by TCW, the Company cash collateralized a US\$1.37 million letter of credit in favour of NVE as required by the LGIA, secured by a further \$US1.37 million on deposit at Bank of the West.

The Note Purchase Agreement with Trust Company of the West includes a cash settled option, exercisable at the loan maturity for 1% of the option value. The option will be valued at 7.5% of the Blue Mountain project value at that time.

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

ACTUAL AND PROPOSED TRANSACTIONS

In the normal course of business, the Company evaluates geothermal properties for potential acquisitions or disposals which, if appropriate, would be presented to the Board for consideration. There were no transactions during the quarter.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Consistent with its accounting policies, during the year ended June 30, 2008, the Company began recording construction in progress that will be depreciated over the 30 year estimated life of the Company's power plant.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, restricted cash, marketable securities, accounts payable and accrued liabilities, bank loan, deferred construction payables, and cash settlement option. The bank loan is measured at amortized cost. The fair value of the remaining instruments approximates their carrying value.

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 amounts invested are in excess of amounts protected by the Canadian and US Government deposit insurance programs. As a result of cash collateralizing the Ormat and NVE letters of credit, the Company holds a large investment in certificates of deposit at Bank of the West, an AA- (S&P) rated western US bank.

OUTSTANDING SHARE DATA

The Company has authorized unlimited common shares, without par value, 25,000,000 first preferred shares, without par value, and 25,000,000 second preferred shares without par value. Refer to Note 9 of the financial statements. As at September 30, 2008, the Company had 94,394,504 common shares issued and outstanding. There are no other classes of shares issued and outstanding. As of the date of this report, the Company had 94,394,504 common shares outstanding. As at September 30, 2008, the Company had 8,126,000 stock options outstanding at various exercise prices and expiring on various future dates. As of the date of this report, the Company had 8,226,000 stock options outstanding at various exercise prices and future dates. As at September 30, 2008, the Company had 23,052,000 share purchase warrants outstanding exercisable at \$1.10 per warrant and expiring at various expiry dates. As of the date of this report, the Company had 23,052,000 share purchase warrants outstanding exercisable at \$1.10 per warrant expiring at various expiry dates. As

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at September 30, 2008, the Company had 1,846,160 agents' units, exercisable at \$0.65 per unit, expiring March 1, 2009 and 1,050,000 agents' options, exercisable at \$1.00 per option, expiring November 15, 2009. Each \$0.65 unit consists of one common share and one share purchase warrant. Each \$1.00 agent option is exercisable into one common share.

At the effective date of this MD&A, if all of these options and warrants were exercised, a total of 130,414,824 common shares would be issued and outstanding.

INVESTOR RELATIONS

In December 2006, the Company extended its contract with Pro-Edge Consultants Inc., an investor relations firm that represents companies in the resource sector. In January 2008, the Company retained the services of CCM consulting, a division of Cronus Capital Markets (CCM) Inc., to assist the Company with information-based strategies to increase market efficiencies and overall liquidity. The Company also employs Ms. Shelley Kirk as Director, Investor Relations.

CAPITAL RESOURCES AND LIQUIDITY

The Company does not have operations that generate positive cash flow. At September 30, 2008, the Company had \$3,459,781 in cash and equivalents on hand, and a working capital deficit of \$9,222,434.

The TCW loan allows draws every 30 days. Some of the Company's payables are due beyond 30 days and the Company does not draw funds until necessary. Consequently, the Company is able to manage with negative working capital and will continue to do so in order to minimize interest expense.

Cash on hand at September 30 includes approximately \$2,700,000 in the parent company accounts. In addition, the parent company has over contributed to the Blue Mountain project by approximately \$2,000,000 and can draw these funds from the TCW loan. The Company will not draw these funds until necessary, so that interest expense is minimized.

Historically the Company's activities have been funded by proceeds from private placements of the Company's securities, the exercise of incentive share purchase options and of share purchase warrants, US Department of Energy funding on certain properties, earn-in interests on certain properties, a US\$20 million bridge loan and US\$15 million letters of credit with Glitnir. The bridge loan was completely repaid from TCW financing funds on August 29, 2008.

On August 29, 2008, the Company closed a financing with TCW for up to US\$180 million. The Company believes these funds will be sufficient to complete its investment in its Blue Mountain project and, as a result, the Company is expecting to generate revenue and earnings by early 2010. The Company is dependent upon successfully raising additional funds for its continuing operations and additional projects. Historically, the Company has been able to complete all of its exploration activities and to meet its financial commitments. While it has been successful to date, there is no assurance that the Company will be successful in obtaining future funding.

RISKS AND UNCERTAINTIES

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

The Company is at risk from changes in general economic conditions and financial markets, changes

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in the price of oil, gas and electricity, changes to current favourable tax incentives with respect to production tax credits, changes in technological, and operational hazards in the Company's exploration, construction and development activities, uncertainties inherent in the resource development, the timing and availability of financing, governmental and other approvals, and other risk factors listed from time to time by the Company. These factors may impact upon the Company's ability to finance its programs and to carry out operations.

Following the year end, as a result of cash collateralizing the Ormat and NVE letters of credit, the Company holds a large investment in certificates of deposit at Bank of the West, an AA- (S&P) rated Western US bank.

The Company has re-filed its US taxes for the years 2004, 2005, and 2006, and is making certain elections that improve projected tax benefits. As of the date of this report, the Internal Revenue Service has not assessed the tax returns. In addition, the Company is evaluating certain modifications of the terms of the TCW loan, one result of which would be greater interest deductibility. A portion of the current interest charges are not deductible for tax purposes. Tax benefits are important to the Blue Mountain project economics and there is no assurance the re-filing and the loan modifications will produce the anticipated result.

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

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

FORWARD LOOKING STATEMENTS AND ESTIMATES

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

This MD&A contains estimates of geothermal resources. By its very nature, the estimation of resources is uncertain and involves subjective judgments about many factors. The accuracy of any such estimates is a function of the quality and quantity of available data, of the assumptions made

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and of the judgments used in the engineering and of the geological and of the geophysical interpretations, which may ultimately prove to be unreliable. There can be no assurance that these estimates will be accurate or that such geothermal resources can be successfully and economically exploited.

The Company is required to comply with the disclosure controls mandated by US Sarbanes Oxley legislation.

CORPORATE DISCLOSURE PRACTICES, POLICIES AND CONTROLS

The Company maintains a system of internal controls to provide reasonable assurance that assets are safeguarded and financial information is accurate and reliable. The Board of Directors has the responsibility to understand the principal risks of the business of the Company and to confirm that there are systems in place that effectively monitor and manage those risks with a view to the long-term viability of the Company. Committees of the Board presently consist of an Audit Committee, Compensation and Nominating Committee and a Governance Committee. The Audit Committee consists of three directors, all of whom are considered independent. The role of the Audit Committee is to review the Company's financial statements and the financial disclosure that is publicly disseminated, to review the systems of internal controls, and to monitor the performance and the independence of the Company's external auditors. The Compensation and Nominating Committee consists of four directors, three of whom are considered independent. The role of the Compensation and Nominating Committee is to recommend levels of executive compensation and to identify and to recommend to the Board the new director nominees at each annual meeting of the shareholders. The Governance Committee also consists of four directors, three of whom are considered independent. The role of the Governance Committee is to establish and to monitor the governance practices and procedures of the board of directors, and to monitor the effectiveness of the Board of Directors and of the Board Committees.

The board of directors has implemented the following policies:

1. Code of Business Conduct and Ethics. This policy reaffirms the Company's high standards of conduct;
2. Code of Employee Conduct. This policy reaffirms the Company's high expectations of its Members;
3. Communications and Corporate Disclosure Policy. The objective of this policy is to ensure that communications to the investing public about the Company is timely, complete, factual and accurate and broadly disseminated in accordance with all legal and regulatory requirements;
4. Privacy Policy. The purpose of this policy is to balance the privacy rights of individuals and the information requirements of private organizations; and
5. Whistle Blower Policy. The purpose of this policy is to provide the Company's employees and consultants with a mechanism by which they can raise any concerns free of any discrimination, retaliation or harassment. Copies of these policies are available from the Company.

The Company continually evaluates, under the supervision of the President and Chief Financial Officer, the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based upon this evaluation, the President and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective and that the information required to be (a) disclosed is recorded, processed, summarized and reported in a timely manner (b) disclosed in reports is accumulated and communicated to management, including the Company's President and Chief Financial Officer, to allow timely decisions regarding required disclosures.

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Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") that are designed to ensure that information required to be disclosed in its reports filed or submitted under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), the Company carried out an evaluation, under the supervision and with the participation of management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2008. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective as at June 30, 2008, at the reasonable assurance level, because of the material weaknesses described in *Management's Report on Internal Control over Financial Reporting*. The Company's internal control change, to address this material weakness, is described later in this disclosure under the heading "Remediation to Address Material Weakness".

Notwithstanding the existence of the material weakness described below, management has concluded that these consolidated financial statements fairly present, in all material respects, the Company's financial position, results of operations and cash flows for the periods presented.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the preparation and fair presentation of published consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles (Canadian GAAP), including a reconciliation of net loss to US Generally Accepted Accounting Principles (US GAAP).

The Company's internal control over financial reporting includes those policies and procedures that: (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Internal controls over financial reporting, no matter how well designed, have inherent limitations. Therefore, effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance

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with the policies or procedures may deteriorate.

Management performed an assessment of the effectiveness of the Company's internal control over financial reporting as of June 30, 2008, based on the criteria set forth in the "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The objective of this assessment was to determine whether the Company's internal control over financial reporting was effective as of June 30, 2008.

A material weakness, as defined by the Securities Exchange Commission rules, is a significant deficiency, or combination of significant deficiencies, such that there is a reasonable possibility that material misstatements of the annual or interim consolidated financial statements will not be prevented or detected. In its assessment of the effectiveness of internal control over financial reporting as of June 30, 2008, management determined that there was a control deficiency that constituted a material weakness, as described below.

Certain journal entries were prepared during the year ended June 30, 2008, by the Chief Financial Officer. While there was input from the company's external auditors and discussion of the impact of such journal entries with the Audit Committee at quarterly meetings, the process for review and approval of such journal entries was not documented and formally approved during the year ended June 30, 2008. This internal control weakness did not result in any errors being posted to the consolidated financial statements but presented some opportunity for management override of the company's internal control over financial reporting.

Based on our assessment and because of the material weakness described above, management has concluded that our internal control over financial reporting was not effective as of June 30, 2008.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of June 30, 2008 has been audited by Morgan & Company, the Company's independent registered public accounting firm, as stated in their report which appears herein.

Remediation to Address Material Weakness

The Company has evaluated alternatives, consistent with available resources, to implement a formal process to review and approve significant and complex journal entries, prepared by the Company's Chief Financial Officer - such as the loan accounting in these statements. To mitigate against the lack of segregation of duties the Company has contracted with an outside accountant to advise the Controller in preparation of complex entries. The Chief Financial Officer reviews and approves the entries, ensures full discussion with the audit committee, and ensures audit committee discussions are noted in the minutes of the Audit Committee meetings.

Changes in Internal Control over Financial Reporting

During the quarter ended September 30, 2008, there were changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting as follows:

The Company has addressed the material weakness identified at June 30, 2008, and continues to enhance its internal control over financial reporting, including strengthening general computer controls and formalizing the analysis and review of financial statement line items.

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OTHER INFORMATION

The Company's web site address is www.nevadageothermal.com. A copy of this management discussion and analysis, the 2008 audited financial statements, previously published management discussion and analysis, previously published financial statements, and other information, is available on the Company's web site or on the SEDAR website at www.sedar.com. The Company is listed on the TSX Venture Exchange with the trading symbol "**NGP**".

APPROVAL

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

DISCLAIMER

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